Text consolidated by Valsts valodas centrs (State Language Centre) with amending laws of:

21 December 2000 [shall come into force on 30 December 2000];

29 March 2001 [shall come into force on 31 March 2001];

26 June 2001 [shall come into force on 30 June 2000];

14 February 2002 [shall come into force on 15 March 2002];

22 April 2004 [shall come into force on 21 May 2004];

16 June 2005 [shall come into force on 20 July 2005];

16 March 2006 [shall come into force on 10 April 2006];

24 April 2008 [shall come into force on 28 May 2008];

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16 June 2011 [shall come into force on 1 July 2011];

8 July 2011 [shall come into force on 13 July 2011];

14 June 2012 [shall come into force on 10 July 2012];

29 November 2012 [shall come into force on 1 January 2012];

2 May 2013 [shall come into force on 1 July 2013];

6 June 2013 [shall come into force on 1 July 2013];

19 September 2013 [shall come into force on 18 October 2013];

6 November 2013 [shall come into force on 1 January 2014];

16 January 2014 [shall come into force on 17 February 2014];

21 May 2015 [shall come into force on 4 June 2015];

23 March 2017 [shall come into force on 29 March 2017];

15 June 2017 [shall come into force on 13 July 2017];

20 March 2020 [shall come into force on 22 March 2020];

17 December 2020 [shall come into force on 12 January 2021];

6 July 2021 [shall come into force on 1 August 2021];

16 June 2022 [shall come into force on 1 July 2023];

11 May 2023 [shall come into force on 1 June 2023].

If a whole or part of a section has been amended, the date of the amending law appears in square brackets at the end of the section. If a whole section, paragraph or clause has been deleted, the date of the deletion appears in square brackets beside the deleted section, paragraph or clause.

The *Saeima* 1 has adopted and

the President has proclaimed the following law:

**Commercial Law**

**Part A**

**GENERAL PRINCIPLES OF COMMERCIAL ACTIVITIES**

**Division I**

**MERCHANTS AND COMMERCIAL ACTIVITIES**

**Section 1. Merchants and Commercial Activities**

(1) A merchant is a natural person (sole proprietorship) or a commercial company (partnership and capital company) registered in the Commercial Register.

(2) Commercial activity is an open economic activity performed by merchants in their name for profit. Commercial activity is one of the types of entrepreneurial activity.

(3) Economic activities are any systematic, independent activities for remuneration.

(4) In this Law it may be specified that particular types of economic activities may only be performed by a merchant. The status of a merchant may be granted by law also to other persons.

[*14 February 2022*]

**Section 2. Legal Effect of Registration**

If a merchant is registered in the Commercial Register, an objection that an economic activity performed using the firm name registered in the Commercial Register is not a commercial activity shall not be allowed.

**Section 3. Legal Framework for Commercial Activities**

(1) Commercial activities shall be governed by this Law, the Civil Law, and other laws, and also by the norms of the international law binding on the Republic of Latvia.

(2) The provisions of the Civil Law shall be applicable to commercial activities insofar as this Law or other laws governing commercial activities do not specify otherwise.

(3) The provisions of this Law shall apply to persons who are not merchants or to economic activities that are not commercial activities if this Law or another law especially provides for it.

(4) The provisions of this Law shall not apply to agricultural production and other trade activities performed by a natural person and governed by other laws, if the person who performs them has not been registered in the Commercial Register as a sole proprietorship.

(5) The provisions of this Law shall be applicable to commercial companies of significance to national security insofar as it is not otherwise provided by the National Security Law.

[*14 February 2002; 23 March 2017*]

**Section 4. Restrictions on Commercial Activities**

(1) Restrictions on commercial activities may only be specified by law or on the basis of law.

(2) Merchants have the right to freely choose the types of commercial activities that are not prohibited by law.

(3) This Law may specify separate types of commercial activities for the performance of which a permit (licence) is necessary or which may be performed by merchants in conformity with the requirements specified by this Law.

(4) Restrictions on commercial activities for a natural person may be imposed by:

1) a ruling made within criminal proceedings by which the person is deprived of the right to perform commercial activities of all types or a specific type;

2) a ruling made within criminal proceedings or administrative offence proceedings by which the person is deprived of the right to hold certain positions.

[*14 February 2002; 29 November 2012*]

**Section 4.1 Restriction on Commercial Activity Specified for a Natural Person**

(1) If a natural person has been deprived of the right to perform commercial activities of all types or a specific type by a ruling made within criminal proceedings, the following is prohibited during the period of prohibition specified in the relevant ruling:

1) to apply himself or herself for entering in the Commercial Register as a sole proprietorship and to perform commercial activities as a sole proprietorship;

2) to be the founder of a commercial company;

3) to become a member, shareholder, stockholder of a commercial company, except when the shares, stocks or investment (capital) of the equity capital are inherited;

4) to be the secretary of a partnership or a member of a partnership with the right of representation;

5) to be a member of the executive board or supervisory board of a capital company;

6) to participate in taking a decision at the meeting of shareholders in the case specified in Section 210, Paragraph two of this Law;

7) to be a procurator, a person with a commercial power of attorney or a person who is authorised to represent a foreign merchant in activities related to a branch;

8) to be the liquidator of a commercial company;

9) to give instructions or advice to a sole proprietorship, member, shareholder or stockholder of a commercial company, a member of the executive board or supervisory board, a procurator or a person with a commercial power of attorney, or otherwise influence them.

(2) The prohibitions specified in Paragraph one of this Section shall be applicable to a natural person who has been deprived of the right to perform commercial activities of specific type only in relation to the type of commercial activity specified in the relevant ruling. If the legal status of such person allows the taking of decisions in a commercial company, he or she is prohibited to take decisions on issues which are related to the type of commercial activity specified in the relevant ruling.

(3) A sole proprietorship who has been deprived of the right to perform commercial activities of all types or specific type has the obligation to suspend his or her activities for the period of prohibition specified in the relevant ruling to the relevant extent or to terminate his or her status of sole proprietorship with or without the alienation of the undertaking.

(4) The sole shareholder or stockholder of a capital company who has been deprived of the right to perform commercial activities of all types or a specific type has the obligation to suspend activities of the company for the period of prohibition specified in the relevant ruling to the relevant extent, terminate activities of the company, or alienate the equity capital shares or stocks thereof.

(5) If a natural person has been deprived of the right to perform commercial activities of all types or specific type, he or she has the obligation to inform the merchant thereof immediately after entering into effect of the relevant ruling, but if the merchant is a commercial company – also the members, shareholders or stockholders thereof.

(6) Application of this Section is without prejudice to the provisions of Section 5 of this Law.

[*29 November 2012; 2 May 2013; 16 June 2022*]

**Section 4.2 Restrictions on Holding Positions Specified for a Natural Person**

(1) If a natural person has been deprived of the right to hold certain positions in a commercial company and its administrative bodies by a ruling made within criminal proceedings or administrative offence proceedings, the relevant natural person is not entitled to be:

1) the secretary of a partnership;

2) a member entitled to represent a partnership;

3) a member of the executive board of a capital company;

4) a member of the supervisory board of a capital company;

5) a procurator;

6) a person with a commercial power of attorney;

7) the person who is authorised to represent a foreign merchant in activities related to a branch;

8) the liquidator of a commercial company;

9) [11 May 2023 / See Paragraph 82 of Transitional Provisions];

10) an auditor.

(11) If a court has, based on a ruling made within the scope of civil proceedings, restricted the capacity to act of a natural person of legal age (due to disorders of mental nature or other health disorders, or due to dissolute or wasteful life of the person), the relevant natural person shall not be entitled to hold the positions referred to in Paragraph one, Clauses 3–10 of this Section.

(2) If a natural person has been deprived of the right to hold certain positions or if a court has restricted his or her capacity to act, such person has the obligation to inform the merchant thereof immediately after entering into effect of the relevant ruling, but if the merchant is a commercial company – also the members, shareholders or stockholders of the relevant commercial company. If the capacity to act has been restricted and trusteeship has been established for a natural person, the obligation of informing shall rely on his or her trustee who provides information without delay as soon as he or she has learned or he or she should have learned that the relevant person holds a certain position.

(3) Application of this Section is without prejudice to the provisions of Section 5 of this Law.

[*29 November 2012; 2 May 2013; 16 January 2014; 11 May 2023 /* *See Paragraph 82 of Transitional Provisions*]

**Section 4.3 Restrictions on Commercial Activities Imposed on a Natural Person in the European Union Member States, Iceland, Kingdom of Norway, and Principality of Liechtenstein**

If the restriction on commercial activities has been imposed on a natural person in a European Union Member State, Iceland, the Kingdom of Norway, or the Principality of Liechtenstein (hereinafter – the Member State), the relevant natural person is not entitled to hold the positions referred to in Section 4.2, Paragraph one of this Law.

[*11 May 2023* / *Section shall come into force on 1 August 2023.* *See Paragraph 83 of Transitional Provisions*]

**Section 5. Merchant Status and Public Law**

The provisions of public law which prohibit the performance of specific types of commercial activities or restrict the performance thereof, or also provide for certain preconditions for the performance of such type of commercial activities shall not influence the application of the provisions of private law which have arisen, have been amended or have ceased on the basis of this Law.

[*29 November 2012*]

**Division II**

**COMMERCIAL REGISTER**

**Section 6. Keeping of Commercial Register**

(1) Information as specified by law shall be entered and the documents specified by law shall be stored in the Commercial Register on the merchant and commercial activities.

(2) The Commercial Register shall be kept by a State institution authorised by law to do so (hereinafter – the Commercial Register Office).

[*22 April 2004*]

**Section 7. Transparency of Commercial Register**

(1) Everyone has a right to become acquainted with the records of the Commercial Register and the documents submitted to the Commercial Register Office.

(2) After submission of a written request, everyone has the right to receive information on the records of the Commercial Register and extracts and copies of documents present in the registration file of the merchant in printed or electronic form. The accuracy of the extract or copy of the document shall be certified in accordance with the procedures specified in laws and regulations, unless the recipient refuses such certification. When issuing a copy of a printed document in electronic form, the accuracy thereof shall be certified in accordance with the procedures specified in the Electronic Documents Law. A copy of the document in printed form shall be certified in accordance with the procedures specified in laws and regulations, if the recipient thereof has clearly requested such certification.

(3) Pursuant to a request of the recipient, an official of the Commercial Register Office shall issue a statement that the specified record in the Commercial Register has not been amended or also on the fact that a specific record has not been made in the Commercial Register.

(4) After submission of a written request, everyone has the right to receive a notice from the Commercial Register Office on each application received in the registration file of the relevant merchant. The Commercial Register Office shall send the notice on the day when the application was received. The nature of the application and the date of receipt thereof shall be indicated in the notice. The way and procedures for sending the notice shall be determined by the Cabinet.

[*24 April 2008; 2 May 2013; 6 November 2013*]

**Section 8. Contents of the Records in the Commercial Register**

(1) The following information shall be entered in the Commercial Register on a sole proprietorship:

1) firm name;

2) given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document) of the merchant;

3) legal address;

4) branch firm name, if it differs from the firm name of the merchant, and its legal address.

(2) The following information shall be entered in the Commercial Register on a partnership:

1) firm name;

2) type of partnership;

3) amount of contribution by each limited partner and the total amount of limited partner contributions;

4) given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the state and authority, which issued the document) of the members and limited partners personally liable for the partnership, but for legal persons – name, registration number and legal address;

5) the right of members of the partnership to represent the partnership individually or jointly, indicating the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document) of each member of the partnership authorised for representation, but for legal persons – firm name, registration number and legal address;

6) legal address;

7) if the partnership has been established for a specific period or for the achievement of a specific objective – the period for which it was established or the objective;

8) branch firm name, if it differs from the firm name of the partnership, and its legal address.

(3) The following information shall be entered in the Commercial Register on a capital company:

1) firm name;

2) type of capital company;

3) given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document) and position held of the members of the executive board, members of the supervisory board (if the capital company has established a supervisory board) of the capital company;

4) the right of the members of the executive board to represent the capital company individually or jointly;

5) the amount of the paid-up equity capital;

51) the amount of conditional equity capital of a joint-stock company;

6) [14 February 2002];

7) legal address;

8) if the capital company has been established for a specific period – the period for which it has been established;

9) branch firm name, if it differs from the firm name of the capital company, and its legal address.

(4) The following information shall be entered in the Commercial Register on a branch of a foreign merchant, except for that referred to in Paragraph 4.1 of this Section:

1) branch firm name, if it differs from the firm name of the foreign merchant, and the firm name of the foreign merchant;

2) legal address of the branch and the location of the foreign merchant (legal address);

3) the register in which the foreign merchant is registered, and registration number, if the law of the country of the location of the foreign merchant provides for the registration of a merchant in a register;

4) the type of foreign merchant;

5) amount of equity capital of the foreign merchant, separately indicating the amount of the subscribed and paid-up equity capital, if the foreign merchant is a capital company and this information is entered in the register of the country in which the foreign merchant is registered.

(41) The following information shall be entered in the Commercial Register on a branch of a capital company of the Member State:

1) the branch firm name if it differs from the firm name of the capital company of the Member State, and the firm name of the capital company of the Member State;

2) the legal address of the branch;

3) the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document) and scope of authorisation of those persons who are authorised to represent the capital company of the Member State in activities related to a branch.

(5) In addition to the information specified in this Section, the following information shall be entered in the Commercial Register:

1) the given name, surname, and personal identity number of the procurator (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document), and also a reference to a joint procuration or branch procuration if such has been issued, a reference to the granting of the rights referred to in Section 34, Paragraph two of this Law if such have been granted, and also the right of the procurator to represent the commercial company individually or jointly with one or several members of the executive board or members of the partnership;

2) the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document) and scope of authorisation of those persons who are authorised to represent a merchant (foreign merchant) in activities related to a branch;

3) information on the reorganisation of a merchant (foreign merchant), indicating the firm name and registration number of each company involved in the reorganisation process, the type of reorganisation and, in case of cross-border reorganisation, also the type of company of another Member State and the Commercial Register Office in which the company of another Member State has been registered;

4) information on the appointment of an administrator of insolvency proceedings (hereinafter – the administrator), indicating the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document), information on the implementation and termination of legal protection proceedings of a merchant (foreign merchant), information on the declaration and termination of the insolvency proceedings of a merchant (foreign merchant), information on the completion of bankruptcy proceedings of a merchant (foreign merchant);

41) information on the suspension or renewal of the activities of a merchant, indicating grounds for the suspension or renewal of activities;

5) information on the termination and liquidation of the activities of a merchant (foreign merchant) by indicating grounds for the termination of activities, as well as on the appointment of a liquidator by indicating the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document) thereof, but if the liquidator of a foreign merchant is a legal person – the firm name, registration number and legal address;

6) information on the entry into a group of companies contract, amendment or termination thereof by indicating the dominant and dependent company, registration number and date of entry into the contract;

7) the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document) of the guardian of a sole proprietorship or a member of a partnership with the right of representation;

71) information on the establishment of trusteeship for a sole proprietorship or a member of a partnership with the right of representation, if a court has restricted the capacity to act of the relevant person;

72) the name, registration number, and legal address of the central securities depository in which dematerialised stocks of a joint-stock company have been recorded;

8) date of making each entry.

(6) Other information shall be entered in the Commercial Register, if such is explicitly provided for by law.

(7) When registering a merchant, a branch thereof in Latvia, or a branch of a foreign merchant and a capital company of a Member State in Latvia in the Commercial Register, an individual registration number shall be assigned thereto.

[*14 February 2002; 22 April 2004; 16 March 2006; 24 April 2008; 15 April 2010; 16 June 2011; 29 November 2012; 2 May 2013; 16 January 2014; 15 June 2017; 6 July 2021; 11 May 2023; 16 June 2022*]

**Section 9. Documents to be Submitted to the Commercial Register Office and their Preservation**

(1) Documents which justify the making of an entry in the Commercial Register, and other documents specified by law shall be submitted to the Commercial Register Office. These documents shall be submitted in printed or electronic form. The original of the relevant document or an appropriately certified copy thereof shall be submitted to the Commercial Register Office. If the law provides that the signature of a person on the document (application, document to be appended to the application or another document) must be notarised, such requirement shall be deemed as complied with if the signature has been certified by a sworn notary or, if the document has been drawn up in electronic form, it has been signed with a secure electronic signature. If the law provides that the signature of a person on the document (application, document to be appended to the application or another document) must be notarised, an authorisation for another person to sign such document shall be notarised. When certifying a signature, a sworn notary shall examine the capacity to act of the person and the scope of powers of the authorised person or representative. If the document has been drawn up in electronic form and signed with a secure electronic signature, an official of the Commercial Register Office shall examine the capacity to act of the person on the basis of the data of the Population Register, as well as the scope of powers of the authorised person or representative.

(11) Public documents issued in a foreign country shall be legalised in accordance with the procedures specified in international agreements, and a notarised translation in the Latvian language shall be appended thereto. A certified translation in the Latvian language according to the laws and regulations determining the procedures by which translations of documents in the official language shall be certified shall be appended to private documents in a foreign language. A translation into a foreign language may be appended to documents to be submitted to the Commercial Register Office in the Latvian language. If an inconsistency is determined between a document submitted in the Latvian language and a translation thereof in a foreign language, a merchant or a person in the interests of whom this translation has been submitted may not use it against a third party. The third party may, in respect of the merchant or the person in the interests of whom this translation has been submitted, refer to this translation, except when the third party knew the content of the document in the Latvian language.

(2) After making amendments to the documents of incorporation of a capital company (memorandum of association, articles of association), the text of the amendments and also the full text of the document as amended must be submitted to the Commercial Register.

(3) The documents submitted to the Commercial Register Office shall be kept in the relevant Commercial Register file of the merchant. Annual statement and documents to be appended thereto shall be kept in the file only in electronic form.

(31) The Commercial Register Office shall be submitted an extract from the notarial deed book of the minutes or decision of the meeting of shareholders (stockholders) of a capital company, if it has been specified in the articles of association of the capital company that the progress of the meeting of shareholders (stockholders) shall be certified by a sworn notary.

(4) A person may indicate such address in an application to the Commercial Register Office where he or she may be reached. If the person does not have a declared or registered place of residence or an indicated address in a foreign country in accordance with the data of the Population Register, the person shall indicate such address in the application to the Commercial Register Office where he or she may be reached. The Commercial Register Office shall provide information on the address of the person indicated in the application upon a justified request of the recipient.

[*16 March 2006; 24 April 2008; 15 April 2010; 16 June 2011; 2 May 2013; 15 June 2017; 17 December 2020*]

**Section 10. Making of an Entry in the Commercial Register and Appending of Documents to the Registration File**

(1) Entries in the Commercial Register shall be made on the basis of an application of an interested person or a court ruling.

(11) The information referred to in Section 8 of this Law shall be indicated in an application. When applying for changes in the information to be entered in the Commercial Register, the changes made in accordance with Section 8 of this Law shall be indicated in the application.

(2) The signature of a person shall be notarised:

1) on the application:

a) for the registration of a merchant in the Commercial Register;

b) for the change of a member of a partnership with the right of representation or changes in the right of representation;

c) for the issuing or withdrawal of procuration or changes in the scope thereof;

d) for the appointment or removal of the liquidator of a partnership;

e) or all applications submitted, if it has been provided for in the articles of association of the capital company or in an application previously submitted to the Commercial Register Office and signed by all members;

2) on the following documents to be appended to the application:

a) on the minutes of the meeting of shareholders of a limited liability company or the supervisory board of a joint-stock company or a derivative thereof, if the decision on the election or removal of a member of the executive board of the relevant capital company has been taken;

b) on the minutes of the meeting of stockholders of a joint-stock company or a derivative thereof, if the decision on the election or removal of a member of the supervisory board of the relevant joint-stock company has been taken;

c) on the minutes of the meeting of shareholders (stockholders) of a capital company or a derivative thereof and in the new wording of the full text of the articles of association of the capital company, if a decision on amendments to the articles of association of the capital company has been taken;

d) on the minutes of the meeting of shareholders (stockholders) of a capital company or a derivative thereof, if the decision on the election or removal of the liquidator of the capital company has been taken;

e) on the division of the register of shareholders (stockholders) of a capital company;

f) on the consent of a person to hold the position of a member of the executive board of a capital company, except when the consent of the member of the executive board has been included in the application to the Commercial Register Office, and his or her signature on the application has been notarised;

g) on the consent of a person to hold the position of the liquidator of a commercial company;

h) on all the minutes of the meetings of the supervisory board of a joint-stock company or derivatives thereof, if it has been provided for in the articles of association of the joint-stock company;

i) on all the minutes of the meeting of shareholders (stockholders) of a capital company, if it has been provided for in the articles of association of the capital company.

(3) The decision to make an entry in the Commercial Register, refuse to make an entry, or to postpone the making of an entry shall be taken within three days (excluding holidays and public holidays) from the day of receipt of the application by an official of the Commercial Register Office. Within the same period, an official of the Commercial Register Office shall take the decision to make an entry in the Commercial Register on the basis of a court ruling.

(4) The decision to refuse to make an entry in the Commercial Register or to postpone the making of an entry may only be taken in such case if the application or the documents attached thereto does not conform to the provisions of the law. The decision must be substantiated. The time limit for the elimination of the deficiencies shall be indicated in the decision to postpone the making of an entry.

(5) An official of the Commercial Register shall send the decision referred to in Paragraph three of this Section to the submitter of the application within three days (excluding holidays and public holidays) from the day when the decision was taken.

(6) The submitter of the application has the right to appeal the decision of an official of the Commercial Register Office in accordance with the procedures specified by law.

(7) An entry in the Commercial Register shall be made and documents shall be appended to the registration file on the same day when the decision to make an entry or to append documents to the registration file was taken.

[*22 April 2004; 16 March 2006; 24 April 2008; 2 May 2013; 15 June 2017; 16 June 2022*]

**Section 11. Promulgation of Commercial Register Entries**

(1) All entries of the Commercial Register shall be promulgated, ensuring the initial public availability thereof online by the Commercial Register Office. The documents attached to the registration file shall be promulgated in the same way.

(2) An entry shall be regarded as promulgated on the next day after making thereof. Documents shall be regarded as promulgated on the next day after their attachment to the registration file.

(3) When promulgating entries of the Commercial Register and documents attached to the registration file, the following information shall be indicated additionally:

1) the date of making the entry of the Commercial Register;

2) the date when the document has been attached to the registration file.

[*6 July 2021 /* *Paragraph three shall come into force on 1 July 2023.* *See Paragraph 61 of Transitional Provisions*]

**Section 12. Public Access to the Commercial Register**

(1) Entries in the Commercial Register shall be in effect as to third parties from the date of their promulgation. This provision shall not apply to legal activities which are performed within 15 days after the promulgation of the entry, insofar as the third party can prove that he or she did not know or could not have known the relevant information.

(2) If the information to be entered in the Commercial Register has not been entered or has been entered but not promulgated, the person in whose interests such information should have been entered cannot use it against a third party, except when the third party knew the respective information.

(3) If the promulgated information to be entered in the Commercial Register has been entered incorrectly, a third party may, in relation to the person in whose interests such information should have been entered, refer to the information which has been entered, except when the third party knew that the information entered in the Commercial Register does not correspond to the actual legal status.

(4) If a merchant is sent information, documents or other correspondence to their legal address as entered in the Commercial Register, it shall be deemed that the merchant has received such documents, information or other correspondence, if the sender proves documentarily that such sending has been made.

[*14 February 2002; 6 July 2021*]

**Section 13. Registration Certificate**

[6 July 2021]

**Section 14. Deletion of a Merchant from the Commercial Register**

A merchant shall be deleted from the Commercial Register on the basis of:

1) an application of a sole proprietorship;

2) an application of the liquidator of a commercial company;

3) an application of the administrator in a case of insolvency proceedings;

4) an application of a commercial company for making an entry of re-organisation;

5) a court ruling.

[*24 April 2008*]

**Section 15. State Fee and Charge for the Service Provided by the Commercial Register Office**

(1) A State fee shall be paid for making entries in the Commercial Register and the attaching of documents to the registration file. The amount of the State fee may not exceed the administrative expenses for making the relevant entry and the attaching of documents to the registration file. The amount, payment procedures and reliefs of the State fee shall be determined by the Cabinet.

(2) The fee for the service indicated in the pricelist of the paid services of the Commercial Register Office shall be paid for the issuance of an extract from the Commercial Register and an extract or copy of a document from the Commercial Register file, and also for the issuance of a statement and for other services provided by the Commercial Register Office.

[*6 November 2013; 17 December 2020; 6 July 2021 /* *Amendment regarding the new wording of the second sentence of Paragraph one shall be applicable from 1 September 2021.* *See Paragraph 65 of Transitional Provisions*]

**Section 16. Term for the Submission of Information**

Information on the basis of which new entries are to be made in the Commercial Register and also the documents specified by law to be submitted shall be submitted to the Commercial Register Office within 14 days from the day when the relevant decision was taken unless otherwise specified in this Law.

[*14 February 2002*]

**Section 17. Details of a Merchant**

(1) The following details shall be included in the business letters, invoices, and other documents of a merchant in printed or electronic form, as well as on the website of the merchant:

1) the firm name of the merchant;

2) the registration number of the merchant in the Commercial Register;

3) the legal address of the merchant;

4) in relevant cases – information on whether the merchant is in the process of liquidation or insolvency.

(2) If a merchant has opened a branch, then the following shall be included in its documents in printed or electronic form in addition to the information referred to in Paragraph one of this Section:

1) the firm name of the branch if it differs from the firm name of the merchant;

2) the registration number of the branch in the Commercial Register;

3) the legal address of the branch.

(3) [16 June 2022]

[*24 April 2008; 16 June 2022*]

**Section 17.1 Disclosure Obligation**

[9 November 2017 / See Paragraph 57 of Transitional Provisions]

**Division III**

**UNDERTAKINGS, BRANCHES, AND REPRESENTATIVE OFFICES**

[*6 July 2021*]

**Section 18. Definition of an Undertaking**

An undertaking is an organisational economic unit. An undertaking includes both tangible and intangible things belonging to a merchant and also other economic benefits (values) which are used by the merchant to perform commercial activities.

[*14 February 2002*]

**Section 19. Trade Secrets**

[6 July 2021]

**Section 20. Transfer of an Undertaking**

(1) If an undertaking or an independent part thereof is transferred into the ownership or use of another person, the acquirer of the undertaking shall be liable for all the obligations of the undertaking or its independent part. However, in respect of those obligations which have arisen prior to the transfer of the undertaking or its independent part into the ownership or use of another person, and the time limit or conditions for the fulfilment of which has come into effect within five years after the transfer of the undertaking, the transferor of the undertaking and the acquirer of the undertaking shall be jointly liable.

(2) In the case of the transfer of an undertaking or an independent part thereof, claims and other rights included in the undertaking or its part shall be transferred to the acquirer of the undertaking.

(3) An agreement which is in contradiction to the provisions of this Section shall be void as to third parties.

[*14 February 2002; 22 April 2004*]

**Section 21. Transfer of an Undertaking of a Sole Proprietorship to a Partnership**

(1) If an undertaking of a sole proprietorship is transferred to a partnership which is founded by this sole proprietorship and another person, the partnership thus founded shall be liable for all the obligations of the sole proprietorship included in the undertaking.

(2) In the case of the transfer of an undertaking, claims and other rights in relation to debtors included in the undertaking shall be transferred to the partnership thus founded.

(3) An agreement which is in contradiction to the provisions of this Section shall be void as to third parties.

**Section 22. Definition of a Branch**

A branch is an organisationally independent part of an undertaking which is territorially or otherwise separated from the principle undertaking and at the location of which commercial activities are systematically performed on behalf of the merchant.

[*14 February 2002*]

**Section 23. Registration of a Branch in the Commercial Register**

(1) The opening of a branch shall be entered in the Commercial Register based on an application of a merchant.

(2) [15 June 2017]

(3) The application shall specify the legal address of a branch, including the cadastral designation of the immovable property object (building, residential property or premises), and confirm that the branch is reachable and it has legal grounds to be at the indicated legal address.

[*16 June 2011; 15 June 2017; 6 July 2021*]

**Section 24. Deletion of a Branch from the Commercial Register**

A branch shall be deleted from the Commercial Register:

1) on the basis of an application of the merchant for the closure of the branch;

2) if the merchant is deleted from the Commercial Register.

**Section 24.1 Registration of Information on a Branch of a Commercial Company in a Member State**

(1) Information on the registration of a branch of a commercial company in a Member State, changes in the information on the branch and deletion of the branch from the register of the Member State shall be registered by the Commercial Register Office on the basis of a notice which has been received in the system of interconnection of registers from the register institution of the Member State.

(2) In respect of a branch of a commercial company in a Member State, the Commercial Register Office shall register the following information:

1) firm name, if different from the firm name of the merchant, and additional firm name if there is more than one firm name of the branch;

2) legal address;

3) registration number;

4) date of registration;

5) date of entry into effect of the branch registration (if any);

6) register in which an entry on the branch of the merchant has been made.

[*6 July 2021*]

**Section 25. Branches of Foreign Merchants**

(1) The provisions of this Law shall be applied to branches of foreign merchants, insofar as it is not otherwise specified in this Section.

(2) Opening a branch of a foreign merchant shall be applied for entering in the Commercial Register on the basis of the application of the merchant.

(3) The following documents shall be appended to the application for the entry of a branch of a foreign merchant in the Commercial Register:

1) a document which certifies the registration of the merchant in the relevant country or a notarised copy of such document if the law of the country where the foreign merchant is located provides for the registration of the merchant in a register;

2) the permit to open a branch if such is provided for by law;

3) a notarised copy of the articles of association, memorandum of association or a document equivalent to such of the merchant;

4) a document which certifies the authorisation of a person to represent the foreign merchant in all activities associated with the branch, and the scope of such powers;

5) [6 July 2021].

(31) The application shall specify the legal address of a branch of a foreign merchant, including the cadastral designation of the immovable property object (building, residential property or premises), and confirm that the branch of the foreign merchant is reachable and it has legal basis to be in the specified legal address.

(4) The person who is authorised to represent a foreign merchant in activities related to a branch, a foreign merchant or the lawful representatives of such merchant shall submit an application to the Commercial Register Office for:

1) the termination of the activities of the merchant, the initiation and completion of legal protection or insolvency proceedings, tendering procedures or proceedings equivalent thereto;

2) the liquidation of the merchant, as well as re-organisation if the foreign merchant is a company;

3) the appointment of the administrator or liquidator, indicating the given name, surname of the administrator (liquidator), the address where he or she can be reached, and the scope of powers;

4) the deletion of the branch from the Commercial Register.

(41) [6 July 2021]

(5) The persons referred to in Paragraph four of this Section shall submit an application to the Commercial Register Office for any changes in the composition of such persons and the scope of their powers.

(6) The annual accounts of a foreign merchant shall be submitted to the Commercial Register Office if the law of the country where the foreign merchant is located provides for the submission of the annual statements to the register of the country where the merchant is located.

(7) All documents to be submitted to the Commercial Register Office shall have attached notarised translations in the Latvian language.

(8) [6 July 2021]

[*22 April 2004; 16 March 2006; 24 April 2008; 16 June 2011; 15 June 2017; 6 July 2021; 16 June 2022*]

**Section 25.1 Branches of Capital Companies of Member States**

(1) The provisions of this Law shall be applied to branches of capital companies of Member States, insofar as it is not specified otherwise in this Section.

(2) Opening a branch of a capital company of a Member State, changes in the information on the branch and deletion of the branch from the Commercial Register shall be applied for entry in the Commercial Register on the basis of the application of the capital company of the Member State.

(3) The application for the entry of a branch of a capital company of the Member State in the Commercial Register shall be accompanied by the documents referred to in Section 25, Paragraph three, Clauses 2 and 4 of this Law. The application shall specify the legal address of a branch of a merchant of a Member State, including the cadastral designation of the immovable property object (building, residential property or premises), and confirm that the branch of the merchant of the Member State is reachable and it has legal basis to be in the specified legal address.

(4) The annual statement referred to Section 25, Paragraph six of this Law need not be submitted if it is available at the register institution of the relevant Member State.

(5) If information on the deletion of a capital company from the relevant register is received in the system of interconnection of registers from the register institution of the Member State which keeps the register where the capital company is entered, the Commercial Register Office shall immediately make an entry in the Commercial Register on the deletion of the branch of the capital company.

[*6 July 2021*]

**Section 25.2 Representative Offices of Foreign Merchants**

A merchant of a foreign country, including a Member State, has the right to open representative offices in Latvia. A representative office is not a legal person, and it does not have the right to conduct commercial activities in Latvia.

[*6 July 2021*]

**Division IV**

**FIRM NAMES**

**Section 26. Definition of a Firm Name**

(1) A firm name is the name of a merchant entered in the Commercial Register which the merchant uses in commercial activities when concluding transactions and signing.

(2) In a narrower sense, the firm name shall be understood as a designation without reference to the type of merchant.

[*14 February 2002*]

**Section 27. Reference to the Type of Merchant**

(1) The firm name of a sole proprietorship shall contain the reference “individuālais komersants” [sole proprietorship] or its abbreviation “IK”.

(2) The firm name of a general partnership shall contain a reference “pilnsabiedrība” [general partnership] or its abbreviation “PS”. The firm name of a limited partnership shall contain a reference “komandītsabiedrība” [limited partnership] or its abbreviation “KS”.

(3) The firm name of a limited liability company shall contain a reference “sabiedrība ar ierobežotu atbildību” [limited liability company] or its abbreviation “SIA”. The firm name of a joint-stock company shall contain a reference “akciju sabiedrība” [joint-stock company] or its abbreviation “AS”.

(4) The references to the type of merchant shall be placed at the beginning or end of the firm name.

[*14 February 2002*]

**Section 28. Firm Name Distinctiveness**

The firm name of a merchant (Paragraph two of Section 26) shall clearly and specifically differ from the firm names or names which have already been entered or which have been applied for entering in the Commercial Register or other registers maintained by the Commercial Register Office.

[*14 February 2002; 15 April 2010 /*  *Amendment regarding the firm names or names which have already been entered or which have been applied for entering in other registers maintained by the Commercial Register Office shall come into force on 1 December 2010.* *See Paragraph 18 of Transitional Provisions*]

**Section 29. Restrictions on the Choice of the Firm Name**

(1) A firm name may not contain misleading information on important circumstances within the scope of commercial rights, especially on the type of merchant or commercial activities or also on the scope of commercial activities.

(2) A firm name may not be in contradiction with good morals.

(3) A firm name may not include the words “*Latvijas Republika*” [the Republic of Latvia] and their translation into a foreign language.

(4) If a firm name contains the name of an administrative territory or populated area, the firm name may not coincide with the name of the relevant administrative territory or populated area, except for the name of a homestead.

(5) A firm name may not include names of the State and local government authorities (institutions), and also words “valsts” [state] or “pašvaldība” [local government].

(6) The use of trademarks or parts thereof in a firm name shall be governed by the laws and regulations regarding trademarks.

(7) Only letters of the Latvian or Latin alphabet may be included in the writing of a firm name.

[*22 April 2004*]

**Section 30. Inclusion of Personal Names in Firm Names and the Continued Use of Firm Names**

(1) The firm name of a sole proprietorship may contain the given name or surname of the merchant. If the given name or surname of the sole proprietorship changes, he or she may also continue to use the previous firm name.

(2) The firm name of a general partnership may not contain the given name, surname or name of such persons who are not its members. The firm name of a limited partnership may not contain the given name, surname or name of such persons who are not its general partners. If the given name or surname (name) of its personally liable member the given name or surname (name) of which is included in the firm name of the partnership changes, the partnership may continue to use the current firm name.

(3) If a new personally liable member joins an existing partnership or one of the personally liable members leaves the partnership, the partnership may continue to use the current firm name. If the member whose given name, surname (name) is included in the firm name leaves the partnership, the continued use of the current firm name shall require the written consent of such member or in the case of his or her death – of the heirs.

(4) Upon the acquisition of an existing undertaking, the acquirer may continue to use the current firm name which includes the given name or surname of the previous owner, if the previous owner or – in the case of the death of the owner – his or her heirs have consented in writing to the continued use of the firm name.

(5) The provisions of Paragraph four of this Section shall be applied in cases when an undertaking is acquired on the basis of usufructuary rights, a lease or similar legal relationship.

[*14 February 2002; 22 April 2004*]

**Section 31. Alienation of Firm Names**

A firm name may only be alienated together with the relevant undertaking.

**Section 32. Firm Names of Branches**

A branch of a merchant may have its own firm name which shall contain the firm name of the merchant, the name of the branch or a reference to its location and the word “filiāle” [branch].

**Section 33. Protection of Firm Names**

A merchant whose rights are infringed in relation to the use of its firm name, may request from the infringer to terminate the use of the firm name, as well as to compensate the merchant for the losses incurred by the illegal use of the firm name.

**Division V**

**PROCURATION AND ORDINARY COMMERCIAL POWER OF ATTORNEY**

**Section 34. Procuration**

(1) Procuration is a commercial power of attorney which grants the procurator the right to conclude transactions and to perform other legal activities associated with commercial activities on behalf of a merchant, including all procedural activities in the course of legal proceedings (bringing an action, settlement, appeal of a court ruling, etc.).

(2) A procurator may alienate or pledge an immovable property or encumber it with rights in rem only if such rights have been specially granted to him or her.

(3) It may be determined in the articles of association of a capital company that the procurator shall represent the capital company together with one or several members of the executive board. It may be determined in a partnership agreement that the procurator shall represent the partnership together with one or several members of the partnership.

[*22 April 2004*]

**Section 35. Issuance of a Procuration and Restrictions on a Procurator**

(1) Only a merchant or a legal representative of such merchant may issue a procuration, moreover with a specific expression of intent.

(2) A procuration may be issued simultaneously to several persons. On the basis of such a procuration (joint procuration), the joint procurators have the right to represent the merchant only jointly.

(3) A procurator does not have the right to transfer the procuration to another person.

(4) A person who may not be a member of the executive board of a capital company in accordance with the restrictions specified in the first sentence of Section 221, Paragraph four and Section 304, Paragraph three of this Law may not be a procurator.

[*29 November 2012*]

**Section 36. Restrictions on the Scope of a Procuration**

(1) Restrictions on the scope of a procuration shall be void as to third parties.

(2) The provisions of Paragraph one of this Section shall especially apply to such restrictions of the scope of a procuration as a result of which the procuration may be used only:

1) in relation to specific transactions, specific types of transactions or their scope;

2) when certain circumstances exist;

3) for a specific period or in a specific area.

(3) The restriction of the scope of a procuration in relation to one of several branches of a merchant’s undertaking (a branch procuration) shall be in effect as to third parties only if such branches have different firm names entered in the Commercial Register.

**Section 37. Signature of a Procurator**

A procurator shall sign adding to the firm name of the merchant his or her signature and an indication of the existence of a procuration (procurator, p.p., per procura).

**Section 38. Application for Entering in the Commercial Register the Issuance of a Procuration, Changes in the Representation Rights of a Procurator and Termination of a Procuration**

(1) A merchant shall apply the issuance of a procuration for entering in the Commercial Register.

(2) If a joint procuration is issued or if the procurator has been granted the right to alienate or pledge an immovable property or to encumber it with rights in rem in the procuration, the merchant shall especially indicate this in the application for entering the procuration in the Commercial Register.

(3) Changes in the representation rights of a procurator and the termination of a procuration shall be applied by the merchant for entering in the Commercial Register.

[*14 February 2002; 16 March 2006; 15 April 2010; 15 June 2017*]

**Section 39. Termination of a Procuration**

(1) A merchant has the right to unilaterally revoke a procuration at any time irrespective of the legal relationship upon which the procuration was issued. The revocation of a procuration shall not influence the rights of a procurator to receive the contracted remuneration.

(2) After the death of a sole proprietorship, the procuration shall remain in effect.

(3) A procuration shall terminate upon the death of the procurator.

[*14 February 2002*]

**Section 40. Ordinary Commercial Power of Attorney**

(1) If a merchant authorises some other person to perform commercial activities, conclude specific types of transactions related to the commercial activities performed by the merchant or to conclude separate transactions related to the commercial activities performed by the merchant in his or her name without issuing a procuration, such a power of attorney (an ordinary commercial power of attorney) shall relate to all lawful activities which are usually directed to the performance of such commercial activities or the concluding of such transactions.

(2) A person with a commercial power of attorney may alienate or pledge an immovable property or encumber it with rights in rem, undertake commitments under bills of exchange, take loans or represent the merchant in court only if such rights have been especially granted to them.

(3) Any other restrictions on the authorisation granted to a person with a commercial power of attorney shall be in effect as to third parties only if they were aware or should have been aware of such restrictions.

**Section 41. Representatives Authorised to Conclude Transactions**

(1) The provisions of Section 40 of this Law shall also be applicable to those persons with a commercial power of attorney who are commercial agents or who, as employees of a merchant, have been entrusted to conclude transactions in the name of the principal outside its undertaking.

(2) The power of attorney issued to the persons with a commercial power of attorney referred to in Paragraph one of this Section does not give them the right to amend the concluded transactions.

(3) The persons with a commercial power of attorney referred to in Paragraph one of this Section:

1) may receive payments if they are authorised to do it;

2) shall be considered as authorised to accept notices on the deficiencies in goods, the supply of goods and other similar notices with the assistance of which a third party exercises or keeps their rights in relation to the improper fulfilment of commitments, as well as exercise the right to the securing of evidence belonging to the principal.

**Section 42. Employees of a Merchant at the Place of Selling the Goods or Provision of Services**

Employees of a merchant who work in a place where goods are sold or services are provided shall be considered to be authorised to sell such goods or provide such services and to perform other legal activities associated with such which are usually performed at such places.

**Section 43. Signature of a Person with a Commercial Power of Attorney**

A person with a commercial power of attorney shall sign, adding to the firm name of the merchant an addition which indicates the existence of a power of attorney. A person with a commercial power of attorney may not add to his or her signature additions which may create a misleading impression regarding the existence of a procuration.

**Section 44. Further Transfer of a Commercial Power of Attorney**

A person with a commercial power of attorney may transfer the power of attorney granted to him or her further to another person only if such rights have been specially granted to him or her.

**Division VI**

**COMMERCIAL AGENT**

**Section 45. Definition of a Commercial Agent**

A commercial agent is a merchant who has been authorised to permanently conclude transactions with third parties in the name and to the benefit of another person (principal) or also to prepare transactions for conclusion.

**Section 46. Form of Commercial Agency Contract**

A commercial agency contract shall be concluded in writing.

**Section 47. Obligations of a Commercial Agent**

(1) A commercial agent shall, by taking into account the interests of the principal, take care of the conclusion of transactions or their preparation for conclusion.

(2) A commercial agent shall transfer to the principal all the necessary information and documents. A commercial agent has a special obligation to inform the principal without delay about of the conclusion of each transaction or its preparation for conclusion.

(3) A commercial agent shall fulfil his or her obligations with the due care of a diligent merchant and comply with the reasonable instructions of the principal.

(4) An arrangements which is contrary to the provisions of this Section shall be void.

**Section 48. Obligations of a Principal**

(1) The principal shall transfer to the commercial agent documents (samples, drawings, price lists, advertising brochures, transaction regulations and others) which are necessary for the commercial agent to fulfil his or her obligations.

(2) The principal has a special obligation to notify a commercial agent without delay of:

1) his or her consent to such transaction which the commercial agent has prepared for conclusion, or refusal to conclude such a transaction;

2) the non-execution of such transaction which the commercial agent has concluded or has prepared for conclusion;

3) a significant decrease in the volume of transactions if the principal anticipates such a decrease in comparison with the volume upon which the commercial agent could usually rely.

(3) An arrangement which is contrary to the provisions of this Section shall be void.

**Section 49. Remuneration of a Commercial Agent**

(1) If remuneration has not been contracted for, a commercial agent has the right to receive such remuneration as is normally paid in the relevant area for the conclusion of equal or similar transactions or their preparation for conclusion. If there is no such a standard, a commercial agent has the right to a reasonable remuneration which shall be determined by taking into account all the circumstances associated with the relevant transaction.

(2) The remuneration to be disbursed to a commercial agent or its part which fluctuates according to the number or value of transactions is a commission.

(3) The provisions of Sections 50–52 of this Law shall be applied to the commercial agent remuneration insofar as the remuneration is entirely or partly paid in the form of a commission.

**Section 50. Rights of a Commercial Agent to Commission**

(1) A commercial agent has the right to commission for a transaction which has been concluded during the period of validity of the commercial agency contract, if such transaction has been concluded as a result of his or her activities or with a person whom the commercial agent has previously attracted as a client for transactions of the same kind.

(2) If a commercial agent has been entrusted to operate in a specific geographical territory or with a specific group of clients, he or she has the right to commission also for such transactions which, during the period of validity of the commercial agency contract, have been concluded with a client who belongs to such geographical territory or group of clients without his or her participation.

(3) In relation to transactions which are concluded after the commercial agency contract has expired a commercial agent has the right to commission only if:

1) the transaction has been concluded primarily because of his or her activities which were performed during the period of validity of the commercial agency contract, and such transaction was concluded within a reasonable period after the commercial agency contract expired;

2) prior to the expiration of the commercial agency contract, the commercial agent or the principal had received an offer from a third party regarding the concluding of such a transaction for which the commercial agent has the right to commission in accordance with the provisions of Paragraph one or two of this Section.

(4) A commercial agent does not have the right to a commission in accordance with the provisions of Paragraph one or two of this Section, if it is due to the previous commercial agent in accordance with the provisions of Paragraph three of this Section, except when special circumstances justify the equitable division of the commission between these commercial agents.

**Section 51. Setting in of the Deadline for the Payment of Commission**

(1) A commercial agent has the right to commission as soon as and to the extent the principal has executed the transaction. The parties may also agree on different provisions, however, from the moment when the principal has executed the transaction, the commercial agent has the right to an appropriate advance payment which shall be paid not later than on the last day of the next month. Irrespective of such an arrangement, the commercial agent has the right to commission as soon as and to the extent the third party has executed the transaction.

(2) If a principal has executed a transaction, but it is clear that the third party will not execute the transaction, the right of the commercial agent to commission expires. In such case, the commercial agent has the obligation to return the amounts already received.

(3) A commercial agent has the right to commission also when it is clear that the principal has not fully executed the transaction or has executed it only partially, or has not executed the transaction in such a way as it was concluded. The right of a commercial agent to commission in the case of non-execution of the transaction shall expire only if and to the extent the cause of such non-execution was circumstances independent of the principal.

(4) The commission shall be disbursed not later than on the last day of the month in which, in accordance with the provisions of Section 52, Paragraph one of this Law, the principal has the obligation to calculate the commission due to a commercial agent.

(5) An arrangement which is contrary to the first sentence of Paragraph two of this Section and also the provisions of Paragraphs three and four of this Section shall be void if it degrades the position of the commercial agent.

**Section 52. Calculation of Commission**

(1) A principal has the obligation to calculate the amount of commission due to a commercial agent each month. The calculation period may be extended for not longer than up to three months. The calculation shall be made without delay, but not later than within one month after the end of the calculation period.

(2) A commercial agent may, upon receipt of a calculation, request an extract from the accounting on all transactions for which he or she has the right to commission. A commercial agent also has the right to request information which is of significant importance in respect of the right to receive a commission, the setting in of its payment deadline and the calculation of the commission.

(3) If the issuing of an extract from the accounting is refused for a commercial agent or justified doubts have arisen of the correctness or completeness of the calculation or the extract from the accounting, the commercial agent may request the principal to allow, pursuant to his or her choice, the commercial agent or a sworn auditor selected by them to become acquainted with the accounting and other documents insofar as is necessary to determine the correctness or completeness of the calculation or the extract from the accounting.

(4) Arrangements which revoke or restrict the rights of a commercial agent referred to in this Section shall be void.

**Section 53. Del credere**

(1) A commercial agent who undertakes to guarantee the fulfilment of the commitments of a third party (the other party to a transaction) has the right to special remuneration (del credere). An arrangement that revokes these rights in the future shall be void.

(2) The guarantee referred to in Paragraph one of this Section may only pertain to specific transactions or also to such transactions with specific third parties which the commercial agent has concluded or which he or she has prepared for concluding. A guarantee contract shall be concluded in writing.

(3) The right of a commercial agent to del credere arises at the moment of concluding the relevant transaction.

[*14 February 2002; 22 April 2004*]

**Section 54. Reimbursement of Expenditures**

A commercial agent may request the reimbursement of the expenditures associated with his or her commercial activities only if it is normally so accepted within the scope of commercial rights.

**Section 55. Limitation Period**

The limitation period for claims arising from the commercial agency contract shall expire within four years, counting from the end of that calendar year in which they arose.

**Section 56. Right to Retainer**

(1) An arrangement in which a commercial agent waives a lawful right to retainer in the future shall be void.

(2) After expiry of the commercial agency contract, a commercial agent may retain the documents transferred at this or her disposal only in relation to the commission (remuneration) disbursable to him or her or the reimbursement of the expenditures associated with his or her commercial activities.

**Section 57. Notice on the Termination of a Commercial Agency Contract**

(1) If a commercial agency contract is entered into for an indefinite period, each of the parties to the contract may terminate the commercial agency contract by complying with the following notice periods:

1) one month, if the commercial agency contract is terminated in its first year of validity;

2) two months, if the commercial agency contract is terminated in its second year of validity;

3) three months, if the commercial agency contract is terminated in its third year of validity;

4) four months, if the commercial agency contract is terminated in its fourth or subsequent years of validity.

(2) Arrangements for shorter notice periods shall be void. If longer notice periods are contracted, the notice period specified for the principal may not be shorter than the notice period specified for the commercial agent.

(3) Unless contracted otherwise, the commercial agency contract shall be terminated at the end of the calendar month.

(4) A commercial agency contract which is entered into for a specific period and which both parties continue after the expiration of the contracted period shall be considered to be have been entered into for an indefinite period. When determining the length of the notice period in accordance with Paragraphs one and two of this Section, the total length of the contractual relations shall be taken into account.

[*22 April 2004*]

**Section 58. Notice on Immediate Termination**

(1) Both parties may, at any time, give a notice on the termination of the commercial agency contract without complying with the notice period if there is an important reason for it. An arrangement which revokes or restricts such right to give a notice on termination shall be void.

(2) If the notice on the immediate termination of the commercial agency contract has been given due to such actions for which the other party is liable, it shall have the obligation to compensate the losses which have arisen in relation to the termination of the contract.

**Section 59. Right to an Indemnity or Compensation for Losses**

(1) After expiry of a commercial agency contract, a commercial agent may request a relevant indemnity from the principal, if and insofar as:

1) the principal gains substantial benefits from transaction relations with new clients which were attracted by the commercial agent even after the expiry of the commercial agency contract;

2) the commercial agent loses, due to expiry of the commercial agent in connection, the right to a commission or remuneration which he or she would have had for the transactions already concluded or to be concluded in the future with the clients attracted by him or her if the commercial agency contract relations were continued;

3) the payment of indemnity, taking into account all the circumstances, is to be expected from the principal on the basis of fairness.

(2) Within the meaning of Paragraph one, Clauses 1 and 2 of this Section, the attraction of new clients shall mean also such significant increase in the volume of transaction relations with the existing clients of a principal which corresponds to the attraction of new clients in economic terms.

(3) The amount of indemnity may not exceed the average annual commission or other average annual remuneration, which is calculated for the last five of the years of activities of the commercial agent. If the commercial agency contract relations have existed for a shorter period, the average annual commission or other average annual remuneration shall be calculated for this shorter period.

(31) A commercial agent has the right to compensation for losses incurred due to the expiry of a commercial agency contract, especially to compensation for unearned expenses and investments which the commercial agent has made upon a proposal of the principal while performing the commercial agency contract.

(4) A commercial agent does not have the right to claim indemnity or compensation for losses if:

1) he or she has provided a notice on the termination of the commercial agency contract, except when the actions of the principal have given a substantiated reason for the notice of termination or the commercial agent cannot continue his or her activities due to old age or illness;

2) the principal has provided a notice on the termination of the commercial agency contract for such important reason the basis of which is an action of the commercial agent who is at fault;

3) based on an arrangement between the principal and the commercial agent, a third party has replaced the commercial agent in the commercial agency contract relations. Such an arrangement may not be concluded prior to expiry of the commercial agency contract.

(5) The parties may not agree on waiving the rights specified in this Section to request the indemnity or compensation for losses prior to the expiry of the commercial agency contract. The limitation period for a claim for indemnity or compensation for losses shall expire within a year after expiry of the commercial agency contract.

[*22 April 2004*]

**Section 60. Obligation of a Commercial Agent to Keep Trade Secrets**

Even after expiry of the commercial agency contract, a commercial agent is prohibited from using or disclosing to third parties trade secrets which are entrusted to him or her or of which he or she has become aware in relation to his or her activities for the benefit of the principal.

**Section 61. Restriction on Competition**

(1) An arrangement by which the professional activities of a commercial agent are restricted after expiry of the commercial agency contract (restrictions on competition) shall be entered into in writing.

(2) A restriction on competition may relate only to the geographical territory or the group of clients entrusted to the commercial agent and is restricted to the field of activities in which he or she cared for the conclusion of transactions or their preparation for conclusion. The time limit for the restrictions on competition may not exceed two years after expiry of the commercial agency contract.

(3) A principal has the obligation to pay a relevant remuneration to a commercial agent for the period of competition restrictions.

(4) A principal may, at any time, waive the restrictions on competition in writing before the expiry of the commercial agency contract. In such case, the obligation of the principal to pay the remuneration referred to in Paragraph three of this Section shall expire six months after the date of notifying the waiver. If the principal provides a notice on the termination the commercial agency contract due to such important reason the basis of which is an action of the commercial agent who is at fault, the commercial agent shall lose the right to receive remuneration.

(5) If a commercial agent has cancelled the commercial agency contract due to such important reason the basis of which is an action of the principal who is at fault, the commercial agent may waive the restrictions of competition in writing within one month after the notice of the termination of the commercial agency contract.

(6) An arrangement which is contrary to the provisions of this Section shall be void if it degrades the position of the commercial agent.

**Section 62. Restrictions on Authorisations of a Commercial Agent**

(1) The provisions of Section 41 of this Law shall be applicable also to such commercial agent who has been authorised to conclude transactions by a principal who is not a merchant.

(2) A commercial agent shall be, also if he or she is not authorised to conclude transactions, considered as authorised to accept notices on any deficiencies of goods, the delivery of goods, and other similar notices with the assistance of which third parties exercise or reserve their rights in relation to the unsatisfactory fulfilment of a commitment, as well as exercise the right to secure evidence belonging to the principal.

(3) The restrictions on the rights of a commercial agent referred to in Paragraph one of this Section shall be binding on third parties only if they were aware or should have been aware of such restrictions.

**Section 63. Insufficiency of Authorisation**

(1) If a commercial agent who has been authorised only to prepare transactions for conclusion concludes a transaction in the name of the principal, and the third party is not aware that the commercial agent is not authorised for this, it shall be considered that the principal has approved the transaction if the principal, after the commercial agent or the third party has notified him or her of the conclusion of the transaction and its contents, has not repudiated such transaction without delay.

(2) The provisions of Paragraph one of this Section shall also apply to cases when a commercial agent who is authorised to conclude transactions has concluded such a transaction in the name of the principal as he or she was not authorised to conclude.

**Division VII**

**BROKER**

**Section 64. Definition of a Broker**

(1) A broker is a merchant who engages in intermediation for concluding transactions for the benefit of other persons, not being permanently associated with such persons through contractual relations.

(2) The provisions of this Chapter shall not apply to persons who conduct stock exchange transactions.

**Section 65. Final Text of a Transaction Document**

(1) A broker has the obligation to, without delay after concluding a transaction, submit to each of the parties to the transaction the final text of the transaction document certified by the broker in which the parties to the transaction, the subject matter of the transaction and the provisions of the transaction are indicated, unless the parties to the transaction have released the broker from this obligation.

(2) In transactions which are not to be executed immediately, the final text of the transaction document shall be submitted to the parties to the transaction for signing, and each of the parties shall submit to the other party a signed transaction document.

(3) If one party to the transaction refuses to accept or sign the final text of a transaction document, a broker has the obligation to inform, without delay, the other party about it.

**Section 66. Reserved Tasks**

(1) If one party to a transaction accepts the final text of a transaction document according to which a broker reserves the right to later indicate the other party to the transaction, it shall have binding transaction relations with the other party to the transaction indicated later by the broker, unless justified objections are raised against the latter.

(2) A broker has an obligation to indicate to the other party to the transaction within the time limit specified, but if such is not specified – within a time limit appropriate for the relevant circumstances.

(3) If a broker does not indicate the other party to the transaction within the time limit specified in Paragraph two of this Section or justified objections may be raised against the other party to the transaction, then the first party to the transaction has the right to request the execution of the transaction from the broker. Such right shall expire if, pursuant to a request of the broker, the first party to the transaction fails to notify without delay of whether it shall request the broker to execute the transaction.

**Section 67. Storage of Samples**

(1) If goods have been sold through the intermediation of a broker pursuant to a sample which was transferred to the broker, he or she has an obligation to store this sample until the goods are accepted without objections regarding their characteristics or the transaction is executed in some other way. Samples shall be labelled with a relevant label.

(2) A broker does not have the obligation to store samples, if he or she is released from this obligation under the practices, taking into account the type of the relevant goods, or by the parties to the transaction.

**Section 68. Receipt of Fulfilment**

A broker is not considered to be authorised to receive payments or any other fulfilment specified in a transaction concluded with his or her intermediation.

**Section 69. Liability of a Broker**

A broker shall be liable towards each of the parties to a transaction for the losses which have been caused due to his or her fault.

**Section 70. Remuneration of a Broker**

(1) The right to the remuneration of a broker shall arise at the moment of concluding a transaction.

(2) If the parties to a transaction have not agreed which of them has the obligation to pay the remuneration of a broker, they shall pay the remuneration in equal parts.

**Section 71. Reimbursement of Expenditures**

A broker may request the reimbursement of expenditures incurred thereby only if such rights have been specifically contracted for.

**Section 72. Journal of Transactions**

(1) A broker has the obligation to keep a journal of transactions and enter all concluded transactions therein on a daily basis, indicating the information referred to in Section 65, Paragraph one of this Law. The broker shall enter the records in chronological order and sign them every day.

(2) Entries in a journal of transactions must be complete, accurate, timely entered, understandable and systematically arranged.

(3) If the entries in a journal of transactions are corrected, the original content of them must be visible, and every correction must be specially indicated and certified with a signature. Corrections may not be made in such a way that it cannot be understood when and why they have been made.

(4) A journal of transactions may be kept in electronic form if such procedures for the accounting of transactions corresponds to the regulations for properly conducted accounting and the provisions of Paragraphs one, two and three of this Section. In such case, a data image in a readable form and, where necessary, an extract thereof must be provided to a third party.

(5) A journal of transactions shall be stored in the archives of the broker for five years after the end of that calendar year in which the last entry was made. These provisions shall be accordingly applied if the journal of transactions is kept in electronic form.

**Section 73. Extracts from a Journal of Transactions**

(1) A broker has the obligation to, at any time upon request of any of the parties to the transaction, issue extracts certified with his or her signature from the journal of transactions in which all the information entered in the journal of transactions on the transaction which has been concluded for the benefit of such persons through the intermediation of the broker are indicated.

(2) A court may request the presentation of a journal of transactions.

**Part B**

**MERCHANTS**

**Division VIII**

**SOLE PROPRIETORSHIP**

**Section 74. Sole Proprietorship**

A sole proprietorship is a natural person who is entered as a merchant in the Commercial Register.

**Section 75. Registration of a Sole Proprietorship**

(1) A natural person who performs economic activities has the obligation to apply himself or herself for entering in the Commercial Register as a sole proprietorship if the annual turnover from economic activities performed by him or her exceeds EUR 284 600, or the economic activities performed by him or her conforms to the activities of a commercial agent (Section 45 of this Law) or activities of a broker (Section 64, Paragraph one of this Law), or the economic activities performed by him or her conform to the following features:

1) the annual turnover from such activities exceeds EUR 28 500;

2) for the performance of economic activities, he or she simultaneously employs more than five employees.

(2) A natural person may apply himself or herself for entering in the Commercial Register as a merchant also in the absence of the circumstances referred to in Paragraph one of this Section.

(3) The basis for the entry of a sole proprietorship in the Commercial Register shall be an application of a natural person to the Commercial Register Office.

(4) The application shall specify the legal address of an individual merchant, including the cadastral designation of the immovable property object (building, residential property or premises), and certify that the individual merchant is reachable and it has legal basis to be at the specified legal address.

[*14 February 2002; 16 March 2006; 24 April 2008; 15 April 2010; 16 June 2011; 19 September 2013; 15 June 2017; 6 July 2021*]

**Section 76. Right of a Sole Proprietorship to Use a Firm Name and Liability**

(1) A sole proprietorship may conclude transactions which are associated with commercial activities by using his or her firm name and also be a plaintiff and a defendant in a court.

(2) A sole proprietorship shall be liable for his or her commitments with the whole of his or her property.

(3) The limitation period for claims against a sole proprietorship which arise from the performance of his or her commercial activities shall expire within three years after his or her deletion from the Commercial Register if the claim is not subject to a shorter limitation period.

(4) If the deadline or condition for the fulfilment of commitments of a sole proprietorship comes into effect after the sole proprietorship has been deleted from the Commercial Register, the limitation period for a claim of a creditor shall commence from the moment when the deadline or condition for the fulfilment of commitments sets in.

**Division IX**

**GENERAL PARTNERSHIP**

**Chapter 1**

**General Provisions**

**Section 77. Definition of a General Partnership**

(1) A general partnership is a partnership the purpose of which is the performance of commercial activities through the use of a joint firm name and in which two or more persons (members) have united on the basis of a partnership agreement, without limiting their liability against creditors of the general partnership.

(2) The provisions of the Civil Law for partnership agreements shall be applicable to a general partnership (hereinafter in this Division – the partnership) insofar as this Chapter does not specify otherwise.

**Section 78. Application for Entering in the Commercial Register**

(1) The foundation of the partnership shall be applied for entering in the Commercial Register.

(2) The address entered in the Commercial Register shall be regarded as the legal address of the partnership.

(21) The application shall specify the legal address of the partnership, including the cadastral designation of the immovable property object (building, residential property or premises), and certify that the partnership is reachable and it has legal basis to be at the specified legal address.

(3) Changes in the firm name of the partnership and also a new member joining the partnership shall be applied for entering in the Commercial Register.

(4) All members of the partnership have the obligation to sign the applications referred to in Paragraphs one, two and three of this Section.

(5) [15 April 2010]

[*22 April 2004; 16 March 2006; 15 April 2010; 16 June 2011; 15 June 2017; 6 July 2021*]

**Chapter 2**

**Mutual Relations between Members**

**Section 79. Partnership Agreement**

The mutual relation between the members of the partnership shall be considered in accordance with the provisions of the partnership agreement. If there are no such provisions, the provisions of Sections 80–88 of this Law shall be applicable.

**Section 80. Reimbursement of Expenditures and Losses**

(1) If a member of the partnership, when handling matters of the partnership, covers the necessary expenditures on his or her own account or suffers losses which directly arise from the record-keeping of the partnership or the risk associated therewith, the partnership has the obligation to reimburse such expenditures and losses thereto.

(2) When reimbursing expenditures and losses, the partnership has the obligation to also pay the statutory interest which shall be calculated from the moment when the expenditures and losses referred to in Paragraph one of this Section arose.

**Section 81. Obligation of a Member of the Partnership to Pay Interest**

(1) If a member of the partnership has failed to pay his or her monetary contribution within the specified period or has not transferred cash collected to the cashier’s office of the partnership, or also has taken money from the cashier’s office of the partnership without authorisation, he or she has the obligation to pay the statutory interest from the day when the payment of the contribution had to be made or when the money had to be transferred, or also when the money was taken without authorisation.

(2) The payment of interest does not release the member of the partnership from the obligation to reimburse losses.

**Section 82. Prohibition of Competition**

(1) A member of the partnership may not, without the consent of the rest of the members, conclude transactions in the sector of commercial activities of the partnership or be a personally liable member in another partnership which performs the same commercial activities.

(2) Consent to participation in another partnership referred to in Paragraph one of this Section shall be deemed as given if, when the partnership was founded, the rest of the members were aware of such participation in another partnership and they did not specifically object to it.

(3) If a member of the partnership violates the provisions of Paragraph one of this Section, the partnership has the right to request reimbursement of losses or the recognition of the relevant transactions as concluded in the name of the partnership, and the transfer of the income gained or the right to claim thereto to the partnership. The rest of the members of the partnership shall decide on the bringing of such action.

(4) The limitation period for claims referred to in Paragraph three of this Law shall expire within three months from the day when the rest of the members of the partnership have become aware of a violation of the prohibition of competition, but not later than within five years from the day of committing the violation.

**Section 83. Record-keeping of the Partnership**

(1) All members of the partnership have the right and obligation to participate in the record-keeping of the partnership.

(2) If the record-keeping of the partnership is entrusted to one member of the partnership or to several members of the partnership (record-keepers) in accordance with the partnership agreement, the rest of the members shall not participate in the record-keeping of the partnership.

(3) If the record-keeping of the partnership is entrusted to all or several members, then each of them has the right to act individually. Individual actions shall not be allowed if another record-keeper objects to it.

(4) If the partnership agreement stipulates that members to whom the record-keeping of the partnership has been entrusted may act only jointly, for each transaction the consent of all the record-keepers shall be necessary, unless a risk of delay exists.

**Section 84. Scope of Record-keeping Powers**

(1) The scope of record-keeping powers of the partnership shall include any actions which are associated with the usual commercial activities of the partnership.

(2) The consent of all members of the partnership shall be necessary for actions which exceed the usual commercial activities of the partnership.

(3) A procuration may be issued only with the consent of all record-keepers of the partnership, unless a risk of delay exists. The procuration may be revoked by any record-keeper of the partnership.

**Section 85. Revocation of Record-keeping Powers**

(1) The record-keeping powers of a member of the partnership may be revoked by a court ruling on the basis of a relevant claim by the rest of the members, if there is an important reason for it.

(2) A gross violation in the performance of obligations and the inability to properly keep records of the partnership shall be especially considered to be important cause.

**Section 86. Control Rights of Members**

(1) Any member of a partnership may, at any time, ascertain the course of partnership matters, become acquainted with the accounting and other documents of the partnership, and also prepare for themselves a report on the state of the property, balance sheets and annual statement of the partnership.

(2) Arrangements which are contrary to Paragraph one of this Section shall be void.

**Section 87. Taking of a Decision**

(1) To take a decision the consent of all those members of the partnership who have the right to take the relevant decision shall be necessary.

(2) If a partnership agreement specifies that a decision must be taken by a majority of votes, then, in case of doubt, the majority shall be determined according to the number of members in the partnership.

[*14 February 2002*]

**Section 88. Profits and Losses**

(1) The profits and losses of the partnership shall be determined at the end of every reporting year based upon the annual statement of the partnership which has been approved by the members of the partnership.

(2) The profits and losses of the partnership shall be divided between members in proportion to their contribution (capital) shares in the partnership. The profit share calculated for each member of the partnership shall be added to his or her contribution (capital) share, on the other hand, in the case of losses, his or her contribution (capital) share shall be reduced by the amount of calculated loss.

(3) If a member of the partnership has not paid in his or her contribution which he or she should have paid in accordance with the partnership agreement until the division of profits, the contribution together with interest shall be withheld from the profit share due to the member.

(4) A member of the partnership may request the disbursement of his or her profit share if it does not harm the partnership and his or her contribution (capital) share has not decreased.

[*14 February 2002*]

**Chapter 3**

**Relations of Members of the Partnership with Third Parties**

**Section 89. Existence of the Partnership in Relation to Third Parties**

(1) The partnership shall be existing in relation to third parties from the moment when it is entered in the Commercial Register.

(2) If the partnership has concluded its transactions already before its entry in the Commercial Register, the partnership shall be deemed to have existed from the moment when the transaction was concluded.

(3) An arrangement on the fact that the partnership shall be deemed to exist at a later time shall be void as to third parties.

**Section 90. Legal Status of the Partnership**

(1) The partnership may, through the use of its firm name, acquire rights and undertake commitments, acquire property rights and other rights in rem, and also be a plaintiff and defendant in a court.

(2) Recovery may be directed against the property of the partnership only under a court ruling in the case where the partnership is the defendant.

**Section 91. Representation of the Partnership**

(1) Every member of the partnership has the right to represent the partnership in relations with third parties, unless they have been excluded from representation under the partnership agreement.

(2) A partnership agreement may specify that all or several members of the partnership are entitled to represent the partnership only jointly (joint representation). These members may authorise one member or several members from among themselves to conclude specific transactions or specific types of transactions. The intent of a third party shall be deemed to be expressed as to the partnership if it has been expressed to at least one of its members who is entitled to represent the partnership.

(3) [22 April 2004]

(4) The exclusion of a member of the partnership from representation, determination of joint representation in accordance with the provisions of Paragraphs two and three of this Section, and also any changes in the representation powers of the members of the partnership shall be applied for entering in the Commercial Register. It is the obligation of all members of the partnership to sign these applications.

[*22 April 2004*]

**Section 92. Scope of Representations**

(1) The representation by members of the partnership shall apply to all transactions and other lawful activities, including the alienation and encumbering with rights in rem of an immovable property, and also the issuing and revocation of a procuration.

(2) Restrictions on the scope of representation shall be void as to third parties.

(3) The provisions of Paragraph two of this Section shall specially apply to such restrictions on the scope of representation in conformity with which representation shall be conducted:

1) in relation to specific transactions or specific types of transactions;

2) when certain circumstances exist;

3) for a specific period or in a specific geographical territory.

(4) If joint representation is entered in the Commercial Register, it shall not be deemed to be a restriction on the scope of representation.

(5) Restrictions on the scope of representation in relation to one of several branches of a partnership undertaking (branch representation) shall be in effect in relation to third parties only if these branches have a different firm name entered in the Commercial Register.

**Section 93. Revocation of Representation**

(1) The representation of a member of the partnership may be revoked by a court ruling on the basis of a relevant claim of the rest of the members, if there is an important reason for it.

(2) A gross violation in the fulfilment of obligations and also the inability to properly represent the partnership shall be especially considered to be an important reason.

**Section 94. Personal Liability of the Members of the Partnership**

(1) Members of the partnership shall be personally liable for the commitments of the partnership with all of their property as joint debtors.

(2) Arrangements which are contrary to the provisions of Paragraph one of this Section shall be void as to third parties.

**Section 95. Objections of Members of the Partnership**

(1) If an action has been brought against a member of the partnership for the fulfilment of the commitments of the partnership, he or she has the right to raise objections not associated with himself or herself only to such an extent as the partnership could raise them.

(2) A member of the partnership may refuse to satisfy a claim of a creditor, while:

1) the partnership has the right to contest the transaction which is the basis for the commitment of the partnership;

2) the creditor may satisfy their claim by an offset in respect of the fulfilment of an enforceable claim of the partnership.

(3) On the basis of a court ruling which has come into legal effect in a case where the only defendant is the partnership, recovery may not be directed against the property of a member of the partnership.

**Section 96. Liability of a New Member of the Partnership**

(1) A member of the partnership who joins an already existing partnership shall be jointly liable with other members of the partnership in accordance with the provisions of Sections 94 and 95 of this Law also for the commitments of the partnership which have arisen before he or she joined the partnership.

(2) Arrangements which are contrary to the provisions of Paragraph one of this Section shall be void as to third parties.

**Chapter 4**

**Termination of the Partnership and the Withdrawal of a Member of the Partnership**

**Section 97. Basis for the Termination of the Partnership and the Withdrawal of a Member of the Partnership**

(1) The partnership shall be terminated:

1) when the period for which it was founded expires;

2) by a decision of the members of the partnership;

3) with the commencement of bankruptcy procedures;

4) by a court ruling.

(2) Unless the partnership agreement specifies otherwise, the basis for the withdrawal of a member of the partnership shall be:

1) the death of the member of the partnership;

2) the declaration of the member of the partnership as insolvent;

3) a notice of termination of the member of the partnership;

4) the expulsion of the member from the partnership;

5) other reasons specified in the partnership agreement.

**Section 98. Termination of the Partnership by a Court Ruling**

(1) The partnership founded for a specific period may be terminated before the end of the specific period and the partnership founded for an indefinite period may be terminated by a court ruling on the basis of a relevant claim of a member of the partnership, if there is an important reason for it.

(2) Important reason shall especially exist in situations where another member of the partnership violates significant obligations imposed upon him or her by the partnership agreement in bad faith or by allowing gross negligence or such obligation have become impossible to fulfil.

(3) Arrangements which revoke or restrict the right to request the termination of the partnership shall be void.

**Section 99. Notice of Termination by a Member of the Partnership**

(1) If the partnership is founded for an indefinite period, a member of the partnership has a right to withdraw from the partnership, providing a notice of the termination of the partnership agreement not later than six months before the end of the reporting year.

(2) In the final settlement between the partnership and the leaving member, the status of the property of the partnership at the end of the reporting year referred to in Paragraph one of this Section shall be taken into account.

**Section 100. Partnerships Founded for an Indefinite Period**

Within the meaning of Sections 98 and 99 of this Law, partnerships which are founded for an indefinite period shall also be partnerships which:

1) were founded until the death of a member of the partnership;

2) upon the expiration of the period for which they were founded, they tacitly are continued.

**Section 101. Expulsion of a Member of the Partnership Pursuant to a Request of His or Her Creditor**

If a creditor of a member of the partnership is unable to satisfy his or her claim within six months by directing the recovery against the property of the member of the partnership, he or she has the right to bring an action to a court for the expulsion of the member from the partnership and the satisfaction of the claim of the creditor from the sum which would have been disbursed to the member of the partnership if the partnership had been terminated at the moment of bringing the action.

**Section 102. Expulsion of a Member of the Partnership Pursuant to a Request of the Other Members of the Partnership**

(1) In cases when the right to bring an action for the termination of the partnership has arisen to the members of the partnership in accordance with the provisions of Section 98 of this Law, they may instead request the expulsion of the member at fault from the partnership.

(2) In the final settlement between the partnership and the expelled member, the status of the property of the company at the moment of bringing the action referred to in Paragraph one of this Section shall be taken into account.

**Section 103. Transfer of an Undertaking of the Partnership to Another Member of the Partnership**

If there are two members in the partnership and one of them withdraws in accordance with the provisions of Sections 99, 101, and 102 of this Law, the partnership shall be terminated without liquidation and the undertaking of the partnership shall transfer to the other member of the partnership who has the obligation to apply itself for entering in the Commercial Register as a sole proprietorship, by accordingly applying for the deletion of the partnership from the Commercial Register.

**Section 104. Heirs Joining the Partnership**

(1) In case of the death of a member of the partnership, his or her heir has the right to become a member of the partnership, if this is specified in the partnership agreement or if all members of the partnership agree to it.

(2) If the partnership agreement stipulates that only one of the heirs may become a member of the partnership, but this person or the way in which this person shall be selected is not specified, the member of the partnership may appoint this person based on a will.

(3) If the heir or the heirs are granted the status of a limited partner with the consent of the rest of the members of the partnership, it shall be deemed that the partnership has been transformed into a limited partnership, and it shall be applied for entering in the Commercial Register. An heir shall acquire the right to such profit share as had the deceased member of the partnership. The partnership agreement may specify the reduction of the profit share due to the heir, if the profit share due to the deceased member had been increased in accordance with the partnership agreement, taking into account his or her activities or increased responsibility.

(4) If an heir does not wish to or cannot become a member of the partnership or the other members of the partnership do not agree to it, the heir has the right to receive that which would have been due to the deceased member of the partnership (estate-leaver) in conformity with his or her part of the estate at the moment of final settlement if the partnership were liquidated at the moment of opening the succession.

(5) An heir may submit an application to the partnership for joining the partnership within three months after the moment of opening the succession.

(6) If an heir who has joined the partnership withdraws or the partnership is terminated or he or she has been granted the status of a limited partner within the term specified in Paragraph five of this Section, the heir shall be liable according to general procedures for the commitments of the partnership which have arisen before his or her withdrawal, the termination of the partnership or the granting of the status of a limited partner.

[*14 February 2002*]

**Section 105. Application for the Termination of the Partnership and Entry of the Withdrawal of a Member of the Partnership in the Commercial Register**

(1) The termination of the partnership shall be applied for entering in the Commercial Register by indicating the reason for the termination of the partnership in the application. It is the obligation of all members of the partnership to sign such an application.

(2) If the partnership is terminated with the commencement of bankruptcy procedures, the termination of the partnership shall be entered in the Commercial Register on the basis of a court ruling.

(3) The provisions of Paragraph one of this Section shall be accordingly applied to the application for entering in the Commercial Register of the withdrawal of a member of the partnership. The expulsion of a member of the partnership from the partnership shall be entered in the Commercial Register on the basis of a court ruling.

(4) If the basis for the termination of the partnership or the withdrawal of a member of the partnership is the death of the member of the partnership, it is the obligation of all other members of the partnership to sign the application for entering in the Commercial Register of the termination of the partnership or the withdrawal of a member of the partnership.

[*15 June 2017*]

**Chapter 5**

**Liquidation of the Partnership**

**Section 106. Necessity for the Liquidation of the Partnership**

The partnership shall be liquidated after the termination of the partnership, except when a different way of final settlement is laid down in the partnership agreement or also the partnership has been declared as insolvent.

**Section 107. Entering of a Liquidator in the Commercial Register**

(1) Liquidators shall be applied for entering in the Commercial Register. It is the obligation of all members of the partnership to sign such an application. Similarly, any changes in the composition of liquidators or in the scope of their representations shall be applied for entering in the Commercial Register. A written consent of each liquidator to be a liquidator shall be appended to the application. The liquidator shall indicate in the consent the firm name and the registration number of the partnership the liquidator of which he or she agrees to become.

(2) In case of the death of a member of the partnership, the applications referred to in Paragraph one of this Section shall be signed by the other members of the partnership.

(3) [15 April 2010]

(4) [2 May 2013]

[*16 March 2006; 15 April 2010; 2 May 2013*]

**Section 108. Several Liquidators**

(1) If liquidation is conducted by several liquidators, they have the right to perform the activities associated with the liquidation only jointly, unless it has been specified that the liquidators may perform these activities separately. Such a provision shall be applied for entering in the Commercial Register.

(2) Liquidators may authorise one or more liquidators from among themselves to conclude specific transactions or specific types of transactions. The intent of a third party shall be deemed to be expressed in relation to the partnership if it has been expressed to at least one liquidator.

**Section 109. Void Restrictions on Powers of a Liquidator**

Restrictions on the powers of a liquidator shall be void as to third parties.

**Section 110. Instructions from Members of the Partnership**

Liquidators have the obligation to comply with such instructions which, in relation to the record-keeping of the partnership, have been adopted unanimously by the members of the partnership.

**Section 111. Signature of a Liquidator**

Liquidators shall sign by adding his or her signature and an indication regarding the liquidation of the partnership to the firm name of the partnership.

**Section 112. Division of Partnership Property**

(1) After the settlement of debts, liquidators shall divide the remainder of the property of the partnership between the members of the partnership in conformity with the amount of their investment (capital) shares as specified in the closing balance sheet of the partnership.

(2) Cash which is not necessary during the liquidation shall be divided conditionally between the members of the partnership. The funds necessary to cover the commitments the deadline or condition for the fulfilment of which has not set in and to cover disputed commitments, and also to secure such sums as are due to the members of the partnership at the final settlement shall be withheld.

(3) If a dispute should arise between the members of the partnership over the division of the property of the partnership, liquidators have the obligation to postpone the division until the dispute is resolved.

**Section 113. Other Types of Settlement**

If the members of the partnership have agreed on another type of final settlement, third parties shall be, insofar as undivided partnership property still exists, subject to the relevant provisions of this Chapter.

**Section 114. Legal Relations of the Members of the Partnership**

Until completion of the liquidation, the provisions of Chapters 2 and 3 of this Division shall be applicable to the existing mutual relations between the members of the partnership and the relations of the partnership with third parties, insofar as it is not specified otherwise in this Chapter or does not arise otherwise from the purpose of liquidation.

**Section 115. Application for the Deletion of the Partnership from the Commercial Register**

(1) After the end of liquidation, all the liquidators of the partnership have the obligation to apply for the deletion of the partnership from the Commercial Register.

(2) Documents of the partnership shall be transferred for storage to one of the members of the partnership or to a third party in Latvia, agreeing upon the place of storage thereof with the National Archives of Latvia. Documents of the partnership that with archival value shall be transferred for storage to the National Archives of Latvia in accordance with the provisions of the Archives Law.

(3) Members of the partnership and their heirs retain the right to become acquainted with the accounting and other documents of the partnership and also to use them. The right to use the documents transferred to the National Archives of Latvia is stipulated by the Archives Law.

[*14 February 2002; 29 November 2012*]

**Chapter 6**

**Limitation Period and Restrictions on Liability**

**Section 116. Claims against a Member of a Partnership**

(1) The limitation period for claims arising from the commitments of the partnership against a member of the partnership shall expire within three years after the termination of the partnership, if the claim against the partnership is not subject to a shorter limitation period.

(2) The limitation period shall commence from the day when the termination of the partnership is entered in the Commercial Register.

(3) If the deadline or condition for the fulfilment of the commitments of the partnership comes into effect after the termination of the partnership has been entered in the Commercial Register, the limitation period for a claim of a creditor shall commence from the moment when the deadline or condition for the fulfilment of commitments sets in.

(4) Interruption of the limitation period in relation to a terminated partnership shall be in effect also in relation to those members of the partnership who participated in it at the time of termination.

**Section 117. Liability of Such Member of a Partnership Who has Withdrawn from the Partnership**

If a member of a partnership withdraws from the partnership, he or she shall be liable only for those commitments of the partnership which have arisen before his or her withdrawal and the deadline or condition for the fulfilment of which has come into effect before his or her withdrawal or within five years after withdrawal, counting from the day when the withdrawal of the member of the partnership was entered in the Commercial Register.

**Division X**

**LIMITED PARTNERSHIP**

[*14 February 2002*]

**Section 118. Definition of a Limited Partnership**

(1) A limited partnership is a partnership (hereinafter in this Division – the partnership) the purpose of which is the performance of commercial activities through the use of a joint firm name and in which two or more persons (members) have united on the basis of a partnership agreement if the liability of at least one of the members of the partnership (limited partner) towards the creditors of the partnership is limited to the amount of their contribution, but the liability of the other personally liable members of the partnership (general partners) is not limited.

(2) The provisions of this Law for general partnerships shall be applied to a limited partnership, unless specified otherwise in this Division.

[*14 February 2002*]

**Section 119. Application for Entering in the Commercial Register**

[15 June 2017]

**Section 120. Relationships between the Members of the Partnership**

If the partnership agreement does not specify otherwise, the provisions of Sections 121–125 of this Law shall be applied to the relationships between members of the partnership.

**Section 121. Record-keeping of the Partnership**

(1) Limited partners do not have the right to participate in the record-keeping of the partnership.

(2) Limited partners do not have the right to object to the actions of a general partner, except in the case when these actions exceed the scope of the usual commercial activities of the partnership.

[*14 February 2002*]

**Section 122. Prohibition of Competition**

The provisions of Section 82 of this Law shall not be applicable to a limited partner, except when the right to keep records of the partnership has been granted thereto under the partnership agreement or it has other significant influence on record-keeping of the partnership.

[*14 February 2002*]

**Section 123. Right of Control**

(1) A limited partner has the right to, at any time, request a written report on the status of the property of the partnership and to verify its accuracy by becoming acquainted with the accounting and other documents of the partnership.

(2) On the basis of a relevant claim brought by a limited partner, a court may request from the partnership a written report on the status of the property of the partnership (copies of the balance sheet and annual statement), as well as the presentation of accounting and other documents of the partnership, if there is an important reason for it.

[*14 February 2002*]

**Section 124. Profits and Losses**

(1) In relation to limited partners, the provisions of Section 88, Paragraphs one, two, and three of this Law shall be applied.

(2) The profit share of the partnership which is due to a limited partner shall be included in their capital share until it reaches the specified amount of contribution.

(3) A limited partner shall participate in losses only to the amount of their capital share and contribution not yet made.

[*14 February 2002*]

**Section 125. Disbursement of Profit Share**

(1) A limited partner may request the disbursement of the profit share due them, except when their capital share in relation to the specified amount of contribution has decreased as a result of losses or also would decrease as a result of the disbursement of the profit share due them.

(2) A limited partner does not have the obligation to return the profit share disbursed to them in relation to further losses of the partnership.

[*14 February 2002*]

**Section 126. Representation of the Partnership**

A limited partner does not have the right to represent the partnership in relations with third parties.

[*14 February 2002*]

**Section 127. Liability of Limited Partners**

Limited partners shall be liable towards the creditors of the partnership in the amount of their contribution until the contribution is made. Such liability shall be excluded as soon as the contribution has been made.

[*14 February 2002*]

**Section 128. Amount of Liability of Limited Partners**

(1) After entering the partnership in the Commercial Register, the amount of the liability of limited partners in relation to the creditors of the partnership shall be determined in conformity with the amount of their contribution entered in the Commercial Register.

(2) An arrangement of the members of a partnership according to which a limited partner is released from making a contribution or the making of a contribution is postponed shall be void as to creditors.

(3) Insofar as the contribution of a limited partner has been repaid to them, such shall be deemed to have not been made in relation to the creditors of the partnership. This provision is in force also if a profit share has been disbursed to the limited partner when their contribution (capital) share in relation to the amount of contribution made has decreased as a result of losses or also insofar as their contribution (capital) share in relation to the specified amount of contribution has decreased as a result of the disbursement of the profit share.

[*14 February 2002*]

**Section 129. Liability of a Limited Partner When Joining the Partnership**

(1) If a limited partner joins an existing partnership, he or she shall be, in accordance with the provisions of Sections 127 and 128 of this Law, liable for those commitments of the partnership which have arisen before he or she joined the partnership.

(2) Arrangements which are contrary to the provisions of Paragraph one of this Section shall be void as to third parties.

[*14 February 2002*]

**Section 130. Reduction of Contributions**

The reduction of the contribution of a limited partner, while it has not been entered in the Commercial Register, shall be void as to creditors. A reduction of the contribution of the limited partner does not apply to a creditor the claim of which has arisen before the reduction of contribution is entered in the Commercial Register.

[*14 February 2002*]

**Section 131. Application for Entering Change of Contribution in the Commercial Register**

An increase or decrease of a contribution shall be applied for entering in the Commercial Register. It is the obligation of all members of the partnership to sign such an application.

**Section 132. Liability of Limited Partners Before the Entry of the Partnership in the Commercial Register**

(1) If a partnership has commenced its transactions before its entry in the Commercial Register, each limited partner who has agreed to the commencement of transactions shall be liable as a general partner for the commitments of the partnership which have arisen before the entry of the partnership in the Commercial Register, except when the creditor was aware of their participation in the partnership as a limited partner.

(2) If a limited partner joins an existing partnership, the provisions of Paragraph one of this Section shall be correspondingly applied to those commitments of the partnership which have arisen in the period between their joining and their entering in the Commercial Register as a limited partner.

[*14 February 2002*]

**Section 133. Death of a Limited Partner**

In the case of the death of a limited partner, his or her heirs continue to participate in the partnership if the partnership agreement does not specify otherwise.

[*14 February 2002*]

**Division XI**

**CAPITAL COMPANY**

**Chapter 1**

**General Provisions**

**Section 134. Definition of a Capital Company**

(1) A capital company (hereinafter in this Division – the company) is a commercial company the equity capital of which consists of the total sum of the nominal values of the equity capital shares or stocks (hereinafter in this Division – the shares).

(2) A capital company is a limited liability company or a joint-stock company.

(3) A limited liability company is a private company the shares of which are not publicly tradable objects.

(4) A joint-stock company is a public company the shares (stock) of which may be publicly tradable objects.

**Section 135. Legal Status of the Company**

(1) The company is a legal person.

(2) The company shall be deemed to be founded and shall acquire the status of a legal person from the date when it is entered in the Commercial Register.

**Section 136. Shareholder**

(1) The shareholder is a person who has been entered in the register of shareholders (stockholders), unless it has been otherwise specified in the law.

(2) Founders shall acquire the status of a shareholder from the date when the company is entered in the Commercial Register.

(3) Within the scope of this Division, the term “shareholder” shall mean the shareholder of a limited liability company and a stockholder of a joint-stock company.

[2 May 2013]

**Section 136.1 Obligation of a Shareholder to Notify the Company of the Beneficial Owner Thereof**

(1) A shareholder shall, immediately but not later than within two weeks upon receipt of a request of the executive board, notify the company of the beneficial owner thereof who exercises control through the shareholder (hereinafter in this Section – the beneficial owner).

(2) If a shareholder fails to submit the required information to the company within the term specified in Paragraph one of this Section:

1) the shareholder shall have no voting rights, and, when determining the norm of representation, the votes of the respective shareholder shall not be taken into account;

2) the company shall not pay out any dividends to the shareholder.

(3) If the executive board has not submitted the information provided by a shareholder about the beneficial owner to the Commercial Register Office in accordance with the procedures and within the term laid down in the law, the relevant information can be submitted to the Commercial Register Office by the shareholder.

(4) If the Commercial Register Office registers the beneficial owner on the basis of the application of a shareholder, the restrictions specified in Paragraph two of this Section shall be void.

(5) A court may exclude a shareholder from the company on the basis of a request of the company if the shareholder has failed to submit to the company the notice referred to in Paragraph one of this Section and has failed to submit to the Commercial Register Office the application referred to in Paragraph four of this Section.

(6) If a shareholder is excluded, his or her shares shall transfer to the company which has the obligation to disburse the excluded shareholder his or her contribution determined in accordance with the provisions of Section 156, Paragraph two of this Law.

[*16 June 2022*]

**Section 137. Limitations of the Liability of the Company**

(1) The company shall be liable for its commitments with the whole of its property.

(2) The company shall not be liable for the commitments of a shareholder.

(3) A shareholder shall not be liable for the commitments of the company.

**Section 138. Company with Supplemental Liability**

(1) The company may be founded as the company with supplemental liability in which at least one of the shareholders is liable personally with the whole of their property for the commitments of the company.

(2) In the documents of incorporation of the company with supplemental liability, all persons who are liable personally for the commitments of the company with the whole of their property shall be indicated. These persons shall be entered in the Commercial Register.

**Section 139. Legal Address of the Company**

(1) The address entered in the Commercial Register shall be the legal address of the company. If the legal address changes, the executive board shall submit an application to the Commercial Register Office for making the relevant entry.

(2) The executive board shall specify in the application the legal address of the company, including the cadastral designation of the immovable property object (building, residential property or premises), and certify that the company is reachable and it has legal basis to be at the specified legal address.

[*16 March 2006; 16 June 2011; 6 July 2021*]

**Chapter 1.1**

**Restrictions for the Conclusion of a Transaction with the Founder, Shareholder, Member of the Executive Board or Supervisory Board of the Company and Related Person**

[15 June 2017]

**Section 139.1 Person Related to the Founder of the Company, Shareholder, Member of the Executive Board or Supervisory Board**

[15 June 2017]

**Section 139.2 Conclusion of a Transaction with the Founder, Shareholder or Related Person**

[15 June 2017]

**Section 139.3 Conclusion of a Transaction with a Member of the Executive Board, Supervisory Board or Related Person**

[15 June 2017]

**Chapter 2**

**Founding of Companies**

**Section 140. Founders of the Company**

(1) The founder of the company shall be a natural person, legal person or partnership which has performed the activities for the founding of the company or on whose behalf the founding activities have been performed.

(2) The company may be founded by one or several founders.

[*22 April 2004*]

**Section 141. Procedures for the Founding of the Company**

(1) When founding the company, founders shall perform the following activities:

1) draw up and sign the documents of incorporation of the company in accordance with Section 142 of this Law;

2) establish the administrative bodies of the company and, if it is intended in the company, appoint an auditor;

3) pay up the equity capital and organise the deposit of the cash of the founders into the payment account;

4) organise the valuation of property contributions (if property contributions are made);

41) record the dematerialised stocks of a joint-stock company in the central securities depository if the articles of association provide for the registration of stocks in accounts;

5) pay the State fee for entry in the Commercial Register;

6) submit an application to the Commercial Register Office.

(2) The founders may request an inspection of the founding of the company in the cases and according to the procedures laid down in Section 150 of this Law.

(3) Unless the memorandum of association provides otherwise, the founders shall jointly perform the activities associated with the founding of the company.

[*16 March 2006; 15 April 2010; 6 July 2021; 16 June 2022*]

**Section 142. Documents of Incorporation of the Company**

(1) The memorandum of association and the articles of association are the documents of incorporation of the company.

(2) The conditions in the documents of incorporation may vary from the provisions of the law only when the law explicitly permits such variance.

**Section 143. Memorandum of Association**

(1) The following shall be indicated in the memorandum of association:

1) information on the founders:

a) for a natural person – the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document), and the address where he or she can be reached;

b) for a legal person – the name, registration number, legal address, and also the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document), and position of the representative thereof who signs the memorandum of association in the name of the legal person;

2) the firm name of the company;

3) the amount of the equity capital of the company, the number and nominal value of shares;

4) the amount of equity capital to which each founder has subscribed, the procedures and terms for payment;

5) the number of shares due to each founder according to the part of the equity capital such founder has subscribed to;

6) the number and sum of nominal values of shares which, when founding the company, are paid-up with a property contribution, indicating each property contribution item and the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document) of each person who undertakes commitments to make the property contribution;

61) the name, registration number, and legal address of the central securities depository in which the dematerialised stocks will be recorded;

7) the allowed amount of founding expenditures and the procedures for their covering;

8) any special obligations, rights or advantages which have been granted during the founding of the company to a person who has taken part in the founding of the company;

9) the given names, surnames, and personal identity numbers of the members of the executive board of the company (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document);

10) the given names, surnames, and personal identity numbers of the members of the supervisory board of the company (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document) if the company has a supervisory board;

11) the given name, surname, and personal identity number of the auditor (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document) if the company is intended to have an auditor;

12) other provisions which the founders consider to be significant and which are not in contradiction to law.

(2) The memorandum of association shall be signed by all founders.

(3) The memorandum of association shall be in effect until the proper fulfilment of the commitments specified therein and until the expiry of the term of powers of the supervisory board and executive board of the company indicated therein in accordance with the provisions of Section 145, Paragraph two of this Law.

(4) [14 February 2002]

(5) If the company is founded by one founder, he or she shall draw up and sign the decision to found the company in the place of the memorandum of association. The provisions of this Law which govern the memorandum of association shall also apply to the decision to found the company.

[*14 February 2002; 22 April 2004; 16 March 2006; 15 April 2010; 16 June 2022*]

**Section 144. Articles of Association**

(1) The following shall be indicated in the articles of association of the company:

1) the firm name of the company;

2) [22 April 2004];

3) the term or objective of the activities of the company (if the company is founded for a specific period or to reach a specific objective);

4) the amount of the equity capital, the number and nominal value of shares;

41) if the company has different categories of shares – the categories of shares (indicating the rights which arise from each category of shares) and the number and nominal value of each category of shares;

5) [14 February 2002];

6) the right of the members of the executive board of the company to individually or jointly represent the company;

61) numerical composition of the executive board (if such is intended);

7) the number of the members of the supervisory board of the company (if a supervisory board is intended for the company);

8) special provisions for the alienation of shares (if such are provided for);

9) other provisions which the founders consider to be significant and which are not in contradiction to law.

(2) In addition to the information referred to in Paragraph one of this Section, the following shall be indicated in the articles of association of a joint-stock company:

1) [17 December 2020];

2) whether the stocks are registered or dematerialised;

3) [16 June 2022];

4) the main types of commercial activities of the company.

(3) When founding the company, the articles of association shall be signed by all founders, indicating the date of signing.

[*14 February 2002; 22 April 2004; 24 April 2008; 15 June 2017; 17 December 2020; 16 June 2022*]

**Section 145. Establishment of Administrative Bodies of the Company and the Appointment of an Auditor**

(1) The restrictions specified by law shall be applicable also to the members of the executive board and supervisory board and an auditor who is appointed under the memorandum of association.

(2) The term of powers of the executive board, the supervisory board and the auditor of the company which has been established until the registration of the company shall expire as of the establishment of the new executive board and supervisory board and the appointment of an auditor at the meeting of shareholders accordingly.

[*22 April 2004; 16 March 2006*]

**Section 146. Equity Capital Subscribed and Paid until the Submission of the Registration Application**

(1) The founders shall subscribe to and pay up all the equity capital specified in the memorandum of association until the submission of the registration application, unless the memorandum of association lays down an earlier time limit for the payment of the equity capital.

(2) Until submission of the registration application, the paid-up equity capital of a joint-stock company and the limited liability company referred to in Section 185.1, Paragraph one of this Law shall be paid up only with money.

[*16 June 2022*]

**Section 147. Procedures for the Payment of Equity Capital when Founding the Company**

(1) The founders shall open a payment account in the name of the company to be founded, organise deposit of money therein, and receive from the payment service provider a statement addressed to the Commercial Register Office or another document issued by the payment service provider which confirms the payment of the equity capital.

(2) Founding expenditures of the company shall be covered in proportion to the amount of the subscribed equity capital of each founder, unless the memorandum of association provides for other procedures for covering founding expenditures.

[*16 June 2022*]

**Section 148. Valuation of Property Contributions**

If the equity capital or a part thereof is paid up with a property contribution when founding the company, the founders shall organise its valuation in accordance with the provisions of Section 154 of this Law.

**Section 149. Application for Entering in the Commercial Register**

(1) The foundation of the company shall be applied for entering in the Commercial Register.

(2) All founders shall sign the application.

(3) The following shall be attached to an application:

1) the documents of incorporation;

2) a statement or another document of the payment service provider regarding the payment of the equity capital (if the equity capital or a part thereof is paid in cash);

3) the documents which certify the value of each property contribution (if property contributions are made);

4) a written consent of each member of the supervisory board to be a member of the supervisory board (if the company has the supervisory board);

5) a written consent of each member of the executive board to be a member of the executive board. If the firm name of the company changes until its entry in the Commercial Register, a written consent need not be resubmitted;

6) [15 April 2010];

7) the notice of the executive board on the legal address of the company, including the cadastral designation of the immovable property object (building, residential property or premises), and certification that the company is reachable and it has legal basis to be at the specified legal address;

8) [16 March 2006];

9) the first division of the register of shareholders (stockholders);

10) a certification issued by the central securities depository on the recording of dematerialised stocks.

[*14 February 2002; 22 April 2004; 16 March 2006; 15 April 2010; 16 June 2011; 2 May 2013; 15 June 2017; 6 July 2021; 16 June 2022*]

**Section 150. Inspection of the Founding of the Company**

(1) Shareholders who represent not less than one twentieth of the equity capital have the right to, within one year from the date of registration of the company, request the Commercial Register Office to approve one or several experts selected by shareholders to inspect the founding of the company.

(2) The experts shall draw up a report on the inspection in three copies of which one copy shall be submitted to the Commercial Register Office, the second – to the company, but the third – to the shareholders who requested the inspection.

(3) The shareholders who requested the inspection shall cover the costs of the inspection.

(4) If it is established in the inspection of the founding of the company that the founders have not fulfilled their obligations in good faith, the founders shall compensate the costs of the inspection of the founding of the company to the shareholders referred to in Paragraph three of this Section. Disputes over expenditures which are associated with the inspection of the founding of the company shall be decided by a court.

[*14 February 2002; 16 March 2006*]

**Chapter 3**

**Equity Capital of the Company**

**Section 151. Payment of Equity Capital and Types of Payments**

(1) Equity capital shall be paid in cash or property contribution.

(2) Equity capital shall be expressed in euros.

(3) The type of payment shall be specified in the memorandum of association or in the regulations for increasing the equity capital.

(4) Contributed property shall become the property of the company.

[*19 September 2013 /* *Amendments to Paragraph two shall come into force on 1 January 2014.* *See Paragraph 35 of Transitional Provisions*]

**Section 152. Payment of Equity Capital in Cash**

(1) If the memorandum of association or regulations for increasing the equity capital do not provide for a property contribution, the equity capital shall be paid only in cash.

(2) The contribution in cash specified in Paragraph one of this Section may not be substituted with a property contribution.

**Section 153. Property Contributions**

(1) A tangible or intangible property which can be valued in monetary terms and may be used in the commercial activities of the company, except for property against which recovery may not be directed in accordance with law may be the property contribution item.

(2) Commitments to provide services or to perform work, expected profits or intended activities of the company, or also the expected work remuneration, fees, dividends and similar payments which a founder or shareholder may receive from the company may not be the property contribution item.

(3) Property contributions may not be made in parts.

(4) A person who makes a property contribution shall notify of any rights of third parties to the property contribution item. If the person fails to fulfil this requirement, he or she shall pay for their shares in cash.

(5) If the value of a property contribution item has decreased until the submission of the application to the Commercial Register Office, the person who has contributed it shall cover this decrease in cash.

(6) [22 April 2004]

[*22 April 2004*]

**Section 154. Procedures for the Valuation of Property Contributions**

(1) Property contributions shall be evaluated and an opinion thereon shall be provided by a person who is included in the list of the valuators of property contributions. A valuator may not be a relative of the owner of the property to be valuated up to the third degree of kinship, a spouse and brother-in-law or sister-on-law up to the second degree of affinity, and also a person who is otherwise interested in the valuation of the property.

(11) The procedures for keeping the list of the valuators of property contributions and the requirements to be brought forward for valuators shall be determined by the Cabinet.

(2) If the total value of property contributions does not exceed EUR 5700 and the property contributions together are less than one-half of the equity capital of the company when founding a limited liability company, the property contributions may be valued and an opinion may be provided by the founders. In this case, all founders shall sign the opinion.

(21) If the equity capital is paid with transferable securities and money market instruments which have been admitted to trading on a regulated market registered (licensed) in a Member State for at least two years before the signing of the memorandum of association or taking the decision to increase the equity capital, an opinion on the valuation of the property contribution may be provided by those founders or shareholders who are making the relevant property contribution.

(3) The property contributions shall be valued according to the usual value of the relevant property or right.

(31) If the equity capital is valued in accordance with the procedures specified in Paragraph 2.1 of this Section, the value of transferable securities and money market instruments shall be determined based on the weighted average price in a regulated market within six months before the valuation.

(32) The opinion on the valuation of a property contribution shall be in effect for six months from the date of the drawing up thereof. The opinion on the valuation of a property contribution must also be in effect on the day when the memorandum of association is signed or the decision to increase the equity capital is taken.

(33) The executive board has the obligation to ensure a re-valuation of a property contribution in accordance with the provisions of Paragraph one of this Section, if the such circumstances which would decrease the value of the property contribution until the moment when the application for entering the company in the Commercial Register or application for increasing the equity capital will be submitted to the Commercial Register Office are revealed.

(34) If the executive board does not provide a re-valuation of the property contribution in the case referred to in Paragraph 3.3 of this Section, shareholders who represent at least one twelfth of the equity capital on the day of taking the decision to increase the equity capital have the right to, until the day when the application for increasing the equity capital will be submitted to the Commercial Register Office, request the re-valuation of the property contribution in accordance with the provisions of Paragraph one of this Section.

(4) An opinion on the valuation of a property contribution shall include a description and value of each contribution item, indicate the ownership of the property, and the methods used for the valuation of each contribution, and include an opinion on the conformity of the property contribution item with the types of commercial activities of the company. If the valuation is carried out by the founders or shareholders, the valuation methods of property contributions need not be indicated. The information used as the basis for determining the value of property contribution shall be additionally indicated in the opinion on the valuation of the property contribution referred to in Paragraph 2.1 of this Section which is drawn up by the founders or shareholders.

(5) [6 July 2021]

(6) The persons who carried out the valuation shall be jointly liable for any losses which have been caused by an incorrect valuation of a property contribution.

[*14 February 2002; 22 April 2004; 24 April 2008; 15 April 2010; 29 November 2012; 19 September 2013; 6 July 2021; 11 May 2023*]

**Section 155. Payment for a Share**

(1) A founder or shareholder shall have the obligation to pay for the share according to its nominal value.

(2) The regulations for increasing the equity capital may provide that, in the case of the equity capital of the company being increased, a shareholder shall have to, in addition to the nominal value, also pay the share premium. The share premium shall be indicated in the regulations for increasing the equity capital, and it shall not be included in the equity capital.

**Section 156. Consequences of the Failure to Comply with the Term for Paying for a Share**

(1) If a person fails to pay the full subscribed price of the share within the term for the full payment of shares as specified in the memorandum of association or regulations for increasing the equity capital, the executive board shall send him or her a written notice thereon by appropriate means. The notice shall indicate the term for the repeated full payment of shares specified by the executive board which may not be shorter than 15 days or longer than 30 days from the date when the notice is sent.

(2) If a person fails to pay for a share within the term specified by the executive board which is referred to in Paragraph one of this Section, he or she shall forfeit the right to this share, which shall transfer to the company. When the new owner of the share has paid its sales price, the company shall withhold one-fifth of the sales price and disburse the remaining amount to the relevant shareholder.

(3) The regulations for increasing the equity capital may provide that, in case of failure to pay the full price of shares, a shareholder shall keep the number of shares in proportion to his or her paid amount, if the articles of association provide so.

(4) If the amount which the company acquires by selling the share acquired according to the procedures referred to in Paragraph two of this Section is less than the amount which has already been paid by the first owner of the share, the company may request the difference from the first owner of the share.

(5) The memorandum of association, as well as the articles of association may specify a contractual penalty for the failure to comply with the term for the payment of shares. The amount to be withheld referred to in Paragraph two of this Section shall not be deemed to be a contractual penalty within the meaning of this Paragraph.

[*14 February 2002*]

**Section 157. Rights of Several Persons to a Share**

(1) In the company, one share may be owned by several persons jointly. These persons may exercise the rights arising from this share only by appointing a joint representative.

(2) [2 May 2013]

(3) Persons who jointly own one share in the company shall be jointly liable for the commitments arising from this share.

[*14 February 2002; 2 May 2013*]

**Section 158. Mandatory Reserves**

[14 February 2002]

**Section 159. Use of the Mandatory Reserves**

[14 February 2002]

**Section 160. Other Reserves**

[14 February 2002]

**Section 161. Dividends**

(1) [14 February 2002]

(11) Dividends shall be determined by a decision of shareholders.

(2) Dividends shall be paid out to a shareholder in proportion to the sum of the nominal values of the shares owned by him or her, unless the articles of association provide different procedures for the distribution of dividends.

(3) Dividends shall be calculated and paid out for fully paid shares.

(4) Dividends may not be determined, calculated and paid out if it arises from the annual statement or from the report on economic activity referred to in Section 161.1 of this Law that the own funds of the company are less than the equity capital.

(5) Dividends shall be paid out only in cash based on the decision on the division of profit.

(6) Dividends which have not been taken out within 10 years shall transfer into the ownership of the company, except when, pursuant to law, the limitation period is deemed to be discontinued or suspended. Interest shall not be paid on dividends which have not been taken out in time, if this is due to the fault of the shareholder.

(7) The decision of the shareholders of the company that the dividends, even temporarily, are to be left at the disposal of the company shall be void.

(8) The company may not request a shareholder to return the dividends received, except in the cases referred to in Section 162 of this Law.

[*14 February 2002; 22 April 2004; 2 May 2013; 16 January 2014; 11 May 2023*]

**Section 161.1 Extraordinary Dividends**

(1) It may be stipulated in the articles of association that dividends may be determined and calculated also from the profit acquired during the period after the end of the previous reporting year (within the meaning of this Section – the extraordinary dividends). In this case, the provisions of this Law for the determination, calculation and payment of dividends shall be applied, insofar as this Section does not provide otherwise.

(2) A condition or time limit shall be stipulated in the articles of association upon the setting in of which a deadline is to be determined by which the executive board shall convene a meeting of shareholders in order to take the decision to determine extraordinary dividends. The executive board shall not convene a meeting of shareholders if the company has no profit in accordance with the report on economic activity which has been drawn up for the extraordinary dividend payment period. Other cases may be provided in the articles of association when the executive board shall not convene a meeting of shareholders in order to take the decision to determine extraordinary dividends.

(3) [16 June 2022]

(4) The executive board shall draw up and submit to the meeting of shareholders a report on economic activity of the company for the period for which extraordinary dividends are determined and a proposal for the part of the profit to be paid out in extraordinary dividends. The meeting of shareholders cannot determine a greater part of profit to be paid out in extraordinary dividends than that determined in the proposal of the executive board for the part of the profit to be paid out in extraordinary dividends.

(5) The report on the economic activity of the company shall be drawn up in accordance with the requirements of the law on drawing up the annual statement. The company shall, in accordance with procedures laid down in Sections 214 and 273.1 of this Law, ensure that shareholders have access to the report on economic activity and the proposal of the executive board for the profit share to be paid out in extraordinary dividends.

(6) The meeting of shareholders shall take the decision to determine extraordinary dividends:

1) not earlier than three months after the previous decision of the meeting of shareholders to determine dividends has been taken;

2) not later than three months after the end of the reporting period on which the report on economic activity of the company has been drawn up.

(7) In the meeting of shareholders, the executive board shall certify that:

1) the financial situation of the company has not significantly deteriorated until the day of the meeting of shareholders;

2) paying out of extraordinary dividends does not pose a risk to the fulfilment of the commitments of the company in the remaining months of the reporting year.

(8) According to the provisions of this Section, dividends may be determined and paid out, if on the day of taking the decision of the meeting of shareholders:

1) the company has no tax debts;

2) the company has no tax payments deferred or divided in periods, and the advance tax payments to be made by the company have not been reduced.

(9) A limited liability company which conforms to the provisions of Section 185.1, Paragraph one of this Law may not determine and pay out extraordinary dividends.

[*16 January 2014; 16 June 2022*]

**Section 162. Return of Improperly Disbursed Amounts**

(1) If a dividend to which or a part of which a person had no right has been paid out to such person and this person was aware or should have been aware at the time of receipt of the dividend that the payment was improper, this person has the obligation to repay the improperly acquired amount to the company.

(2) A shareholder has the obligation to repay other improperly disbursed amounts which he or she has acquired from the company in good faith when he or she has become aware that the disbursement was improper. A shareholder has the obligation to repay the company the improperly disbursed amounts which he or she has acquired from the company in bad faith or by gross negligence. In such case, the shareholder shall compensate the losses which were incurred by the company as a result of this improper disbursement.

**Chapter 4**

**Liability**

**Section 163. Liability for Commitments which have Arisen before Entering the Company in the Commercial Register**

(1) A founder who has acted in the name of the company to be founded before entering the company in the Commercial Register shall be liable for the commitments arising from such actions. In the case of actions by several founders, these founders shall be liable jointly.

(2) Arrangements which are contrary to the provisions of Paragraph one of this Section shall be void as to third parties.

(3) The commitments referred to in Paragraph one of this Section shall transfer to the company, if the executive board of the company or shareholders who represent not less than one twentieth of the equity capital do not object to the transfer of these commitments to the company within three months after entering the company in the Commercial Register. If such objections are raised, the issue of the transfer of commitments shall be decided by the meeting of shareholders. The transfer of commitments to the company shall not restrict its rights to request the fulfilment of the commitments from the founders.

(4) If the property of the company is not sufficient to satisfy the claims of creditors of the company, the founders shall be jointly liable towards the creditors for the commitments of the company to the extent of that reduction in the property of the company which has arisen from the commitments which have been undertaken by the company to be founded. The limitation period for such claims shall expire within three years from the date when the company was entered in the Commercial Register.

[*14 February 2002*]

**Section 164. Acquisition of Property from Founders and Shareholders**

[16 June 2005]

**Section 165. Liability for Submitting False Information**

(1) Founders of the company shall be jointly liable for such losses caused as a result of false information which has been provided until the entry of the company in the Commercial Register.

(2) Members of the executive board shall be jointly liable for such losses caused as a result of false information which has been provided after entry of the company in the Commercial Register.

(3) For the submission of false information to the Commercial Register, the respective persons shall be held to administrative or criminal liability.

**Section 166. Liability of Founders**

(1) Founders shall be jointly liable towards the company and third parties for the losses caused during the founding of the company as a result of the founders having acted maliciously or negligently.

(2) Actions which are in contradiction to law or the memorandum of association shall be in any case deemed to be malicious.

(3) Founders shall be jointly liable towards the company for any shortages which have been caused if a person is unable to fulfil their share payment commitments in cases when these founder were aware or should have been aware of the inability of this person to fulfil such obligations when accepting the participation of such person.

(4) The provisions of this Section shall not in any way limit the liability specified in Section 163 of this Law.

(5) The limitation period for the claims referred to in this Section shall expire within five years from the date when the company was entered in the Commercial Register.

**Section 167. Liability of Third Parties for Violations of Founding Process**

(1) A person who has facilitated the malicious or negligent actions of the founders or has collaborated in them shall be jointly liable together with the guilty founders if he or she was aware or should have been aware of the malicious or negligent character of such actions.

(2) A person on whose account a founder has undertaken the obligation to pay for the shares shall also be jointly liable with the founders. Such person may not rely on not being aware of such circumstances of which the founder was aware or should have been aware.

(3) The limitation period for the claims referred to in this Section shall expire within five years from the date the company was entered in the Commercial Register.

**Section 168. Liability for Influencing Members of a Body of the Company, Procurators and Persons with a Commercial Power of Attorney**

(1) A person who persuades a member of the executive board or supervisory board, a procurator or a person with a commercial power of attorney in bad faith to act against the interests of the company or its shareholders shall be liable for any losses caused to the company as a result of such activities.

(2) If there are grounds to hold a member of the executive board or supervisory board liable according to Section 169 of this Law in the case referred to in Paragraph one of this Section, he or she shall be jointly liable with the person who has exerted his or her influence. If there are grounds to hold a procurator or a person with a commercial power of attorney liable, they shall be jointly liable with the person who has exerted his or her influence.

(3) Members of the executive board and supervisory board, a procurator or a person with a commercial power of attorney shall not be liable in accordance with Paragraph two of this Section if they prove that they were acting as respectable and accurate managers.

(4) The provisions referred to in Paragraphs one and two of this Section shall not be applicable if the influence has been exerted:

1) by exercising one’s voting rights at the meeting of shareholders;

2) by legally exerting one’s decisive influence in accordance with the Group of Companies Law.

[*14 February 2002; 22 April 2004*]

**Section 169. Liability of Members of the Executive Board and Supervisory Board**

(1) Members of the executive board and supervisory board shall fulfil their obligations as would a respectable and accurate manager.

(2) Members of the executive board and supervisory board shall be jointly liable for the losses which they have caused to the company.

(3) A member of the executive board and supervisory board shall not be liable in accordance with Paragraph two of this Section if he or she proves that he or she has acted as a respectable and accurate manager.

(4) A member of the executive board and supervisory board shall not be liable for the losses caused to the company if he or she has acted in good faith within the framework of a lawful decision of the meeting of shareholders. The fact that the supervisory board has approved the actions of the executive board shall not release the members of the executive board from liability towards the company.

(5) The limitation period for claims against a member of the executive board and supervisory board shall expire within five years form the day of causing losses.

[*14 February 2002; 22 April 2004; 15 June 2017*]

**Section 169.1 Liability of the Members of the Executive Board for the Violation of Provisions for Keeping the Register of Shareholders**

(1) A member of the executive board shall be liable for the losses caused to a shareholder, alienor of a share, or acquirer of a share which have arisen due to the member of the executive board violating the provisions of Sections 187, 187.1, 234, and 235 of this Law.

(2) If in the case referred to in Section 187.1, Paragraph three, and Section 235.1, Paragraph three of this Law the executive board fails to make an entry in the register of shareholders or fails to submit a division of the register of new shareholders to the Commercial Register Office within the term and in accordance with the procedures laid down in the law, the relevant persons shall be held administratively liable.

[*2 May 2013; 15 June 2017; 16 June 2022*]

**Section 170. Claim of a Creditor for the Benefit of the Company**

(1) A creditor of the company who cannot achieve satisfaction of its claim from the company may, within a year from the day of entry into effect of the judgement, bring an action for the benefit of the company against the persons referred to in Sections 166–169 of this Law who have caused losses to the company and have not compensated them.

(2) Creditors of the company have the right to bring an action, and this right shall not be restricted also in the cases when:

1) the company has withdrawn its action against the person at fault;

2) a settlement has been entered into;

3) the losses have been caused while enforcing the decision of the meeting of shareholders or supervisory board.

(3) [15 June 2017]

[*14 February 2002; 15 June 2017*]

**Section 171. Prohibition of Competition in Relation to Members of the Executive Board of the Company**

(1) A member of the executive board may not, without the consent of the supervisory board or, if such has not been established, without the consent of the meeting of shareholders:

1) be a general partner in a partnership or a shareholder with supplemental liability in a capital company which is engaged in the field of commercial activities of the company;

2) conclude transactions in the field of commercial activities of the company in his or her own name or in the name of a third party;

3) be a member of the executive board of another company which is engaged in the field of commercial activities of the company, except when the company and the other company are part of the same group of companies.

(2) If a member of the executive board violates the provisions of Paragraph one of this Section, the company is entitled to request compensation for losses or the recognition of the relevant transactions as such that are concluded in the name of the company, and the transfer the income acquired or the right of claim to such to the company.

(3) The limitation period for the claims referred to in Paragraph two of this Section shall expire within three months from the date when the rest of the members of the executive board or supervisory board (if such has been established) have become aware of a violation of the prohibition of competition, but not later than five years from the day of committing the violation.

[*14 February 2002*]

**Section 172. Bringing an Action by the Company**

(1) The company shall bring an action against the founders, members of the executive board or supervisory board or the auditor on the basis of the decision of the meeting of shareholders which has been taken by a simple majority of the votes of those present. The articles of association may not specify a higher majority of votes for bringing an action.

(2) The company has the obligation to bring an action against the persons referred to in Paragraph one of this Section also if that is requested by the minority of shareholders which jointly represents not less than one twentieth of the equity capital or the participation of which in the equity capital is not less than EUR 100 000. Such request of the minority of shareholders shall be submitted to that body of the company which has the right to bring an action in accordance with this Law, but if such body does not bring the action to a court within one month, the minority of shareholders may bring an action to a court without the intermediation of this body within the time limit specified in Paragraph six of this Section.

(3) An action of the company against the executive board shall be brought and maintained by the supervisory board. If the company has no supervisory board, then the meeting of shareholders which decides on the bringing of an action against the members of the executive board shall elect one or several representatives of the company to bring and maintain the action.

(4) An action of the company against the founders, the supervisory board and the auditor shall be brought and maintained by the executive board if the meeting of shareholders does not decide otherwise.

(5) If the bringing of an action is requested by the minority of shareholders, a court shall allow the persons selected by them as representatives of the company in the examination of the case, if there is an important reason for this. In any event, the case referred to in Paragraph two of this Section when the relevant body, despite the request of the minority of shareholders, does not bring an action to a court shall be deemed to be an important reason.

(6) An action shall be brought to a court within three months from the date when the meeting of shareholders has taken the decision to bring a claim or when a request of the minority of shareholders has been received. An appropriately certified excerpt of the minutes of the meeting shall be appended to the action. When bringing an action to a court, the minority of shareholders has the obligation to attach evidence that these shareholders represent not less than one twentieth of the equity capital of the company or that the participation thereof in the equity capital of the company is not less than EUR 100 000, and also a relevant authorisation of the minority of shareholders.

(7) For losses which have been incurred by the company due to an unjustified action, those shareholders who voted for the bringing of the action or the minority of shareholders in the actions of which malicious intent or gross carelessness has been established shall be jointly liable.

(8) [14 February 2002]

[*14 February 2002; 19 September 2013; 15 June 2017; 11 May 2023*]

**Section 173. Release from Liability**

(1) The meeting of shareholders may release members of the executive board or supervisory board from liability or take the decision to enter into an amicable settlement only for specific actions which were actually taken by them and revealed at the meeting of shareholders, and as a result of which the company has incurred losses.

(2) The decision of the meeting of shareholders to release members of the executive board or supervisory board from liability or enter into an amicable settlement shall not restrict the right of the minority of shareholders to bring an action in accordance with the provisions of Section 172, Paragraph two of this Law.

(3) The decision of the meeting of shareholders to approve the annual statement shall not of itself release members of the executive board and supervisory board from liability for their actions during the relevant reporting period.

[*14 February 2002*]

**Chapter 5**

**Annual Statement of the Company and Distribution of Profits**

**Section 174. Statement of the Company**

(1) After expiry of the reporting year, the executive board shall draw up and sign the annual statement of the company and submit it without delay to the auditor and supervisory board (if such has been established).

(2) After receipt of the opinion of an auditor and the report of the supervisory board, the executive board shall convene the meeting of shareholders.

(3) If the company does not have a supervisory board, the executive board shall convene the meeting of shareholders after receipt of the opinion of an auditor.

(4) The company shall, in accordance with the procedures laid down in Sections 214 and 273.1 of this Law, ensure that shareholders have access to the annual statement, opinion of an auditor, and report of the supervisory board.

[*22 April 2004; 16 June 2022*]

**Section 175. Report of the Supervisory Board to the Meeting of Shareholders**

(1) If the company has a supervisory board, it shall examine the annual statement and proposals for the use of profit submitted by the executive board and shall draw up a written report thereon which shall be attached to the annual statement.

(2) The report shall also include:

1) an evaluation of the activities and financial circumstances of the company;

2) an evaluation of the work of the executive board;

3) a report on the work of the supervisory board in the reporting period;

4) proposals for the improvement of the activities of the company, if it is necessary.

[*22 April 2004*]

**Section 176. Auditor**

(1) The annual statement of the company shall be reviewed and an opinion thereon shall be provided by a sworn auditor elected in the meeting of shareholders, if it is provided by the law. In other cases, the annual statement shall be reviewed and an opinion thereon shall be submitted by an auditor, if so provided by the articles of association or the decision of the meeting of shareholders.

(2) The provisions of this Law for an opinion of an auditor on the annual statement shall be applicable if Paragraph one of this Section provides for an auditor at the company.

(3) [16 March 2006]

(4) An auditor may not be a shareholder, a member of the executive board or supervisory board of the company itself, and also a person who is otherwise interested in the commercial activities of the company. If the company is part of a group of companies, the auditor may not be also a person who is a member of the executive board or supervisory board of a dependent company or the dominant undertaking.

(5) The executive board, supervisory board or shareholders who represent not less than one tenth of the equity capital may, during a meeting of shareholders or not later than two months after the meeting of shareholders, raise substantiated objections against the elected auditor. Objections raised at a meeting of shareholders shall be immediately decided by the meeting itself, but if such objections are raised later, the contested issue shall be decided by the meeting of shareholders to be convened not later than within two months after the objections have been received by the executive board. If the objections are rejected, the shareholders representing not less than one tenth of the equity capital who raised them have the right to invite another auditor at their own expense. When another auditor is invited, the status and scope of the rights of the elected auditor shall not change.

(6) The auditor invited in accordance with the procedures specified in Paragraph five of this Section has the same rights as the elected auditor, and the same provisions of the law shall be applicable to him or her.

[*14 February 2002; 16 March 2006*]

**Section 177. Obligations and Rights of an Auditor**

The obligations and rights of an auditor shall be determined by the relevant laws.

**Section 178. Liability of an Auditor**

(1) An auditor shall be liable towards the company and third parties for any losses caused due to his or her fault.

(2) An auditor shall not be liable for any losses caused as a result of violations committed by the administrative bodies of the company, except when he or she was aware or should have been aware of such violations but failed to indicate them in the opinion.

(3) If an auditor becomes liable in accordance with the provisions of Paragraph two of this Section, he or she shall be jointly liable together with the members of the relevant administrative body.

**Section 179. Approval of the Annual Statement of the Company**

(1) The annual statement of the company shall be approved by the meeting of shareholders which has been convened by the executive board after receipt of the auditor’s opinion, but if the company has a supervisory board, also after receipt of the report of the supervisory board.

(2) The approval of the annual statement of the company at the meeting of shareholders shall be postponed if the opinion of the auditor invited in accordance with the procedures laid down in Section 176, Paragraph five of this Law differs from the opinion of the elected auditor.

(3) The approval of the annual statement of the company at the meeting of shareholders shall be postponed if, by contesting the correctness of separate items of the annual statement, the postponement is requested by shareholders who represent at least one tenth of the equity capital.

(4) If the approval of the annual statement is postponed in the case referred to in Paragraph three of this Section, then the minority of shareholders may, at the next meeting of shareholders the agenda of which includes the approval of the annual statement for the same year, request the repeated postponement of the approval of the annual statement only if new circumstances which pose an obstacle to the approval of the annual statement have been established.

**Section 180. Use of Company Profit**

(1) The executive board shall prepare and submit to a regular meeting of shareholders its proposal for the use of profit.

(2) The company shall, in accordance with the procedures laid down in Sections 214 and 273.1 of this Law, ensure that shareholders have access to the proposal for the use of profit.

(3) The following shall be indicated in the proposal:

1) the amount of the profit of the reporting year of the company;

2) [14 February 2002];

3) [14 February 2002];

4) the part of the profit to be disbursed as dividends;

5) the use of profit for other purposes.

(4) The meeting of shareholders shall decide on the use of profit after approval of the annual statement of the company.

(5) [14 February 2002]

(6) If the company has undistributed profits, shareholders may, in accordance with the procedures specified in this Law, request the executive board to convene a meeting of shareholders in order to decide on the use of profit. The executive board shall provide in the proposal for the use of the profit the information referred to in Paragraph three of this Section and shall, in accordance with the procedures laid down in Sections 214 and 273.1 of this Law, ensure that shareholders have access to the proposal for the use of profit.

[*14 February 2002; 2 May 2013; 16 January 2014; 16 June 2022*]

**Section 181. Submission of the Annual Statement to the Commercial Register Office**

(7) [24 April 2008 / See Paragraph 10 of Transitional Provisions]

**Section 182. Disbursement of the Funds of the Company to Shareholders**

(1) The company may make disbursements to its shareholders only if dividends are disbursed or the equity capital is reduced, or if the company is liquidated and its property is divided between shareholders.

(2) Disbursements made to shareholders which are not referred to in Paragraph one of this Section shall be deemed as unjustified. Cases when a shareholder uses the property of the company free of charge, when a higher remuneration than specified in the contract has been disbursed to a shareholder for the services provided, or when the company buys property from a shareholder for an increased price shall also be regarded as unjustified use of the funds of the company.

(3) Disbursements may not be made to shareholders if the own funds of the company at the time of the closure of the reporting year or, if the decision to determine extraordinary dividends has been taken, at the end of the relevant reporting period are less or, as a result of such disbursements, would become less than the amount of the equity capital of the company. This condition shall not apply to cases when the company is liquidated.

(4) The commitments referred to in Paragraphs one and three of this Section shall not apply to disbursements to shareholders towards which commitments have arisen otherwise than from participation in the company.

[*14 February 2002; 22 April 2004; 16 January 2014*] *Amendments to Paragraph three shall come into force on 1 July 2014.* *See Paragraph 50 of Transitional Provisions*]

**Section 183. Special Review of the Company**

(1) The decision to carry out the special review of the activities of the company as regards matters related to the activities and financial status of the company, conclusion of a transaction with a member of the executive board or supervisory board, or a related person, and also in the cases where written information has been received from a sworn auditor on the deficiencies established by the sworn auditor in the operational environment of the company (including the internal control system) which can pose a corruption risk shall be taken by the shareholders or the executive board, but, if the company has the supervisory board, such decision may also be taken by the board.

(2) Shareholders who represent no less than one twentieth of the equity capital of the company may request the special review if there is a significant reason for it.

(3) If the executive board does not agree to the special review, it shall immediately convene a meeting of shareholders, including in its agenda the matter of carrying out the special review. If the meeting of shareholders rejects the request, the minority of shareholders who represents not less than one twentieth of the equity capital may elect a sworn auditor to carry out the special review.

(4) The special review shall be carried out at the expense of the company. If an auditor has been invited by the shareholders themselves, the special review shall be carried out at the expense of those shareholders.

(5) An auditor shall prepare an opinion on results of the special review and submit it to the body of the company which took the decision to carry out the special review or to the minority of shareholders and the executive board.

[*14 February 2002; 16 March 2006; 15 April 2010; 14 June 2012; 11 May 2023*]

**Section 184. Company Controller**

[1 July 2023; 11 May 2023 / See Paragraph 82 of Transitional Provisions]

**Chapter 6**

**Transactions with Related Persons**

[*15 June 2017*]

**Section 184.1 Persons Related to the Company**

Within the framework of this Law, the following is meant by the term “a person related to the company”:

1) a shareholder of the company who has a direct decisive influence in the company;

2) a member of the executive board or supervisory board;

3) a shareholder of the company who has a direct decisive influence in the company, member of the executive board or supervisory board;

4) a person who is a relative of the person referred to in Clause 1 or 2 of this Section up to the second degree of kinship, the spouse or brother-in-law or sister-in-law up to the first degree of affinity, or a person with whom he or she has a shared household;

5) a legal person in which the person referred to in Clause 1, 2 or 4 of this Section has a decisive influence.

[*15 June 2017*]

**Section 184.2 Conclusion of a Transaction with a Related Person**

(1) Provisions of this Section apply to transactions which are not concluded within the framework of usual commercial activities or do not meet the market conditions. Provisions of this Section shall not apply to the cases when a transaction is concluded in accordance with a court ruling.

(2) If the company concludes a transaction with a related person, the supervisory board or, if none, the meeting of shareholders shall give a consent to the conclusion of the transaction.

(3) Before concluding a transaction, the executive board shall provide the following information on the transaction to the supervisory board or meeting of shareholders:

1) the information on the related person with whom the transaction is concluded;

2) the justification for the necessity of the transaction;

3) the provisions of the transaction;

4) the assessment of the impact of the transaction on the commercial activity of the company and financial situation of the company;

5) the assessment of the impact of the transaction on the shareholders of the company who are not regarded to be related persons in respect of the abovementioned transaction.

(4) If there is a conflict of interests between the company and any member of the supervisory board or a person related to him or her in the case referred to in Paragraph two of this Section, the interested member of the supervisory board shall have no voting rights, and it shall be entered in the minutes of the meeting of the supervisory board.

(5) In the case referred to in Paragraph two of this Section, also such member of the supervisory board who is a relative of the interested member of the supervisory board up to the second degree of kinship, the spouse or brother-in-law or sister-in-law up to the first degree of affinity, or a person with whom he or she has a shared household shall not have voting rights.

(6) If no member of the supervisory board has voting rights, a consent for the conclusion of a transaction shall be given by the meeting of shareholders.

(7) A transaction between the company and related person shall not be in effect if the procedures for concluding a transaction laid down in this Section are not complied with and the related person was aware or should have been aware that a consent of the supervisory board or meeting of shareholders is required and it has not been provided.

(8) In addition to the provisions of this Section, a transaction of one shareholder in the company between the company and its shareholder shall be concluded in writing.

[*15 June 2017*]

**Division XII**

**LIMITED LIABILITY COMPANY**

**Chapter 1**

**Equity Capital and Shares**

**Section 185. Amount of Equity Capital**

The minimum amount of the equity capital of a limited liability company (hereinafter in this Division – the company) shall be EUR 2800.

[*19 September 2013 /* *Amendments to the Section shall come into force on 1 January 2014.* *See Paragraph 35 of Transitional Provisions*]

**Section 185.1 Special Provisions in Relation to the Amount of the Equity Capital**

(1) The equity capital of the company may be less than the minimum amount of the equity capital specified in Section 185 of this Law if the company conforms all of the following features:

1) the founders of the company are natural persons, and there are not more than five of them;

2) the shareholders of the company are natural persons, and there are not more than five of them;

3) the executive board of the company consists of one or several members, and they all are shareholders of the company;

4) each shareholder of the company is a shareholder of only one such company the equity capital of which is less than that specified in Section 185 of this Law.

(2) If the equity capital of the company is less than that specified in Section 185 of this Law, it shall, each year, form a mandatory reserve by making deductions in the amount of at least 25 per cent of the profit of the reporting year.

(3) The mandatory reserve, on the basis of a decision of the meeting of shareholders, may be used:

1) for increasing the equity capital;

2) for covering the losses of the reporting year if they have not been covered from the profit of the preceding reporting year;

3) for covering the losses of the preceding reporting year if they have not been covered from the profit of the reporting year.

(4) If the equity capital of the company is less than that specified in Section 185 of this Law, the proposal for the use of the profit of the company made by the executive board thereof shall, in addition to the information referred to in Section 180, Paragraph three of this Law, include the amount of the deductions to be made for formation of the mandatory reserve.

(5) If the equity capital of the company is less than that specified in Section 185 of this Law, the company may pay out in dividends the share of the profits of the reporting year that remains after deductions in the mandatory reserve.

(6) If the equity capital of the company is less than that specified in Section 185 of this Law and the company does not conform to any of the features referred to in Paragraph one, Clause 2, 3, or 4 of this Section, the company has the obligation to increase the equity capital to the amount specified in Section 185 of this Law within three months from the moment when the non-conformity with the relevant feature occurs.

(7) If the equity capital of the company is less than that specified in Section 185 of this Law and the insolvency proceedings of this company have been declared, its shareholders shall be jointly liable for the commitments of the company the total amount of which does not exceed the difference between the amount of the equity capital specified in Section 185 of this Law and the amount of the equity capital paid up by the founders.

[*15 April 2010; 16 January 2014]*

**Section 186. Shares**

(1) The nominal value of a share shall be determined by the articles of association of the company. The nominal value of a share may not be less than one cent. All shares of one category shall have the same nominal value.

(2) A share shall be indivisible.

(3) A share gives a shareholder the right to take part in the administration of the company, in the distribution of profit and in the division of property in the case of the liquidation of the company, as well as to other rights provided for by law and the articles of association.

(4) Each share shall be assigned an individual, fixed sequence number. The sequence number shall be assigned in the order of the issue of shares.

[*14 February 2002; 22 April 2004; 2 May 2013; 19 September 2013; 17 December 2020*]

**Section 186.1 Categories of Shares**

(1) Various rights arising from shares may be fixed in the articles of association, including the right to receive dividends, the right to receive liquidation quota and voting rights at the meeting of shareholders.

(2) Shares in which an equal amount of rights is fixed are shares of one category. If the company has several categories of shares, each category of shares shall be given a different designation.

(3) If the company has several categories of shares, the decision to make amendments to the articles of association which provide for amendment, restriction or revocation of the rights granted to the relevant category of shares shall be taken if all the holders of shares of the relevant category agree thereto, unless the articles of association provide otherwise.

(4) If the consent of all of the holders of shares of the relevant category is not required in the case referred to in Paragraph three of this Section, the holder of shares of the relevant category who voted against the decision referred to in Paragraph three of this Section or did not take part in the voting is entitled to request the company to repurchase his or her shares within two months from the moment of taking the decision or the moment when he or she became aware or should have become aware of the decision taken. In such case, the provisions of Section 353, Paragraph four, five, six, or seven of this Law shall be applicable respectively.

[*17 December 2020*]

**Section 187. Register of Shareholders**

(1) For the registration of shares and payment thereof, the reflection of the transition of shares, and also the ensuring of the rights of shareholders, the company shall keep a register of shareholders.

(2) The register of shareholders is a file formed by separate divisions. A division is a document that is formed by the aggregate of entries made in one occasion which reflects the complete current composition of shareholders.

(3) A division of the register of shareholders shall be drawn up in two copies. One copy of the division shall be appended to the register of shareholders, and the other shall be submitted to the Commercial Register Office in accordance with the procedures specified in this Law.

(4) The register of shareholders shall be stored for 10 years after deletion of the company from the Commercial Register.

(5) The firm name, registration number, legal address and – in the relevant cases – information on whether the company is undergoing liquidation or insolvency proceedings, as well as the title of the document “Division of the Register of Shareholders” shall be indicated in each division of the register of shareholders, and the following information shall be entered:

1) the sequence number and date of the division;

2) the sequence number of the entry, using continuous numbering from the first division of the register of shareholders;

3) sequence numbers of shares;

4) information on shareholders:

a) for a natural person – the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issuance of a personal identification document, the country and authority which issued the document) and address where the person may be reached;

b) for a legal person and partnership – the name, registration number, and legal address;

5) the electronic mail address of the shareholder if the shareholder has requested the company to use it for communication with him or her;

6) the category of the shares of each shareholder (if the company has several categories of shares), the number and nominal value of shares, and the number of votes resulting from shares;

7) the status of the payment of shares;

8) the joint representative of shareholders who has been appointed in accordance with the procedures laid down in Section 157 of this Law, indicating the information referred to in Clauses 4 and 5 of this Paragraph on him or her;

9) information on the shares acquired by the company itself by indicating the grounds for the acquisition of shares.

(6) Entries in the register of shareholders shall be made in conformity with the following provisions:

1) entries shall be made in chronological sequence;

2) deletion and exclusion of entries is not permitted;

3) each new division shall be added to the previous divisions of the register of shareholders;

4) when a new division is created, complete current composition of shareholders shall be reflected therein;

5) when submitting a division of the register of shareholders to the Commercial Register Office, the status of the payment of the fully paid shares need not be indicated.

(7) Entries in the first division of the register of shareholders shall be made in accordance with the information indicated in the memorandum of association.

(8) Further entries in the divisions of the register of shareholders shall be made according to the information indicated in the application for the acquisition of new shares or the notice on the transfer of a share or any other changes in the information to be entered in the register of shareholders, and also in the cases specified in Section 192 of this Law.

(9) Each division shall be certified by the chairperson of the executive board or an authorised member of the executive board with his or her signature. The signature of the chairperson of the executive board or a member of the executive board shall be notarised. This provision need not be applied if changes in the information referred to in Paragraph five, Clause 4 of this Section are made in the register of shareholders.

(10) If a shareholder alienates a share, the entry in the division of the register of shareholders shall also be certified by the alienor and acquirer of the share with his or her signature. Signatures of the alienor and acquirer of the share shall be notarised.

(11) Shareholders, members of the executive board and supervisory board, the auditor, as well as competent public institutions are entitled to become acquainted with the register of shareholders.

(12) A shareholder has the right to receive an extract from the register of shareholders of the company certified by the chairperson of the executive board or an authorised member of the executive board on the shares in the company that are owned by him or her or a copy of the last division of the register.

(13) If the company has granted a person the right to acquire shares of the company, the executive board shall ensure the accounting of such granted rights and the holders thereof, also indicating the number of shares to be acquired and conditions for the acquisition thereof. Shareholders, persons to whom the right to acquire shares of the company has been granted, members of the executive board and supervisory board, competent public institutions and also other persons who have a lawful interest are entitled to become acquainted with such information.

[*2 May 2013; 17 December 2020; 16 June 2022*]

**Section 187.1 Making an Entry in the Register of Shareholders and Submission of an Application for Changes in the Register of Shareholders to the Commercial Register Office**

(1) A notice for making an entry in the register of shareholders shall be submitted to the company by the person on whom the entry is to be made.

(2) In the case a share is alienated, the acquirer and alienor of the share shall submit a joint notice by which the transfer of the share is certified or the original or a notarised copy of such transaction document by which shares are transferred.

(3) A notice to the company shall be submitted by the acquirer of the share if the shares:

1) are inherited;

2) are acquired by a court judgment that has entered into effect;

3) have been alienated by a sworn bailiff while performing his or her official duties;

4) have been alienated by the administrator of the insolvency proceedings while performing his or her official duties;

5) are acquired by using a commercial pledge.

(31) The notice referred to in Paragraph three of this Section shall be appended by a document on the basis of which the shares are acquired or a notarised copy thereof.

(4) A shareholder shall submit a notice on changes in the information to be entered in the register of shareholders on him or her.

(5) The executive board shall make an entry in the register of shareholders without the relevant notice if changes in the information to be entered in the register of shareholders arise only from the provisions for the increase or reduction in equity capital or a valid reorganisation agreement, or the rights provided for in the articles of association in respect of the category of shares or when transferring an unchanged entry from the previous division.

(6) The executive board has the obligation to make an entry in the register of shareholders or to raise justified objections against making of an entry not later than on the following day after it has received a notice on changes in the information to be entered in the register of shareholders. The executive board shall refuse making of an entry in the register of shareholders if the alienation or acquisition of shares has occurred in contradiction with the law or founding documents, or the transfer of shares is not clearly and unequivocally apparent from the documents submitted to the company.

(7) The executive board shall, within three working days after signing the new division, submit an application to the Commercial Register Office for changes in the register of shareholders. The lasts division of the register of shareholders of the company shall be appended to the application. In the application, the executive board shall certify that the provisions of this Law and the articles of association of the company for the alienation of a share have been complied with.

(8) If the executive board fails to make an entry in the register of shareholders within the time limit and in accordance with the procedures laid down in the law in the case referred to in Paragraph three of this Section, or fails to submit a division of the register of new shareholders to the Commercial Register Office, the acquirer of the share may submit a notice to the Commercial Register Office. The notice shall be appended by the document referred to in Paragraph 3.1 of this Section and it shall be certified in the notice that a notice has been submitted to the executive board on the alienation of the share by specifying the date on which the notice has been submitted to the executive board.

(9) When making an entry in the register of shareholders, an official of the Commercial Register Office shall draw up a division of the register of new shareholders in two copies. A division shall be signed only by the official of the Commercial Register Office. One copy of the division shall be appended to the registration file of the company, but the other copy shall be sent to the company.

[*2 May 2013; 15 June 2019; 17 December 2020*]

**Section 188. Alienation of a Share**

(1) A shareholder has the right to freely alienate a share owned by him or her, unless the articles of association provide otherwise.

(2) A transaction for the alienation, including transfer, of a share shall be concluded in writing.

(3) A shareholder may gift, exchange, or otherwise alienate a share (except sell) only with the consent expressed in the decision of shareholders, unless the articles of association provide otherwise.

(4) [16 June 2022]

[*2 May 2013; 16 June 2022*]

**Section 188.1 Acquisition of a Share in Good Faith**

(1) The acquirer of a share shall be deemed as having good faith if he or she has acquired the share from an alienor which has been entered as a shareholder of the company in the division of the register of shareholders existing in the Commercial Register Office that is appended to the registration file of the company.

(2) The acquirer of a share shall not be deemed as having good faith if he or she is aware that the share does not belong to the alienor, the alienor is not entitled to act with this share, the alienor has been imposed a prohibition of alienation of the share, or the acquirer is not aware of such facts due to gross negligence thereof.

[*2 May 2013*]

**Section 189. Right of First Refusal of Shareholders**

(1) If shares of a shareholder are sold, other shareholders shall have the right of first refusal, unless the articles of association provide otherwise.

(2) The seller of a share or the acquirer of a share shall notify each shareholder and the executive board of the sale of the shares, appending to the notice the purchase agreement entered into or an accordingly certified copy thereof. If the notice is sent by the acquirer of the share, it shall also be sent concurrently to the seller of the share. The notice shall be sent to the shareholder to the address for communication indicated in the register of shareholders.

(3) The time limit for exercising the right of first refusal shall be one month from the date when the notice on the sale of a share has been sent to all shareholders, unless a shorter period has been specified in the articles of association. The shareholder may refuse from exercising the right of first refusal in writing before the end of the specified time limit.

(4) A shareholder shall notify the person who has sent a notice on the sale of a share and the executive board of exercising the right of first refusal or refusal to exercise this right.

(5) Within the period specified in Paragraph three of this Section, the seller is prohibited from acting with the share, amending the provisions of the purchase agreement or taking other actions which could deteriorate the position of the shareholder with the right of first refusal if he or she exercises the right of first refusal.

(6) If the acquirer of shares is a shareholder of the company and shareholders exercise their right of first refusal, shares shall be divided between the acquirer of shares and shareholders in proportion to the shares owned by them.

(7) If two or more shareholders exercise their right of first refusal and the number of the shares to be sold is sufficient, the shares shall be divided between these shareholders in proportion to the shares owned by them.

(8) If two or more shareholders exercise their right of first refusal, but the number of the shares to be sold is not sufficient to divide them proportionally, a restricted auction shall be organised among these shareholders in respect of the remaining shares that cannot be proportionately divided. Other procedures may be provided in the articles of association for the division of the remaining shares.

(9) The purchase price acquired in a restricted auction shall be transferred to the seller of the share.

[*2 May 2013; 15 June 2017; 16 June 2022*]

**Section 189.1 Right of First Refusal of a Shareholder if Shares are Sold by a Sworn Bailiff while Performing Official Duties**

(1) A sworn bailiff shall notify the executive board of the announcement of the auction. The executive board shall, after receipt of the abovementioned notice, immediately send it to the shareholders.

(2) The sworn bailiff shall notify the executive board of the right of the shareholders to exercise the right of first refusal. The following shall be indicated in the notice:

1) the acquirer of the share determined in accordance with the procedures laid down in the Civil Procedure Law;

2) the purchase price determined in accordance with the procedures laid down in the Civil Procedure Law;

3) payment deadline which may not be shorter than 10 days (excluding holidays and public holidays) from the day of sending the notice;

4) the deposit account of the sworn bailiff.

(3) The executive board shall, after receipt of the notice referred to in Paragraph two of this Section, immediately notify the shareholders of the right to exercise the right of first refusal by specifying in the notice the time limit for exercising the right of first refusal which may not be shorter than five days and longer than the payment deadline laid down in the notice referred to in Paragraph two of this Section.

(4) The shareholder shall immediately notify the executive board of exercising the right of first refusal or refusal to exercise it. If the shareholder exercises the right of first refusal, he or she shall pay the relevant purchase price into the company account indicated by the executive board within time limit for exercising the right of first refusal indicated by the executive board.

(5) If the acquirer of the share indicated in the notice referred to in Paragraph two of this Section is a shareholder of the company and other shareholders exercise the right of first refusal, or if two or more shareholders exercise the right of first refusal, the shares shall be divided in accordance with the procedures laid down in Section 189 of this Law.

(6) If shareholders exercise the right of first refusal, the executive board shall transfer the amounts paid by the shareholders in full amount of the purchase price to the account indicated by the sworn bailiff and notify the sworn bailiff of the acquirers of shares, the number of shares acquired by them and the purchase price paid.

(7) If the purchase price is not paid within the time limit for payment indicated in the notice referred to in Paragraph two of this Section, the executive board shall immediately after expiry of the abovementioned time limit make an entry in the register of shareholders on the acquirer of the share indicated in the notice referred to in Paragraph two of this Section.

(8) If a shareholder could not exercise the right of first refusal due to the fault of the executive board, the shareholder has the right of pre-emption. The right of pre-emption shall be exercised in accordance with the procedures laid down in Section 189.3 of this Law.

[*15 June 2017 /* *Section shall come into force on 1 January 2018.* *See Paragraph 58 of Transitional Provisions*]

**Section 189.2 Right of First Refusal of Shareholder if Shares are Sold by an Administrator of Insolvency Proceedings or They are Sold by Exercising the Right of Commercial Pledge**

The provisions of Section 189.1 of this Law shall be applicable also to the sale of shares by the administrator of insolvency proceedings and the sale of shares by exercising the right of commercial pledge.

[*15 June 2017 /* *Section shall come into force on 1 January 2018.* *See Paragraph 58 of Transitional Provisions*]

**Section 189.3 Right of Pre-emption of a Shareholder**

(1) If a shareholder could not exercise the right of first refusal due to the fault of the seller or acquirer of shares, the shareholder has the right of pre-emption.

(2) The provisions of the Civil Law for pre-emption shall be applicable to the right of pre-emption of a shareholder insofar as this Section does not stipulate otherwise.

(3) The right of pre-emption shall be exercised within one month from the day when the shareholder with the right of pre-emption became aware of the infringement of the right of first refusal, but not later than within a year from the day when a division of the register of shareholders was appended to the registration file of the company in which the acquirer of shares has been entered as the shareholder.

(4) The right of pre-emption may also be exercised in relation to such shares to which the acquirer has subscribed for in proportion to the shares to be redeemed or which have been acquired by him or her until the day when the right of pre-emption was exercised.

(5) If several shareholders with the right of pre-emption apply for the exercise of the right of pre-emption, shares shall be divided in accordance with the procedures laid down in Section 189 of this Law.

[*2 May 2013; 15 June 2017 /* *Amendment regarding the change of the number of this Section shall come into force on 1 January 2018.* *See Paragraph 58 of Transitional Provisions*]

**Section 190. Pledging of Shares**

Shares may be pledged on the basis of commercial pledge regulations if the articles of association do not prohibit the encumbering of shares.

**Section 191. Inheritance of Shares**

(1) In the case of the death of a shareholder, the shares owned by him or her shall be inherited by his or her heirs, unless the articles of association specify that the shares transfer to the company. If the articles of association provide that the shares of the deceased shareholder transfer to the company, then the company has the obligation to disburse a compensation to the heirs or, in the case referred to in Section 416 of the Civil Law, a compensation to the State according to the liquidation quota which the deceased shareholder would have received at the moment of opening the succession.

(2) Shares for which there are no heirs shall be deemed as property without heirs in accordance with Section 416 of the Civil Law and shall escheat to the State. The State shall have no voting rights, and, when determining the norm of representation, these shares shall not be taken into account.

(3) The State shall offer the acquired shares for sale.

(4) Shareholders of the company shall have the right of first refusal, unless otherwise specified in the articles of association. The right of first refusal of the shareholders of the company shall be exercised in accordance with the procedures specified in this Law.

(5) If shares have not been sold in accordance with the procedures specified in the law, they shall transfer to the company.

[*6 June 2013; 11 May 2023*]

**Section 192. Acquisition of Own Shares**

(1) The company may not acquire its own shares, except in cases when it acquires these shares:

1) by way of inheritance;

2) in the case of the death of a shareholder if the articles of association provide that the shares of the deceased shareholder are transferred to the company;

3) due to a shareholder renouncing his or her shares in writing;

4) due to a shareholder losing rights to an unpaid share;

5) if a shareholder is expelled from the company;

6) in the case when a shareholder who is a legal person is terminated, if the shares of the legal person have not been acquired by another person;

7) by reducing the equity capital, withdrawing shares from market and deleting them;

8) by acquiring another company or a part thereof;

9) as a result of a non-exchange transaction;

10) by recovering claims thereof from third parties;

11) as a result of reorganisation, by disbursing a compensation in the specified cases;

12) in the case when shares that escheat to the State as property without heirs have not been sold in accordance with the procedures specified in the law;

13) to allocate them to employees and members of the executive board and supervisory board.

(2) If the company acquires its own shares, it shall not have any of the rights of a shareholder. When determining the norm of representation, these shares shall not be taken into account.

[*14 February 2002; 22 July 2004; 6 June 2013; 17 December 2020*]

**Section 193. Alienation of Own Shares**

(1) The company shall alienate acquired own share within one year from the day when it was acquired, except for the case provided for in Section 192, Paragraph one, Clause 13 of this Law. In such case, the provisions of Section 188, Paragraphs one, two, and three, and also the provisions of Section 189, Paragraph one of this Law shall be applicable accordingly.

(2) If the company fails to alienate its own shares within the specified time limit, these shares shall be cancelled, correspondingly reducing the equity capital in accordance with the provisions of this Law for the reduction of equity capital.

[*22 April 2004; 2 May 2013; 17 December 2020*]

**Section 194. Rights of Shareholders to Information**

A shareholder has the right to receive information from the executive board on the activities of the company and to become acquainted with all documents of the company. These rights may be restricted in each individual case by a decision of the meeting of shareholders if there are a justified suspicions that the shareholder may use the information acquired contrary to the objective of the company, thus causing significant harm or losses to the company or to one of the subjects included with the company in a group of companies, or a third party.

[*14 February 2002*]

**Section 195. Expulsion of a Shareholder**

(1) A court may expel a shareholder from the company on the basis of a claim of the company, if he or she has, without a justified reason, failed to fulfil his or her obligations or have otherwise caused substantial harm to the interests of the company, or has failed to discharge commitments, or has not ceased the infliction of harm after receipt of a written warning from the company.

(2) Action for the expulsion of a shareholder may be brought by shareholders who represent not less than one half of the equity capital of the company, unless a higher number of votes is specified in the articles of association.

(3) In the case of expulsion of a shareholder, his or her shares shall transfer to the company which has the obligation to disburse the expelled shareholder his or her contribution which shall be determined in accordance with the provisions of Section 156, Paragraph two of this Law.

**Chapter 2**

**Changes in Equity Capital**

**Section 196. Decision on Changes in Equity Capital**

(1) Equity capital may be increased or reduced only on the basis of a decision of the meeting of shareholders which provides regulations for the increase or reduction of equity capital.

(2) The decision on changes in equity capital shall be regarded as taken, if not less than two-thirds of votes of the shareholders present vote for it, unless a higher number of votes is specified in the articles of association.

(3) If the decision on changes in equity capital is taken, relevant amendments shall be made at the same time to the articles of association.

[*22 April 2004*]

**Section 197. Increase of Equity Capital**

(1) The equity capital of the company may be increased:

1) by the existing shareholders or newly admitted shareholders making contributions to the equity capital of the company and receiving in return a relevant number of new shares;

2) after approval of the annual statement or the report on economic activities for a shorter period than a year, by increasing the nominal value of the existing shares or issuing new shares, including fully or partially in the equity capital the positive difference between own funds and the amount which is formed by the equity capital and reserves which may not be included for the increase of equity capital in accordance with the law. New shares shall be divided between shareholders in proportion to the shares owned by them, except when the regulations for increasing the equity capital provide for the transfer of the new shares to the company for the purpose of allocating them to employees and members of the executive board and supervisory board, and all of the shareholders with voting rights have voted for the approval of the regulations for increasing the equity capital. The report on economic activities shall be drawn up in accordance with the requirements of the law for the drawing up of the annual statement;

3) by increasing the nominal value of the existing shares or issuing new shares, including the mandatory reserve fully or partially in the equity capital. The new shares shall be divided between shareholder in proportion to shares owned by them.

(2) [16 June 2022]

(3) If new shares are acquired at a price which exceeds the nominal value of a share in accordance with the provisions of Section 155, Paragraph two of this Law, the difference between the acquisition price and the nominal value of the acquired share shall not be included in the equity capital.

(4) Property contributions in the case of an increase of equity capital are permitted only if they are provided for in the regulations for increasing the equity capital.

(5) [14 February 2002]

(6) [15 June 2017]

(7) [15 June 2017]

(8) [15 June 2017]

(9) [15 June 2017]

[*14 February 2002; 16 March 2006; 24 April 2008; 15 April 2010; 15 June 2017; 17 December 2020; 16 June 2022*]

**Section 198. Regulations for Increasing the Equity Capital**

(1) The decision to increase the equity capital shall approve regulations for increasing the equity capital which shall specify:

1) the means of increasing the equity capital;

2) the amount of the increased equity capital and the amount by which it shall be increased;

3) the number of new shares;

4) the nominal value of a share;

5) the price of a share, if a share premium has been specified;

6) the method of payment for shares;

7) the time limit during which third parties shall submit applications for share acquisition, if the equity capital is increased by accepting new shareholders;

8) the deadline for the payment for new shares, calculated so that the new share would be fully paid not later than six months from the date when the decision to increase the equity capital has been taken;

9) the time limit from which the new shares shall give the right to receive dividends;

10) other provisions which are not in contradiction to law.

(2) If the equity capital of the company is less than that specified in Section 185 of this Law, the company, the new shares shall only be paid up in cash.

[*15 April 2010*]

**Section 199. Shareholder’s Right of First Refusal**

(1) Within 15 days from the date of taking the decision to increase equity capital, a shareholder has the right of first refusal to the acquisition of the new shares in proportion to the number of shares already owned by him or her.

(2) If a shareholder has not exercised the right of first refusal to acquire the new shares, then, within 15 days after expiry of the time limit specified in Paragraph one of this Section, they may be acquired by those shareholders who have exercised the right of first refusal specified in Paragraph one of this Section.

(3) If two or more other shareholders wish to acquire shares to which a shareholder has not exercised the right of first refusal, they shall be divided between these shareholders in proportion to the number of shares owned by them. If the number of shares to be sold is not sufficient to divide them proportionally, the executive board shall organise a restricted auction among these shareholders for the remaining shares that cannot be proportionately divided.

(31) The purchase price acquired at a restricted auction shall be transferred to the account of the company.

(4) If the shareholders have not exercised the rights provided for in Paragraphs one, two or three of this Section, then third parties may acquire the new shares.

[*14 February 2002; 15 June 2017*]

**Section 200. Application to Acquire Shares**

(1) If a shareholder wishes to acquire the new shares, he or she shall, within the term specified in Section 199, Paragraph one or two of this Law, submit the company an application for the acquisition of shares.

(2) A third party shall submit an application within the term specified in the decision to increase equity capital.

(3) An application shall be binding on the person who has submitted it.

(4) The following shall be indicated in an application:

1) the firm name of the company;

2) an offer to acquire shares in the company;

3) the number of shares which a person wishes to acquire;

4) the method by which the acquired shares will be paid up in conformity with the regulations for increasing the equity capital;

5) the item of the property contribution (if a property contribution is made);

6) the term for making the contribution, not exceeding the provisions of the regulations for increasing the equity capital.

**Section 201. Procedures for the Payment of Equity Capital**

When increasing the equity capital, the provisions of Sections 151–154 of this Law shall be applicable, unless otherwise provided for in this Chapter.

**Section 202. Application for the Increase of Equity Capital to the Commercial Register Office**

(1) After expiry of the payment term specified in the regulations for increasing the equity capital or after all the promulgated equity capital has been paid up according to the regulations for increasing the equity capital (if the equity capital has been paid up before expiry of the respective term), the executive board shall submit an application for the increase of equity capital to the Commercial Register Office.

(2) The following shall be attached to an application:

1) an extract of the minutes of the meeting of shareholders;

2) the regulations for increasing the equity capital;

3) the text of amendments to the articles of association and the full text of the new wording of the articles of association;

4) applications of shareholders or third parties to acquire shares;

41) the last division of the register of shareholders;

5) if the equity capital is being increased by a monetary contribution made previously, a statement of the payment service provider or another document on the payment of share, except when the equity capital is increased in accordance with the procedures laid down in Section 197, Paragraph one, Clauses 2 and 3 of this Law;

6) in the case of a property contribution – documents which certify the value of the contribution. If the property contribution has been transferred to the company – documents attesting its transfer to the company;

7) a certification that no significant circumstances have arisen which affect the value of the property contribution referred to in Section 154, Paragraph 2.1 of this Law;

8) [15 June 2017].

(3) Equity capital shall be deemed to be increased and the rights resulting from the new shares shall arise starting from the day when the new amount of the equity capital is entered in the Commercial Register.

[*22 April 2004; 24 April 2008; 18 December 2008; 15 April 2010; 2 May 2013; 15 June 2017; 16 June 2022*]

**Section 203. Certification of the Increase of Equity Capital**

[16 June 2022]

**Section 204. Means of Reducing Equity Capital**

Equity capital shall be reduced by cancelling shares or reducing the nominal value of shares.

**Section 205. Regulations for the Reduction of Equity Capital**

(1) The regulations for the reduction of equity capital shall indicate:

1) the reasons for reducing equity capital;

2) the means and procedures for the reduction of equity capital;

3) the amount of the reduced equity capital and the amount by which it shall be reduced;

4) the nominal value of a share.

(2) A notice on the reduction of the equity capital shall be sent without delay to the Commercial Register Office. An extract of the minutes of the meeting of shareholders and the regulations for the reduction of equity capital shall pe attached to the notice.

[*18 December 2008*]

**Section 206. Amount of Reduction of Equity Capital**

Equity capital may be reduced to the amount specified in Section 185 of this Law.

**Section 207. Protection of Creditors**

(1) Within five days after taking the decision to reduce equity capital, the executive board shall send a written notice on the reduction of equity capital and the amount of the new equity capital of the company to all known creditors of the company whose right to claim against the company has arisen before taking the decision to reduce equity capital.

(2) The Commercial Register Office shall publish on its website a notice on the decision taken by the company to reduce the equity capital. The notice shall include the time limit by which creditors who wish to receive a security may apply, and the time limit for applying claims of creditors which may not be less than one month from the date when the notice has been published.

(3) The company shall provide security for creditors who have applied within the specified time limit (except for secured creditors in the amount of secured claims).

[*29 November 2012; 15 June 2017; 6 July 2021*]

**Section 208. Application to the Commercial Register Office for the Reduction of Equity Capital**

(1) After expiry of the time limit for applying the claims of creditors and claims are secured, the executive board shall submit an application for the reduction of the equity capital to the Commercial Register Office. The text of amendments to the articles of association and the full text of the new wording of the articles of association shall be attached to the application.

(2) In the application, the executive board shall certify the provision of security to creditors or the satisfaction of their claims.

(3) The application shall be submitted to the Commercial Register Office not later than six months after the day when the decision to reduce equity capital has been taken.

(4) Equity capital shall be deemed to have been reduced from the day when the new amount of equity capital has been entered in the Commercial Register.

**Chapter 3**

**Administration of the Company**

**Section 209. Administrative Bodies of the Company**

The administrative bodies of the company are the meeting of shareholders and the executive board, as well as the supervisory board (if such has been established).

**Section 210. Competence of the Meeting of Shareholders**

(1) The following shall be within the competence only of the meeting of shareholders:

1) making amendments to the articles of association;

2) increase or reduction of equity capital;

3) election or removal of members of the supervisory board;

4) election or removal of members of the executive board;

5) approval of the annual statement and the distribution of profits;

6) election and removal of the auditor and liquidator;

7) taking decisions on the bringing of actions against members of the executive board or supervisory board, founders or shareholders, and the appointment of a representative of the company for conducting the matter in court;

8) [14 February 2002];

9) taking decisions on the termination, continuation, suspension, renewal or reorganisation of the activities of the company and also on the entry into, amendment or termination of a group of companies agreement;

10) other issues which are transferred under the competence of the shareholders in accordance with the law or the articles of association.

(2) The meeting of shareholders also has the right to take decisions on such issues as are within the competence of the executive board or supervisory board. In such case, the shareholders who voted for this decision shall be jointly liable for any losses caused as a result of such decisions.

[*14 February 2002; 22 April 2004; 29 November 2012; 11 May 2023 /* *The new wording of Clause 6 of Paragraph one shall come into force on 1 July 2023.* *See Paragraph 82 of Transitional Provisions*]

**Section 211. Voting Rights of Shareholders**

(1) Each share shall give a shareholder only one vote, unless otherwise provided for in the articles of association.

(2) A shareholder shall not have the right to take part in voting if a decision is to be taken:

1) on releasing him or her from obligations or liability;

2) on the bringing of an action against him or her;

3) on the conclusion of a transaction with him or her, or the related person;

4) in the case referred to in Section 210, Paragraph two of this Law, and there is a conflict of interests between the shareholder and the company;

5) in the case referred to in Section 210, Paragraph two of this Law, and the shareholder has been deprived of the right to perform commercial activities of all types or a specific type. If the shareholder has been deprived of the right to perform commercial activities of specific type, he or she shall not have the right to participate in voting on issues related to the relevant type of commercial activities.

(3) When determining the norm of representation, the votes of the shareholder referred to in Paragraph two of this Section shall not be taken into account.

[*14 February 2002; 14 June 2012; 29 November 2012; 16 June 2022*]

**Section 212. Meetings of Shareholders**

(1) A meeting of shareholders is valid if shareholders who jointly represent not less than one half of the equity capital with voting rights participate in it, if the articles of association do not provide for a higher norm of representation.

(2) If a meeting of shareholders convened according to the procedures specified by law is not valid due to the lack of the specified quorum, a reconvened meeting with the same agenda shall be valid irrespective of the number of votes represented in it.

(3) A shareholder may participate at a meeting of shareholders in person or through a representative who has a written power of attorney. Person who represents a shareholder on the basis of law need not a power of attorney. Such persons shall present a document which certifies the right of representation.

(4) A meeting of shareholders shall be chaired by the chairperson of the executive board if the shareholders do not elect another chairperson of the meeting.

[*14 February 2002*]

**Section 213. Convening a Meeting of Shareholders**

(1) A regular meeting of shareholders shall be convened by the executive board at least once a year in order to approve the annual statement, decide on the distribution of profit, and elect an auditor.

(2) If the executive board has not convened a regular meeting of shareholders in the specified time limit, it may be convened by:

1) the supervisory board (if such has been established);

2) the Commercial Register Office for fee.

(3) The executive board has the obligation to convene a meeting of shareholders in the cases specified in the articles of association and also when:

1) the conditions referred to in Section 219 of this Law have set in;

2) the supervisory board has requested it;

3) it is requested by shareholders who represent not less than one tenth of the equity capital of the company.

(4) If the executive board does not convene a meeting of shareholders within one month after the day of receiving a request, the supervisory board shall convene the meeting upon request of any shareholder. If the supervisory board does not convene a meeting of shareholders within one month after the day of receiving a request, it shall be convened by the Commercial Register Office for a fee. The fee and expenses for convening a meeting shall be paid to the Commercial Register Office by the requester. The company shall cover the amount paid to the Commercial Register Office, if there was a good cause for convening the meeting.

(41) A meeting of shareholders shall be convened in the administrative territory in which the legal address of the company has been registered, unless specified otherwise in the articles of association.

(5) If the meeting of shareholders has not been held due to the reason referred to in Section 212, Paragraph two of this Law, a repeated meeting of shareholders shall be convened within one month.

(6) Minutes shall be kept of the course of the meeting of shareholders. The provisions of Section 285 of this Law shall be applicable thereto.

[*14 February 2002; 22 April 2004; 16 June 2005; 16 June 2011*]

**Section 214. Notice on Convening the Meeting of Shareholders**

(1) The executive board shall send a notice on convening the meeting to all shareholders not later than two weeks before the meeting. Notices shall be sent to the addresses for communication indicated in the register of shareholders of the company. The articles of association may provide for a different notice procedures.

(2) The following shall be indicated in the notice:

1) the firm name and legal address of the company;

2) the place and time of the meeting;

3) the type of the meeting (regular or extraordinary meeting) and whether it is a repeated meeting;

4) the body which is convening the meeting;

41) the procedures and time limits by which shareholders may exercise the right to vote before the meeting of shareholders or to participate or vote in the meeting of shareholders through electronic means;

5) the provisions for the participation of the representatives of shareholders in the meeting;

6) the agenda;

7) the time and place where and when the shareholders may become acquainted with draft decisions on the issues included in the agenda of the meeting and also with other issues to be reviewed in the meeting.

(3) If the agenda of the meeting of shareholders includes the issue of making amendments to the articles of association, a draft decision to make amendments to the articles of association shall indicate in particular:

1) the provisions of the articles of association to be amended, supplemented or cancelled;

2) the new wording of the provisions of the articles of association, if the articles of association are supplemented with new provisions.

(4) [16 June 2022]

(5) The company shall, in accordance with the procedures laid down in Section 273.1 of this Law, ensure that shareholders have access to the documents to be examined at the meeting of shareholders.

[*22 April 2004; 20 March 2020; 16 June 2022*]

**Section 214.1 Remote Participation and Voting in the Meeting of Shareholders**

(1) A shareholder has the right to vote in writing (including through electronic means) before the meeting of shareholders if the following conditions are met:

1) the vote has been given in a way which allows the company to ensure the identification of the shareholder;

2) the vote is received by the company at least one day before the meeting of shareholders.

(2) A shareholder who has voted before the meeting of shareholders may request the company to confirm the receipt of the vote. The company shall, immediately after the receipt of the vote of the shareholder, send the confirmation to the shareholder.

(3) The executive board shall, upon its own initiative or upon request of the shareholders who jointly represent at least 20 per cent of the equity capital of the company and if the articles of association do not provide for a lower norm of representation, ensure a shareholder with the right to participate or vote in the meeting of shareholders through electronic means. In such a case, the executive board shall determine the requirements for the identification of shareholders and the procedures by which the shareholders can exercise this right.

(4) It may be stipulated in the articles of association that a shareholder has the right to participate or vote in the meeting of shareholders through electronic means. In such a case, the articles of association shall stipulate or delegate the executive board to determine the requirements for the identification of shareholders and the procedures by which the shareholders can exercise this right.

(5) The right of a shareholder to participate or vote in the meeting of shareholders through electronic means shall not restrict the right of the shareholder to participate and vote in the meeting of shareholders in person.

(6) It may be provided in the articles of association that the meetings of shareholders shall take place only electronically and the shareholders shall participate and vote in the meeting of shareholders through electronic means. The decision on the abovementioned amendments to the articles of association is taken if all of the shareholders with voting rights agree thereto.

(7) A shareholder who votes before the meeting of shareholders or participates or votes in the meeting of shareholders through electronic means shall be considered present at the meeting of shareholders. In such a case the executive board shall prepare the list of those shareholders who have voted before the meeting of shareholders, and the shareholders shall be acquainted with such list before the first vote. The information referred to in Section 278, Paragraph three of this Law shall be indicated in the list.

[20 March 2020]

**Section 215. Taking a Decision without Convening a Meeting of Shareholders**

(1) Shareholders have the right to take decisions without convening a meeting of shareholders, unless the law or the articles of association specify that certain issues shall only be decided at the meeting of shareholders.

(2) The executive board shall send a written draft decision and documents that are of importance for taking the decision to all shareholders, indicating the time limit by which a shareholder may vote in writing “for” or “against” the taking of the decision. Such time limit may not be less than two weeks from the date when the draft decision was sent out. If a shareholder has not given a written reply within the specified time limit, it shall be deemed that he or she has voted against the taking of the decision.

(3) The executive board shall draw up minutes of voting for the results of the voting and shall immediately send the minutes to all shareholders. The following shall be indicated in the minutes of voting:

1) the firm name and legal address of the company;

2) the given name and surname of the person who drew up the minutes;

3) the decisions taken and the results of the voting related thereto;

4) pursuant to the request of a shareholder for the expression of a different viewpoint – the substance of such viewpoint;

5) other information that is essential for voting.

(4) If a decision is taken without convening a meeting of shareholders, the decision shall be considered taken if it has received more than half of all of the shareholders’ votes, unless a higher number of votes is specified by law or the articles of association.

**Section 216. Taking of Decisions by Shareholders**

(1) The decision of the shareholders shall be taken if it has received more than half of the votes represented at the meeting of shareholders, unless a higher number of votes is specified by law or the articles of association.

(2) The decision of the meeting of shareholders shall be entered in the minutes or shall be prepared in the form of a separate document. The minutes shall be signed by the chairperson of the meeting, the recorder of the minutes and at least one shareholder elected by the meeting – a person who shall certify the accuracy of minutes. The decision shall be signed by the chairperson of the meeting. If the decision is to be submitted to the Commercial Register Office, the chairperson of the meeting and at least one shareholder who has been elected as the person to certify the accuracy of the decision shall sign the decision. The original of the minutes or decision or a derivative the accuracy of which shall be confirmed by the same persons who signed the original shall be submitted to the Commercial Register Office.

(3) A decision of the shareholders in respect of the company, members of its supervisory board and executive board, the auditor and shareholders shall be in effect from the moment of its taking, unless the decision or the law provides another time limit for the coming into effect of the decision.

[*16 March 2006; 2 May 2013*]

**Section 217. Declaration of a Decision of Shareholders as Void**

(1) A court may, based on a claim of a shareholder, a member of the executive board or supervisory board, declare a decision of shareholders as void if such decision or procedures for taking it are in contradiction with law or articles of association, or a significant violations have been allowed in convening the meeting or taking the decision, including an infringement of the right of a shareholder to receive information in accordance with the procedures laid down in Section 214 of this Law, to participate or vote at the meeting. An action may be brought within three months from the day when the person became aware or should have become aware of the decision of the meeting, but not more than a year from the day of occurrence of the meeting.

(2) If a decision has been taken in violation of the procedures for taking decisions, the decision may not be contested on such grounds if all the shareholders have voted for this decision.

[*15 June 2017*]

**Section 218. Taking Decisions on Essential Matters**

(1) The decision to make amendments to the articles of association, terminate, continue, suspend or renew the activities of the company, reorganise the company, and enter into, amend, and terminate of a group of companies agreement shall be taken if not less than two-thirds of the votes represented at the meeting were given for such decision, if the articles of association do not specify a higher number of votes.

(2) When applying amendments to the articles of association to the Commercial Register Office, an extract from the minutes of the meeting of shareholders with the decision to make amendments to the articles of association and the full text of the articles of association in the new wording signed by the executive board and the persons who have signed the relevant minutes of the meeting of shareholders shall be appended.

[*22 April 2004; 29 November 2012; 2 May 2013 /* *Amendment to Paragraph one shall come into force on 1 January 2014.* *See Paragraph 26 of Transitional Provisions*]

**Section 219. Convening of a Meeting of Shareholders in Special Cases**

If the losses of the company reach at least a half of the equity capital of the company or the company has limited solvency, the features of insolvency have been established or they are likely to occur in the company, the executive board shall notify the supervisory board (if such has been established) thereof and convene a meeting of shareholders in which the executive board shall provide explanations.

[*22 April 2004; 24 April 2008; 15 June 2017*]

**Section 220. Supervisory Board**

(1) The company shall establish a supervisory board if it is provided in the articles of association.

(2) The provisions of Sections 291–300 of this Law shall be applicable to the activities and competence of the supervisory board, insofar as this Chapter does not provide otherwise.

(21) The supervisory board shall be elected for an indefinite period, unless the articles of association provide otherwise.

(3) Members of the supervisory board shall be elected by a simple majority of votes of the present shareholders, unless the articles of association require a higher number of votes for the election of members of the supervisory board or the provisions of Section 296, Paragraphs four, five, and six of this Law are applicable.

(4) Section 296, Paragraph nine of this Law shall be applicable if the articles of association of the company stipulate that the supervisory board is elected in accordance with the provisions of Section 296, Paragraphs four, five, and six of this Law.

[*22 April 2004; 18 December 2008; 15 April 2010*]

**Section 221. Executive Board**

(1) The executive board is the executive body of the company which manages and represents the company.

(2) The executive board may consist of one or more members.

(3) A natural person with the capacity to act may be a member of the executive board.

(4) A members of the supervisory board of the company, the auditor of the company and members of the supervisory board of the dominant undertaking in a group of companies may not be a member of the executive board. Stricter restrictions on members of the executive board may be provided in the articles of association.

(5) The executive board has the obligation to provide information to the meeting of shareholders on the transactions concluded between the company and a shareholder, member of the supervisory board or executive board.

(6) The executive board has the obligation to submit, at least once every quarter, to the supervisory board a report on the activities and financial situation of the company, and it shall, without delay, notify the supervisory board of the deterioration of the financial situation of the company, or other significant circumstances related to the company’s commercial activities.

(7) Members of the executive board shall elect a chairperson of the executive board from among themselves who shall organise the activities of the executive board. If the company has established a supervisory board, the articles of association may provide that the chairperson of the executive board is appointed by the supervisory board.

(8) Members of the executive board have the right to remuneration which is commensurate with their obligations and the financial situation of the company. The amount of remuneration shall be determined by a decision of the supervisory board, but if the company has no supervisory board – by a decision of shareholders.

(9) [14 February 2002]

(10) [14 February 2002]

(11) [22 April 2004]

[*14 February 2002; 22 April 2004; 29 November 2012*]

**Section 222. Rights of the Executive Board to Manage the Company**

Members of the executive board shall manage the company only jointly.

[*14 February 2002*]

**Section 223. Representation Rights of the Executive Board**

(1) All members of the executive board have representation rights. Members of the executive board shall represent the company jointly unless the articles of association specify otherwise.

(2) In the case of joint representation, the members of the executive board may authorise from among themselves one or more members of the executive board to conclude specific transactions or specific types of transactions.

(3) The representation rights of the executive board in respect of a third party may not be restricted. The rights of the members of the executive board specified in the articles of association to represent the company jointly or individually shall not be deemed to be restrictions on the representation rights of the executive board within the meaning of this Section.

(4) In relation to the company, the executive board shall observe the restrictions on representation which are specified in the articles of association, decisions of the meeting of shareholders and supervisory board, as well as the prohibition to perform commercial activities of all types or specific type, or hold specific positions.

[*14 February 2002; 22 April 2004; 29 November 2012*]

**Section 224. Election and Removal of Members of the Executive Board**

(1) Members of the executive board shall be elected and recalled by the meeting of shareholders with its decision. When submitting an application to the Commercial Register Office for the expiry of the powers of a member of the executive board, changes in the representation rights or election of a new member of the executive board, the application shall have appended an extract of the minutes of the meeting of shareholders with the relevant decision.

(11) The decision on the election of a member of the executive board shall also be in effect if it has been taken by a person who has not been entered in the register of shareholders, however has acquired all shares of the company provided that all shares:

1) are inherited;

2) are acquired by a court judgment that has entered into effect;

3) have been alienated by a sworn bailiff while performing his or her official duties;

4) have been alienated by the administrator of the insolvency proceedings while performing his or her official duties;

5) are acquired by using a commercial pledge.

(12) The decision referred to in Paragraph 1.1 of this Section shall be appended by a document on the basis of which all shares are acquired, or a notarised copy thereof and the division of the register of new shareholders.

(2) In order to elect a person as a member of the executive board, the consent of the relevant person shall be necessary. The candidate for the member of the board shall indicate the potential obstacles for holding the position in accordance with Sections 4.1, 4.2, 4.3, 171 and 221 of this Law and the potential obstacles for the implementation of the right of representation of the company in accordance with Sections 4.1 and 4.2 of this Law, or certify that he or she does not have such obstacles.

(21) The Commercial Register Office shall be submitted a written consent of the member of the executive board in which he or she shall indicate the firm name and the registration number of the company the member of the executive board of which he or she agrees to become.

(3) A member of the executive board shall be elected for an indefinite period, unless the articles of association provide otherwise.

(4) A member of the executive board may be removed by a decision of the shareholders. If the company has a supervisory board, it may suspend any member of the executive board from his or her position until the meeting of shareholders but not for longer than two months.

(5) [14 February 2002]

(6) It may be provided for by the articles of association that a member of the executive board may be removed only if there is an important reason. Such reasons shall, in any case, be considered to be gross violations of the powers, failure to perform or to appropriately perform obligations, inability to manage the company, or causing harm to the interests of the company, as well as loss of confidence.

(7) [14 February 2002]

(8) A member of the executive board may leave the position of the member of the executive board at any time by submitting a notice thereon to the company.

[*14 February 2002; 22 April 2004; 16 March 2006; 15 April 2010; 29 November 2012; 2 May 2013; 15 June 2017; 11 May 2023* / *The amendment regarding the new wording of the second sentence of Paragraph two shall come into force on 1 August 2023.* *See Paragraph 83 of Transitional Provisions*]

**Division XIII**

**JOINT-STOCK COMPANY**

**Chapter 1**

**Capital and Securities of a Joint-Stock Company**

**Section 225. Equity Capital of a Joint-Stock Company**

(1) The equity capital of a joint-stock company (hereinafter in this Division – the company) may not be less than EUR 25 000.

(2) [16 June 2022]

[*19 September 2013; 16 June 2022*]

**Section 226. Stock and the Legal Relations Associated Therewith**

(1) A stock is a security which certifies the stockholder’s participation in the equity capital of the company and gives him or her the right, in conformity with the relevant category of the stock, to take part in the administration of the company, receive dividends and, in the case of the liquidation of the company, a liquidation quota.

(2) A stock is indivisible.

(3) The legal relations arising in relation to publicly traded stocks shall be governed by this Law, insofar as the Financial Instrument Market Law does not provide otherwise.

[*24 April 2008*]

**Section 227. Categories of Stocks**

(1) Different rights may be fixed in stocks to:

1) the receipt of dividends;

2) the receipt of liquidation quota;

3) voting rights at the meeting of stockholders.

(2) Stocks in which an equal amount of rights is fixed are stocks of one category. If the company has several categories of stocks, a different designation must be given to each category of stocks.

**Section 228. Registered Stock and Dematerialised Stock**

(1) A stock can be a registered stock or a dematerialised stock. A registered stock is accounted in the register of stockholders, and a dematerialised stock is recorded in the central securities depository. All stocks of the company are either registered stocks or dematerialised stocks.

(2) The rights arising from a registered stock belong to the person who has been entered in the register of stockholders as a stockholder. An individual, unchangeable sequence number is assigned to each stock. The sequence number is assigned in the order of the issue of stock.

(3) The rights arising from a dematerialised stock belong to the person in the financial instrument account opened in his or her name the stock is recorded in accordance with the Financial Instrument Market Law.

(4) A meeting of stockholders may decide to convert dematerialised stocks into recorded stocks and vice versa. When taking the decision to converse the stocks, relevant amendments shall be made to the articles of association.

[*16 June 2022*]

**Section 229. Form of Stocks**

[16 June 2022]

**Section 230. Nominal Value of Stocks**

(1) The nominal value of stocks shall be laid down in the articles of association of the company and expressed in euros.

(2) The nominal value of stock may not be less than 10 cents.

(3) The nominal value of stock must be divided by the smallest nominal value of the stocks of the company and 10 cents without a remainder.

[*19 September 2013 /* *The new wording of Section shall come into force on 1 January 2014.* *See Paragraph 35 of Transitional Provisions*]

**Section 231. Preferred Stocks**

(1) Preferred stock gives special rights to a stockholder in relation to the receipt of dividends, liquidation quotas, and also the dividends and liquidation quotas.

(2) The company may issue preferred stocks if such category of stocks is provided in its articles of association.

(3) [22 April 2004]

[*22 April 2004; 16 March 2006*]

**Section 232. Rights Arising from Preferred Stocks**

(1) The rights arising from preferred stocks shall be determined in the articles of association.

(2) Preferred stocks do not give voting rights.

(3) If a stockholder who owns preferred stocks with special rights in relation to the receipt of dividends is not disbursed dividends for two reporting years in succession or is disbursed only part of them, he or she shall acquire voting rights in the next reporting year under general provisions in proportion to the amount of the nominal value of the preferred stocks owned thereby.

(4) The acquisition of voting rights shall not release the company from the obligation to pay the arrears of dividends and shall also not affect other rights which arise from preferred stocks.

(5) A stockholder who own preferred stocks with special rights in relation to the receipt of dividends shall lose their voting rights on the last day of that reporting year during which he or she has fully received all the previous arrears of dividends.

**Section 233. Changing, Restricting or Revoking Preferences**

(1) A meeting of stockholders may, by making relevant amendments to the articles of association, take the decision to change, restrict or revoke those preferences which arise from preferred stocks.

(2) The decision referred to in Paragraph one of this Section shall be in effect if also the holders of preferred stocks of the relevant category have voted for the taking of it with a number of votes which is not less than three quarters of the total number of this category of votes.

(3) The provisions of Paragraph two of this Section for the consent of the holders of preferred stocks shall also apply to the case when the decision to issue new preferred stocks which have larger or equal preferences in comparison with the already existing preferred stocks.

(4) The provisions of Paragraphs two and three of this Section shall not apply to any of the following cases:

1) the articles of association provide for priority right to holders of preferred stocks to the preferred stocks to be issued;

2) when issuing the existing preferred stocks, the memorandum of association, articles of association or the regulations for increasing the equity capital explicitly specify that the provisions of Paragraphs two and three of this Section shall not apply.

[*14 February 2002*]

**Section 234. Register of Stockholders**

(1) The company shall keep a register of stockholders for the accounting of registered stocks, reflection of their transfer, and ensuring the rights of stockholders.

(2) The register of stockholders is a file composed of separate divisions. A division is a document which consists of a set of entries made at the same time, reflecting the current composition of stockholders.

(3) The division of the register of stockholders shall be drawn up in two copies. One copy of the division shall be appended to the register of stockholders, while the other shall be submitted to the Commercial Register Office in accordance with the procedures laid down in this Law.

(4) The register of stockholders shall be stored for 10 years after deletion of the company from the Commercial Register.

(5) Entries in the register of stockholders shall be made in conformity with the following provisions:

1) entries shall be made in chronological order;

2) deletion and exclusion of entries is not permitted;

3) each new division shall be appended to the previous divisions of the register of stockholders;

4) when creating a new division, it shall reflect a complete current composition of stockholders;

5) when submitting a division of the register of stockholders to the Commercial Register Office, the status of the payment of the fully paid stocks need be indicated.

(6) Each division shall be confirmed by the chairperson of the executive board or an authorised member of the executive board with his or her signature. The signature of the chairperson of the executive board or a member of the executive board shall be notarised. These provisions shall not be applied if changes are made to the register of stockholders in respect of the information referred to in Section 235, Paragraph one, Clauses 4 and 5 of this Law.

(7) If a stockholder alienates a stock, the entry in the division of the register of stockholders shall also be confirmed by the alienor and acquirer of the stock with their signature. The signatures of the alienor and the acquirer of the stock shall be notarised.

[*16 June 2022*]

**Section 235. Information to be Entered in the Register of Stockholders**

(1) The firm name, registration number, legal address of the company, and, where applicable, information about the fact that the company is under the liquidation or insolvency proceedings, and also the name of the document “Division of the Register of Stockholders” shall be indicated in each division of the register or stockholders and the following information shall be entered therein:

1) the sequence number and date of the division;

2) the sequence number of the entry by using consecutive numbering from the first division of the register of stockholders;

3) the sequence number of stocks;

4) information on stockholders:

a) for a natural person – the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document), and the address where he or she can be reached;

b) for a legal person and partnership – the name, registration number, and legal address;

5) the electronic mail address of the stockholder if the stockholder has requested the company to use it for communication with him or her;

6) the category, number, and nominal value of the stocks of each stockholder, and the number of votes arising from stocks;

7) the status of the payment of stocks;

8) the joint representative of stockholders who has been appointed in accordance with the procedures laid down in Section 157 of this Law by indicating the information referred to in Paragraph one, Clauses 4 and 5 of this Section on him or her;

9) information on the stocks acquired by the company itself, indicating the grounds for the acquisition of stocks.

(2) Entries in the first division of the register of stockholders shall be made according to the information indicated in the memorandum of association.

(3) Further entries in divisions of the register of stockholders shall be made according to the information indicated in the application for the acquisition of new stocks or the notice on the transfer of stock, or any other changes in the information to be entered in the register of stockholders, and also in the cases specified in Section 240 of this Law.

[*16 June 2022* / *See Paragraph 66 of Transitional Provisions*]

**Section 235.1 Making of an Entry in the Register of Stockholders and Submission of the Application for Changes in the Register of Stockholders to the Commercial Register Office**

(1) A notice on making an entry in the register of stockholders shall be submitted to the company by a person on whom the entry is to be made.

(2) In the case of the alienation of stocks, the acquirer and the alienor of the stocks shall submit a joint notice confirming the transfer of stocks, the original transaction document, or a notarised copy thereof under which the stocks are transferred.

(3) The acquirer of stocks shall submit the notice to the company if the stocks:

1) are acquired through inheritance;

2) are acquired by a court judgment that has entered into effect;

3) have been alienated by a sworn bailiff while performing his or her official duties;

4) have been alienated by the administrator of the insolvency proceedings while performing his or her official duties;

5) are acquired by using a commercial pledge.

(4) The notice referred to in Paragraph three of this Section shall be accompanied by a document on the basis of which stocks have been acquired or a notarised copy thereof.

(5) A stockholder shall submit a notice on changes in the information to be entered om him or her in the register of stockholders.

(6) The executive board shall make an entry in the register of stockholders without the respective notice if changes in the information to be entered in the register of stockholders arise solely from the provisions for the increase or reduction in the equity capital or a valid reorganisation agreement, or when transferring an unchanged entry from the previous division.

(7) The executive board has the obligation to make an entry in the register of stockholders or raise substantiated objections to making an entry not later than the next working day after receipt of the notice on changes in the information to be entered in the register of stockholders. The executive board shall refuse to make an entry in the register of shareholders if stocks have been alienated or acquired in contradiction with the law or the documents of incorporation, or if the transfer of stocks is not clearly and unambiguously evident from the documents submitted to the company.

(8) The executive board shall, within three working days after signing the new division, submit an application to the Commercial Register Office for changes in the register of stockholders. The application shall be accompanied by the last division of the register of stockholders of the company. The executive board shall certify in the application that the provisions of this Law and the articles of association of the company for the alienation of stocks have been complied with.

(9) If the executive board fails to make an entry in the register of stockholders or to submit the new division of the register of stockholders to the Commercial Register Office in the case referred to in Paragraph three of this Section within the term and in accordance with the procedures laid down in the law, the acquirer of stocks may submit a notice to the Commercial Register Office. The notice shall be accompanied by the document referred to in Paragraph four of this Section and it shall be certified in the notice that a notice has been submitted to the executive board on the alienation of stocks, specifying the date on which the notice has been submitted to the executive board.

(10) When making an entry in the register of stockholders, an official of the Commercial Register Office shall draw up a new division of the register of stockholders in two copies. Only the official of the Commercial Register Office shall sign the division. One copy of the division shall be appended to the registration file of the company, but the other copy shall be sent to the company.

[*16 June 2022*]

**Section 236. Right to Become Acquainted with the Register of Stockholders**

(1) Stockholders, members of the executive board and supervisory board, the auditor, and competent public institutions have the right to become acquainted with the register of stockholders in the company.

(2) [16 June 2022]

(3) A stockholder has the right to receive an extract from the register of stockholders of the company certified by the chairperson of the executive board or a member of the executive board authorised by the executive board on the stocks owned by him or her in the company or a copy of the last division of the register of stockholders.

[*22 April 2004; 16 June 2022*]

**Section 236.1 Recording of Dematerialised Stocks**

(1) The company shall ensure recording of the stocks that are admitted or are planned to be admitted for trading on a regulated market or multilateral trading facility in the central securities depository in accordance with the provisions 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 (hereinafter – Regulation No 909/2014).

(2) The company shall also ensure recording of other dematerialised stocks in the central securities depository. The stocks shall be recorded in the central securities depository which has obtained an authorisation of the Financial and Capital Market Commission for the operation of a central securities depository or has acquired the right to provide services of a central securities depository in the Republic of Latvia in accordance with the procedures laid down in Article 23 of Regulation No 909/2014.

(3) The meeting of stockholders shall decide on the central securities depository in which stocks to record stocks. The respective decision shall be deemed as taken if it not less than three quarters of the votes of the present stockholders with voting rights have been cast in favour thereof, unless the articles of association require a higher number of votes.

(4) After the recording of stocks in the central securities depository, the executive board shall submit an application to the Commercial Register Office. The application shall indicate the name, registration number, and legal address of the central securities depository in which the stocks are recorded, and the application shall be accompanied by a certification issued by the central securities depository on the recording of stocks.

[*16 June 2022; 11 May 2023 /* *Amendment to Paragraph two regarding the deletion of the word “registration” shall come into force on 1 July 2023.* *See Paragraphs 66 and 84 of Transitional Provisions*]

**Section 236.2 Requesting Information on the Holders of Dematerialised Stocks**

(1) In order to ensure communication with stockholders and the exercise of the rights of stockholders, the company and stockholder have the right to receive information on the holders of dematerialised stocks of the company.

(2) The company and competent authorities are entitled to request information on the holders of the dematerialised stocks of the company from the central securities depository where the dematerialised stocks of the company are recorded. The company whose stocks have been admitted for trading on a regulated market shall request information on the holders of dematerialised stocks in accordance with the procedures laid down in the Financial Instrument Market Law.

(3) The company shall, upon request of a stockholder, provide information at its disposal on the dematerialised stocks of the company, including the following:

1) information on stockholders:

a) for a natural person – the given name, surname, and address where he or she can be reached;

b) for a legal person and partnership – the name, registration number, and legal address;

2) the electronic mail address of the stockholder to be used for communication with the company or in issues related to the company;

3) the category, number, and nominal value of the stocks of each stockholder, and the number of votes arising from stocks;

4) the joint representative of stockholders who has been appointed in accordance with the procedures laid down in Section 157 of this Law by indicating the information referred to in Clauses 1 and 2 of this Paragraph on him or her;

5) information on the stocks acquired by the company itself.

(4) The company has the right to store the information obtained in accordance with the procedures laid down in this Section for not more than one year after it has become aware of the loss of the status of a stockholder, while the stockholder has the right to store this information for one year from the day of receipt of the information.

[*16 June 2022; 11 May 2023 /* *Amendments to Clause 4 of Paragraph three regarding the replacement of the words “Paragraph two of this Section” with the words “of this Paragraph” shall come into force on 1 July 2023.* *See Paragraph 84 of Transitional Provisions*]

**Section 236.3 Stockholder’s Obligation to Inform**

(1) A stockholder who owns dematerialised stocks and has acquired more than five per cent of the number of stocks of the company shall notify the company in writing of the total number of his or her stocks and the voting rights associated with this number within two weeks from the day of acquiring the stocks which exceed five per cent of the stocks of the company.

(2) In accordance with the provisions of Paragraph one of this Section, a stockholder has the obligation to notify of each further acquisition of the stocks of the company that increases his or her holding in the company above each subsequent five per cent of the number of the stocks of the company.

(3) The provisions of Paragraph one of this Section shall be applicable respectively to the obligation of a stockholder to notify of a reduction in holding each time it decreases by each subsequent five per cent or becomes less than five percent of the number of the stocks of the company.

(4) Until the moment of the submission of the notification referred to in Paragraphs one and two of this Section, a stockholder may not exercise the voting rights which arise from the stocks the acquisition of which the stockholder has the obligation to notify to the company. The respective votes of the stockholder shall not be taken into account when determining the norm of representation.

(5) The company shall, within two weeks after receipt of the notice referred to in Paragraphs one, two, and three of this Section, submit it to the Commercial Register Office.

(6) The provisions of this Section shall not be applicable to companies whose stocks have been admitted for trading on a regulated market.

[*16 June 2022* / *See Paragraph 68 of Transitional Provisions*]

**Section 237. Payment of Dematerialised Stocks**

Dematerialised stocks may not be paid-up in instalments. They shall be paid-up in full amount when subscribing to the stocks.

[*16 June 2022*]

**Section 238. Alienation of Stocks**

(1) A stockholder may freely alienate their stocks. Articles of association may provide for restrictions on the alienation of stocks.

(2) A transaction for the alienation of a registered stock, including transfer thereof, shall be concluded in writing.

[*16 June 2022*]

**Section 238.1 Acquisition of a Registered Stock in Good Faith**

(1) The acquirer of a registered stock shall be deemed as having good faith if he or she has acquired the stock from an alienor which has been entered as a stockholder of the company in the division of the register of stockholders existing in the Commercial Register Office and appended to the registration file of the company.

(2) The acquirer of a registered stock shall not be deemed as having good faith if he or she is aware that the stock does not belong to the alienor, the alienor is not entitled to act with this stock, the alienor has been imposed a prohibition on alienation of the stock, or the acquirer is not aware of such facts due to gross negligence thereof.

[*16 June 2022; 11 May 2023 /* *Amendment to the title and text of the Section regarding the replacement of the word “word” with the word “registered” shall come into force on 1 July 2023.* *See Paragraph 84 of Transitional Provisions*]

**Section 238.2 Inheriting Stocks**

(1) Stocks for which there are no heirs shall be deemed as property without heirs in accordance with Section 416 of the Civil Law and shall escheat to the State. The State shall have no voting rights and, when determining the norm of representation, these stocks shall not be taken into account.

(2) The State shall offer the acquired stocks for sale.

(3) Stockholders of the company shall have the right of first refusal, unless the articles of association provide otherwise. The right of first refusal of the stockholders of the company shall be exercised in accordance with the procedures specified in this Law.

(4) If the stocks have not been sold in accordance with the procedures specified in the law, they shall transfer to the company.

[*6 June 2013 / Number of the Section is amended by the Law of 16 June 2002 and 11 May 2023.* *Amendment regarding the deletion of the second and third sentence of Paragraph two, and also the change of the number of the Section shall come into force on 1 July 2023.* *See the Law of 16 June 2022 and Paragraph 84 of Transitional Provisions*]

**Section 239. Prohibition on Companies to Subscribe to Their Own Stocks**

(1) The company may not subscribe to its own stocks.

(2) A dependent company of a group of companies may not subscribe to the stocks of its dominant undertaking.

(3) If such person subscribes to the stock of the company who acts in their own name but for the benefit of the company or its dependent company, then it shall be deemed that such person has subscribed to the stock on their own account. An arrangement which is in contradiction with these provisions shall be void.

**Section 240. Prohibition to Acquire Own Stocks**

(1) The company may not acquire its own stocks, except in the following cases:

1) if the company reduces its equity capital by withdrawing a part of the stocks from circulation and cancelling them;

2) if the company acquires its own stocks to protect itself from substantial direct losses;

3) if the company acquires its own stocks to allocate them to employees and members of the executive board and supervisory board;

4) if the company acquires its own stocks as a result of reorganisation, by paying compensation in the cases specified by law;

5) if the company acquires its own stocks when it acquires another undertaking or its part;

6) if the company acquires its own stocks as a result of a non-exchange transaction;

7) if the company acquires its own stocks by way of inheritance;

8) if the company acquires its own stocks by recovering its claims from third parties;

9) the stocks of a stockholder who has not paid-up such stocks within the specified time limit shall transfer to the company;

10) [22 April 2004];

11) the company shall acquire its own stocks if the stocks which escheats to the State as property without heirs have not been sold in accordance with the procedures specified in the law;

111) the company shall acquire its own stocks in the case of the termination of its stockholder who is a legal person, unless another person has acquired the stocks of the legal person;

12) the company acquires its own stocks in order to convert debentures.

(11) The provisions of this Law for the prohibition on the acquisition of own stocks shall be applied to the acceptance of own stocks as a security.

(2) [16 June 2022]

(3) In the case provided for in Paragraph one, Clauses 2, 3, and 12 of this Section, the company may acquire its stocks on the basis of the decision of the meeting of stockholders where the maximum number of the stocks to be acquired, and also the time limit within which such stocks are to be acquired and which may not exceed five years shall be indicated. If the stocks are acquired for consideration, the decision shall also indicate the minimum and maximum amount of consideration.

(31) In the case provided for in Paragraph one, Clause 3 of this Section, the company may acquire its stocks by not taking into account the provisions of Paragraph three of this Section if the company alienates the stocks within a year from the day of their acquisition.

(4) Stocks of the company owned by a person who has acquired such stocks in his or her own name but for the benefit of such company, as well as stocks of the company owned by a dependent company of this company shall be deemed to be owned by that company unless the law specifies otherwise.

(5) [16 June 2022]

(6) As a result of the acquisition of its own stocks, the value of the own funds of the company may not fall below the amount of the equity capital of the company.

(7) Own stock owned by the company shall not give the company any of the rights which arise from such stock, and such rights shall not be taken into account when determining the quorum of the meeting of stockholders and in the distribution of profit.

(8) The acquisition of own stocks shall be reflected by the company in the annual statement, indicating the following information on the stocks acquired in the relevant reporting year:

1) reason for the acquisition;

2) the number of stocks acquired, the total amount of the nominal values and the share of equity capital represented by the stocks;

3) if the stocks are acquired for a fee – the type and amount of payment.

(9) In addition to the information referred to in Paragraph eight of this Section, the annual statement shall also indicate the total number of own stocks owned by the company and the share of equity capital represented by these stocks.

[*14 February 2002; 22 April 2004; 24 April 2008; 6 June 2013; 15 June 2017; 16 June 2022*]

**Section 241. Prohibition on Financing of the Acquisition of Own Stocks**

(1) The company is prohibited from issuing loans or otherwise, directly or indirectly, financing third parties in the acquisition of the stocks of such company.

(2) [14 February 2002]

[*14 February 2002*]

**Section 242. Alienation and Cancellation of Own Stocks Owned by the Company**

(1) If the company has acquired its own stocks in accordance with the provisions of Section 240 of this Law, these stocks shall be alienated within three years from the day of their acquisition, except in the cases referred to in Section 240, Paragraph one, Clause 1 and Paragraph four of this Law. This provision shall not be applied to stocks the total amount of the nominal values of which does not exceed one tenth of the equity capital of the company.

(2) If the company has acquired its own stocks by violating the provisions of Section 240 of this Law, the illegally acquired stocks shall be alienated within one year from the day of their acquisition.

(3) [15 June 2017]

(4) If the company does not alienate its own stocks within the terms specified in Paragraphs one and two of this Section or if it has acquired stocks in the case referred to in Section 240, Paragraph one, Clause 1 of this Law, these stocks shall be cancelled, reducing the equity capital respectively in accordance with Sections 262–265 of this Law.

[*22 April 2004; 15 June 2017; 17 December 2020; 16 June 2022*]

**Section 243. Condition under which the Company Takes its Own Stocks as a Pledge**

[16 June 2022]

**Section 244. Convertible Debentures**

(1) The company may issue convertible debentures which a debenture holder is entitled to exchange for the stocks of such company within a specific time limit. Conversion of debentures shall not be regarded as the making of a property contribution.

(2) Convertible debentures may be issued both as registered and bearer securities.

(3) The provisions of this Law for convertible debentures shall also be applicable to other securities that can be exchanged for stocks of the company.

[*14 February 2002; 15 June 2017*]

**Section 245. Issuance of Convertible Debentures**

(1) [18 December 2008]

(2) The decision to issue convertible debentures shall also approve the regulations for the issue of debentures which shall indicate:

1) the number of debentures to be issued, the nominal value of one debenture and the total amount of nominal value;

2) the price of debentures;

3) the term for the conversion of debentures;

4) the interest which the company undertakes to pay to the debenture holder and provisions for their disbursement (if such are provided);

5) the procedures and terms for the payment of debentures;

6) the procedures by which the debentures shall be exchanged for stocks;

7) the rights of debenture holders;

8) other provisions which are not in contradiction to law.

(21) The meeting of stockholders shall, concurrently with the decision to issue convertible debentures, take the decision on the conditional increase of equity capital in accordance with the procedures laid down in Section 261.1 of this Law.

(3) A debenture holder shall acquire a convertible debenture after their full sales price has been paid.

(4) [15 June 2017]

[*18 December 2008; 15 June 2017*]

**Section 246. Priority Right of Convertible Debentures**

(1) In the case of the issuance of convertible debentures, the stockholders of the company have the priority right to acquire such debentures.

(2) The priority rights of stockholders may be cancelled in accordance with the procedures laid down in Section 253, Paragraph two of this Law. The cancellation of the priority right shall be provided for in issue regulations.

[*14 February 2002; 15 June 2017*]

**Section 247. Register of Debenture Holders**

(1) The executive board shall keep a record of the convertible debentures and their holders in a register of debenture holders. The following shall be entered in the register of debenture holders:

1) information on debenture holders:

a) for a natural person – the given name, surname, personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document), and the address where he or she can be reached;

b) for a legal person – name, registration number, and legal address;

2) the number of debentures owned by each debenture holder, their nominal value and ordinal number if such has been allocated;

3) information on the conversion of the debentures.

(2) Debenture holders, members of the executive board and supervisory board, and competent public entities have the right to become acquainted with the register of debenture holders.

(3) A debenture holder has the right to receive an extract from the register of debenture holders certified by the chairperson of the executive board or a member of the executive board authorised by the executive board on the debentures owned by him or her.

[*15 April 2010; 15 June 2017; 16 June 2022*]

**Section 248. Rights of Debenture Holders**

(1) Rights of the debenture holders who own convertible debentures shall be determined by this Law, the articles of association and the regulations for the issuance of debentures.

(2) Debenture holders have the right to become acquainted with the documents of the company according to the procedures and to the extent specified by the meeting of stockholders. They shall also have the right to participate at meetings of stockholders without voting rights and, in the cases specified by law, in the taking of decisions.

**Section 248.1 Employee Stock Options**

(1) The company may issue employee stock options which give the right to employees, members of the executive board and supervisory board of this company or to that of the companies within one group of companies to acquire its stocks.

(2) If stocks are acquired by using employee stock options free of charge or for a fee that is lower than the nominal value of the stock at the time of the use of the employee stock option, the company shall issue stocks on the account of the undistributed profit of the company or the payment for them shall be made from a specially formed reserves.

(3) Employee stock options may not be alienated unless the articles of association or regulations for the issuance of employee stock options provide otherwise.

(4) The total amount of the nominal value of the stocks which can be acquired by using the employee stock options may not exceed 10 per cent of the equity capital of the company at the moment when the decision to allocate the employee stock options has been taken.

(5) The provisions of this Law for convertible debentures shall be applicable to the issuance of employee stock options. The following shall be additionally indicated in the provisions for employee stock options:

1) the purpose for the issuance of employee stock options;

2) the range of those persons who may acquire employee stock options;

3) the number, nominal value, and category of the stocks intended for covering employee stock options and the rights corroborated therein;

4) the procedures for the granting and transfer of employee stock options including the type of and procedures for payment (if such is provided);

5) the number of stocks to be obtained as a result of the use of each employee stock option and the price of one stock (if such is provided);

6) the procedures and terms for the use of employee stock options;

7) formation of reserves if stocks may be acquired free of charge or for a fee which is lower than the nominal value of the stock at the time of exercising the right of purchase of employee stock by using the employee stock options.

(6) The executive board shall ensure the keeping of the register of employee stock options in accordance with the procedures laid down Section 247 of this Law for accounting employee stock options and holders thereof. The number of stocks to be obtained by each employee, member of the executive board and supervisory board shall be indicated in the register in addition to the information laid down in Section 247 of this Law.

[*15 June 2017; 16 June 2022*]

**Chapter 2**

**Increase and Reduction of Equity Capital**

**Section 249. Right to Increase or Reduce Equity Capital**

(1) The equity capital may be increased or reduced only on the basis of a decision of the meeting of stockholders by which the regulations for an increase or reduction of the equity capital is approved, and amendments to the articles of association of the company are made, except for the case referred to in Paragraph four of this Section.

(2) If the company has several categories of stocks, voting on the decision to increase or reduce the equity capital at the meeting of stockholders shall be conducted in accordance with the provisions of Section 284, Paragraph three of this Law.

(3) [18 December 2008]

(4) An authorisation may be provided in the articles of association for the executive board for a period of up to five years to increase the equity capital in the amount specified in the articles of association or in the meeting of stockholders, not exceeding 30 per cent of the equity capital of the company at the time of coming into effect of the authorisation.

(5) When increasing the equity capital in the case referred to in Paragraph four of this Section, the amendments to the articles of association of the company shall be made by the supervisory board. The executive board shall prepare and sign the complete text of the articles of association in the new wording.

(6) The executive board may use the authorisation referred to in Paragraph four of this Section insofar as it is not otherwise provided for in the articles of association or in the decisions of the meeting of stockholders.

[*24 April 2008; 18 December 2008; 15 June 2017*]

**Section 250. Increase of Equity Capital**

(1) The company shall increase its equity capital by issuing new stocks in accordance with the decision to increase the equity capital and by opening subscription to them.

(11) The company may increase the equity capital after the approval of the annual statement or a report on economic activities for a shorter period than a year by proportionally increasing the nominal value of the existing stocks or issuing new stocks, by fully or partially including in the equity capital the positive difference between the own funds and the sum formed by the equity capital and reserves which may not be included for the increase of the equity capital in accordance with the law. New stocks shall be distributed to stockholders in proportion to the nominal value of the stocks owned by them. The report on economic activities shall be drawn up in accordance with the requirements of the law regarding drawing up of the annual statement.

(2) [16 June 2022]

(3) If the newly issued stocks are paid for with a property contribution, this contribution shall be assessed and an opinion of a valuator thereon shall be provided in accordance with the procedures laid down in Section 154 of this Law.

(4) [14 February 2002]

[*14 February 2002; 24 April 2008; 15 April 2010; 15 June 2017; 16 June 2022*]

**Section 251. Priority Right of Stockholders**

(1) If the equity capital is increased, the current stockholders have priority right to purchase the newly issued stock in proportion to the total of the nominal value of the stock already owned by them.

(2) [14 February 2002]

(3) If any of stockholders do not exercise their priority right by the specified time limit, the relevant newly issued stocks shall be offered for subscription according to the procedures specified in the regulations for increasing the equity capital to those current stockholders who have already exercised their priority right.

[*14 February 2002*]

**Section 252. Notice on Priority Right of Stockholders**

(1) The company shall send all stockholders a notice on the priority right of stockholders to newly issued stocks in accordance with the procedures laid down in Section 273, Paragraphs two and three of this Law.

(2) The notice referred to in Paragraph one of this Section shall indicate the following:

1) the firm name and legal address of the company;

2) the size of the equity capital and the planned amount of increase in the equity capital;

3) the category, number and nominal value of the issued stocks;

4) the sales price of stocks;

5) the term within which the stockholders must exercise their priority rights and which shall not be less than 15 days from the day when the notice was sent.

[*16 June 2022*]

**Section 253. Restrictions on and Revocation of Priority Right of Stockholders**

(1) The priority right of stockholders may not be revoked or restricted by the memorandum of association or the articles of association. When increasing the equity capital in the cases provided for in Section 261.1, Paragraph two of this Law, stockholders shall not have priority rights.

(2) The priority rights of stockholders may be cancelled by a decision of the meeting of stockholders taken in accordance with the procedures laid down in Section 284, Paragraph two of this Law. The meeting of stockholders which decides on the cancelling of the priority rights shall provide a written justification for the necessity to cancel the priority rights and the sales price of the stock of new issue.

(3) Cancellation of the priority rights of stockholders shall be provided for in the regulations for increasing the equity capital.

(4) The decision of the meeting of stockholders on the transfer of the organisation of subscription to stocks to third parties (Paragraph one of Section 260) shall not be deemed to be a restriction of the priority right. These persons shall ensure the priority right of stockholders.

[*15 June 2017*]

**Section 254. Increase of Equity Capital for a Special Purpose**

[15 June 2017]

**Section 255. Employee Stocks**

(1) Employee stocks are registered stocks which may not be alienated and which the company allocates to its employees, members of the executive board and supervisory board or to those of the companies within one group of companies.

(2) Employee stocks may be allocated free of charge or for a fee. If employee stocks are allocated free of charge, the stocks shall be issued on the account of the undistributed profit of the company.

(3) The company may issue employee stocks of different categories. Employee stocks give the right to receive dividends and, if the stocks are allocated for a fee, the right to the liquidation quota. The employee stocks give the right to vote and other rights if they are provided in the articles of association.

(4) The total nominal value of outstanding employee stocks may not exceed 10 per cent of the equity capital of the company.

(5) Employee stocks shall be kept by the company regardless of their form.

(6) From the moment of expiry of the status of employee, member of the executive board or supervisory board, the employee stocks shall transfer to the company. In case of the death of a stockholder, the employee stocks shall transfer to the company.

(7) Regarding the transfer of the employee stocks to the company in the case referred to in Paragraph six of this Section, relevant entries shall be made in the register of stockholders without the consent of the former stockholder.

(8) If employee stocks are granted for a fee, the company shall pay a compensation to the former holder of employee stocks or his or her heir in the case referred to in Paragraph six of this Section the amount of which must be equal to the amount which the stockholder would acquire by dividing the property of the company in the case of liquidation if such would occur at the time of the alienation of stocks.

(9) The provisions may be provided for in the articles of association and regulations for increasing the equity capital which differ from that referred to in Paragraph six of this Section.

(10) Employee stocks shall be converted or cancelled in accordance with the general procedures.

[*15 June 2017; 16 June 2022*]

**Section 256. Increase of the Equity Capital by Replacing the Debts of the Company with its Stocks**

[14 February 2002]

**Section 257. Regulations for Increasing the Equity Capital**

(1) The regulations for increasing the equity capital shall indicate:

1) the purposes of or reasons for increasing equity capital;

2) the existing equity capital, categories of stocks, their number and nominal value;

3) the intended increase of the equity capital (the promulgated equity capital);

4) the category or categories of the newly issued stock, as well as the rights which arise from these categories of stock, and the number of these stocks;

5) the nominal value, the sales price of the newly issued stock and the minimum first payment to be made when subscribing to the stock;

6) the type of payment for the newly issued stock (in cash or by a property contribution);

7) the category, number and the total of the nominal value of those newly issued stocks which shall be paid-up by property contributions, indicating each item of property contribution and its value;

8) the subscription and payment term of the newly issued stocks with the intention that each of stock would be fully paid for not later than within six months from the day when the decision to increase the equity capital was taken;

9) the time limit within which the existing stockholders may exercise their priority right to the newly issued stocks if they have such rights;

10) the place and time where and when subscription to stocks shall take place.

(2) When taking the decision to increase the equity capital in the case referred to in Section 261.1 of this Law, the information specified in Paragraph one, Clauses 8 and 9 of this Section shall not be indicated in the regulations for increasing the equity capital.

(3) When increasing the equity capital in the case referred to in Section 249, Paragraph four of this Law, the newly issued stock shall be paid up only in cash.

(4) [16 June 2022]

[*14 February 2002; 24 April 2008; 15 June 2017; 16 June 2022*]

**Section 258. Notice to Stockholders on Increasing Equity Capital**

[16 June 2022]

**Section 259. Nominal Value and Sales Price of Newly Issued Stocks**

(1) The nominal value of newly issued stock shall be determined in the regulations for increasing the equity capital.

(2) For each newly issued stock the sales price of such stock which is determined by the executive board, but which may not be less than the nominal value of the stock, shall be paid. The sales price of stock is composed of the nominal value of the stock, and the additional payment and the mark up of the issue. The executive board may change the sales price of stock within limits provided for in the regulations for increasing the equity capital.

(3) [14 February 2002]

[*14 February 2002; 22 April 2004*]

**Section 260. Payment of the Equity Capital**

(1) If the promulgated equity capital is not paid in full amount within the term specified in the regulations for increasing the equity capital, the issue of stocks shall be considered as taken place in the amount of paid-up stocks, except when the regulations for increasing the equity capital do not allow for such an increase.

(2) If the issue of stocks is recognised as not taken place, the paid cash shall be repaid to the subscribers of stocks.

(3) If the issue of stocks is recognised as taken place only in the amount of paid-up stocks, the supervisory board shall make the relevant amendments to the articles of association.

[*16 June 2022*]

**Section 261. Application for the Increase of Equity Capital to the Commercial Register Office**

(1) After expiry of the payment term specified in the regulations for increasing the equity capital or after all the promulgated equity capital has been paid up according to the regulations for increasing the equity capital (if the equity capital has been paid up before expiry of the respective term), the executive board shall submit the Commercial Register Office an application for the increase of equity capital.

(2) The following shall be attached to an application:

1) an extract of the minutes of the meeting of stockholders with the decision to increase the equity capital and the regulations for increasing the equity capital;

11) an extract from the minutes of the executive board meeting with the decision to increase the equity capital in the case referred to in Section 249, Paragraph four of this Law, and an extract from the minutes of the supervisory board meeting with the decision to allow the executive board to increase the equity capital;

2) the text of amendments to the articles of association and the full text of the new wording of the articles of association;

21) the last division of the register of stockholders or a certification issued by the central securities depository on the registration of dematerialised stocks;

22) a statement or another document of the payment service provider on the payment of the share (if the payment is made with a monetary contribution), except when the equity capital is increased in accordance with the procedures laid down in Section 250, Paragraph 1.1 of this Law;

3) [16 June 2022];

4) documents certifying the valuation of each item of a property contribution and its transfer to the company (if the payment was made by property contribution);

5) a certification that no significant circumstances have arisen which affect the value of the property contribution referred to in Section 154, Paragraph 2.1 of this Law.

(3) Equity capital shall be deemed to have been increased and the right resulting from stocks shall arise starting from the moment when an entry has been made in the Commercial Register.

(4) [22 April 2004]

[*22 April 2004; 24 April 2008; 15 June 2017; 16 June 2022*]

**Section 261.1 Increase of Equity Capital with a Condition**

(1) The meeting of stockholders may take the decision to increase equity capital with a condition (conditional equity capital) that newly issued stock is used for a special purpose which is indicated in the regulations for increasing the equity capital. In such cases, the increase in equity capital may not exceed the amount necessary for the special purpose.

(2) According to the procedures specified in Paragraph one of this Section, equity capital may be increased only for the following purposes:

1) for the exchange of newly issued stock for convertible debentures;

2) for the exchange of newly issued stock for the stock of the company to be merged in the case of a re-organisation;

3) as compensation to minority stockholders which is conducted by the dominant undertaking of a group of companies as an exchange of stock;

4) allocation of newly issued stock to employees and members of the executive board and supervisory board.

(3) When increasing the equity capital in accordance with the procedures laid down in this Section, the range of those persons who have the right to acquire newly issued stock shall be additionally indicated in the regulations for increasing the equity capital.

(4) The executive board shall submit to the meeting of stockholders which examines the matter of increasing equity capital with a condition a justification for the necessity of such an increase.

(5) [16 June 2022]

(6) If the equity capital is increased in the case laid down in Paragraph two, Clause 4 of this Section, the newly issued stocks shall be paid up only in cash.

(7) After the meeting of stockholders has taken the decision to increase equity capital with a condition, the executive board shall submit an application to the Commercial Register Office in which the amount of the conditional equity capital is indicated. The application shall be appended an extract from the minutes of the meeting of stockholders with the relevant decision and regulations for increasing the equity capital.

(8) After the conditions provided for in the regulations for increasing the equity capital have set in, a person who is entitled to acquire the stock of the company in accordance with the regulations for increasing the equity capital shall submit an application to the company. A person who submits the application shall completely pay up the stocks if the payment of stocks is necessary.

(9) The executive board shall take the decision to issue stocks (to increase equity capital) within 10 days after the application of the person referred to in Paragraph eight of this Section has been received. In such case, the provisions of Section 309 of this Law shall not be applied. The executive board shall firstly use own stocks belonging to the company for the achievement of the purposes laid down in Paragraph two of this Section, unless it is otherwise specified in the regulations for increasing the equity capital.

(10) The supervisory board shall, within a month after the executive board has taken the decision referred to in Paragraph nine of this Section to issue stocks, make amendments to the articles of association by adjusting the amount of equity capital. The executive board shall prepare and sign the complete text of the articles of association in the new wording.

(11) After the issue of stocks referred to in Paragraph nine of this Section, the executive board shall submit an application for the increase of equity capital to the Commercial Register Office. In the application, it shall include a reference to the decision of the meeting of stockholders referred to in Paragraph one of this Section and indicate the remaining amount of conditional equity capital that is necessary for the performance of the special purpose. The following shall be attached to the application:

1) the decision of the executive board to issue the stocks;

2) the decision of the supervisory board to make amendments to the articles of association;

3) the text of amendments to the articles of association and the full text of the new wording of the articles of association;

4) the last division of the register of stockholders or a certification issued by the central securities depository on the registration of dematerialised stocks.

(12) Equity capital shall be considered to be increased by the amount of the issue of stocks laid down in the decision of the executive board from the moment when the entry is made in the Commercial Register.

[*15 June 2017; 16 June 2022*]

**Section 262. Reduction of Equity Capital**

(1) Equity capital shall be reduced:

1) by the company itself acquiring and cancelling its own stocks;

2) by cancelling stocks which have been submitted by stockholders;

3) by reducing the nominal value of stocks.

(2) The equity capital may not be reduced below the amount specified in Section 225, Paragraph one of this Law.

(3) If the equity capital is to be reduced, the equity capital shall first of all be reduced on the account of the own stock owned by the company.

(4) If the equity capital is to be reduced, the nominal value of the cancelled stocks may be disbursed to the stockholders only after the creditor protection measures specified in Section 264 of this Law have been fully implemented.

[*14 February 2002*]

**Section 263. Regulations for the Reduction of Equity Capital**

(1) The regulations for the reduction of equity capital shall indicate:

1) the reasons for reducing equity capital;

2) the amount by which equity capital will be reduced;

3) the means of reducing the equity capital;

4) the number of stock to be cancelled or the amount by which the nominal value is to be reduced;

5) the time limits for the return or exchange of stocks;

6) if a part of the equity capital is intended to be disbursed to stockholders – the provisions for disbursement.

(2) A notice on the reduction of the equity capital shall be sent without delay to the Commercial Register Office. An extract of the minutes of the meeting of stockholders with the decision to reduce the equity capital and the regulations for the reduction of equity capital shall be appended to the notice.

**Section 264. Protection of Creditors in the Case of Reduction of Equity Capital**

(1) Within five days from the date when the decision to reduce the equity capital has been taken, the executive board shall send a written notice on the reduction of equity capital and the new amount of equity capital to all known creditors of the company whose right to claim against the company has arisen before the decision to reduce the equity capital was taken.

(2) The Commercial Register Office shall publish on its website a notice on the decision taken by the company to reduce the equity capital. The notice shall indicate the time limit within which creditors who wish to receive security may apply. The notice shall indicate a time limit for the submission of the claims of creditors which may not be shorter than one month from the day when the notice has been published.

(3) The company shall provide security for creditors who have applied within the specified time limit (except for secured creditors in the amount of secured claims).

[*29 November 2012; 15 June 2017; 6 July 2021*]

**Section 265. Application to the Commercial Register Office for the Reduction of Equity Capital**

(1) After expiry of the term for the submission of the claims of creditors, and the claims have been secured, the executive board shall submit an application for the reduction of equity capital to the Commercial Register Office. The text of amendments to the articles of association and the full text of the new wording of the articles of association shall be attached to the application.

(2) In the application, the executive board shall certify the provision of security to creditors or the satisfaction of their claims.

(3) The application shall be submitted to the Commercial Register Office not later than six months after the day when the decision to reduce equity capital has been taken.

(4) Equity capital shall be deemed to have been reduced from the day when the new amount of equity capital has been entered in the Commercial Register.

**Chapter 3**

**Organisational Structure of the Company**

**Section 266. Administrative Bodies of the Company**

The company shall be administered by meetings of stockholders, the supervisory board and the executive board.

**Section 267. Meeting of Stockholders**

(1) Stockholders exercise their rights to take part in the administration of the company at a meeting of stockholders.

(2) Regular and extraordinary meetings of stockholders shall be convened.

(3) A meeting of stockholders shall be convened in the administrative territory where the legal address of the company has been registered, unless specified otherwise in the articles of association.

[*16 June 2011*]

**Section 268. Competence of a Meeting of Stockholders**

(1) Only the meeting of stockholders has a right to take decisions on:

1) the annual statement of the company;

2) the use of the profit from the previous operational year;

3) the election and removal of the members of the supervisory board, auditors, and liquidators;

4) the bringing of actions against members of the executive board, the supervisory board, and the auditor or withdrawing actions against them, as well as on the appointment of a representative of the company to maintain actions against members of the supervisory board;

5) [14 February 2002];

6) amending the articles of association of the company;

7) increasing or reducing equity capital;

8) the issuance and conversion of the securities of the company, and also the central securities depository in which to record the dematerialised stocks of the company;

9) specifying the remuneration for members of the supervisory board and the auditor;

10) the termination of the activities of the company or their continuation, suspension or renewal or regarding the reorganisation of the company;

11) the general principles, types and criteria for determination of remuneration intended for the members of the executive board and supervisory board;

12) granting of company stocks to employees and members of the executive board and supervisory board.

(2) A meeting of stockholders shall take decisions on other issues only if it is provided for by law.

[*14 February 2002; 24 April 2008; 29 November 2012; 15 June 2017; 16 June 2022; 11 May 2023* / *The new wording of Clause 3 of Paragraph one shall come into force on 1 July 2023.* *See Paragraph 82 of Transitional Provisions*]

**Section 269. Regular Meeting of Stockholders**

(1) A regular meeting of stockholders shall decide on the annual statement, the reports of the executive board and supervisory board, the use of the profit from the previous reporting year, and also other issues included in its agenda.

(2) A regular meeting of stockholders shall be convened by the executive board each year. When convening a regular meeting, the time limit specified in law for the approval of annual statements shall be complied with.

(3) If the executive board has not convened a regular meeting of stockholders within the specified time limit, it may be convened by:

1) the supervisory board;

2) the Commercial Register Office;

3) [16 June 2005]

(4) The Commercial Register Office shall convene a regular meeting of stockholders for fee upon request of one or more stockholders, if the meeting has not taken place within the time limit specified in law.

[*16 June 2005; 16 June 2011*]

**Section 270. Extraordinary Meeting of Stockholders**

(1) An extraordinary meeting of stockholders may be convened by the executive board pursuant to its own initiative and shall be convened if it is requested by the supervisory board, the auditor or stockholders who jointly represent not less than one twentieth of the equity capital of the company, if a lower representation norm is not specified in the articles of association.

(2) In their request to convene an extraordinary meeting of stockholders, the initiators shall indicate the reasons for convening the meeting and the agenda. The request to convene a meeting shall be submitted to the executive board and supervisory board, and the auditors shall be notified thereof.

(21) An extraordinary meeting of stockholders shall be convened not later than within three months after the day when the request was received.

(3) The executive board shall announce the convening of an extraordinary meeting of stockholders not later than within two weeks from the day when it receives a request.

(4) If the executive board does not convene an extraordinary meeting of stockholders within the time limit referred to in Paragraph three of this Section, it shall be convened by the supervisory board.

(5) The Commercial Register Office shall convene an extraordinary meeting of stockholders for a fee, if the meeting has not taken place within the term specified in Paragraph 2.1 of this Section and it is requested by an auditor or stockholders which in total represent not less than one twentieth of the equity capital of the company, unless the articles of association provide for a lower norm of representation.

[*14 February 2002; 16 June 2005; 16 June 2011*]

**Section 271. Convening of the Meeting of Stockholders in Special Cases**

If the losses of the company reach at least half of the equity capital of the company or the company has limited solvency, the features of insolvency proceedings have been established or they are likely to occur in the company, the executive board shall notify the supervisory board thereof and convene a meeting of stockholders where it shall provide explanations. The meeting of stockholders shall decide on the submission of the application for legal protection proceedings or application for insolvency proceedings, termination of activities, liquidation and reorganisation of the company, changes to its equity capital or shall take another decision to improve the economic circumstances of the company.

[*24 April 2008; 15 June 2017*]

**Section 272. Costs of Convening Meetings of Stockholders**

(1) The company shall cover the costs related to the convening of the meetings of stockholders.

(2) The fee and expenses for convening the meeting of stockholders shall be paid by the requester to the Commercial Register Office. The company shall cover the amount paid to the Commercial Register Office, if there was a substantiated reason for convening the meeting of stockholders.

[*16 June 2005*]

**Section 273. Procedures for Convening a Meeting of Stockholders**

(1) A notice on the convening of a meeting of stockholders shall be sent not later than 21 days before the planned meeting of stockholders.

(2) The executive board shall send the notice on the convening of a meeting of stockholders to all stockholders to the addresses for communication indicated in the register of stockholders. The articles of association may provide for different notification procedures.

(3) If the company has dematerialised stocks, the executive board shall send the notice on the convening of a meeting of stockholders to the central securities depository in which the stocks of the company are recorded. The central securities depository shall immediately transfer the notice to the operator of the financial instrument account who shall immediately forward it to the stockholder. The articles of association may provide for different notification procedures, unless the law stipulates otherwise.

(4) The following shall be indicated in the notice:

1) the firm name and legal address of the company;

2) the place and time of the meeting;

3) the type of the meeting (regular or extraordinary meeting) and whether it is a repeated meeting;

4) the body which is convening the meeting;

5) the procedures according to which and the terms during which the stockholders may exercise the right to vote before the meeting of stockholders or to participate or vote in the meeting of stockholders through electronic means of communication;

6) the procedures according to which and the terms during which the stockholders may exercise the following rights:

a) include additional issues on the agenda and submit draft decisions;

b) ask questions about the issues included on the agenda of the meeting;

7) the provisions for the participation of the representatives of stockholders in the meeting;

8) the agenda;

9) the place and time where and when stockholders may become acquainted with the draft decisions on the issues included on the agenda of the meeting, and also other items to be examined at the meeting;

10) the date of the entry (if the company has dematerialised stocks) and the explanation that only persons who are stockholders on the date of entry are entitled to participate and vote in the meeting of stockholders.

(5) If stocks of the company are admitted for trading on a regulated market or multilateral trading system, the following shall be additionally indicated in the notice:

1) the website of the company where the information and documents specified in Section 273.2 of this Law will be available to stockholders;

2) the procedures for voting on the basis of a power of attorney, including information on the forms to be used for voting and the manner in which a stockholder can inform the company of the appointment of an authorised person through electronic means of communication.

(6) If information on the procedures by which stockholders can exercise the right referred to in Paragraph four, Clause 6 of this Section is available on the website of the company, only term for exercising such right can be indicated in the notice.

[*16 June 2022*]

**Section 273.1 Access to the Documents to be Examined in the Meeting of Stockholders**

(1) The company shall ensure that stockholders have continuous and free electronic access to the documents to be examined in the meeting of stockholders. The company shall ensure electronic access to the documents (including the possibility to save and print the documents) starting from the day when the notice on the convening of the meeting of stockholders is sent and for not less than one year after the meeting of stockholders.

(2) The company shall immediately, upon receipt of draft decisions or explanations from the stockholders on the issues on which no decision is intended to be taken, ensure that the stockholders can access them in accordance with the provisions of this Section. If stocks of the company are admitted for trading on a regulated market or multilateral trading system, it shall post the respective documents on its website immediately after receipt thereof.

(3) If the company cannot ensure that stockholders have continuous electronic access to the documents before the meeting of stockholders due to technical or other reasons or if a stockholder cannot access the electronically available documents due to justified reasons, the company shall, upon request of the stockholder, send the documents to the stockholder free of charge or ensure other free access to the documents at least 14 days before the meeting.

(4) If the company cannot ensure that stockholders have continuous electronic access to documents within the period specified in Paragraph one of this Section after the meeting of stockholders due to technical or other reasons, the stockholders have the right to access the documents at the legal address of the company.

[*16 June 2022*]

**Section 273.2 Publication of Information on the Website of the Company**

(1) If the stocks of the company are admitted for trading on a regulated market or multilateral trading system, the company shall, at least in the period from the promulgation of the meeting of stockholders and for not less than one year after the meeting of stockholders, provide the stockholders the following information and documents on its website:

1) the notice on the convening of the meeting of stockholders;

2) information on the total number of stocks and the total number of stockholders with voting rights, and if the company has stocks of several categories – the number of stocks of each category and the number of votes of stockholders with voting rights on the day when the notice on the convening of the meeting of stockholders is promulgated;

3) the documents referred to in Section 273, Paragraph four, Clause 9 of this Law;

4) explanations provided by the bodies convening the meeting of stockholders regarding such issues of the agenda of the meeting of stockholders on which no decision is intended to be taken;

5) forms to be used to vote on the basis of a power of attorney or before the meeting.

(2) If the company cannot ensure that stockholders have access to the forms referred to in Paragraph one, Clause 5 of this Section on its website due to technical reasons, the company shall indicate on its website the manner in which a stockholder can receive the form in paper form. In this case, the company shall ensure that forms are available free of charge to any stockholder requesting them.

[*16 June 2022*]

**Section 274. Agenda of the Meeting of Stockholders**

(1) The issues to be included on the agenda of the meeting of stockholders shall be determined by the persons or the body which initiated the meeting.

(2) Stockholders who represent at least one twentieth of the equity capital of the company have the right to, not later than 15 days before the meeting of stockholders, request that the body convening the meeting of stockholders includes additional issues on the agenda of the meeting. A stockholder who requests the inclusion of additional issues on the agenda of the meeting shall submit to the body convening the meeting of stockholders draft decisions or explanations regarding the issues won which no decision is intended to be taken.

(3) The executive board or another body which is convening the meeting of stockholders shall include additional issues on the agenda of the meeting of stockholders and send them not later than fourteen days before the meeting, just as the notices on the convening of the meeting.

(4) Stockholders who represent at least one twentieth of the equity capital of the company have the right to, not later than seven days before the meeting of stockholders, submit draft decisions on the issues included on the agenda of the meeting.

(5) If the meeting of stockholders intends to amend the articles of association of the company, the draft decision on the amendments to the articles of association of the company shall specify which paragraphs of the articles of association are proposed to be declared void or amended, and the new wording of these paragraphs.

[*14 February 2002; 16 June 2022*]

**Section 275. Capacity to Act of the Meeting of Stockholders**

(1) The meeting of stockholders is entitled to take decisions irrespective of the equity capital represented therein if the articles of association do not specify a norm of representation.

(2) If the meeting of stockholders convened in accordance with the procedures laid down in the law is not valid because it does not have a specific quorum, a repeated meeting with the same agenda shall be convened within one month, and it shall be valid regardless of the number of votes represented therein. A notice on the repeated meeting shall be sent not later than 14 days before the planned meeting.

[*14 February 2002; 16 June 2022*]

**Section 276. Issues to be Examined at the Meeting of Stockholders**

(1) The meeting of stockholders may take decisions only on those issues of the agenda that are indicated in the notice on the convening of the meeting, except for the cases referred to in Paragraphs two and three of this Section.

(2) If all the equity capital with voting rights is represented at a meeting of stockholders, the meeting shall be deemed to have the capacity to act irrespective of the time and manner of its convening and the place where it takes place. Such meeting may also discuss issues not included on the agenda and to take decisions on them, if all the stockholders with voting rights unanimously agree thereto.

(3) The meeting of stockholders may take decisions on the following issues (even if they are not included on the agenda):

1) removal of the supervisory board, auditor, or liquidator, provided that, in the case of removal of the liquidator, a new liquidator is elected at the same meeting;

2) bringing an action against members of the executive board and supervisory board, the liquidator, or the auditor if the issue of the annual statement of the company has been examined at the same meeting;

3) the convening of a new meeting.

(4) If a stockholder has submitted a written request to the executive board at least seven days before the meeting of stockholders, the executive board must provide to him or her, not later than three days before the meeting of stockholders, all the requested information on the issues included on the agenda. The executive board may only refuse to provide such information if the reasons specified in Section 283, Paragraph two of this Law exist. Disputes between stockholders and the executive board on these issues shall be decided by the meeting of stockholders.

[*14 February 2002; 22 April 2004; 16 June 2011; 16 June 2022; 11 May 2023 /* *Amendment to Clauses 1 and 2 of Paragraph three regarding the deletion of the words “company controller” shall come into force on 1 July2023.* *See Paragraph 82 of Transitional Provisions*]

**Section 277. Participation at a Meeting of Stockholders**

(1) Stockholders may participate at a meeting of stockholders either in person or through a representative. A proxy shall be drawn up in writing and attached to the minutes of the meeting. A proxy may be submitted up to the beginning of the meeting. A special proxy is not necessary for persons who represent a stockholder on the basis of law. These persons shall present documents which certify their authorisation. The company shall ensure that a stockholder can inform the company of the appointment or removal of a representative through electronic means of communication.

(2) It is the obligation of members of the executive board and the auditor, as well as at least one member of the supervisory board to participate in meetings of stockholders. Non-compliance with this provision shall not constitute as grounds for the recognition of the meeting of stockholders as invalid or contesting the decisions taken thereby.

[*14 February 2002; 16 June 2022*]

**Section 277.1 Remote Participation and Voting in the Meeting of Stockholders**

(1) A stockholder has the right to vote in writing (including through electronic means) before the meeting of stockholders if the following conditions are met:

1) the vote has been given in a way which allows the company to ensure the identification of the stockholder;

2) the vote is received by the company at least one day before the meeting of stockholders.

(2) A stockholder who has voted before the meeting of stockholders may request the company to acknowledge the receipt of the vote. The company shall, immediately after the receipt of the vote of a stockholder, send an acknowledgement to the stockholder.

(3) The executive board shall, upon its own initiative or upon request of the stockholders who jointly represent at least 20 per cent of the equity capital of the company and the articles of association do not provide for a smaller norm of representation, ensure a stockholder with the right to participate or vote in the meeting of stockholders through electronic means. In such a case, the executive board shall determine the requirements for the identification of stockholders and the procedures by which the stockholders can exercise this right.

(4) It may be determined in the articles of association that a stockholder has the right to participate or vote in the meeting of stockholders through electronic means. In such a case the articles of association shall determine or shall delegate the executive board to determine the requirements for the identification of stockholders and the procedures by which the stockholders can exercise this right.

(5) The right of a stockholder to participate or vote in the meeting of stockholders through electronic means shall not restrict the right of the stockholder to participate and vote in the meeting of stockholders in person.

(6) It may be determined in the articles of association that the meetings of stockholders shall take place only electronically and the stockholders participate and vote in the meeting of stockholders through electronic means. The decision on the abovementioned amendments to the articles of association is taken if all of the stockholders with voting rights agree thereto.

(7) The stockholder who votes before the meeting of stockholders or participates or votes in the meeting of stockholders through electronic means of communication shall be considered present at the meeting of stockholders and recorded in the list referred to in Section 278, Paragraph three of this Law. In such a case, the list shall additionally indicate the manner in which the stockholder participates or votes in the meeting of stockholders.

[*20 March 2020*]

**Section 278. List of Stockholders**

(1) Not later than three days before the meeting of stockholders, the executive board shall compile a list of stockholders which shall be accessible to stockholders.

(2) The list shall indicate:

1) the given name, surname, and personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document) of the stockholder, but for legal persons – the name and registration number;

2) the category, number and nominal value of stocks owned by the stockholder;

3) the number of votes arising from the stock owned by the stockholder.

(3) Prior to the opening of the meeting of stockholders, the executive board shall compile a list of the stockholders who are participating in the meeting, indicating the information referred to in Paragraph two of this Section. In addition, the given name, surname, and personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document) of the representative of the stockholder (if a proxy has been issued), but for legal persons – the name (firm name), registration number and the given name, surname, and personal identity number (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document) of the representative thereof shall be indicated in the list.

(31) Information on stockholders who own dematerialised stocks shall be indicated in the list referred to in Paragraphs one and three of this Section in accordance with the information provided by the central securities depository in which the stocks are recorded. The central securities depository shall provide information on the holders of dematerialised stocks who own the stocks at the end of the working day after which five working days still remain until the meeting of stockholders (date of entry).

(4) The list of stockholders referred to in Paragraph three of this Section shall be signed by the authorised representative of the executive board, and the stockholders shall be acquainted with it prior to the first vote.

[*14 February 2002; 15 April 2010; 16 June 2011; 16 June 2022*]

**Section 279. Voting Rights of Stockholders**

(1) Each minimum nominal value stock with voting rights shall give the right to one vote at a meeting of stockholders. A stockholder has voting rights in conformity with the total of the nominal values of the stock with voting rights owned thereby.

(2) In a meeting of stockholders, those stockholders who are recorded in the list referred to in Section 278, Paragraph three of this Law shall have the voting rights.

(3) If the meeting of stockholders has to decide the issue of terminating the activities of the company, then the holders of preferred stock shall also have the right to vote on this issue.

(4) If the meeting of stockholders has to decide issues of the re-organisation of the company, increase or reduction of the equity capital, or amendments to the articles of association, then the holders of preferred stock shall also have the right to vote on these issues, when such issues may affect their interests.

[*14 February 2002; 16 June 2022*]

**Section 280. Restrictions on Voting Rights**

(1) The articles of association may provide that only a certain amount of the nominal value of stock gives a right to one vote, if such provisions in the articles of association were in effect prior to the issuance of the stock.

(2) A stockholder shall not have voting rights, if:

1) he or she is a member of the executive board or supervisory board, liquidator, or auditor – when taking the decision on the removal thereof, expression of no-confidence, or bringing an action against him or her;

2) a decision is taken on the rights which the company may use against him or her;

3) the decision to release him or her from commitments or liability towards the company is taken;

4) [14 February 2002];

5) the decision to conclude a transaction with the person related to him or her is taken.

(3) The voting rights of a stockholder may also be restricted in other cases specified by law.

[*14 February 2002; 22 April 2004; 14 June 2012; 11 May 2023 /* *Amendment to Clause 1 of Paragraph two regarding the replacement of the words “auditor or company controller” with the words “or auditor” shall come into force on 1 July 2023.* *See Paragraph 82 of Transitional Provisions*]

**Section 281. Void Stockholder Commitments**

Commitments shall be void in which a stockholder undertakes:

1) to always fulfil the instructions of the company or its bodies;

2) to always accept the proposals of the company or its bodies;

3) to base their attitude in voting on remuneration.

**Section 282. Course of the Meeting of Stockholders**

(1) In the case referred to in Section 269, Paragraph three, Clause 2 and Section 270, Paragraph four of this Law, the meeting of stockholders shall be opened by an official of the Commercial Register Office.

(2) The chairperson of the executive board shall chair the meeting of stockholders, unless the stockholders elect another chair of the meeting.

(3) The executive board shall ensure the counting of votes and recording the minutes of the meeting of stockholders, unless the stockholders elect another teller of votes and a secretary (recording secretary) of the meeting.

(4) [16 June 2022]

(5) The meeting of stockholders shall also elect at least one stockholder with voting rights who shall certify the correctness of the minutes of the meeting.

(6) Voting at the meeting of stockholders shall be open, except when a secret ballot is requested by stockholders who represent at least one tenth of the equity capital.

[*14 February 2002; 22 April 2004; 16 June 2011; 15 June 2017; 16 June 2022*]

**Section 283. Information to be Submitted to the Meeting of Stockholders**

(1) Upon request of stockholders, the executive board has the obligation to submit to the meeting information on the economic situation of the company to such an extent as is necessary to examine the relevant issue on the agenda and to objectively decide thereon.

(2) The executive board may refuse to provide this information only if:

1) its disclosure may cause serious losses to the company or to its transaction partners;

2) such information is not to be disclosed in accordance with law or the articles of association.

(3) Even if the circumstances referred to in Paragraph two of this Section exist, the executive board may not refuse to provide information on:

1) the profit and losses of the company;

2) the solvency of the company;

3) the development perspectives of the company;

4) concluded transactions between the company and stockholders, a member of the supervisory board or executive board, or a related person.

(4) Disputes regarding the refusal to disclose information by the executive board shall be decided by a court.

[*14 February 2002; 14 June 2012*]

**Section 284. Taking of Decisions by the Meeting of Stockholders**

(1) A meeting of stockholders shall take decisions by a majority of votes of the stockholders with voting rights present if the law or articles of association does not specify a greater number of votes.

(2) Decisions on making amendments to the articles of association, the issuance of convertible debentures, the reorganisation of the company, entry into a group of companies agreement, amendment or termination thereof, inclusion of the company, consent for inclusion and the termination, continuation, suspension or renewal of activities shall be taken by the meeting of stockholders if not less than three quarters of the stockholders with voting rights present vote for them, if the articles of association do not specify a greater number of votes.

(3) If there are several categories of stock in the company, a decision on an issue which affects the rights of stockholders of the relevant category of stock shall be taken if the stockholders of each of the relevant categories of stock, by a majority of votes of the stockholders with voting rights present as specified by law or the articles of association, vote for it in each of such groups of stockholders.

(4) A decision of the meeting of stockholders on the company, members of its executive board and supervisory board, auditor, and stockholders shall be valid from the moment of its taking, unless the decision or law stipulates another date for coming into effect of the decision.

(5) When applying amendments to the articles of association to the Commercial Register Office, an extract from the minutes of the meeting of stockholders with the decision to make amendments to the articles of association and the full text of the new wording of the articles of association signed by the executive board and the persons who have signed the relevant minutes of the meeting of stockholders shall be appended.

[*14 February 2002; 22 April 2004; 18 December 2008; 29 November 2012; 2 May 2013; 11 May 2023* / *Amendment to Paragraph four regarding the replacement of the words “auditor, company controller, and stockholders” with the words “auditor, and stockholders” shall come into force on 1 July 2023.* *See Paragraph 82 of Transitional Provisions*]

**Section 285. Minutes of the Meeting of Stockholders**

(1) The minutes of the meeting of stockholders shall indicate:

1) the firm name of the company;

11) the body which convenes the meeting of stockholders, and the time when the notice on the convening of the meeting of stockholders is sent;

2) the time and place of the meeting of stockholders;

21) the date of the initial meeting (in the case of a repeated meeting);

3) the amount of the equity capital and the voting equity capital of the company;

4) the amount of the equity capital represented at the meeting of stockholders and the number of votes of stockholders with voting rights present;

5) the given names and surnames of the chairperson of the meeting, secretary, tellers of the votes and the shareholders who will attest to the correctness of the minutes;

6) the agenda of the meeting;

7) the course and content of the discussion of the issues on the agenda;

8) the decisions taken, indicating the number of votes given “for” and “against” each decision;

9) the objections of members of the supervisory board or executive board, the auditor, the liquidator or stockholders.

(2) The minutes shall be signed by the chairperson and secretary of the meeting of stockholders, and also by at least one stockholder elected by the meeting – a person who shall certify the accuracy of the minutes. The original of the minutes or a derivative the accuracy of which shall be confirmed by the same persons who signed the original shall be submitted to the Commercial Register Office.

(3) The minutes shall be accompanied by a list of stockholders drawn up in accordance with Section 278 of this Law and by the documents related to the meeting of stockholders.

(4) Stockholders have the right to become acquainted with the minutes and the documents appended to it and to receive a copy or an extract from the minutes free of charge.

(5) If the stocks of the company are admitted for trading on a regulated market or multilateral trading system, the company shall, within 14 days after the meeting of stockholders, publish on its website the minutes or an extract therefrom which includes at least the information specified in Paragraph one, Clauses 4 and 8 of this Section.

[*14 February 2002; 16 March 2006; 2 May 2013; 16 June 2022*]

**Section 286. Declaration of a Decision Taken by the Meeting of Stockholders as Void**

(1) A court may declare a decision taken by the meeting of stockholders as void if:

1) it is in contradiction to the purposes of the company, the public interest or morality;

2) it infringes the rights of third parties;

3) it is in contradiction with law or the articles of association;

4) the provisions of the law or articles of association for the convening of the meeting or the sending or availability of the associated information have been violated;

5) a stockholder was unlawfully precluded from participation in the meeting;

6) a stockholder was unlawfully precluded from becoming acquainted with draft decisions, the list of stockholders participating at the meeting or the minutes of the meeting of stockholders;

7) a stockholder was unjustifiably refused the provision of information requested thereby, if such has significantly affected his or her attitude towards the relevant issue;

8) the voting provisions were not complied with at the meeting and thereby the results of the voting were significantly affected, or the provisions of law for the number of votes given were not complied with;

9) the requirements referred to in Section 284, Paragraph three of this Law have not been complied with.

(2) Declaration of a decision taken by the meeting of stockholders as void shall not affect the rights of third parties obtained in good faith.

[*14 February 2002; 22 April 2004; 16 June 2022*]

**Section 287. Persons who have the Right to Bring an Action to a Court**

(1) The following persons may bring an action to a court to declare a decision taken by the meeting of stockholders as void:

1) a member of the executive board or supervisory board;

2) any stockholder in the cases referred to in Section 286, Clauses 1, 2, and 3 of this Law, if he or she has voted against the contested decision and requested to record it in the minutes, but, in the case of secret ballot, has expressed objections to the contested decision and requested to record it in the minutes;

3) a stockholder who has not participated in the meeting in the cases referred to in Section 286, Clauses 4 and 5 of this Law;

4) a stockholder who was not allowed to become acquainted with the documents specified in law in the case referred to in Section 286, Clause 6 of this Law;

5) a stockholder whose request for information has been unjustifiably denied in the case referred to in Section 286, Clause 7 of this Law, if the vote of this stockholder would be decisive for the voting result;

6) a stockholder who was not given the opportunity to vote or who contests the right of another stockholder to vote or otherwise contests the voting procedure in the case referred to in Section 286, Clause 8 of this Law;

7) an interested stockholder in the case referred to in Section 286, Clause 9 of this Law.

(2) [15 June 2017]

[*14 February 2002; 15 June 2017*]

**Section 288. Bringing of an Action**

(1) The time limit for bringing an action to declare a decision of the meeting of stockholders as void shall be three months from the day when a person became aware or should had become aware of the decision of the meeting, but not later than a year from the day the meeting took place.

(2) [15 June 2017]

(3) An action to declare a decision of the meeting of stockholders as void shall be brought against the company.

(4) If an action is brought by a member of the executive board, the company shall be represented in court by the supervisory board.

[*15 June 2017*]

**Section 289. Procedures for the Enforcement of a Court Ruling to Recognise a Decision of the Meeting of Stockholders as Void**

(1) [15 June 2017]

(2) If a court declares a decision taken by the meeting of stockholders as void, the company has the obligation to submit to the Commercial Register Office an application for the amendment of the entry which was made based on the aforementioned decision of the meeting of stockholders.

[*15 June 2017*]

**Section 290. Liability for Unjustified Contesting of a Decision of the Meeting of Stockholders**

If claimants have brought an action in bad faith or due to gross negligence, they shall be jointly liable for any losses incurred by the company due to the unjustified contesting of a decision of the meeting of stockholders.

[*14 February 2002*]

**Section 291. Supervisory Board**

The supervisory board is the supervisory body of the company which represents the interests of the company and, within the scope determined by this Law and articles of association, supervises the activities of the executive board and the development of the company.

[*11 May 2023* / *The new wording of the Section shall come into force on 1 July 2023.* *See Paragraph 81 of Transitional Provisions*]

**Section 292. Tasks of the Supervisory Board**

(1) The supervisory board shall have the following tasks:

1) to elect and remove members of the executive board and to continually supervise the activities of the executive board;

2) to monitor that the business of the company is conducted in accordance with law, the articles of association and the decisions of the meeting of stockholders;

21) to approve the general principles of operation and the development and financial objectives of the company, and also to supervise the implementation thereof;

22) to monitor the operation of the internal control and risk management systems;

3) to examine the annual statement of the company and the proposal of the executive board for the use of the profits and draw up a report (Section 174);

4) to represent the company before a court in all actions brought by the company against members of the executive board as well as in actions brought by the executive board against the company and to represent the company in other legal relations with members of the executive board;

5) to approve the concluding of a transaction or to give a consent to the concluding of a transaction between the company and member of the executive board or supervisory board, or the related person, or the auditor;

6) to examine in advance all issues which are within the competence of the meeting of stockholders or which, pursuant to the proposal of members of the executive board or supervisory board, have been proposed for discussions at the meeting, and to provide its opinion on such issues;

7) to give consent to the decision of the executive board to increase the equity capital in the case referred to in Section 249, Paragraph four of this Law and make amendments to the articles of association of the company in the case referred to in Section 249, Paragraph five of this Law.

(2) Stockholders who jointly represent not less than one tenth of the equity capital of the company have the right to request the supervisory board in writing, indicating the reasons, to examine the activities of the executive board. If the supervisory board does not carry out such examination or submit a reply within a month, the stockholders have the right to give this issue to the meeting of stockholders for examination.

(3) The supervisory board shall provide explanations to the meeting of stockholders on the report thereof (Section 175), if it is requested by at least one stockholder.

[*14 February 2002; 22 April 2004; 24 April 2008; 14 June 2012; 11 May 2023 /* *Clauses 2.1 and 2.2 of Paragraph one shall come into force on 1 July 2023.* *See Paragraph 81 of Transitional Provisions*]

**Section 293. Rights of the Supervisory Board**

(1) The supervisory board has the right at any time to request the executive board to report on the situation of the company and to become acquainted with all activities of the executive board.

(2) The supervisory board has the right to examine the company’s registers and documents, as well as the cash in hand and all of the property of the company.

(3) The supervisory board may entrust one of its members to perform an examination or invite experts to perform the examination or to clarify separate issues.

(4) The supervisory board has the right to convene a meeting of stockholders or to request the executive board to convene the meeting if the interests of the company so require.

(5) The supervisory board does not have the right to decide issues which are within the competence of the executive board.

**Section 294. Consent of the Supervisory Board to the Activities of the Executive Board**

(1) The articles of association may provide that the executive board shall require the consent of the supervisory board to decide on issues of major importance. The following shall be deemed to be such issues of major importance:

1) acquiring participation in other companies and increasing or decreasing such participation;

2) acquisition or alienation of undertakings;

3) acquisition or alienation of immovable property or its encumbering with rights in rem;

4) opening or closing of branches and representative offices;

5) conclusion of such transactions which exceed the amount specified in the articles of association or decision of the supervisory board;

6) issuing of such loans which are not related to the usual commercial activities of the company;

7) issuing loans to employees of the company;

8) starting new types of activities or ceasing existing activities;

9) [1 July 2023 / *See Paragraph 81 of Transitional Provisions*].

(2) The company may also provide for other issues in its articles of association for the deciding of which the executive board must receive the consent of the supervisory board.

(3) If the supervisory board rejects a proposal of the executive board with respect to the issues referred to in Paragraphs one and two of this Section, the executive board has the right to convene an extraordinary meeting of stockholders which shall decide on the relevant issue.

(4) The fact that the executive board has not received the consent of the supervisory board shall not be binding on third parties. The promulgation of the abovementioned fact or the existence of relevant provisions of the articles of association shall not be sufficient grounds to recognise this fact as binding on third parties, except when the person knew that the consent of the supervisory board was necessary and that it was not given.

[*11 May 2023 /* *See Paragraph 81 of Transitional Provisions*]

**Section 295. Composition of the Supervisory Board**

(1) Only natural persons with the capacity to act may be members of the supervisory board.

(2) The following may not be members of the supervisory board:

1) a member of the executive board, the auditor, procurator or a person with a commercial power of attorney of this company;

2) a member of the executive board of any dependent company of the company or any person with the right to represent the dependent company;

3) [22 April 2004].

(3) The articles of association may specify stricter restrictions for members of the supervisory board.

(4) The minimum number of members of the supervisory board shall be three.

(5) The maximum number of members of the supervisory board shall be twenty.

(6) A member of the supervisory board may not entrust the fulfilment of his or her obligations to another person.

[*22 April 2004; 11 May 2023*]

**Section 296. Election and Removal of the Members of the Supervisory Board**

(1) The supervisory board shall be elected for a period which is not longer than five years.

(2) A member of the supervisory board may not be elected without his or her consent. In his or her written consent, the candidate for member of the supervisory board shall indicate any potential obstacles for holding the position in accordance with the provisions of law or the articles of association or certify that he or she does not have such obstacles.

(21) The Commercial Register Office shall be submitted a written consent of the member of the supervisory board in which he or she shall indicate the firm name and the registration number of the company the member of the supervisory board of which he or she agrees to become.

(3) [15 June 2017]

(4) A stockholder or group of stockholders are entitled to nominate their candidates for election to the supervisory board with such intent that, by dividing the capital with voting rights represented by the stockholder or group of stockholders by the number of candidates to be nominated, each of the candidates would have not less than five per cent of the capital with voting rights represented at the meeting of stockholders. Each of such nominated candidates shall be included on the list of candidates for members of the supervisory board.

(5) Voting shall take place in one ballot for all the candidates for members of supervisory board included on the list by all the stockholders voting at the same time. A stockholder is entitled to give all votes thereof for one or more of the candidates included on the list in any proportion of whole numbers.

(6) Those persons who have received the most votes by taking into account the maximum number of members of the supervisory board specified in the articles of association shall be considered elected to the supervisory board. If two or more candidates for member of the supervisory board have gained an equal number of votes and therefore it cannot be determined which of them is to be considered elected, the issue shall be decided by a vote of the meeting of stockholders for each of these candidates, and the candidate who has received the highest number of votes in the repeated ballot shall be considered elected.

(7) A member of the supervisory board may be removed from their position at any time by a decision of the meeting of stockholders.

(8) A member of the supervisory board may leave the position of the member of the supervisory board at any time by submitting a notice to the company.

(9) If a member of the supervisory board leaves his or her position or is removed from the position before the expiration of the term of powers of the supervisory board, new elections of the members of the supervisory board shall take place in which the whole composition of the supervisory board shall be re-elected.

(10) The executive board shall inform the Commercial Register Office of changes in the composition of the members of the supervisory board and submit a list of the members of the supervisory board, a written consent of each member of the supervisory board and the relevant decision of a meeting of stockholders or the notice of the relevant member of the supervisory board.

(11) The company which has one stockholder need not apply the re-election procedures laid down in Paragraph nine of this Section. In such case, a member of the supervisory board shall be elected for a period which is not longer than five years and a written consent of the member of the supervisory board shall be submitted to the Commercial Register Office by the new member of the supervisory board.

[*14 February 2002; 22 April 2004; 16 March 2006; 15 April 2010; 29 November 2012; 15 June 2017*]

**Section 297. Management of the Supervisory Board**

(1) Members of the supervisory board shall elect a chairperson of the supervisory board and at least one deputy chairperson.

(2) The deputy chairperson of the supervisory board shall perform the duties of the chairperson of the supervisory board only if the chairperson of the supervisory board is absent (illness, official trip, vacation and the like) or has assigned such a task.

**Section 298. Convening of the Meetings of Supervisory Board**

(1) The chairperson of the supervisory board shall convene meetings of the supervisory board, but in his or her absence or by assignment – his or her deputy, according to necessity, but not less than once per quarter.

(2) Every member of the supervisory board, as well as the executive board, has the right to request the supervisory board to convene a meeting, substantiating the necessity to convene a meeting and its purpose.

(3) If the chairperson of the supervisory board does not fulfil the request for the convening of a meeting of the supervisory board within two weeks from the time of its receipt, the initiator of the meeting has the right to convene a meeting of the supervisory board, explaining the circumstances of the matter.

**Section 299. Taking of Decisions by Supervisory Board**

(1) The supervisory board shall be valid if more than one half of the members of the supervisory board participate at the meeting of the supervisory board. If the supervisory board is composed of fewer members than is provided for in the articles of association, the quorum shall be determined according to the number of members of the supervisory board specified in the articles of association.

(2) The supervisory board shall take its decisions by a simple majority of votes of those present, if the articles of association do not specify a greater majority of votes. It may be determined in the articles of association that in the event of tied vote, the vote of the chairperson of the supervisory board shall prevail.

(21) If a member of the supervisory board does not have the voting rights, the majority of votes shall be determined according to the votes of the members of the supervisory board present with the right to vote.

(3) A member of the supervisory board who does not take part in a meeting of the supervisory board may give his or her vote in writing, submitting it to another member of the supervisory board. Voting may be done by telephone or other means only if the means of communication used allows members of the supervisory board to simultaneously participate in the discussion of the issue and the taking the decision, and if such activities are appropriately documentarily recorded.

(4) Minutes shall be taken of the meetings of the supervisory board. The following shall be indicated in the minutes:

1) the firm name of the company;

2) the place and time of the meeting of the supervisory board;

3) the participants at the meeting;

4) the issues on the agenda;

5) the course and content of the discussion of the issues on the agenda;

6) the results of the voting, indicating the vote of each member of the supervisory board “for” or “against” each decision;

7) the decisions taken.

(5) If a member of the supervisory board disagrees with a decision of the supervisory board and votes against it, his or her differing view shall be recorded in the minutes of the meeting of the supervisory board pursuant to his or her request.

(6) The minutes of the meetings of the supervisory board shall be signed by the chairperson of the meeting and at least one more participant to the meeting. The original of the minutes or a derivative the accuracy of which shall be certified by the chairperson of the meeting of the supervisory board shall be submitted to the Commercial Register Office.

[*14 February 2002; 16 June 2005; 14 June 2012; 15 June 2017; 20 March 2020*]

**Section 300. Remuneration for Members of Supervisory Board**

The meeting of stockholders shall determine the remuneration for the members of the supervisory board.

**Section 301. Executive Board**

(1) The executive board is the executive body of the company which manages and represents the company.

(2) The executive board shall supervise and manage the affairs of the company. It shall be responsible for the commercial activities of the company and also for accounting in compliance with law.

(3) The executive board shall manage the property of the company and shall act with its means according to the requirements of law, the articles of association, and decisions of the meetings of stockholders.

**Section 302. Right of the Executive Board to Manage the Company**

Members of the executive board shall manage the company only jointly.

**Section 303. Representation Rights of the Executive Board**

(1) All members of the executive board have representation rights. Members of the executive board shall represent the company jointly unless the articles of association specify otherwise.

(2) In the case of joint representation, the members of the executive board may authorise from among themselves one or more members of the executive board to conclude specific transactions or specific types of transactions.

(3) The representation rights of the executive board in respect of a third party may not be restricted. The rights of the members of the executive board specified in the articles of association to represent the company jointly or individually shall not be deemed to be restrictions on the representation rights of the executive board within the meaning of this Section.

(4) In relation to the company, members of the executive board shall comply with the restrictions on representation which are specified in the articles of association, decisions of the meeting of shareholders and of the supervisory board, as well as the prohibition to perform commercial activities of all types or specific type or to hold specific positions.

[*14 February 2002; 22 April 2004; 29 November 2012*]

**Section 304. Composition of the Executive Board**

(1) The executive board may consist of one or several members of the executive board.

(2) Only natural persons with the capacity to act may be members of the executive board.

(3) The following may not be members of the executive board:

1) members of the supervisory board of the company;

2) the auditor of the company;

3) [29 November 2012];

4) a member of the supervisory board of the dominant undertaking of a group of companies.

(4) The articles of association may provide for stricter restrictions to be imposed on members of the executive board.

(5) [22 April 2004]

[*22 April 2004; 29 November 2012; 11 May 2023*]

**Section 305. Election of Members of the Executive Board and Determination of Representation Rights**

(1) Members of the executive board shall be elected by the supervisory board.

(2) A member of the executive board may not be elected without his or her consent. The member of the executive board shall indicate in his or her consent the potential obstacles for holding the position in accordance with Sections 4.1, 4.2, 4.3, 171, and 304 of this Law and the potential obstacles for the implementation of the right of representation of the company in accordance with Sections 4.1 and 4.2 of this Law, or certify that he or she does not have such obstacles.

(21) The Commercial Register Office shall be submitted a written consent of the member of the executive board in which he or she shall indicate the firm name and the registration number of the company the member of the executive board of which he or she agrees to become.

(3) Members of the executive board shall be elected to position for five years if the articles of association do not specify a shorter term.

(4) The supervisory board shall appoint the chairperson of the executive board from among the members of the executive board.

(5) [14 February 2002]

[*14 February 2002; 16 March 2006; 15 April 2010; 29 November 2012; 2 May 2013; 11 May 2023* / *Amendment regarding the new wording of the second sentence of Paragraph two shall come into force on 1 August 2023.* *See Paragraph 83 of Transitional Provisions*]

**Section 306. Removal of Members of the Executive Board and Their Right to Leave the Position**

(1) Members of the executive board may be removed by the supervisory board if there are important reasons.

(2) In any case, gross violations of powers, failure to fulfil or to appropriately fulfil his or her obligations, an inability to manage the company, or causing harm to the interests of the company, and also the loss of confidence expressed by a meeting of stockholders shall be considered as an important reason.

(3) A member of the executive board may leave the position of the member of the executive board at any time by submitting a notice thereon to the company.

[*14 February 2002; 22 April 2004*]

**Section 307. Promulgation of Changes in the Composition of the Executive Board and Representation Rights**

The executive board shall apply for changes in the composition of the executive board and representation rights to the Commercial Register Office by submitting a list of members of the executive board and the relevant decision of the supervisory board or the notice of the member of the executive board.

[*14 February 2002; 22 April 2004*]

**Section 308. Remuneration of Members of Executive Board**

(1) Members of the executive board have the right to receive remuneration according to the scope of their obligations and the financial situation of the company.

(2) The amount of remuneration for members of the executive board shall be determined by the supervisory board.

[*14 February 2002*]

**Section 309. Restrictions on Members of the Executive Board of the Company**

(1) [14 February 2002]

(2) [14 February 2002]

(3) If there is a conflict of interest between the company and any member of the executive board or the related person, the issue shall be decided at an executive board meeting in which the interested member of the executive board shall not have voting rights, and this shall be noted in the minutes of the executive board meeting. A member of the executive board has the obligation to notify of such interests before the beginning of an executive board meeting.

(4) The provisions of Paragraph three of this Section shall also apply to such members of the executive board who are a relative of the interested member of the executive board up to the second degree of kinship, the spouse or brother-in-law or sister-in-law up to the first degree of affinity, or a person with whom he or she has a shared household.

(5) The failure to comply with the requirements of this Section shall not affect the validity of the transaction concluded between the company and a member of the executive board or the related person. A member of the executive board who violates the requirement of this Section shall be liable for the losses caused to the company.

[*14 February 2002; 14 June 2012*]

**Section 310. Taking of Decisions by Executive Board**

(1) The executive board shall be valid if more than one half of the members of the executive board participate in the meeting of the executive board. If a specific number of the members of the executive board is provided for in the articles of association and the executive board has fewer members than provided for in the articles of association, the quorum shall be determined according to the number of the members of the executive board laid down in the articles of association.

(2) The executive board shall take its decisions with a simple majority of votes of those present, if the articles of association do not specify a greater majority of votes. It may be determined in the articles of association that the vote of the chairperson of the executive board shall prevail in the event of a tied vote.

(21) If a member of the executive board does not have the voting rights, the majority of votes shall be determined according to the votes of the members of the executive board present.

(3) The executive board meetings shall be recorded in minutes. The following shall be indicated in the minutes:

1) the firm name of the company;

2) the place and time of the executive board meeting;

3) the participants at the meeting;

4) the issues on the agenda;

5) the course and content of the discussion of the issues on the agenda;

6) the results of the voting, indicating the vote of each member of the executive board “for” or “against” each decision;

7) the decisions taken.

(4) If a member of the executive board disagrees with a decision of the executive board and votes against such, his or her different opinion shall be recorded in the minutes of the executive board meeting at his or her request.

(5) The minutes of executive board meetings shall be signed by the chairperson of the meeting and at least one more participant to the meeting.

[*16 June 2005; 14 June 2012; 15 June 2017; 20 March 2020*]

**Section 310.1 Invalidation of the Decision Taken by the Executive Board to Increase the Equity Capital**

(1) A court may declare the decision of the executive board to increase the equity capital as void in the cases referred to in Section 286, Paragraph one, Clauses 1, 2, and 3 of this Law, and also if the procedures for increasing the equity capital have been violated.

(2) Any stockholder may bring an action to a court regarding the recognition of the decision of the executive board to increase the equity capital as invalid.

(3) The term referred to in Paragraph two of this Section for bringing an action shall be three months from the day when the stockholder became aware or should have become aware of the decision of the executive board, but not more than a year from the day of taking the decision.

[*24 April 2008*]

**Section 310.2 Procedures for the Enforcement of a Court Ruling to Recognise the Decision of the Executive Board to Increase the Equity Capital as Void**

[15 June 2017]

**Section 310.3 Liability for Unjustified Contesting of the Decision of the Executive Board to Increase the Equity Capital**

If the claimants have brought an action in bad faith or due to gross negligence, they shall be jointly liable for the losses caused to the company due to unjustified contesting of the decision of the executive board to increase the equity capital.

[*24 April 2008*]

**Section 311. Report of Executive Board**

(1) The executive board has the obligation to provide a written report on its activities to the supervisory board once every quarter, but at the end of the year – to a meeting of stockholders. The report shall reflect:

1) the results of the commercial activities of the company;

2) the economic situation of the company, profitability, turnover, and movement of securities;

3) the circumstances which could have an impact on the economic situation of the company;

4) the planned policies for commercial activities of the company in the next reporting period.

(2) The executive board shall inform the supervisory board also of other significant aspects of the company’s activities.

**Division XIV**

**TERMINATION OF ACTIVITIES AND LIQUIDATION OF CAPITAL COMPANY**

**Section 312. Grounds for Terminating the Activities of a Capital Company**

(1) The activities of a capital company (hereinafter in this Division – the company) shall be terminated:

1) by a decision of shareholders;

2) by a court ruling;

3) with the commencement of bankruptcy procedures;

4) upon expiry of the time limit specified in the articles of association (if the company was founded for a definite period);

5) having achieved the purposes specified in the articles of association (if the company was founded to achieve specific purposes);

6) in other cases as specified by law or the articles of association.

(2) The termination of the activities of a company shall be applied for entering in the Commercial Register by indicating in the application the reason for terminating the activities of the company.

[*15 June 2017*]

**Section 313. Termination of Activities of the Company based on a Decision of Shareholders**

(1) The decision to terminate the activities of the company shall be taken at a meeting of shareholders.

(2) The executive board has the obligation to provide to the shareholders a report on the previous reporting year and the activities of the company in the current year.

(3) In the report on economic activities, the time limit by which the company may satisfy the claims of its creditors shall be indicated.

**Section 314. Termination of Activities of the Company based on a Court Ruling**

(1) The activities of the company may be terminated based on a court ruling if:

1) the documents of incorporation of the company are in contradiction to law;

2) the equity capital of the company does not meet the requirements of law;

3) the company has not submitted to the Commercial Register Office the information or documents required by law;

4) the shareholders have not taken the decision to terminate the activities of the company in cases when they should have done so in accordance with law or the articles of association;

5) [29 November 2012];

51) the limited liability company referred to in Section 185.1, Paragraph one of this Law has not increased the equity capital according to the provisions of Section 185.1, Paragraph six of this Law;

6) in other cases specified by law.

(2) An action to a court may be brought by a member of the executive board or supervisory board, a shareholder, the Commercial Register Office, and third parties whose lawful rights have been infringed.

(21) The third party whose lawful rights have been infringed may bring an action to a court in the case referred to in Paragraph one, Clause 2 or 3 of this Section.

(3) The Commercial Register Office may bring an action to a court in the cases referred to in Paragraph one, Clauses 1, 3, and 5.1 of this Section if the company has not eliminated the indicated deficiencies within three months after receiving a written warning.

(4) Until the moment when a ruling on the termination of the activities of the company is given, a court may specify a time limit by which the company must rectify the deficiencies which form the grounds for the termination of its activities. The time limit for the rectification of deficiencies shall not exceed three months.

[*22 April 2004; 15 April 2010; 29 November 2012; 15 June 2017*]

**Section 314.1 Termination of the Activities of the Company on the Basis of a Decision of the Commercial Register Office or Tax Authority**

(1) Activities of the company may be terminated based on a decision of the Commercial Register Office if:

1) the executive board of the company has not had the right of representation for more than three months and the company has not rectified the indicated deficiency within three months after receipt of a written warning;

2) the company cannot be reached at its legal address in accordance with Section 12, Paragraph four of this Law, and it has not eliminated the indicated deficiency within two months after receipt of a written warning.

(2) Activities of the company may be terminated on the basis of a decision of the tax authority if:

1) the company has not submitted the annual statement within one month after the administrative penalty was imposed and at least six months have passed since the violation was committed;

2) the company has not submitted the returns for a period of six months provided for in tax laws within one month after administrative penalty was imposed;

3) activities of the company have been suspended on the basis of a decision of the tax authority, and the company has not rectified the indicated deficiency within three months after activities thereof were suspended.

(3) The decision of the Commercial Register Office or tax authority to terminate activities of the company shall enter into effect within one month after notification thereof to the company, if the decision has not been contested or appealed in accordance with the procedures specified by law.

(4) Paragraph one and Paragraph two, Clause 2 of this Section shall not be applied, if an entry has been made in the Commercial Register on the suspension of the activities of a merchant on the basis of a decision of the merchant.

[*29 November 2012; 15 June 2017*]

**Section 315. Termination of the Activities of the Company in the Case of Bankruptcy**

Procedures by which the activities of the company shall be terminated in the case of bankruptcy shall be governed by a separate law.

**Section 316. Continuation of the Activities of the Company after the Expiration of the Time Limit for Activities or after the Achievement of the Purpose**

If the term for the activities of the company, as specified in the documents of incorporation, expires or if the specified purpose has been achieved, the shareholders may take the decision to continue activities, or to reorganise the company and make the necessary amendments to the incorporation documents.

**Section 317. Liquidation**

(1) In the case of the termination of the activities of the company, it shall be liquidated if the law does not specify otherwise.

(2) Liquidation of the company shall not take place and the Commercial Register Office shall take the decision to delete the company from the Commercial Register, if none of the persons interested in the liquidation of the company submits an application to a court of the Commercial Register Office for the appointment of a liquidator and insolvency proceedings have not been applied in relation to the company.

(3) Property which remains after deletion of the company from the Commercial Register falls within the jurisdiction of the State.

[*29 November 2012; 6 July 2021*]

**Section 318. Appointment of Liquidators**

(1) Liquidation shall be conducted by the members of the executive board if the articles of association, the decision of a meeting of shareholders or a court ruling does not specify otherwise.

(2) If a meeting of shareholders appoints a liquidator, it shall determine the amount and procedures for the disbursement of remuneration of the liquidator.

(3) If the activities of the company are terminated on the basis of a court ruling and the person interested in the liquidation of the company has recommended a candidate for the liquidator to the court, or if it is requested by the shareholders who represent not less than one tenth of the equity capital, the liquidator shall be appointed and the amount and procedures for the disbursement of the remuneration of the liquidator shall be determined by the court.

(4) One liquidator or several liquidators may be appointed.

[*29 November 2012*]

**Section 318.1 Appointing a Liquidator on the Basis of an Application of the Person Interested in the Liquidation of the Company**

(1) A liquidator may be appointed by a court or the Commercial Register Office on the basis of an application of the person interested in liquidation.

(2) If an action has been brought to a court regarding the termination of activities of the company, any person interested in liquidation of the company may recommend a candidate for the liquidator to the court.

(3) If the activities of the company have been terminated on the basis of a decision of the Commercial Register Office or tax administration, or activities of the company have been terminated on the basis of a court ruling, and none of the interested persons has recommended to court a candidate for the liquidator, the Commercial Register Office shall, after an entry on the termination of activities of the company has been made in the Commercial Register, publish on its website a notice on the termination of the activities of the company. In the notice the persons interested in the liquidation of the company shall be invited to submit an application to the Commercial Register Office for the appointment of a liquidator within one month after the day when it was published.

(4) The person interested in the liquidation of the company shall indicate the place and time limit for applying claims of creditors in the application referred to in Paragraphs two and three of this Section. The application shall be accompanied by the document referred to in Section 320, Paragraph one, Clause 2 of this Law.

(5) The Commercial Register Office shall make an entry on the appointment of a liquidator on the basis of the application submitted by the person interested in liquidation of the company for the appointment of a liquidator.

(6) The Commercial Register Office shall publish on its website a notice on the appointment of a liquidator.

(7) The amount and procedures for the disbursement of the remuneration of a liquidator shall be determined by the person interested in liquidation of the company which has submitted the application referred to in Paragraph five of this Section.

[29 November 2012; 15 June 2017; 6 July 2021]

**Section 318.2 Covering the Costs of Liquidation if the Liquidator has been Appointed on the Basis of an Application of the Person Interested in Liquidation of the Company**

(1) The costs of liquidation shall be covered by the person interested in the liquidation of the company who has submitted the application referred to in Section 318.1, Paragraph five of this Law.

(2) The costs of liquidation covered by the person interested in liquidation of the company shall be repaid from the property of the company.

[*29 November 2012*]

**Section 319. Requirements to be Set for Liquidators**

(1) A natural person with the capacity to act may be a liquidator.

(2) [15 April 2010]

(3) A person who may not be a member of the executive board of the company in accordance with the restrictions specified in the first sentence of Section 221, Paragraph four and Section 304, Paragraph three of this Law may not be a liquidator.

(4) The liquidator has the obligation to notify shareholders of the potential obstacles for holding the position in accordance with Sections 4.1, 4.2, 4.3, 171, 221, and 304 of this Law and the potential obstacles for exercising the right of representation of the company in accordance with Sections 4.1 and 4.2 of this Law, or certify that he or she does not have such obstacles.

[*15 April 2010; 29 November 2012; 11 May 2023 /* *The new wording of Paragraph four shall come into force on 1 August 2023.* *See Paragraph 83 of Transitional Provisions*]

**Section 320. Application for the Termination of the Activities of the Company and the Liquidation Thereof**

(1) The executive board shall, within three days from the date of taking the decision to terminate the activities of the company, submit the decision for entry in the Commercial Register. The place and time limit for applying claims of creditors shall be indicated in the application. The following shall be attached to the application:

1) an extract of the minutes of the meeting of shareholders with the decision to terminate the activities of the company;

2) a written consent of each liquidator to be the liquidator. The liquidator shall indicate in the written consent the firm name and the registration number of the company the liquidator of which he or she agrees to become.

(2) If the activities of the company are terminated on the basis of a court ruling, the court shall send the relevant ruling for making an entry in the Commercial Register within three days after the day of entry into effect of the ruling.

(21) If the activities of the company are terminated on the basis of a decision of the tax authority, the tax authority shall send the relevant decision for making an entry in the Commercial Register within three days after the day of entry into effect of the decision.

(3) If liquidation is conducted by members of the executive board, this fact shall be indicated in the application or the court ruling, and the documents referred to in Paragraph one, Clause 2 of this Section need not be appended thereto.

[*15 April 2010; 29 November 2012; 2 May 2013; 15 June 2017*]

**Section 321. Removal of Liquidators**

(1) A liquidator may be removed by a decision of the meeting of shareholders, except in the case referred to in Paragraph 3.1 of this Section.

(2) A liquidator may be removed by a court ruling based on an application of the shareholder or a third party if there are important reasons for it.

(3) A liquidator appointed by a court may only be removed by a court ruling based on an application of the shareholder or a third party if there are important reasons for it, and by concurrently appointing a new liquidator.

(31) A liquidator appointed on the basis of an application of the person interested in liquidation of a company to the Commercial Register Office may be suspended by the interested person who appointed the liquidator by appointing a new liquidator.

(4) The decision to remove a liquidator shall be submitted by the new liquidator to the Commercial Register Office within three days from the day when the decision was taken.

[*29 November 2012*]

**Section 322. Rights and Obligations of Liquidators**

(1) A liquidator shall have all the rights and obligations of the executive board and supervisory board which are not in contradiction with the purpose of liquidation.

(2) A liquidator shall recover debts, sell property of the company, and satisfy claims of creditors.

(3) A liquidator may only conclude such transactions as are necessary for the liquidation of the company.

(4) If the liquidation of the company is conducted by several liquidators, they have the right to represent the company only jointly. Liquidators may authorise one or several persons from among themselves for the performance of particular activities or particular types of activities.

(5) Any restrictions on the representation of a liquidator shall not be binding on third parties.

(6) During the liquidation, the word “likvidējamā” [under liquidation] shall be added to the firm name of the company.

[*29 November 2012; 16 June 2022*]

**Section 323. Submission of an Insolvency Application**

If it is found during the course of the liquidation that the property of the company is not sufficient to satisfy all the legitimate claims of creditors, the liquidator has the obligation to submit an insolvency application in accordance with the procedures specified by law.

**Section 324. Informing the Creditors**

(1) The Commercial Register Office shall publish on its website a notice on the termination of activities and commencement of liquidation of the company.

(2) A liquidator shall, not later than on the day of publication of the notice referred to in Paragraph one of this Section, send a notice on the commencement of liquidation to all known creditors of the company.

(3) In the notice referred to in Paragraphs one and two of this Section and Section 318.1, Paragraph six of this Law, the creditors of the company shall be invited to submit their claims within one month after the day when the notice has been published if a longer term for submissions by creditors has not been specified in the decision of a meeting of shareholders or the court ruling.

(4) [15 June 2017]

[*15 April 2010; 29 November 2012; 15 June 2017; 6 July 2021*]

**Section 325. Submission of Claims**

Creditors shall submit their claims against the company to the liquidator within the specified term. In a claim, the content, justification, and amount of the claim shall be indicated, and the documents on which the claim is based shall be appended thereto.

**Section 326. Liquidation Initial Financial Statement**

[15 June 2017]

**Section 327. Protection of Creditors**

(1) If a known creditor has not submitted his or her claim, does not accept fulfilment or the commitment is not yet due for fulfilment, the amounts due to him or her shall be deposited at a sworn notary according to the legal address of the company.

(2) When a disputable claim of a creditor exists, the property of the company may be divided between the shareholders only if the relevant creditor is given security.

[*29 November 2012*]

**Section 328. Closing Financial Statement and Plan for the Division of Property**

(1) After the claims of creditors have been satisfied or the money due to them are deposited, and the liquidation expenditures have been covered, the liquidator shall draw up the liquidation closing financial statement and plan for the division of the remaining property in which a liquidation quota shall be determined.

(2) An auditor shall review the liquidation closing financial statement and the plan for the division of the remaining property. For limited liability companies, a review by an auditor shall be conducted if, in accordance with the articles of association of the company, it is provided that the annual statement of the company shall be reviewed by an auditor or if it is so decided by a meeting of shareholders.

(3) The liquidator shall send all shareholders the liquidation closing financial statement and the plan for the division of the remaining property of the company. A notice shall be sent to holders of the bearer stocks in accordance with the procedures laid down in Section 273 of this Law by indicating the place where the liquidation closing financial statement and the plan for the division of the remaining property of the company are available.

(4) If violations of the law, the articles of association or the decisions of a meeting of shareholders have been made in the preparation of the liquidation closing financial statement and the plan for the division of the remaining property of the company, a court may, based on a request of an interested person, decide on the preparation of a new liquidation closing financial statement and plan for the division of the remaining property of the company or the taking of additional liquidation actions. The term for bringing an action shall be two months from the day when the liquidation closing financial statement and the plan for the division of the remaining property of the company are sent to the shareholders, but as regards the holders of the bearer stocks – two months from the day of sending the notice.

[*14 February 2002; 29 November 2012; 16 June 2022*]

**Section 329. Storage of Company Documents**

A liquidator shall ensure the preservation of and access to the documents of the company in accordance with the provisions of the Archives Law. The liquidator shall transfer the documents of the company for storage to one of the shareholders of the company or a third party in Latvia, agreeing upon the place of storage thereof with the National Archives of Latvia. Documents of the company with archival value shall be transferred for storage to the National Archives of Latvia in accordance with the provisions of the Archives Law. Expenditures related to the transfer of documents for storage to the National Archives of Latvia shall be covered from the property of the company to be liquidated.

[*29 November 2012*]

**Section 330. Division of the Remaining Property of the Company**

(1) The remaining property of the company shall be divided between the shareholders under the plan for the division of the remaining property prepared by the liquidator in proportion to the shares owned by each shareholder, unless the document of incorporation specify otherwise.

(2) The property may be divided not earlier than two months from the day when the liquidation closing financial statement and the plan for the division of the remaining property of the company are sent to the shareholders or the notice on the possibility to access them is sent to the holders of dematerialised stocks.

(21) The property may be divided before the time limit laid down in Paragraph two of this Section, if all shareholders agree thereto.

(3) [15 April 2010]

(4) All disbursements to the shareholders shall be made in cash, unless the articles of association specify otherwise.

(5) Liquidators also may choose not to sell property if it is not necessary for the satisfaction of the claims of creditors and if it is specified in the decision to terminate the activities of the company.

[*14 February 2002; 15 April 2010; 15 June 2017; 16 June 2022*]

**Section 331. Continuation of the Activities of the Company**

(1) If the company is liquidated on the basis of the provisions referred to in the articles of association of the company for the termination of the activities of the company or the decision taken by a meeting of shareholders, the shareholders may, until the commencement of the division of property, take the decision to continue the activities of the company or its reorganisation. The decision shall be considered as taken if it is voted for by the shareholders present with the same number of votes as is provided for taking the decision to terminate the activities of the company.

(2) When taking the decision to continue the activities of the company, the executive board and supervisory board of the company shall also be formed concurrently and the equity capital of the company shall be reduced in conformity with the value of the remaining property. If the value of the remaining property is less than the minimum amount of equity capital specified for the company by law, the meeting of shareholders shall decide on an increase of the equity capital.

(3) A liquidator shall submit an application to the Commercial Register Office for the continuation of the activities by appending the decision to continue the activities thereto. The decision on the continuation of the activities of the company shall come into effect after entering thereof in the Commercial Register.

[*15 June 2017*]

**Section 332. Deletion from the Commercial Register**

(1) After the division of the remaining property of the company, a liquidator shall submit an application for the completion of liquidation to the Commercial Register Office. The liquidation closing financial statement and the plan for the division of the remaining property of the company, as well as the opinion of the auditor (if a review of the auditor was conducted) shall be appended to the application.

(2) In the application, a liquidator shall certify that:

1) the liquidation closing financial statement and the plan for the division of the remaining property of the company have not been contested before a court or that an action has been rejected;

2) all the claims of creditors have been satisfied or that the amounts to meet the claims were deposited and all liquidation expenditure has been covered;

3) the documents of the company have been transferred to the archive for storage;

4) in the case referred to in Section 330, Paragraph 2.1 of this Law, all shareholders have agreed to the division of the remaining property of the company prior to the term specified in Section 330, Paragraph two of this Law.

[*14 February 2002; 15 April 2010*]

**Section 333. Liability of Liquidators**

(1) A liquidator shall be liable for any losses caused due to his or her fault.

(2) If there are several liquidators, they shall be jointly liable for the losses caused due to their fault.

**Division XIV1**

**Suspension and Renewal of Activities of a Merchant**

[*29 November 2012* / *Division shall come into force on 1 January 2014.* *See Paragraph 26 of Transitional Provisions*]

**Section 333.1 Basis for the Suspension and Renewal of Activities**

Activities of a merchant may be suspended and renewed:

1) by a decision of the merchant;

2) by a decision of the tax authority;

3) by a ruling made within criminal proceedings.

**Section 333.2 Entry on the Suspension and Renewal of Activities**

(1) Activities of a merchant shall be suspended from the day when information on the suspension of activities of the merchant has been entered in the Commercial Register.

(2) Activities of a merchant shall be renewed from the day when information on the renewal of activities of the merchant has been entered in the Commercial Register.

**Section 333.3 Suspension of Activities on the Basis of a Decision of the Merchant**

(1) A merchant may take the decision to suspend activities if:

1) it does not have tax debts and it has settled tax liabilities for the period when the activities are suspended;

2) it does not have employees;

3) it has submitted the annual statement or, in the cases specified by law, a financial statement on the last reporting year;

4) it has submitted a report on economic activities to the tax authority for the period after the end of the preceding reporting year;

5) it has satisfied the claims of creditors regarding commitments which fall due before or during the period when the economic activities are suspended;

6) it has secured the applied claims of creditors in accordance with the procedures specified in Section 333.4 of this Law which fall due before or during the time period of suspending the activities of the merchant.

(2) Activities of the merchant shall be suspended for three years from the day when an entry has been made in the Commercial Register, if another time limit for suspending the activities has not been specified in the decision to suspend activities.

(3) Suspension of activities shall be applied for entry in the Commercial Register.

(4) An application of a partnership shall be signed by all members.

(5) An extract from the minutes of the meeting of shareholders (stockholders) with the decision to suspend activities of a capital company shall be appended to the application of the capital company.

(6) [2 May 2013]

[*2 May 2013; 15 June 2017; 6 July 2021 /* *Amendment regarding the deletion of the second sentence of Paragraph three shall come into force on 1 July 2023.* *See Paragraph 63 of Transitional Provisions*]

**Section 333.4 Protection of Creditors**

(1) Before taking the decision to suspend activities, the merchant shall inform all known creditors and the Commercial Register Office in writing of the intent to suspend the activities. The Commercial Register Office shall publish on its website a notice on the merchant’s intention to suspend activities. It shall indicate the place and term for the submission of the claims of creditors which may not be shorter than one month from the day when the notice has been published.

(2) Commitments of a merchant which fall due during the period when the activities are suspended shall be deemed as such which fall due before the day when the decision to suspend activities has been taken.

(3) If a creditor requests it and has applied a claim within the time limit specified in Paragraph one of this Section, the merchant shall secure such claims of creditors which fall due after the period when the activities of the merchant are suspended.

[*29 November 2012; 6 July 2021 /* *The new wording of Paragraph one shall come into force on 1 July 2023.* *See Paragraph 63 of Transitional Provisions*]

**Section 333.5 Renewal of Activities on the Basis of a Decision of the Merchant**

(1) If activities of a merchant have been suspended on the basis of a decision of the merchant, the merchant may take the decision to renew activities prior to the expiry of the term referred to in Section 333.3, Paragraph two of this Law. Renewal of activities shall be applied for entry in the Commercial Register.

(2) After expiry of the term specified in the decision to suspend activities or, if a term has not been indicated in the decision, after expiry of the term referred to in Section 333.3, Paragraph two of this Law, an official of the Commercial Register Office shall, without taking a separate decision, make an entry in the Commercial Register on the renewal of the activities of the merchant.

(3) [2 May 2013]

[*2 May 2013 /* *See Paragraph 34 of the Transitional Provisions*]

**Section 333.6 Suspension and Renewal of Activities on the Basis of a Decision of the Tax Authority**

Suspension and renewal of the activities of a merchant on the basis of a decision of the tax authority shall be governed by tax laws.

**Part C**

**REORGANISATION OF COMMERCIAL COMPANIES**

[*11 May 2023*]

**Division XV**

**GENERAL PROVISIONS FOR THE REORGANISATION OF COMMERCIAL COMPANIES**

[*11 May 2023*]

**Section 334. Definition and Types of Reorganisation**

(1) A commercial company (hereinafter in this Part – the company) may be reorganised by way of merging, division or restructuring.

(2) Companies involved in the reorganisation process may be companies of the same type or different types if the law does not specify otherwise.

[*11 May 2023*]

**Section 335. Merging of Companies**

(1) Merging of companies may take the form of acquisition or consolidation.

(2) Acquisition is a process in which one or more companies (the companies to be acquired) transfer all of their property to another already existing company (the acquiring company).

(3) Consolidation is a process in which two or more companies (the companies to be acquired) transfer all of their property to a company to be newly founded (the acquiring company).

(4) In the case of merging, the company to be acquired shall cease to exist without liquidation procedures.

(5) In the case of merging, all the rights and commitments of the company to be acquired shall be transferred to the acquiring company.

(6) In the case of merging, the stockholders, shareholders or members (hereinafter in this Part – the shareholders) of the company to be acquired shall become shareholders of the acquiring company.

[*11 May 2023*]

**Section 336. Division of Companies**

(1) Division is a process in which the company (the company to be divided) transfers all of its property to one or more other companies (the acquiring companies) through splitting up or divestiture.

(2) In the case of splitting up, the company to be divided shall transfer all of its property to two or more acquiring companies and ceases to exist without liquidation procedures.

(3) In the case of divestiture, the company to be divided shall transfer a part of its property to one acquiring companies or more such companies. In the case of divestiture, the company to be divided shall continue to exist.

(4) In the case of division, all shareholders of the company to be divided shall become shareholders of the acquiring companies. If all shareholders agree thereto, they may agree on a different composition of shareholders in the acquiring companies.

(5) In the case of divestiture, the company to be divided may also become the sole shareholder of the acquiring company.

(6) The acquiring company may be an already existing company or a company to be newly founded.

[*11 May 2023*]

**Section 337. Restructuring of Companies**

(1) Restructuring is a process in which the company changes the type of company while maintaining its status of the holder of rights.

(2) Until the moment when the reorganisation enters into effect, the company shall be considered as the company to be restructured, but from the moment when the reorganisation enters into effect, it shall be considered as the acquiring company.

[*11 May 2023*]

**Division XVI**

**REORGANISATION PROCEDURES**

[*11 May 2023*]

**Section 338. Reorganisation Agreement**

(1) If two or more already existing companies participate in the reorganisation process, they shall enter into a reorganisation agreement (hereinafter also – the agreement). The agreement shall be entered into in writing.

(2) The agreement shall indicate:

1) the firm names, legal addresses, and registration numbers of all companies involved in the reorganisation, and, if a new company is founded, the firm name and legal address of the acquiring company;

2) the capital share (stock) exchange coefficient and amount of premiums (if such are provided for) of the companies;

3) the division of the capital shares (stocks) among the shareholders of the acquiring company;

4) the provisions for the transfer of the capital shares (stocks) of the acquiring company to the shareholders of the company to be acquired, divided or restructured;

5) the amount of compensation to shareholders in accordance with Section 353 of this Law;

6) the period from which the transferred capital shares (stocks) give the right to receive dividends or profit share from the acquiring company, and any provisions affecting this period (if any);

7) the rights granted by the acquiring company to the holders of the capital shares (stocks) of each category of capital shares (stocks) and debenture holders who own convertible debentures of the company to be acquired, divided, or restructured;

8) the rights granted by the acquiring company to the members of the supervisory and executive bodies of the company to be acquired, divided, or restructured;

9) the day from which the transactions of the company to be acquired, divided, or restructured shall be regarded as transactions of the acquiring company in the accounting of the acquiring company;

10) the consequences of reorganisation for the employees of the company to be acquired, divided, or restructured;

11) the actions to be taken in the reorganisation process and the terms for their taking.

(3) If the agreement provides for suspensive conditions and they do not set in within three years from the day of entering into the agreement, each company involved in the reorganisation process may unilaterally withdraw from the agreement by notifying other contracting parties thereof not later than six months in advance, unless the agreement provides for a shorter notice period.

(4) Each company involved in the reorganisation process shall submit to the Commercial Register Office an application for the commencement of reorganisation accompanied by the agreement or draft agreement. If amendments are made to the agreement or draft agreement before the meeting of shareholders (stockholders) (hereinafter in this Part – the meeting of shareholders) regarding the decision on the reorganisation, the agreement or draft agreement need not be promulgated repeatedly.

[*11 May 2023* / *See Paragraph 77 of Transitional Provisions*]

**Section 339. Reorganisation Prospectus**

(1) Each company involved in the reorganisation process shall prepare in writing a reorganisation prospectus (hereinafter in this Part – the prospectus). The prospectus shall explain the terms of the agreement, legal and economic aspects of the reorganisation, and the impact of the reorganisation on the future activities of the company.

(2) In addition to the information referred to in Paragraph one of this Section, the prospectus shall indicate the following:

1) the capital share (stock) exchange coefficient, the amount of premiums (if such are provided for), and the amount of compensation to shareholders;

2) the method or methods used to determine the capital share (stock) exchange coefficient, the amount of premiums, and the amount of compensation;

3) if the company has used several methods – the capital share (stock) exchange coefficient, the amount of premiums, and the amount of compensation obtained by using each method, and the relative significance thereof when determining the values referred to in Clause 1 of this Paragraph;

4) whether the companies involved in the reorganisation have used different valuation methods;

5) special difficulties encountered by the company when applying the selected methods to valuation.

(3) Companies may prepare a joint prospectus. In this case, each company involved in the reorganisation process shall indicate in the prospectus the information referred to in Paragraphs one and two of this Section.

(4) The company need not prepare a prospectus if all shareholders agree thereto.

[*11 May 2023*]

**Section 340. Review by an Auditor**

(1) A sworn auditor or a commercial company of sworn auditors (hereinafter – the auditor) shall review the agreement or draft agreement in the company involved in the reorganisation. A joint auditor may review the agreement or draft agreement in all companies involved.

(2) The auditor shall not review the reorganisation agreement or draft agreement if all shareholders agree thereto.

(3) The companies participating in the reorganisation process shall ensure that the auditor has access to all the documents and information which have significance for the performance of the obligations of the auditor.

(4) The auditor shall be liable for losses caused due to his or her fault while conducting the review.

[*11 May 2023*]

**Section 341. Opinion of the Auditor**

(1) The auditor shall draw up a written opinion on the results of the review of the agreement or draft agreement and submit it to the company.

(2) The opinion shall explain whether, in the auditor’s opinion, the amount of compensation for employees determined by the company, the capital share (stock) exchange coefficient, and the amount of premiums are considered to be appropriate compensation. In order to evaluate this, the opinion of the auditor shall indicate the following:

1) the method or methods used to determine the amount of compensation for shareholders, the capital share (stock) exchange coefficient, and the amount of premiums, and whether the respective methods are appropriate;

2) if the company has used several methods – the capital share (stock) exchange coefficient, the amount of premiums, and the amount of compensation obtained by using each method, and the relative significance thereof when determining the respective values;

3) whether the companies involved in the reorganisation have used different valuation methods and whether the use of different methods has been justified;

4) the valuation difficulties encountered by the auditor when preparing the opinion;

5) whether all necessary documents have been submitted to the auditor.

[*11 May 2023*]

**Section 342. Access to Reorganisation Documents**

(1) The company shall ensure that shareholders have continuous and free electronic access (including the possibility to save and print) to the following documents:

1) the agreement or draft agreement;

2) the prospectus;

3) the opinion of the auditor;

4) the annual statements of all companies involved in the reorganisation process for the last three reporting years;

5) the report on economic activities of the company prepared not earlier than three months before the submission of the application for the commencement of reorganisation to the Commercial Register Office if the previous annual statement has been drawn up more than six months before the submission of the application.

(2) A joint-stock company shall make the documents referred to in Paragraph one of this Section available to stockholders not later than one month, but a limited liability company and a partnership shall make them available not later than two weeks until the day when the decision on reorganisation is intended to be taken and not later than one year after taking of the relevant decision.

(3) The report on economic activities of the company referred to in Paragraph one, Clause 5 of this Section shall be prepared in compliance with the requirements of legal acts for the preparation of annual statements.

(4) The company need not prepare the report on economic activities if all shareholders agree thereto or if the company has, in accordance with the provisions of the Financial Instrument Market Law, published an interim period statement for a six-month period.

(5) If the company cannot, due to technical or other reasons, ensure that shareholders have continuous electronic access to the documents before taking the decision on reorganisation or if a shareholder cannot access the electronically available documents due to justified reasons, the company shall, upon request of the shareholder, send the documents to the shareholder free of charge or ensure other free access to the documents.

(6) If the company cannot, due to technical or other reasons, ensure that shareholders have continuous electronic access to documents within the period specified in Paragraph two of this Section after taking of the decision on reorganisation, the shareholders have the right to become acquainted with the documents at the legal address of the company.

[*11 May 2023*]

**Section 343. Decision on Reorganisation**

(1) The decision on reorganisation shall be taken by the meeting of shareholders or members of each company involved in the reorganisation process. The decision on reorganisation shall approve the reorganisation agreement or draft agreement.

(2) A joint-stock company shall hold the meeting not earlier than one month, but a limited liability company and a partnership shall hold it not earlier than two weeks after the agreement or draft agreement has been promulgated in accordance with Section 11 of this Law.

(3) If amendments are to be made to the articles of association of a capital company or to the partnership agreement in relation to the reorganisation, the decision thereon shall be taken concurrently with the decision on reorganisation.

(4) At the meeting of shareholders of a capital company, the executive board of the company must, upon request of shareholders, provide explanations about the agreement or draft agreement and the prospectus, about the legal and economic consequences of the reorganisation, and also information about other companies involved in the reorganisation process.

(5) The minutes of the meeting of shareholders shall indicate the shareholders who have voted against the decision on reorganisation at the meeting of shareholders.

[*11 May 2023*]

**Section 344. Acquiring Company to Be Newly Founded**

(1) When founding a new company (acquiring company), the regulations for the foundation of the respective type of company must be followed.

(2) If the acquiring company is being founded through the division of the company and no other already existing company is involved in the reorganisation, the company to be divided shall take the decision on division which shall substitute the agreement referred to in Section 338 of this Law.

(3) If the acquiring company is a capital company, the reorganisation agreement or the decision referred to in Paragraph two of this Section shall, in addition to the information referred to in Section 338, Paragraph two of this Law, indicate the following information:

1) the amount of equity capital, the number and nominal value of capital shares (stocks);

2) the given name, surname, and personal identity number of the members of the executive board (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document);

3) if the company has the supervisory board, the given name, surname, and personal identity number of the members of the supervisory board (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document).

(4) The decision on reorganisation taken by the meeting of shareholders shall be approved concurrently under the articles of association or the partnership agreement of the acquiring company (if the acquiring company is a partnership).

(5) The companies to be acquired shall submit to the Commercial Register Office a joint application referred to in Section 78 or 149 of this Law for the entry of the acquiring company in the Commercial Register. The application shall be accompanied by the decisions on reorganisation taken by the companies to be acquired.

(6) The company to be divided shall submit to the Commercial Register Office the reorganisation application together with the application referred to in Section 78 or 149 of this Law for the entry of the acquiring company in the Commercial Register.

[*11 May 2023*]

**Section 345. Obligation to Inform**

The executive board of the company to be acquired or divided has the obligation to inform the shareholders and the acquiring company of all substantial changes in the status of the property of the company to be acquired or divided which have occurred before the expiry of the powers of the executive board or until the moment when reorganisation comes into effect.

[*11 May 2023*]

**Section 346. Contesting the Decision on Reorganisation**

(1) On the basis of a request of a shareholder or a member of the executive board or supervisory board of a company involved in reorganisation, a court may declare the decision on reorganisation as void if it has been taken in violation of law, the articles of association of a capital company or a partnership agreement, and these violations cannot be eliminated or they are not eliminated by within the term specified by the court.

(2) The term for bringing an action shall be one month from the day of taking the decision on reorganisation.

(3) The company the decision on reorganisation taken by the meeting of shareholders of which has been declared as void shall, within 15 days from the day when the court ruling enters into effect, submit a notice on contesting the reorganisation to the Commercial Register Office. The notice shall be accompanied by the relevant court ruling. The Commercial Register Office shall publish the notice on contesting the reorganisation on its website.

(4) The declaration of the decision on reorganisation as void shall not impact the commitments which the company has assumed during the reorganisation process towards third parties.

(5) The decision on reorganisation may not be contested only due to the fact that:

1) a shareholder does not agree to the amount of capital share (stock) exchange coefficient or premiums;

2) a shareholder does not agree to the amount of compensation for shareholders;

3) information provided on the amount of the capital share (stock) exchange coefficient or premiums, or the amount of compensation for shareholders does not conform to the requirements laid down in the law.

(6) A shareholder of the company to be acquired, divided, or restructured who does not agree to the capital share (stock) exchange coefficient and who, within the term specified in Section 353, Paragraph three of this Law, has not requested the company to repurchase its shares may, within one month after expiry of the respective term, request a once only supplementary payment from the acquiring company.

[*11 May 2023* / *See Paragraph 78 of Transitional Provisions*]

**Section 347. Application to the Commercial Register Office**

(1) Each company involved in the reorganisation process shall, not earlier than one month from the day of taking the decision on reorganisation, submit to the Commercial Register Office an application for making an entry on reorganisation in the Commercial Register. The following shall be attached to the application:

1) the agreement or its copy appropriately certified;

2) an extract from the minutes of the meeting of shareholders with the decision on reorganisation;

3) in the cases specified in law, the reorganisation permit;

4) the prospectus or certification that all shareholders have agreed that no prospectus is prepared;

5) the opinion of the auditor or certification that all shareholders have agreed that the auditor does not review the reorganisation agreement or draft agreement;

6) the closing financial statement of the company to be acquired or divided by way of splitting up;

7) the division of the register of shareholders (stockholders) of the acquiring capital company.

(2) The company shall certify in the application that the decision on reorganisation has not been contested before a court or the relevant claim has not been satisfied.

(3) In order for an entry on reorganisation to be made in the Commercial Register, the company shall indicate in the application the names and registration numbers of all companies involved in the reorganisation.

[*11 May 2023 /* *Paragraph three, Clause 7 shall apply from 1 July 2023.* *See Paragraphs 79 and 80 of Transitional Provisions*]

**Section 348. Firm Name of the Acquiring Company**

(1) If there is only one acquiring company, it may use the firm name of the company to be acquired after reorganisation.

(2) The provisions for the continued use of the firm name of the company to be divided shall be stipulated in the agreement.

(3) If a shareholder of the company to be acquired, divided, or restructured has been a natural person who is not a shareholder of the acquiring company, the acquiring company may only use his or her name in the firm name with a written consent of that person or the heirs thereof.

[*11 May 2023*]

**Section 349. Entry on Reorganisation in the Commercial Register**

(1) An entry on the company to be acquired or divided in the Commercial Register shall be made only after entries on all the acquiring companies have been made.

(2) After making the entry on registration, the acquired company shall be deleted from the Commercial Register.

(3) After making the entry on registration of the company to be divided, relevant extracts from the file of the company to be divided shall be attached to the files of the acquiring companies and, in cases where the division is done by way of splitting up, the company to be divided shall be deleted from the Commercial Register.

(4) In the case of restructuring, the company shall be considered as restructured after the entry on reorganisation has been made.

[*11 May 2023*]

**Section 350. Legal Meaning of the Commercial Register Entry on Reorganisation**

(1) Reorganisation shall be considered as being in effect from the moment when entries have been made in the Commercial Register on all the companies involved in the reorganisation process including newly founded companies.

(2) From the moment when reorganisation comes into effect:

1) property of the company to be acquired shall be considered as transferred into the ownership of the acquiring company;

2) property of the company to be divided shall be considered as transferred into the ownership of the acquiring companies according to the agreement.

(3) From the moment when the company is deleted from the Commercial Register, such company shall be considered to be liquidated.

(4) From the moment when reorganisation comes into effect, the shareholders of the company to be acquired or divided shall become shareholders of the acquiring company, and their capital shares (stocks) shall be exchanged for the capital shares (stocks) of the acquiring company in proportion to the capital shares (stocks) owned by them. This provision shall not be applied if the company to be divided which is divided by divestiture becomes the sole shareholder of the acquiring company.

(5) The rights of third parties to the capital shares (stocks) of the company to be acquired, divided or restructured shall be preserved in relation to the capital shares (stocks) of the acquiring company.

(6) After reorganisation has come into effect, it may not be contested.

[*11 May 2023*]

**Section 351. Protection of Creditors**

(1) The application referred to in Section 347 of this Law shall be accompanied by a notice to creditors in which they shall be invited to submit their claims. The following shall be indicated in the notice:

1) the firm names and registration numbers of the companies involved in reorganisation;

2) the type of reorganisation;

3) the term for the submission of the claims of creditors which may not be less than one month from the day when the notice has been published.

(2) After the entry on reorganisation has been made in the Commercial Register, the Commercial Register Office shall publish on its website the notice to creditors referred to in Paragraph one of this Section.

(3) The company shall, within three months after the reorganisation comes into effect, secure the claim of such creditor who had the right of claim against the company before the decision on reorganisation was taken if the creditor has submitted the claim within the specified term and has demonstrated that the reorganisation threatens the satisfaction of its claim. The security provided by the company shall be proportionate, taking into account the financial situation of the company and the interests of other creditors of the company.

(4) A secured creditor may request security only for the amount of the unsecured part of the debt.

(5) A creditor has the right to bring an action to a court regarding a security if the company has not secured the claim of the creditor or the security provided is inadequate. The action shall be brought within one month from the day when the company has secured the claim of creditor or, if the company has not provided the security, within one month after expiry of the term referred to in Paragraph three of this Section.

[*11 May 2023 /* *See Paragraph 78 of Transitional Provisions*]

**Section 352. Liability of Members of the Executive Board and Supervisory Board**

(1) The members of the supervisory board and executive board of the companies involved in the reorganisation and the shareholders of partnerships who have representation rights shall be jointly liable for any losses caused to the company, its shareholders or creditors during the course of the reorganisation through their fault.

(2) The limitation period for the claims referred to in Paragraph one of this Section shall be five years from the moment when the reorganisation comes into effect.

(3) If the acquiring company owns all shares (stocks) of the company to be acquired, the members of the executive board and supervisory board of the company to be acquired shall not be responsible for the losses caused during the reorganisation process to a shareholder of the company to be acquired.

[*11 May 2023*]

**Section 353. Compensation**

(1) A shareholder of the company to be acquired, divided, or restructured who does not agree to the reorganisation is entitled to request the acquiring company to buy back his or her shares in the acquiring company for a fair and just compensation the amount of which is specified in the reorganisation agreement.

(2) A shareholder who has voted against the reorganisation at the meeting of shareholders and who has been recorded in the minutes referred to in Section 343, Paragraph five of this Law has the right to compensation.

(3) A shareholder is entitled to, within one month after taking the decision on reorganisation, submit to the company a written request for the buyback of shares.

(4) The company shall ensure that a shareholder can submit the request referred to in Paragraph three of this Section through electronic means of communication.

(5) The restrictions specified by law for the procedures by which the company may acquire its own shares shall not be applied to the compensation.

(6) The acquiring company shall disburse the compensation to a shareholder within two months from the moment when the reorganisation comes into effect, unless the reorganisation agreement provides for a shorter term.

(7) The acquiring company shall pay statutory interest on any compensation not disbursed in the specified amount and term.

(8) A shareholder who has requested the company to buy back his or her shares is entitled to, within one month after submission of the request, contest the amount of the compensation and request the determination of a once only supplementary payment.

[*11 May 2023*]

**Division XVII**

**SPECIAL PROVISIONS FOR PARTICULAR TYPES OF REORGANISATION**

[*11 May 2023*]

**Chapter 1**

**Special Provisions for Division**

[*11 May 2023*]

**Section 354. Division of Property**

(1) In addition to the information referred to in Section 338, Paragraph two of this Law, the reorganisation agreement shall indicate how the property of the company to be divided will be divided between the acquiring companies. The deed on the division of property may be appended to the agreement as an individual document.

(2) In the case of splitting up, the property for which the division is not specified in the reorganisation agreement shall be divided between the acquiring companies in proportion to the part of property which they have acquired from the company to be divided according to the reorganisation agreement.

[*11 May 2023*]

**Section 355. Protection of Creditors in the Division**

(1) The provisions of Section 351 of this Law for the protection of creditors shall be applicable to division.

(2) All companies involved in the division, including the newly founded companies, shall be jointly liable for the commitments of the company to be divided which have arisen until reorganisation comes into effect.

(3) In the mutual relations between jointly liable debtors, only the person whose commitments are provided in the agreement shall be deemed as the related subject. If the commitments of a company involved in a division are not specified in the agreement, it shall be jointly liable together with other companies involved in the division for the commitments of the company to be divided which have arisen until the moment when the reorganisation comes into effect and which shall become due within five years from the moment when the reorganisation comes into effect.

[*11 May 2023*]

**Chapter 2**

**Special Provisions for Restructuring**

[*11 May 2023*]

**Section 356. Decision on Restructuring**

(1) The company shall prepare a draft decision and prospectus in writing.

(2) The decision on restructuring shall be taken by the meeting of shareholders of the company to be restructured which is convened in accordance with the procedures laid down in Section 214 or 273 of this Law. The company shall, in accordance with the procedures laid down in Section 342 of this Law, ensure that shareholders have access to the reorganisation documents.

(3) The decision shall substitute the reorganisation agreement referred to in Section 338 of this Law. Section 338, Paragraph four of this Law shall only be applicable if a partnership is restructured into a capital company.

(4) The decision shall indicate the firm name, legal address, and registration number of the company to be restructured and the acquiring company, the type of the acquiring company, and the information referred to in Section 338, Paragraph two, Clauses 2, 3, 4, 5, 7, 8, 9, 10, and 11 of this Law.

(5) The articles of association of the acquiring company or partnership agreement of the acquiring company (if the acquiring company is a partnership) shall be approved together with the decision.

(6) Provisions for the foundation of the relevant type of company shall be applicable during the restructuring process.

[*11 May 2023*]

**Section 357. Executive Board and Supervisory Board of the Acquiring Company**

(1) If a partnership is being restructured into a capital company, the executive board and supervisory board, if such is required by law or articles of association, of the acquiring company shall be elected concurrently with taking the decision on reorganisation.

(2) If a capital company is being restructured into another type of capital company, it shall be considered that members of the executive board and supervisory board of the company to be restructured have been elected as members of the executive board and supervisory board of the acquiring company, unless otherwise specified in the decision.

(3) If the acquiring company is a limited liability company, it shall be considered that a member of the executive board or supervisory board of the company to be restructured has been elected in the acquiring company for an indefinite period, unless otherwise specified in the articles of association of the acquiring company or the decision on reorganisation.

(4) If the acquiring company is a joint-stock company and a member of the executive board or supervisory board of the company to be restructured has been elected for an indefinite period, his or her powers in the acquiring company shall expire within the term specified in law or articles of association, counting from the moment when the reorganisation comes into effect.

[*11 May 2023*]

**Section 358. Protection of Creditors in Restructuring**

The provisions of Section 351 of this Law for the protection of creditors shall only be applicable if a partnership is being restructured into a capital company.

[*11 May 2023*]

**Section 359. Application to the Commercial Register Office for the Registration of Restructuring**

(1) The company to be restructured shall, not earlier than one month from the day of taking the decision on reorganisation, submit to the Commercial Register Office an application for making an entry on reorganisation in the Commercial Register.

(2) The following shall be appended to the application:

1) the decision on restructuring;

2) the documents referred to in Section 347, Paragraph first, Clauses 3, 4, and 5 of this Law;

3) the articles of association of the acquiring company or partnership agreement of the acquiring partnership.

(3) If a partnership is being restructured into a capital company, in addition to the documents specified in Paragraph two of this Section, the application shall be accompanied by the following:

1) a written consent of each member of the executive board to be a member of the executive board;

2) a written consent of each member of the supervisory board to be a member of the supervisory board (if the acquiring company has a supervisory board);

3) a statement or another document from the payment service provider certifying payment of the equity capital (if the equity capital or part thereof is paid in cash);

4) a document certifying the value of each property contribution (if a property contribution is being made);

5) the division of the register of shareholders (stockholders);

6) a certification issued by the central securities depository on the recording of dematerialised stocks (if the acquiring company is a joint-stock company).

(4) If a capital company is being restructured into another type of capital company, in addition to the documents specified in Paragraph two of this Section, the application shall be accompanied by the following:

1) the document referred to in Paragraph three, Clauses 1 and 2 of this Section (if changes are made in the composition of the executive board or supervisory board);

2) the document referred to in Paragraph three, Clauses 3 and 4 of this Section (if the equity capital of the acquiring company is increased as a result of reorganisation);

3) the document referred to in Paragraph three, Clauses 5 and 6 of this Section.

(5) The company shall certify in the application that the decision on reorganisation has not been contested before a court or the relevant action has not been satisfied.

[*11 May 2023 /* *Amendments to Clause 5 of Paragraph three regarding the appending of the division of the register of stockholders to the application and to Clause 6 of Paragraph three regarding a certification issued by the central securities depository on the recording of dematerialised stocks shall be applicable from 1 July 2023.* *See Paragraph 79 of Transitional Provisions*]

**Division XVIII**

**SPECIAL PROVISIONS FOR THE REORGANISATION OF PARTICULAR TYPES OF COMPANIES**

[*11 May 2023*]

**Chapter 1**

**Partnership as a Company Involved in Reorganisation**

[*11 May 2023*]

**Section 360. Contents of a Reorganisation Agreement**

If the acquiring company is a partnership, the reorganisation agreement shall, in addition to the information referred to in Section 338, Paragraph two of this Law, indicate the status of each shareholder of the company to be acquired or divided in the acquiring company (general or limited partner), and also the amount of capital share thereof.

[*11 May 2023*]

**Section 361. Partnership’s Decision on Reorganisation**

(1) The decision on reorganisation shall be taken if all members vote for it.

(2) It may be provided for in the partnership agreement that the decision on reorganisation shall be taken if not less than two thirds of the members vote for it.

[*11 May 2023*]

**Section 362. Protection for Minority Shareholders**

If the acquiring company is a partnership, a shareholder of the company involved in reorganisation who has voted against reorganisation or has not participated in voting shall become a limited partner of the acquiring company.

[*11 May 2023*]

**Section 363. Liability of Shareholders**

(1) If the acquiring company is a limited partnership or a capital company, the general partner of the company to be acquired or divided shall be liable for such commitments of the relevant company to be acquired or divided which have become due or will become due within five years from the moment when the reorganisation comes into effect.

(2) If the general partner of a company to be acquired or divided becomes the general partner of the acquiring company, the limitation period specified in Paragraph one shall not be applied.

[*11 May 2023*]

**Chapter 2**

**Capital Company as a Company Involved in the Reorganisation**

[*11 May 2023*]

**Section 364. Increase of the Equity Capital of the Acquiring Company as a Result of the Merging or Division Procedure**

(1) If the equity capital of the acquiring company is being increased as a result of the merging or division procedure, its shareholders (stockholders) shall have no priority right to the new shares provided for exchange.

(2) In addition to the documents specified in Section 202 or 261 of this Law which are to be submitted to the Commercial Register Office in relation to an increase of the equity capital, the application shall be accompanied by the decision on reorganisation taken by the meeting of shareholders of each company involved in the reorganisation.

[*11 May 2023*]

**Section 365. Transfer of Shares (Stocks) in the Case of Reorganisation**

(1) The acquiring company shall, first of all, transfer for exchange its own capital shares (stocks) to the shareholders of the company to be acquired or divided.

(2) Capital shares (stocks) of the company to be acquired or divided which have belonged to the acquiring company or to the company to be acquired or divided, or to the person acting in his or her name but respectively on behalf of the company to be acquired or divided or the acquiring company shall not be exchanged and shall be cancelled, except when, as a result of divestiture, the company to be divided becomes the sole shareholder of the acquiring company.

[*11 May 2023*]

**Section 366. Valuation of Property Contribution if the Acquiring Company is a Capital Company**

(1) If the acquiring company is a company that, as a result of reorganisation, has to increase its equity capital or is established as a new company, valuation of the share of the property of each company to be acquired or divided shall be conducted in order to determine whether the property is sufficient to increase the equity capital of the acquiring company or to found it.

(2) The valuation shall be conducted in accordance with the procedures laid down in Section 154 of this Law.

(3) The valuation may be conducted and an opinion thereon may be provided by a person who has reviewed the reorganisation agreement or draft agreement in the respective company.

(4) All shareholders of the relevant company and also shareholders of the acquiring company have the right to become acquainted with the opinion on the valuation of the property contribution in accordance with the procedures laid down in Section 342 of this Law.

(5) The opinion shall be appended to the application for reorganisation which is to be submitted to the Commercial Register Office.

[*11 May 2023*]

**Section 367. Amount of Premiums**

(1) The premiums provided for in the agreement which the acquiring company disburses to the shareholders of the company to be acquired, divided, or restructured may not in total exceed 10 per cent of the amount of the nominal value of the capital shares (stocks) offered for exchange.

(2) In the case specified in Section 346, Paragraph six of this Law, a once only supplementary payment may exceed the amount specified in Paragraph one of this Section.

[*11 May 2023*]

**Section 368. Rights of Stockholders to Access Reorganisation Documents**

(1) In addition to that specified in Section 342 of this Law, a joint-stock company shall ensure a possibility for the shareholders to become acquainted with reorganisation documents at the legal address of the company and the right to receive copies of or extracts from such documents free of charge.

(2) If a joint-stock company provides access to the reorganisation documents free of charge on its website, it need not ensure a possibility for the shareholders to become acquainted with the relevant documents at the legal address of the company.

(3) A joint-stock company does not have the obligation to provide shareholders with a possibility to receive copies of the reorganisation documents free of charge if the relevant documents can be downloaded and printed from the company’s website free of charge not later than one month before the day when the decision on reorganisation is planned to be taken.

[*11 May 2023*]

**Section 369. Protection of Interests of Holders of Preferred Stock and Debenture Holders**

(1) The rights of the holders of preferred stock and debenture holders of the joint-stock company to be acquired or divided shall be preserved in the acquiring joint-stock company.

(2) If the acquiring company is not a joint-stock company, the holders of preferred stock and debenture holders of the company to be acquired, divided, or restructured shall participate in determining the norm of representation and taking a decision on reorganisation with the same rights as other stockholders. The provisions of this Law for taking decisions in different categories of stock shall apply thereto.

(3) The holders of preferred stock and debenture holders who do not agree to the decision on reorganisation in the case referred to in Paragraph two of this Section may request compensation in accordance with the provisions of Section 353 of this Law.

(4) If the acquiring company is not a joint-stock company, the holders of preferred stock and debenture holders of the company to be acquired, divided, or restructured shall acquire the shares of the acquiring company based on the same provisions as other stockholders of the company to be acquired, divided, or restructured.

[*11 May 2023*]

**Section 370. Restrictions on Reorganisation**

(1) A limited liability company which conforms to the signs referred to in Section 185.1, Paragraph one of this Law may not be reorganised.

(2) If the acquiring company is a limited liability company, the equity capital thereof may not be less than that specified in Section 185 of this Law.

[*11 May 2023*]

**Division XIX**

**SIMPLIFIED REORGANISATION PROCEDURES**

[*11 May 2023*]

**Section 371. Reorganisation Documents**

(1) If all capital shares (stocks) of the company to be acquired belong to the acquiring company:

1) the information referred to in Section 338, Paragraph two, Clauses 2, 3, 4, 5, 6, and 7 of this Law shall not be indicated in the agreement;

2) the company to be acquired need not prepare the prospectus;

3) the auditor need not review the agreement or draft agreement in the company to be acquired.

(2) If all capital shares (stocks) of the company to be acquired and the acquiring company belong directly or indirectly to one shareholder, and, as a result of the reorganisation, the acquiring company does not issue new capital shares (stocks), Paragraph one of this Section shall be applied. In addition to the abovementioned, in this case, the auditor need not review the reorganisation agreement or draft agreement in the acquiring company.

(3) If all capital shares (stocks) of the acquiring company are acquired by the shareholders of the company to be divided, the company to be divided need not prepare the prospectus, and the auditor need not review the agreement or draft agreement in the company to be divided.

(4) If a new company is founded through divestiture, and the company to be divided becomes its sole shareholder:

1) the information referred to in Section 338, Paragraph two, Clauses 2, 3, 4, 5, 6, and 7 of this Law shall not be indicated in the agreement;

2) the company to be divided need not prepare the prospectus;

3) the auditor need not review the agreement or draft agreement in the company to be divided.

[*11 May 2023*]

**Section 372. Decision on Reorganisation in the Case of a Merger**

(1) If the acquiring company owns at least 90 per cent of the shares (stocks) of the company to be acquired, the meeting of shareholders of the acquiring company need not take the decision on reorganisation.

(2) In the case referred to in Paragraph one of this Section, the acquiring joint-stock company shall submit to the Commercial Register Office the application for the commencement of reorganisation referred to in Section 338, Paragraph four of this Law one month before the day of the planned meeting of shareholders of the company to be acquired, whereas the acquiring limited liability company shall submit it two weeks before the planned day of the meeting, and they shall inform the shareholders of the intention to enter into the reorganisation agreement.

(3) The acquiring company shall, within the term specified in Paragraph two of this Section, ensure that shareholders have access to the documents specified in Section 342 of this Law.

(4) Shareholders of the acquiring company representing not less than one twentieth of the equity capital of the company have the right to request the convening of the meeting of shareholders in order to take the decision on reorganisation.

(5) If the acquiring company owns all shares (stocks) of the company to be acquired, the meeting of shareholders of the company to be acquired need not take the decision on reorganisation.

(6) If all capital shares (stocks) of the company to be acquired and the acquiring company belong directly or indirectly to one shareholder, and, as a result of the reorganisation, the acquiring company does not issue new capital shares (stocks), the meeting of shareholders of the company to be acquired need not take the decision on reorganisation.

[*11 May 2023*]

**Section 373. Decision on Reorganisation in the Case of Division**

(1) If the acquiring companies together own all shares (stocks) of the company to be divided, the meeting of shareholders of the company to be divided need not take the decision on reorganisation.

(2) In the case referred to in Paragraph one of this Section, the joint-stock company to be divided shall submit to the Commercial Register Office the application for the commencement of reorganisation referred to in Section 338, Paragraph four of this Law one month before the day of the planned meeting of shareholders of the acquiring company, whereas the limited liability company to be divided shall submit it two weeks before the planned day of the meeting, and they shall inform the shareholders of the intention to enter into the reorganisation agreement.

(3) The company to be divided shall, within the term specified in Paragraph two of this Section, ensure that shareholders have access to the documents specified in Section 342 of this Law.

[*11 May 2023*]

**DIVISION XIX1**

**CROSS-BORDER REORGANISATION**

[*11 May 2023*]

**Section 374. Concept of Cross-border Reorganisation**

(1) Cross-border reorganisation is a reorganisation involving companies at least one of which is registered in Latvia, but others – in accordance with laws and regulations of another Member State.

(2) The provisions of this Law for reorganisation shall be applicable to a cross-border reorganisation, except for Sections 356, 357, 358, and 359 of this Law, insofar as not otherwise provided in this Division. If the acquiring company is registered in another Member State, the company registered in Latvia shall, when becoming involved in cross-border reorganisation, comply with the provisions of this Law for the reorganisation of companies which refer to the decision-taking process in relation to reorganisation and to the protection of creditors, shareholders, debenture holders, and also employees of the company.

(3) Cross-border reorganisation may not be conducted by the company:

1) which is under liquidation proceedings and for which the division of property has been commenced;

2) whose activities have been terminated on the basis of a decision of the Commercial Register Office or tax administration, or a court ruling;

3) for which insolvency proceedings have been declared;

4) to which resolution tools are applied and against which resolution powers and mechanisms are implemented in accordance with the provisions of the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Firms;

5) which is subject to crisis prevention measures in accordance with the Law on Recovery of Activities and Resolution of Credit Institutions and Investment Firms;

6) which has intended to make collective contributions of the capital of inhabitants in accordance with the principle of risk spreading, and the capital shares (stocks) of which are, upon request of shareholders, brought back or redeemed directly or indirectly from the assets of this company. Activities through which the company wishes to ensure that the market value of its capital shares (stocks) would not significantly differ from the net value of its assets shall be considered analogous to such buyback or redemption.

[*11 May 2023*]

**Section 375. Types of Cross-border Reorganisation**

(1) A company can be reorganised by way of cross-border merger, division, or restructuring.

(2) Cross-border merger is a process in which one or more companies registered in a Member State (companies to be acquired) transfer all their property to a company registered in another Member State (acquiring company) by way of acquisition or consolidation.

(3) Cross-border division is a process in which a company registered in a Member State (company to be divided) transfers its property to one or more companies registered in other Member States (acquiring companies) by way of splitting up or divestiture.

(4) Cross-border restructuring is a process in which the company to be restructured changes its type of company to a type of company existing in another Member State and transfers its legal address to that Member State, while maintaining its status of the holder of rights.

[*11 May 2023*]

**Section 376. Cross-border Reorganisation Agreement**

In addition to the information referred to in Section 338, Paragraph two of this Law, the cross-border reorganisation agreement (hereinafter – the agreement) shall indicate the following:

1) the type of the companies involved in cross-border reorganisation and of the newly founded company (if any);

2) information that the capital companies involved in cross-border reorganisation have rules for the participation of employees in effect, if such are applicable;

3) information on the means of security available to creditors;

4) in the case of cross-border merger or division, information on the valuation of the assets and liabilities included in the property to be transferred to the acquiring company;

5) the date of approval of the report on economic activities of the company on which the provisions for cross-border merger or division are based;

6) information on whether the company to be restructured has received State aid or subsidies within five years before taking the decision on reorganisation.

[*11 May 2023*]

**Section 377. View of Shareholders, Creditors, and Employees on the Agreement or Draft Agreement**

(1) The application referred to in Section 338, Paragraph four of this Law shall be accompanied by a notice to shareholders, creditors, and representatives of employees (if there are no representatives, then employees) in which they shall be invited to express their views on the agreement or draft agreement. The notice shall indicate the place and time for providing the view which cannot be later than five working days before the day when the meeting of shareholders is planned to be held for taking the decision on reorganisation.

(2) The Commercial Register Office shall publish on its website the notice referred to in Paragraph one of this Section.

(3) If the company receives the view of shareholders, creditors, or representatives of employees (if there are no representatives, then employees), the executive board shall immediately inform the shareholders of that and ensure that the shareholders have access to the view in accordance with the procedures laid down in Section 342 of this Law.

[*11 May 2023*]

**Section 378. Cross-border Prospectus**

(1) A cross-border prospectus shall indicate and explain the information referred to in Section 339, Paragraph one of this Law, and also the impact of the cross-border reorganisation on employees. The prospectus shall contain a section for shareholders and a section for employees.

(2) The section for shareholders shall indicate and explain the information referred to in Section 339, Paragraph two of this Law, the impact of reorganisation on shareholders, and the right of a shareholder to compensation in accordance with Section 535 of this Law.

(3) If the agreement or draft agreement is reviewed by a sworn auditor, the section for shareholders shall indicate the market value of the capital shares (stocks) of the companies involved in reorganisation which has been determined not later than six months before the promulgation of the agreement or draft agreement, or the value of the respective companies which has been determined according to generally accepted valuation methods, without taking into account the consequences of reorganisation.

(4) The section for shareholders need not be prepared if all shareholders agree thereto.

(5) The section for employees shall indicate and explain the following:

1) the impact of reorganisation on employment relationship and measures for the protection of employment relationship;

2) all significant changes in the employment conditions, including changes in the legal address of the company and the address of the work performance place;

3) how the information specified in Clauses 1 and 2 of this Paragraph affects the dependent companies of the company (if any).

(6) The section for employees need not be prepared if the company and dependent companies thereof do not have employees.

(7) The company can prepare a joint prospectus, including a section for shareholders and a section for employees, or a separate prospectus for shareholders and employees.

(8) The company need not prepare the prospectus if, in accordance with the provisions of this Section, neither the section for shareholders nor the section for employees has to be prepared.

[*11 May 2023*]

**Section 379. Employees’ View on Prospectus**

(1) Representatives of employees (if there are no representatives, then employees) are entitled to provide the company with a written view on the information which is included in the prospectus and concerns employees no later than two weeks before the day the meeting of shareholders is planned to be held for taking the decision on reorganisation.

(2) If the company receives the view of the representatives of employees (if there are no representatives, then employees), the executive board shall immediately inform the shareholders thereof and ensure that the shareholders have access to the view in accordance with the procedures laid down in Section 342 of this Law.

[*11 May 2023*]

**Section 380. Opinion of the Auditor in the Case of Cross-border Reorganisation**

When preparing the opinion referred to in Section 341, Paragraph two of this Law, the auditor shall take into account the information referred to in Section 378, Paragraph three of this Law.

[*11 May 2023*]

**Section 381. Access to Cross-border Reorganisation Documents**

(1) The company shall, in accordance with the procedures laid down in Section 342 of this Law, ensure that shareholders have access to reorganisation documents. Shareholders must have access to the documents referred to in Section 342, Paragraph one, Clauses 1, 3, 4, and 5 of this Law not later than one months before the day the meeting of shareholders is planned to be held for taking the decision on reorganisation, but to the prospectus – not later than six weeks before the day when the meeting of shareholders is planned to be held for taking the decision on reorganisation.

(2) The company shall ensure that representatives of employees (if there are no representatives, then employees) have continuous and free electronic access (including a possibility to save and print) to the prospectus not later than six weeks before the day when the meeting of shareholders is planned to be held for taking the decision on reorganisation, and not later than until the day when reorganisation comes into effect. The prospectus shall be accompanied by the agreement or draft agreement when it has been prepared but not later than one month before the day of the planned meeting of shareholders.

[*11 May 2023*]

**Section 382. Protection of Creditors in the Case of Cross-border Reorganisation**

(1) The application referred to in Section 338, Paragraph four of this Law shall be accompanied by a notice to creditors in which they shall be invited to submit their claims. The notice to creditors shall indicate:

1) the firm names and registration numbers of the companies involved in reorganisation;

2) the type of reorganisation;

3) the term for the submission of the claims of creditors which may not be less than two months from the day when the notice has been published.

(2) The Commercial Register Office shall publish on its website the notice to creditors referred to in Paragraph one of this Section.

(3) The company shall, within one month after expiry of the term for the submission of the claims of creditors, secure the claim of such creditor who had the right of claim against the company before the decision on reorganisation was taken if the creditor has submitted the claim within the specified term and has demonstrated that the reorganisation threatens the satisfaction of its claim. The security provided by the company shall be proportionate, taking into account the financial situation of the company and the interests of other creditors of the company.

(4) A secured creditor may request security only for the amount of the unsecured part of the debt.

(5) A creditor has the right to bring an action to a court regarding a security if the company has not secured the claim of the creditor or the security provided is inadequate. The action shall be brought within one month from the day when the company has secured the claim of creditor or, if the company has not provided the security, within one month after expiry of the term referred to in Paragraph three of this Section.

(6) Contestation of the security in accordance with Paragraph five of this Section shall not constitute a legal obstacle to making an entry on reorganisation in the Commercial Register.

(7) In addition to the protection of creditors provided for in this Section, the provisions of Section 355 of this Law shall be applicable to cross-border division. If the company conducts cross-border division by way of divestiture, its liability in the case referred to in Section 355, Paragraph two of this Law shall not exceed the amount of the property transferred thereto as a result of the reorganisation.

[*11 May 2023 /* *See Paragraph 78 of Transitional Provisions*]

**Section 383. Participation of Employees**

If the acquiring capital company is registered or intended to be registered in Latvia, and at least one of the capital companies involved in the cross-border reorganisation has rules for the participation of employees in effect, then laws and regulations governing the participation of employee in taking decisions in the case of cross-border reorganisation of capital companies shall be applied to the participation of employees.

[*11 May 2023*]

**Section 384. Application of a Company Registered in Latvia for the Registration of Cross-border Reorganisation**

(1) Each company registered in Latvia and involved in cross-border reorganisation shall, not earlier than two months from the day of taking the decision on reorganisation, submit to the Commercial Register Office an application for making an entry on cross-border reorganisation in the Commercial Register.

(2) The application shall include the firm names and registration numbers of all companies involved in the reorganisation, and for a company of another Member State, also the type of company and the Commercial Register Office with which it is registered.

(3) The following shall be appended to the application:

1) the documents referred to in Section 347, Paragraphs one of this Law;

2) the view of shareholders, creditors, or representatives of employees (if there are no representatives, then employees) referred to in Section 377 of this Law on the agreement or draft agreement (if any);

3) the view of representatives of employees (if there are no representatives, then employees) referred to in Section 379 of this Law on the prospectus (if any).

(4) The company shall certify the following in the application:

1) the claims of the creditors who have submitted their claims within the specified term have been secured or satisfied;

2) the decision on reorganisation has not been contested before a court or the relevant claim has not been satisfied;

3) the division of the property of the company has not been commenced (if the company is under liquidation proceedings).

(5) The application shall indicate whether the company, in accordance with Section 383 of this Law or legal acts of another Member State, must respect the participation of employees and shall certify that it is secured or negotiations have been commenced for the involvement of employees (representatives thereof) in taking decisions.

[*11 May 2023*]

**Section 385. Application of a Company Registered in Another Member State for the Registration of Cross-border Reorganisation**

(1) If the acquiring company is registered or intended to be registered in Latvia, the company to be acquired, divided, or restructured which has been registered in another Member State and is involved in the cross-border registration process shall submit to the Commercial Register Office an application for making an entry on cross-border registration in the Commercial Register.

(2) The application shall include the firm names and registration numbers of all companies involved in the reorganisation, and for a company of another Member State, also the type of company and the Commercial Register Office with which it is registered.

(3) The application shall be accompanied by the reorganisation agreement.

(4) The application shall indicate whether the company, in accordance with legal acts of the Member State in which the company is registered, must respect the participation of employees and shall certify that it is secured or negotiations have been commenced for the involvement of employees (representatives thereof) in taking decisions.

[*11 May 2023*]

**Section 386. Application for Entering the Acquiring Company in the Commercial Register**

If it is intended to register the acquiring company in Latvia, the company involved in cross-border reorganisation shall, in addition to the application referred to in Section 385 of this Law, submit the application referred to in Section 78 or 149 of this Law for entering the acquiring company in the Commercial Register. The companies to be acquired shall submit to the Commercial Register Office a joint application for entering the acquiring company in the Commercial Register.

[*11 May 2023*]

**Section 387. Pre-reorganisation Certificate and Entry on Cross-border Reorganisation**

(1) If the acquiring company is registered or intended to be registered in another Member State, a pre-reorganisation certificate which certifies that the company registered in Latvia has taken all necessary actions for the completion of cross-border reorganisation shall be issued to the company to be acquired, divided, or restructured which is registered in Latvia.

(2) If the acquiring company is registered or intended to be registered in another Member State, the entry on the reorganisation of the company to be acquired, divided, or restructured shall be made in the Commercial Register when the Commercial Register Office has received information from the Commercial Register Office of another Member State in the system of interconnection of registers about making the entry on registration.

(3) After making the entry on reorganisation referred to in Paragraph two of this Section in the Commercial Register, the company to be acquired, divided (if the cross-border division occurs through divestiture), or restructured shall be deleted from the Commercial Register.

(4) If the acquiring company is registered or intended to be registered in Latvia, the entry on the reorganisation of the acquiring company or the entry of the acquiring company in the Commercial Register shall be made on the basis of applications of the companies involved in the cross-border reorganisation process and the pre-reorganisation certificate received from the Commercial Register Office of another Member State in the system of interconnection of registers.

[*11 May 2023*]

**Section 387.1 Entry into Force of Cross-border Reorganisation**

(1) If the acquiring company is being registered in Latvia, cross-border merger or restructuring shall be deemed to be into force when an entry on the acquiring company is made in the Commercial Register.

(2) If the acquiring company is registered or is being registered in Latvia, the entry into force of cross-border division shall be governed by legal acts of the Member State in which the company to be divided is registered.

(3) If the acquiring company in cross-border merger or restructuring is being registered in another Member State, the entry into force of the cross-border merger or restructuring shall be governed by legal acts of the respective Member State.

(4) If the company to be divided is registered in Latvia, cross-border division shall be deemed to be into force from the moment when an entry on reorganisation of the company to be divided is made in the Commercial Register.

(5) On the basis of the notice received from the Commercial Register Office of a Member State in the system of interconnection of registers, the Commercial Register Office shall register information on the entry into force of reorganisation if, in accordance with this Section, the entry into force of the reorganisation is governed by legal acts of another Member State.

[*11 May 2023*]

**Section 387.2 Jurisdiction of Disputes Related to the Rights of Shareholders to Compensation**

Disputes related to the rights of shareholders specified in Section 353 of this Law to compensation shall be settled before a Latvian court in accordance with the provisions of the Civil Procedure Law for jurisdiction.

[*11 May 2023*]

**Part D**

**COMMERCIAL TRANSACTIONS**

[*18 December 2008*] *Paragraph shall come into force on 1 January 2010.* *See Transitional Provisions*]

**Division XX**

**GENERAL PROVISIONS FOR COMMERCIAL TRANSACTIONS**

**Section 388. Definition of Commercial Transactions**

Commercial transactions are lawful transactions of a merchant which are connected with commercial activities.

**Section 389. Commercial Transaction where One Party is a Merchant**

If a transaction is a commercial transaction only for one of the parties to the transaction, the provisions of this Law for commercial transactions shall be equally applicable also to other parties to the transaction, insofar as it is not otherwise provided for in laws and regulations in the field of protection of consumer rights or in other laws.

**Section 390. Presumption of Commercial Transaction**

(1) In case of doubts, a transaction of a sole proprietorship shall be deemed a commercial transaction. Within the meaning of this Section, making a record in accounting, input tax deduction, use of the benefits obtained as a result of the transaction in commercial activities, and the like shall be deemed as the attribution of the transaction to commercial activities.

(2) A debt document signed by a sole proprietorship shall be deemed signed in relation to the commercial activities performed thereby, insofar as the contrary does not arise from this document.

**Section 391. Commercial Practices**

In interpreting the intent expressed by a merchant, as well as the meaning and consequences of its actions, the practices existing within the scope of commercial rights in the relevant sector shall be taken into account in the mutual legal relations of merchants.

**Section 392. Merchant’s Silence**

(1) If a merchant (commercial agent, broker, commission agent, forwarder, etc.) who enters into transactions in favour of other persons or prepares entry therein is expressed a proposal for entry into such transaction or preparation of such entry by a person with whom he or she has relations of commercial transactions, the merchant has the obligation to reply to this proposal as soon as possible.

(2) Also if the merchant refuses the proposal on the entry into a transaction or preparation of entry therein, he or she has the obligation to ensure temporary storage of such movable property which was sent together with the proposal at expense of the person who expressed the proposal, insofar as it is not connected with incommensurate expenses and insofar as the coverage of the storage expenses of the movable property is ensured for the merchant.

**Section 393. Obligation of Diligence of the Merchant**

(1) In relations of commercial transactions, a merchant has the obligation to act with the diligence of a respectable and accurate merchant.

(2) The condition of Paragraph one of this Section shall not limit the application of such provisions of the Law where the liability of a debtor for evil intent, gross negligence or lack of such diligence which he or she is used to exercise in his or her own dealings is regulated.

**Section 394. Joint Liability**

If several merchants jointly undertake to fulfil a divisible commitment, they shall be jointly liable for this commitment in case of doubts.

**Section 395. Consideration and Calculation of Interest**

(1) A merchant who enters into transactions in favour of another person or prepares the entering into them, or provides services is entitled to request consideration even if it has not been agreed upon. The amount of the consideration shall be determined according to the amount of consideration usually paid in the relevant geographical territory.

(2) The merchant referred to in Paragraph one of this Section is entitled to calculate lawful interest for loans, pre-payments, expenditures and other payments, counting from the day of making the relevant payment.

**Section 396. Fulfilment Period**

The fulfilment of commitments in commercial transactions may be requested and commitments may be fulfilled only during the usual working hours of a merchant, unless it arises otherwise from the conditions of the matter.

**Section 397. Medium Benefit Property**

If the subject-matter of a commitment of a merchant is such movable property which is characterised by grade and amount, medium benefit properties shall be given for the fulfilment of the commitment, unless the parties to the transaction have agreed otherwise. A medium benefit property shall mean a property which has been recognised as such within the scope of commercial rights at the place where the commitment is fulfilled.

**Section 398. Units of Measurement and Currency**

In case of doubts, it shall be considered that the parties to a commercial transaction have agreed on such units of measurement of length, area, volume, mass and other units of measurement, and also on the currency which exists at the place where the relevant commitment is fulfilled.

**Section 399. Right to Retainer**

(1) A merchant is entitled to retain movable properties and securities owned by another merchant and possessed by him or her which have come in the possession of the retainer under a commercial transaction in accordance with the will of the other merchant, and not to release these properties and securities as long as the monetary claim of the retainer against another merchant arising from the commercial transaction entered into between them is not satisfied. In order to achieve the satisfaction of such claim, the merchant may retain also such objects which he or she has obtained in the ownership from another merchant or a third party, however, in favour of the other merchant, and which the retainer has an obligation to transfer in the ownership of the other merchant.

(2) The right to retainer may only be exercised if the commitment of the other merchant can already be fulfilled and is not limited either by a condition or time limit.

(3) The right to retainer shall not be effective against the third party who has obtained the right of commercial pledge to the retained object. In such case, the provisions of Section 40 of the Commercial Pledge Law shall be applicable accordingly. Also the right to retainer shall not be effective against the third party who has lawfully obtained some other right in rem to the retained object prior to exercising the right of retainer.

(4) A merchant is not entitled to retain objects with which he or she has an obligation to act in a specific way on the basis of a commitment which the merchant has undertaken towards another merchant.

(5) The other merchant may prevent the exercise of the right to retainer by providing suitable collateral. The collateral may not be the guarantee of a third party, except when the retainer agrees to receive such collateral. The retainer shall obtain the pledge rights to properties received as collateral in accordance with the provisions of the law regarding the establishment of pledge rights.

**Section 400. Right of Retainer to Satisfy the Claim**

(1) A retainer is entitled to satisfy his or her claim against another merchant by selling the retained objects at an auction with the intermediation of a court, unless they have specifically agreed that the retainer has the right to sell the retained objects for a free price. The provisions of the Civil Law for the right of possessory pledge shall be applicable accordingly to the satisfaction of the retainer’s claim.

(2) A retainer has the superior right to satisfy his or her claim against other persons that are not referred to in Section 399, Paragraph three of this Law and in favour of whom the retained objects have been pledged after the exercise of the right to retainer by selling the retained objects.

**Section 401. Obtaining of Movable Properties into Ownership in Good Faith**

(1) Even if a merchant alienates a property that is not own thereby in favour of another person on the basis of a commercial transaction, the acquirer shall obtain the property rights to this property, except when he or she was not acting in good faith at the time of transfer. The acquirer is not acting in good faith if he or she knows that the property is not owned by the alienor or the alienor is not entitled to handle this property, or the acquirer is not aware thereof due to gross negligence.

(2) If the alienated property is burdened by rights of a third party, these rights shall expire with the transfer of the property rights to the acquirer of good faith, except when he or she at the time of the transfer has been aware of such rights or had not been aware due to gross negligence.

(3) The provisions of this Section do not apply to a property obtained in illegal way, lost property or such property the possession of which has been terminated against the will of the owner, except for money, bearer securities, and also the properties which have been sold at an auction with the intermediation of a court.

**Section 402. Legal Right of Possessory Pledge**

(1) The provisions of the Civil Law for the right of possessory pledge shall be applied accordingly to the merchant’s legal right of possessory pledge, insofar as this Section does not specify otherwise.

(2) A pledgee whose claim has not been satisfied by the debtor within the specified period is entitled to, by notifying the debtor thereof in advance and complying with the provisions of the Civil Law for the sale at an auction, sell the object of the legal right of possessory pledge at the debtor’s expense and through a sworn bailiff at a voluntary public auction. The relevant provisions of the Civil Procedure Law for the auctioning of a movable property shall be applied to the announcement and procedures of the auction.

(3) The lawful subject-matter of the right of possessory pledge shall be sold for the highest price which is possible during the sale and the sale shall not be deferred.

(4) A pledgee shall be liable towards the debtor as an authorised representative for the sale of the subject-matter of the right of possessory pledge and his or her obligation shall be to compensate all losses of the debtor which the pledgee could have prevented by exercising diligence of a respectable and accurate merchant.

**Section 403. Bill of Lading, Consignment Note, and Warehouse Receipt as Order Instruments**

(1) Bill of lading, consignment note, and warehouse receipt may be transferred further with an endorsement if it is directly indicated in the relevant document (hereinafter within the framework of this Division – the order instrument).

(2) An endorsement shall transfer all the rights arising from the endorsed order instrument to the endorsee.

(3) A debtor may raise only such objections against the legitimised holder of the order instrument which refer to the validity of the expression of will of the debtor included in the order instrument and arise from the content of the order instrument, or also objections which the debtor has against the legitimised holder of the order instrument himself or herself.

(4) A debtor shall be obliged to fulfil his or her commitment only upon receipt of the order instrument with a receipt for fulfilment issued by the legitimised holder of the order instrument. If the commitment is fulfilled partly, a relevant note shall be made on the order instrument thereon and a receipt for partial fulfilment shall be issued to the debtor.

**Section 404. Endorsement Form and Blank Endorsement**

(1) An endorsement shall be written on the order instrument or a sheet attached thereto. An endorsement shall be signed by the endorser.

(2) The endorsee need not be indicated in the endorsement and the endorsement may be expressed only in the signature of the endorser (blank endorsement). In the latter case, endorsement shall be written on the other side of the order instrument or a sheet attached thereto in order for it to be valid.

(3) If a blank endorsement is made, the holder of the order instrument may:

1) fill in the endorsement in his or her own or other person’s name;

2) endorse the order instrument further with a blank endorsement or in the name of another person;

3) transfer the order instrument further without filling in the blank endorsement and making a new endorsement.

**Section 405. Legitimation of the Holder of the Order Instrument**

(1) The person who has obtained the order instrument it holding shall be recognised as the legitimized holder thereof insofar as he or she proves his or her rights with a continued row of endorsements, also if the last endorsement is a blank endorsement. In this respect, the deleted endorsements shall be considered as not entered. If any other endorsement follows a blank endorsement, it shall be presumed that the signatory of this last endorsement has obtained the order instrument on the basis of the blank endorsement.

(2) If the order instrument is lost by the former holder thereof, the new holder who proves his or her rights in accordance with the provisions of Paragraph one of this Section has the obligation to return the order instrument only if he or she has obtained it in bad faith or by admitting gross negligence.

(3) A debtor has an obligation to check whether the row of endorsements entered in the order instrument is continuous, however, he or she is not obliged to verify the genuineness of endorsement signatures.

**Section 406. Limitation Period**

The limitation period for claims arising from a commercial transaction shall expire within three years, unless other limitation period is specified by the law.

**Division XXI**

**SPECIAL PROVISIONS FOR CERTAIN COMMERCIAL TRANSACTIONS**

**Chapter 1**

**Commercial Purchase Agreement**

**Section 407. Definition of Commercial Purchase Agreement**

(1) Commercial purchase agreement (hereinafter within the framework of this Chapter – the purchase agreement) shall be such agreement by which the seller undertakes to sell and the buyer undertakes to buy goods and pay the agreed purchase price and in which at least one of the contracting parties is a merchant. Goods within the meaning of this Chapter shall be movable property intended for sale which has not been withdrawn from circulation in the private sector.

(2) The provisions of this Chapter shall be applicable also to the purchase of securities.

[*15 April 2010*]

**Section 408. Delay of Purchaser**

(1) If a purchaser does not accept goods in case of a delay, a seller is entitled to take the following actions by notifying the purchaser thereof in advance:

1) to transfer the goods for storage in a warehouse or in another safe place for reasonable remuneration at the purchaser’s expense and risk;

2) to sell the goods for a free price which is not less than the agreed purchase price;

3) to sell the goods at the purchaser’s expense and through a sworn bailiff at a voluntary public auction in compliance with the provisions of the Civil Law for the sale at an auction and announcement of an auction and by applying the relevant provisions of the Civil Procedure Law for the auctioning of a movable property to the announcement and procedures of the auction.

(2) The seller is entitled to sell perishable goods or goods which are subjected to other risk for a free price without an auction and without notifying the purchaser thereof in advance.

(3) If the goods referred to in Paragraph one, Clause 3 or Paragraph two of this Section are sold for a price lower than has been agreed in the purchase agreement, the purchaser has the obligation to pay the difference between the agreed price and the sales price of the goods.

(4) If the goods are sold in a voluntary public auction with intermediation of a sworn bailiff, a seller has the obligation to notify a purchaser of the time and place of the auction within reasonable period before the auction, moreover, the purchaser is entitled to participate in bidding. The seller has the obligation to notify the purchaser of the sale without delay. If the seller fails to fulfil the abovementioned obligation, he or she shall be liable for the losses caused to the purchaser.

(5) The provisions of this Section shall not limit the rights of a seller which he or she may exercise in accordance with the Civil Law if a purchaser admits a delay.

[*15 April 2010*]

**Section 409. Purchase with Specification**

(1) If pursuant to a purchase agreement a purchaser is entitled to specify more detailed form, size, quality, sort of goods or other features of goods, the purchaser has an obligation to specify them within the agreed time limit or as soon as possible after receipt of the request from the seller.

(2) If a purchaser admits delay in relation to specification of features of goods, the seller is entitled to specify the relevant features instead of the purchaser or to unilaterally withdraw from the agreement or request a compensation for losses which have been caused to him or her due to the delay of the purchaser.

(3) If a seller himself or herself specifies the features of goods instead of the purchaser, he or she has the obligation to notify the purchaser of this specification and determine a reasonable time limit during which the purchaser may specify other specification. If the purchaser fails to provide other specification to the seller within the specified time limit, the specification specified by the seller shall be binding to the purchaser.

**Section 410. Term Purchase**

(1) Term purchase is such purchase agreement by which at least one of the contracting parties has undertaken to fulfil his or her obligation precisely on a certain day or within a certain period and pursuant to decisively expressed will of the contracting parties the agreed time of performance is a substantial part of such agreement.

(2) If the contracting party referred to in Paragraph one of this Section fails to fulfil his or her commitment on the agreed day or within the agreed period, the other contracting party is entitled to unilaterally withdraw from the agreement and also to request a compensation for the losses caused to the other contracting party due to the delay of the debtor in relation to the non-fulfilment of the agreement. The other contracting party may request the debtor to fulfil the commitment only if he or she immediately after expiration of the time limit notifies the debtor of his or her wish for the fulfilment of the obligation.

(3) [15 April 2010]

[*15 April 2010*]

**Section 411. Obligation of Purchaser to Check the Goods and Notify of Deficiencies**

(1) A purchaser has the obligation to check the goods as soon as possible after receipt thereof. When establishing deficiencies of goods, the purchaser has the obligation to notify the seller of them without delay, indicating their type and scale.

(2) If a purchaser fails to notify the seller of the deficiencies of the received goods in accordance with the provisions of Paragraph one of this Section, it shall be considered that the purchaser has accepted the goods and he or she loses the right provided for in Section 1620, Paragraph two of the Civil Law to request the cancellation of the purchase agreement or a reduction of the price for the goods, except when the goods have hidden deficiencies which could not have been established when checking the goods.

(3) If the hidden deficiencies of goods are found later, the purchaser has the obligation to notify the seller of such deficiencies immediately after their finding. If the purchaser fails to notify the seller of the deficiencies of the received goods, it shall be considered that the purchaser has accepted the goods with these hidden deficiencies.

(4) The provisions of this Section shall not be applicable if the seller has concealed or hidden the deficiencies of the goods in bad faith or convincingly asserted that the goods have certain properties.

(5) The provisions of this Section shall be applicable if the purchaser and seller are merchants.

**Section 412. Temporary Storage of Goods**

(1) If a purchaser has notified a seller of deficiencies of such goods which have been delivered to the purchaser from another place, the purchaser has the obligation to ensure temporary storage of such goods.

(2) A purchaser is entitled to sell perishable goods or goods which are subject to other risks or the storage of which is related to disproportionate costs in compliance with the provisions of Section 408, Paragraphs two and three of this Law.

(3) The provisions of this Section shall be applicable if the purchaser and seller are merchants.

**Section 413. Mass of the Packaging of Goods**

(1) If the purchase price is determined pursuant to the mass of goods, the mass of the packaging of goods shall not be taken into account if it does not arise otherwise from the agreement or the commercial usage of the place where a seller is bound to fulfil his or her obligation.

(2) Within the meaning of this Law, the term “packaging” shall also mean a container used for inland, water, and air transport.

**Section 414. Application of Provisions of the Purchase Agreement to Barter, Supply and Work-performance Contract**

(1) The provisions of this Chapter shall be also applicable accordingly to such barter and supply contract (Sections 2092 and 2109 of the Civil Law) the subject matter of which is the goods.

(2) The provisions of this Chapter shall be applicable to a work-performance contract for the production of movable property from the material provided by the entrepreneur (Section 2214, Paragraph one of the Civil Law).

**Chapter 2**

**Commercial Commission Contract**

**Section 415. Definition of Commercial Commission Contract and Commission Agent**

(1) Commercial commission contract is such contract by which a merchant (commission agent) undertakes to purchase or sell goods or securities or enter into other types of transactions with third parties in his or her name, however, at another person’s (committent’s) expense, but the committent undertakes to pay the agreed commission.

(2) A commission agent is such agent who has undertaken to independently enter into transactions with other persons in his or her name, however, at the committent’s expense. The provisions of Sections 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, and 61 of this Law shall be applicable accordingly to mutual relations between the commission agent and the committent.

**Section 416. Obligations of Commission Agent**

(1) A commission agent has the obligation to fulfil the commission with the diligence of a respectable and accurate merchant. The commission agent, in particular, has the obligation to respect the interests of the committent and follow his or her instructions.

(2) A commission agent shall transfer all the necessary information and documents to the committent. The commission agent, in particular, has the obligation to notify the committent of the fulfilment of the commission without delay.

(3) A commission agent has the obligation to provide the committent with a settlement of accounts for each transaction entered into, and also to transfer to the committent what the commission agent has acquired in fulfilling his or her obligations.

(4) A commission agent shall be liable towards the committent for the execution of a transaction if he or she, concurrently with a notice on the fulfilment of the commission, has not indicated to the committent the third party with whom this transaction has been entered into.

**Section 417. Instructions of the Committent**

(1) If a commission agent fails to act pursuant to the instructions of a committent, he or she shall be liable for the losses caused to the committent, moreover, the committent has no obligation to recognise the transaction as entered into at his or her expense.

(2) The commission agent is entitled to derogate from instructions of the committent only if he or she has a reason to consider that in the particular case, knowing the circumstances of the matter, the committent himself or herself would have acted the same. In such case, the commission agent has the obligation to notify the committent of his or her derogation from instructions without delay and wait for the decision of the committent, unless there is a risk of delay.

**Section 418. Price Limits**

(1) If a commission agent violates the price limits specified by the committent when entering into a transaction with a third party and the committent does not want to acknowledge that the relevant transaction has been entered into at his or her expense, the committent has the obligation to notify the commission agent thereof without delay, as soon as a notice on the fulfilment of the commission is received. Otherwise it shall be considered that the committent has agreed to the deviation from the price limit allowed by the commission agent.

(2) If the commission agent offers, concurrently with the notice on the fulfilment of the commission, to cover the difference between the price specified by the committent and the price agreed with the third party, the committent is not entitled to refuse to admit that the transaction has been entered into at his or her expense.

**Section 419. More Advantageous Provisions**

(1) If a commission agent enters into a transaction under more advantageous provisions than the ones specified by a committent, the benefit acquired from entering into such transaction shall be due to the committent.

(2) Particularly, the sales price exceeding the lowest price limit specified by the committent, as well as the purchase price which does not reach the highest price limit specified by the committent shall be considered as a more advantageous provision.

**Section 420. Goods with Deficiencies or Damaged Goods**

(1) If the goods supplied by a commission agent and the goods to be sent further have external deficiencies or damages, the commission agent has the obligation to use his or her rights against the carrier, forwarder, keeper or seller (in case of a purchase commission), to provide evidence attesting to the state of goods, as well as to notify the committent thereof without delay. If the commission agent fails to fulfil the abovementioned obligations, he or she shall be liable for the losses caused to the committent.

(2) If goods are perishable or changes therein which would cause a decrease in the value of the goods have occurred or can occur later, and there is insufficient time to receive instructions from the committent regarding further actions with the goods or the committent hesitates to provide instructions, the commission agent is entitled to sell the goods at the committent’s expense in accordance with the provisions of Section 408, Paragraphs two and three of this Law.

**Section 421. Transfer of Goods for Storage or Sale of Goods**

If a committent fails to act with the purchased goods or goods to be sold which are placed in the storage of the commission agent, although, according to the circumstances of the case, the committent is obligated to do it, the commission agent is entitled to, in accordance with the provisions of Section 408 of this Law, transfer the goods to another person for storage or sell them.

**Section 422. Liability of the Commission Agent for the Goods**

(1) A commission agent shall be liable for the damages, deterioration, or destruction of the goods stored by him or her which he or she could have prevented by exercising the diligence of a respectable and accurate merchant.

(2) The commission agent shall be liable for the fact that the goods are not insured only if the committent had instructed the commission agent to insure the goods.

**Section 423. Obligation to Check the Goods and Temporary Storage of Goods**

(1) If a commission agent has been entrusted to perform the procurement commission and if the commission agent and committent are merchants, the provisions of Sections 411 and 412 of this Law shall be applicable to the committent’s obligation to check the goods and notify the commission agent of any established deficiencies of goods, and also to the obligation to store the goods and the right to sell them.

(2) Also if the committent has not notified the commission agent in due time of the deficiencies of the goods, the committent is entitled to request that the commission agent cedes his or her claims against the third party from whom he or she has bought the goods at the committent’s expense.

**Section 424. Claims Arising from Commission Transaction**

(1) A committent is entitled to bring claims arising from a transaction which a commission agent has entered into at the committent’s expense (including claims regarding the cancellation of a purchase agreement or reduction of the price for goods) against a debtor only after the commission agent has ceded these claims to a committent.

(2) In relations between the committent and the commission agent or his or her creditors, the claims referred to in Paragraph one of this Section shall be considered as the claims of the committent even if they have not been ceded to the committent yet.

**Section 425. Pre-payment and Post-payment**

(1) If a commission agent makes a pre-payment in favour of a third party without the consent of the committent or agrees regarding a post-payment, the commission agent shall be liable for the risk related to such action.

(2) If a commission agent sells goods or securities to a third party with post-payment without the consent of the committent, the commission agent has the obligation to immediately pay the full purchase price to the committent instead of the third party.

**Section 426. Right of the Commission Agent to Commission and Reimbursement of Expenses**

(1) A commission agent has the right to the agreed commission as soon as and insofar as the third party has fulfilled the transaction entered into with the commission agent. The commission agent has the right to a commission even if the transaction has not been fulfilled due to the fault of the committent.

(2) The obligation of the committent is to reimburse the expenses of the commission agent which have been necessary for the fulfilment of the commission pursuant to the circumstances. These expenses shall also include consideration for the use of warehouse premises of the commission agent or another place suitable for storage and for the use of vehicles for the fulfilment of the commission.

**Section 427. Right of the Commission Agent to Del Credere**

(1) A commission agent who guarantees the fulfilment of the commitment of a third party has the right to a special compensation (del credere).

(2) Upon setting in of the term for the fulfilment of the obligation or the condition of the third party, the commission agent who has guaranteed the fulfilment of the commitment of the third party shall be directly liable for the fulfilment of the relevant commitment, and the commission agent is not entitled to request that the committent brings his or her claim to the third party at first.

**Section 428. Lawful Right of Possessory Pledge of the Commission Agent**

A commission agent has the lawful right of possessory pledge to the commission goods in the possession of the commission agent which ensures the claims of the commission agent against the committent regarding the payment of commission and del credere, and also regarding the reimbursement of the expenses necessary for the fulfilment of the commission.

**Section 429. Right of the Commission Agent to Get Satisfaction from Claims**

A commission agent has priority right in comparison with the committent and the creditors thereof to satisfy the claims referred to in Section 424 of this Law for which the deadline or condition for the fulfilment of the claim arising from the commission transaction has set in. In this respect, the commission agent is entitled to refuse to cede the claims arising from the commission transaction in favour of the committent, to receive and keep the fulfilment provided on the basis of this claim, to suggest those claims for set-off, and also to cede them to another person.

**Chapter 3**

**Forwarding Agreement**

**Section 430. Definition of Forwarding Agreement**

Forwarding agreement shall be such agreement by which a merchant who provides freight forwarding services (forwarder) undertakes to organise the delivery of freight to its consignee at consignor’s expense, using transport services of the carrier and the consignor undertakes to pay the agreed remuneration.

**Section 431. Rights and Obligations of Forwarder**

(1) When providing freight forwarding services, the forwarder is entitled to take the following actions if the parties have not agreed otherwise:

1) to specify the type of transport and the route of freight carriage;

2) to choose persons who will deliver freight to the consignee, to enter into the transport, storage, and forwarding agreement necessary for the delivery of freight, to provide information and instructions to the abovementioned persons and to make the relevant payments.

(2) If the parties have not agreed on the time of freight delivery, the forwarder has the obligation to ensure the delivery of freight to its consignee within a reasonable period.

(3) When providing the freight forwarding services, the forwarder has the obligation to request statements if violations have been established in the carriage of freight, to participate in the drawing up of a statement upon the request of the consignor or consignee, as well as, by ensuring the rights of the consignor, to submit objections and claims in his or her behalf in a timely manner.

(4) The forwarder shall also fulfil other agreed obligations which are related to the organisation of freight delivery, including insurance, packing, labelling, and clearing customs of the freight. The forwarder has the obligation to enter into the necessary agreements with third parties for the fulfilment of the abovementioned obligation only when such obligation arises from the forwarding agreement.

(5) The forwarder shall enter into the agreements necessary for the organisation of freight delivery in his or her name or in the name of the consignor, if the forwarder has been authorised for that.

(6) If the forwarder acts as the representative of the consignor, the forwarder is not entitled to calculate for the consignor a larger fee for the carriage of freight than he or she has agreed with the carrier.

**Section 432. Packaging, Labelling of Freight, Accompanying Documents and Obligation to Provide Information on Freight**

(1) A consignor has the obligation to, insofar as it is necessary, pack and label the freight to be transferred for forwarding, to submit accompanying documents to the freight forwarder, as well as to provide him or her with all the information necessary to the forwarder in order to fulfil his or her obligations, also information regarding freight to be carried and stored in accordance with special provisions and for which special equipment or servicing is necessary. If dangerous goods which may cause explosion, fire or other damage, endanger human life, health, personal property or the environment during carriage or storage due to their properties are transferred for forwarding, the consignor has an obligation to inform the forwarder in writing of the hazard type of the freight and the necessary safety measures.

(2) An order for the delivery of dangerous goods or excisable goods shall be submitted to the forwarder in writing.

(3) Even if the consignor is not at fault, he or she shall be liable towards the forwarder for losses and expenses which have arisen due to the following reasons:

1) the freight has not been adequately packed or labelled;

2) the forwarder has not been informed of the freight being hazardous;

3) the consignor has not submitted all accompanying documents referred to in Paragraph one of this Section or has not provided the necessary information, or the information is incomplete, incorrect or false.

(4) If the losses or expenses referred to in Paragraph three of this Section have arisen also due to the actions of the forwarder, the consignor shall have the obligation to compensate the losses or reimburse the expenses. The amount of compensation to be paid shall depend on the extent to which the losses or expenses were caused by the actions of the consignor or forwarder.

(5) If the consignor is a consumer, he or she shall, in accordance with the provisions of Paragraphs three and four of this Section, be liable towards the forwarder for losses and expenses, insofar they have arisen due to the fault of the consignor.

**Section 433. Loading and Unloading of Freight**

The consignor shall be responsible for loading freight at the starting point and the consignee – for unloading at the endpoint unless provided otherwise in the forwarding agreement.

**Section 434. Freight with Deficiencies or Damaged Freight**

(1) If a freight which the forwarder has received from a third party and which is to be delivered to a consignee has external deficiencies or damages, the forwarder has the obligation to, by ensuring the right of the consignor to notify the third party of these deficiencies or damages without delay, ensure the evidence certifying the state of the freight, and also to notify the consignor thereof without delay. If the forwarder does not fulfil the abovementioned obligations, he or she shall be liable for the losses caused to the consignor.

(2) If the freight is perishable or changes therein which would cause decrease in the value of the freight occur or can occur later, and there is insufficient time to receive instructions from the consignor regarding further actions with the freight or the consignor hesitates to provide instructions, the forwarder is entitled to sell the freight at the consignor’s expense in compliance with the provisions of Section 408, Paragraphs two and three of this Law.

**Section 435. Payment of Consideration**

(1) A consignor has the obligation to pay the agreed consideration to the forwarder as soon as the forwarder has performed the freight forwarding service, unless otherwise specified in the agreement.

(2) If the consideration for the provision of forwarding services is to be collected from the consignee or another person in accordance with the arrangement between the consignor and the forwarder, however, this person does not make the abovementioned payment, the consignor shall be liable for payment of the consideration.

**Section 436. Claims of the Consignor**

(1) A consignor is entitled to bring forward claims arising from the agreement which has been entered into by the forwarder in his or her name at consignor’s expense against a debtor only when the forwarder has ceded these claims to the consignor.

(2) In relations between the consignor and the forwarder or his or her creditors, the claims referred to in Paragraph one of this Section shall be considered as the claims of the consignor also if they have not been ceded to the consignor.

**Section 437. Liability of the Forwarder**

(1) The forwarder shall be liable for the non-fulfilment of the obligations of the third parties attracted for the implementation of the forwarding agreement if he or she is acting in his or her name or if one of the following conditions exists:

1) the forwarder has directly or indirectly undertaken the liability of the carrier;

2) the forwarder has specified a fee for carriage;

3) the forwarder issues a transport document in his or her name;

4) the forwarder organises carriage using road transport.

(2) The forwarder shall not be liable for the non-fulfilment of the obligations of the third parties attracted for the implementation of the forwarding agreement if he or she acts on behalf of the consignor and proves that he or she has chosen these persons duly and carefully.

**Section 438. Freight Insurance**

The forwarder has the obligation to insure the freight transferred for forwarding at consignor’s expense if it is requested by the consignor or they have agreed about it in the forwarding agreement.

**Section 439. Obligation of the Consignor to Reimburse the Forwarder’s Expenses**

A consignor has the obligation to reimburse the forwarder’s expenses which, based on the circumstances, have been necessary for the fulfilment of the forwarder’s obligations, and also such expenses which are related to:

1) the increase in customs and other payments or changes in currency exchange rate;

2) waiting period which has arisen due to circumstances beyond the control of the forwarder;

3) incompletely, incorrectly or inappropriately drawn up accompanying documents of the freight submitted by the consignor.

**Section 440. Transfer of Freight for Storage**

If the consignee of the freight, in case of a delay, does not accept the delivered freight or the freight is suspended during carriage due to circumstances beyond the control of the forwarder, it is entitled to transfer the freight for storage to a warehouse or another safe place at the consignor’s expense, notifying the consignor and the carriage insurer thereof without delay, if the forwarder has acquired insurance.

[*15 April 2010*]

**Section 441. Liability of the Forwarder for the Non-preservation of the Freight or Delay of the Freight Delivery**

(1) The forwarder shall be liable for damages, perishing, shortfall, destruction, loss of the freight or delay of freight delivery under his or her supervision, which he or she could have prevented by exercising the diligence of an honest and careful merchant.

(2) The forwarder shall not be liable for the non-preservation of the freight (damages, perishing, shortfall, destruction, or loss), if he or she proves that the freight has not been preserved:

1) because it was carried in an open vehicle in accordance with the arrangement between the forwarder and the consignor or upon request of the consignor;

2) due to damaged packaging thereof if the freight was packaged by the consignor, or because the consignor used packaging which did not correspond to the properties or standards of freight;

3) during its loading or unloading if the loading or unloading was performed by the consignor or the consignee;

4) due to individual natural properties which can easily cause freight damages, perishing, shortfall, or destruction, if the consignor did not inform the forwarder of these properties before the transfer of the freight for forwarding;

5) due to inappropriate labelling thereof if the freight was labelled by the consignor, or because the consignor has not indicated special properties of the freight in the accompanying documents of the freight, due to which special safety provisions need to be followed or relevant measures need to be implemented in order to ensure the preservation of the freight during the carriage or storage.

(3) When compensating losses for the non-preservation of the freight, the forwarder shall also return the consideration paid thereto for the provision of forwarding services and reimburse other payments related to the carriage of freight in proportion to the amount of the non-preserved freight, and also expenses related to determining the amount of compensation for losses in accordance with the provisions of Section 443 of this Law.

(4) The forwarder shall only be liable for other losses if it has not fulfilled its obligations in accordance with the provisions of Section 431 of this Law.

(5) If losses have been caused also due to the actions of the consignor or due to specific deficiencies of the freight transferred for forwarding, the forwarder has the obligation to compensate for losses. The amount of compensation to be paid shall depend on the extent of the losses have been caused by the actions of the consignor or the forwarder or the deficiencies of the freight transferred for forwarding.

**Section 442. Reimbursement of the Freight Value**

(1) If the forwarder has the obligation to compensate for the losses arisen due to damages or perishing of the freight, the compensation for losses shall be determined in such amount by which the value of the freight has decreased, but due to the shortfall, destruction or loss of the freight – according to the value of the missing, destroyed or lost freight.

(2) The value of freight shall be determined according to the market price thereof or in accordance with the usual value of items of the same grade and quality. If freight is transferred for forwarding with a notified value, the amount of compensation for losses shall be determined based on this value, if the forwarder does not prove that the value of the freight transferred for forwarding was lower.

**Section 443. Limits of the Amount of Compensation for Losses**

(1) If the forwarder has the obligation to compensate for the losses arisen due to damages, deterioration, shortfall, destruction, or loss of freight, the amount of compensation for losses may not exceed the amount which corresponds to the 8.33 money units of payment specified by the International Monetary Fund for each:

1) gross mass kilogram of freight if all freight has been damaged or lost;

2) gross mass kilogram of the damaged or lost part of the freight if part of the freight has been damaged or lost.

(2) [19 September 2013 / See Paragraph 35 of Transitional Provisions]

(3) The limits of the compensation for losses provided for in Paragraph one of this Section shall not be applicable if the forwarder or the person referred to in Section 444 of this Law has acted in bad faith or allowed gross negligence when causing the losses.

[19 September 2013]

**Section 444. Liability of the Forwarder for Other Persons**

The forwarder shall be liable for any illegal action committed by employees of the forwarder in their work or other persons employed by his or her company to the same extent as for his or her own action.

**Section 445. Limitation Period of Claims**

(1) The limitation period for claims against the forwarder regarding damages, perishing, shortfall, destruction, or loss of the freight transferred for forwarding, and also for the late delivery of freight shall expire within one year. If the forwarder has acted in bad faith or allowed gross negligence, the limitation period for the abovementioned claims shall expire within three years. The limitation period for all other claims against the forwarder shall expire within three years.

(2) If the freight transferred for forwarding has not been preserved due to damages, perishing or shortfall, the limitation period shall begin from the day on which the freight has been delivered to the consignee, but due to the destruction or loss of freight or delay of the delivery of freight – on the day when the freight should have been delivered to the consignee.

**Section 446. Lawful Right of Possessory Pledge of the Forwarder**

(1) The forwarder has the lawful right of possessory pledge to a freight transferred for forwarding and in the possession of the forwarder which ensures the claims of the forwarder against the consignor. The lawful right of possessory pledge shall apply also to accompanying documents of freight.

(2) If a forwarder has attracted a sub-forwarder in order to fulfil the obligation agreed in the forwarding agreement for the provision of freight forwarding services, the claims of the forwarder and the lawful right of possessory pledge provided for in Paragraph one of this Section shall be transferred to the sub-forwarder until he or she satisfies the claims of the forwarder arising from the forwarding agreement.

**Chapter 4**

**Commercial Storage Agreement**

**Section 447. Definition of Commercial Storage Agreement**

Commercial storage agreement (hereinafter within the framework of this Chapter – the storage agreement) shall be such agreement by which a merchant dealing with the storage of movable properties (keeper) undertakes to place the property transferred for storage in a warehouse or in another place suitable for storage and store it in favour of the depositor, and the depositor undertakes to pay the agreed consideration.

**Section 448. Packaging, Labelling, Accompanying Documents of the Property and Obligation to Provide Information on Property**

(1) A depositor has the obligation, insofar as it is necessary, to package and label a property transferred for storage, to submit accompanying documents to the keeper, and also to provide to him or her all the information which is necessary for the keeper to fulfil his or her obligations. If a hazardous property which under certain conditions due to its properties may cause explosion, fire or other damages, endanger human life, health, personal property or the environment is transferred for storage, the depositor has the obligation to notify the keeper of the hazard type of the property and the necessary safety measures in writing.

(2) If the depositor is a consumer, the keeper has the obligation to, insofar as necessary, package and label the property transferred for storage. The depositor has the obligation to inform the keeper of the property being hazardous.

(3) Even if the depositor is not at fault, he or she shall be liable towards the keeper for the losses and expenses caused by the following reasons:

1) the property has not been appropriately packaged or labelled;

2) the keeper has not been informed of the property being hazardous;

3) the depositor has not submitted all the accompanying documents referred to in Paragraph one of this Section or has not provided the necessary information, or the information is incomplete, inaccurate, or false.

(4) If the losses or expenses referred to in Paragraph three of this Section have been caused also due to the actions of the keeper, the depositor has the obligation to compensate the losses or reimburse expenses. The amount of the compensation to be paid shall depend on the extent to which the losses or expenses were caused by the actions of the depositor or the keeper.

(5) If the depositor is a consumer, he or she shall be, in accordance with the provisions of Paragraphs three and four of this Section, liable towards the keeper for losses or expenses insofar as they have been caused due to the fault of the depositor.

**Section 449. Fungible Property Storage**

(1) A keeper is entitled to combine the fungible property transferred for storage with any property of the same grade and quality only if the relevant depositors have explicitly permitted it.

(2) If a keeper is entitled to combine the fungible properties transferred for storage, their owners shall obtain joint ownership right in undivided shares to these properties transferred for storage starting from the day when the respective properties are placed in a warehouse or in another place suitable for storage.

(3) In the case referred to in Paragraph two of this Section, a keeper may return to each depositor the share due to him or her without the consent of other joint owners.

**Section 450. Property with Deficiencies or Damaged Property**

(1) If a property which a keeper has received from a third party and which is to be stored in favour of the depositor has external deficiencies or damages, the keeper has the obligation to, by ensuring the right of the depositor to notify the third party of such deficiencies or damages without delay, ensure the evidence attesting to the condition of the property and also to notify the depositor thereof without delay. If the keeper fails to fulfil the specified obligations, he or she shall be liable for the losses caused to the depositor.

(2) If after accepting the property for storage such changes occur or are likely to occur in such property which would cause its deterioration and destruction or losses to the keeper, he or she has the obligation to notify the depositor thereof without delay, but, if a warehouse receipt has been issued, the last legitimised holder of the warehouse bill of lading known by him or her, as well as to request instructions from the depositor (the holder of the warehouse receipt) for further actions in this matter. If the keeper cannot receive the abovementioned instructions within an appropriate period, the keeper is entitled to sell the property transferred for storage at the expense of the depositor (holder of the warehouse receipt), complying with the provisions of Section 408, Paragraphs two and three of this law, or at his or her discretion in accordance with the actions of a respectable and accurate merchant, to take other actions necessary for the preservation of the property.

**Section 451. Inspection of the Property Transferred for Storage and Measures for Its Preservation**

A keeper has an obligation to allow the depositor to inspect the property transferred for storage in usual working time, to take samples, and also to allow the taking of the measures necessary for the preservation of property. The keeper has the right and, if the fungible properties transferred for storage are combined, an obligation to take the measures necessary for the preservation of the property by themselves.

**Section 452. Length of Storage**

(1) A depositor may reclaim from the keeper the property transferred for storage at any time.

(2) If the storage agreement has been entered into for an indefinite period, the depositor is entitled to give a notice on the termination of the storage agreement one month in advance. If the depositor has an important reason, he or she is entitled to give the notice on the termination of the storage agreement, not taking into account the notice period.

(3) A keeper may request the depositor to take back the property transferred for storage only after expiration of the agreed period, but, if the storage agreement has been entered into for an indefinite period, by giving a notice of termination of the storage agreement one month in advance. If the keeper has an important reason, he or she is entitled to demand the depositor to take back the property transferred for storage before the expiration of the agreed period, not taking into account the notice period. If the keeper has issued a warehouse receipt, the notice on the termination of the storage agreement and the claim regarding the taking back of the property shall be directed against the last legitimised holder of the warehouse receipt known thereto.

**Section 453. Insurance of the Property Transferred for Storage and Transfer for Storage to a Third Party**

(1) A keeper has the obligation to insure the property transferred for storage at expense of the depositor, if it is requested by the depositor or if they have agreed upon it in the storage agreement.

(2) A keeper is entitled to pass on a property transferred for storage to a third party for storage only if the depositor has allowed it.

**Section 454. Obligation of the Depositor to Reimburse Expenses of the Keeper**

A depositor has the obligation to reimburse expenses to the keeper which have been necessary for the fulfilment of the obligations of the keeper based on the circumstances.

**Section 455. Responsibility of a Keeper for the Property Transferred for Storage**

(1) A keeper shall be liable for such damages, deterioration, shortfall or destruction of a property transferred for storage from the time of the receipt of the property until return thereof which he or she could have prevented, observing the diligence of a respectable and accurate merchant.

(2) The provisions of Paragraph one of this Section shall also be applicable if the keeper has transferred the property transferred for storage further to a third person in accordance with the provisions of Section 453, Paragraph two of this Law.

**Section 456. Limitation Period and Beginning of Limitation Period**

(1) The limitation period for claims against a keeper regarding damages, deterioration, shortfall, delay of return or destruction of a property transferred for storage shall expire within one year. If the keeper has acted in bad faith or admitted gross negligence, the limitation period for the respective claims shall expire within three years.

(2) If the property transferred for storage has not been preserved due to damages, deterioration or shortfall, the limitation period shall begin on the day when the property transferred for storage is returned, but due to the delay of return of the property – on the day when the property should have been returned. In the event of complete destruction of the property transferred for storage, the limitation period shall begin on the day when the keeper notifies the depositor or the last legitimised holder of the warehouse receipt known by him or her of such destruction if a warehouse receipt has been issued.

**Section 457. Lawful Right of Possessory Pledge of a Keeper**

(1) A keeper has the lawful right of possessory pledge to the property transferred for storage and in the possession of the keeper, and this right ensures the claims of the keeper against the depositor arising from the storage agreement.

(2) If a warehouse receipt of order is passed on with an endorsement, the keeper has the lawful right of possessory pledge towards the legitimised holder of the warehouse receipt, and this right ensures only those claims regarding the payment of consideration or reimbursement of expenses which arise from the warehouse receipt or the existence of which was known or unknown to the legitimised holder of the warehouse receipt at the time of the acquisition of the warehouse receipt due to gross negligence.

**Section 458. Warehouse Receipt**

(1) After accepting the property for storage, the keeper may issue a warehouse receipt. A warehouse receipt is a security in which the claim against the keeper regarding the return of the property transferred for storage is registered. A warehouse receipt may be issued as a registered securities, bearer securities or order instrument.

(2) The following information shall be indicated in a warehouse receipt:

1) a designation that the deed is a warehouse receipt;

2) the place and date of issuance of the warehouse receipt;

3) the name, registration number, and legal address or the given name, surname, personal identity number of the depositor (if the person does not have a personal identity number – the date of birth, the number and date of issue of a personal identification document, the country and authority which issued the document), and the address where he or she can be reached;

4) the firm name, registration number and legal address of the keeper;

5) the place (the address of the warehouse or other place suitable for storage) and the date when the property has been accepted for storage;

6) the designation adopted for the characterisation of the property and the type of its packaging, but for a dangerous property – special and common designation thereof;

7) the number of packaging units, special labelling and numbering thereof;

8) the gross mass or quantity of the property in other units of measurement;

9) a note as to whether the fungible property transferred for storage is combined with other properties of the same grade and quality in accordance with the provisions of Section 449 of this Law.

(3) In addition to the mandatory information specified in Paragraph two of this Section, a keeper may also indicate other information in a warehouse receipt.

(4) A warehouse receipt shall be signed by the keeper.

[*15 April 2010; 16 June 2022*]

**Section 459. Effect of a Warehouse Receipt**

(1) A warehouse receipt shall prevail in mutual legal relations between the keeper and the legitimised holder of the warehouse receipt.

(2) A warehouse receipt shall establish an assumption that, in terms of external appearance and status, and also the number of units, labelling and numbering of packages, the keeper has accepted for storage such property and packaging thereof as described in the warehouse receipt. If the keeper has checked the gross weight or amount of the property transferred for storage in other units of measurement or also the content of the property and has indicated the results of such check in the warehouse receipt, the warehouse receipt shall establish an assumption that the weight, amount or content of the property corresponds to the information indicated in this receipt. Evidence to the contrary shall not be permissible if the warehouse receipt has been transferred to a bona fide third party.

(3) The storage agreement shall prevail in mutual legal relations between the keeper and the depositor.

**Section 460. Return of the Property Transferred for Storage in Return for a Warehouse Receipt**

(1) If a warehouse receipt has been issued, a keeper has an obligation to return the property transferred for storage only upon receipt of the relevant warehouse receipt where a note on the return of the property is made.

(2) When returning a part of the properties transferred for storage, a relevant note shall be made in the warehouse receipt. The warehouse receipt shall be signed by the keeper.

(3) A keeper shall be liable towards the legitimised holder of a warehouse receipt for the losses caused due to the property transferred for storage being returned without receiving the warehouse receipt or without making the note referred to in Paragraph two of this Section.

**Section 461. Legitimation with a Warehouse Receipt**

Such person shall be legitimised to receive a property transferred for storage to whom the property is to be returned in accordance with the warehouse receipt or who has been transferred a warehouse receipt of order with endorsement. A keeper has no obligation to check the authenticity of an endorsement.

**Section 462. Consequences of the Endorsement of the Warehouse Receipt of Order**

In terms of obtaining the rights, the transfer of a warehouse receipt of order with endorsement to another person shall, if the keeper has accepted a property for storage, cause the same legal consequences as in the case of transfer of a property transferred for storage in the ownership or possession of another person.

**Chapter 5**

**Leasing Contract**

**Section 463. Definition of Leasing Contract**

(1) A leasing contract is such a contract under which a merchant (lessor) undertakes to acquire in the ownership a property selected by the lessee from a third party (seller) selected by the lessee and to ensure the transfer of this property in the use of the lessee, and the lessee undertakes to accept this property and pay the agreed consideration.

(2) The provisions of the Civil Law and this Law for the purchase agreement shall be applicable to the leasing contract in the following cases, in so far as they are not in conflict with the provisions of this Chapter:

1) if it is agreed that the lessee has the obligation to buy out the property transferred for leasing;

2) if it is agreed that at the end of the duration of the leasing contract, provided that the lessee has no unfulfilled commitments against the lessor, the lessee has the right to obtain the property transferred under leasing into ownership without additional consideration or for consideration which on the date when such opportunity could be used will be sufficiently low so that a justified certainty existed on the day of commencement of the use that the lessee will use this opportunity.

(3) In other cases, the provisions of the Civil Law for the leasing contract shall be applicable to the leasing contract, insofar as they are not in conflict with the provisions of this Chapter.

**Section 464. Obligation of the Lessee to Check the Property and Liability for Actions of the Property Seller**

(1) A lessee, as a respectable and accurate proprietor, has the obligation to check as soon as possible the conformity of the property to the provisions of the contract before consent of the property.

(2) A lessee shall take the risk of failure to deliver the property.

**Section 465. Property with Deficiencies**

(1) If deficiencies of a property transferred under leasing are established, a lessee has the obligation to notify the seller thereof without delay and to bring claims against the seller arising from the concluded purchase agreement, as well as claims arising from wrongful self-enrichment.

(2) If the property with deficiencies is replaced by a property of the same grade without deficiencies, such exchange of the property shall not affect the validity of the leasing contract.

**Section 466. Use of the Property Transferred under Leasing and Risks Related to Such Property**

(1) A lessee has the obligation to use the property transferred under leasing as a respectable and accurate proprietor in accordance with the objectives and procedures specified in the leasing contract, but if such objectives and procedures have not been agreed upon – in accordance with the common targets and procedures, as well as to cover all the expenses related to the maintenance of the property transferred under leasing.

(2) The deficiencies (including legal restrictions) of a property transferred under leasing due to which the property cannot be used shall not affect the obligation of the lessee to pay the consideration agreed in the leasing contract.

(3) The risk of deterioration, destruction, theft or loss of the property shall be transferred to the lessee after acceptance of the property.

(4) In the event of the deterioration, destruction, theft, or loss of the property transferred under leasing, the lessee has the obligation to compensate all losses to the lessor, except for the loss of predicted profit.

(5) If the use of a property transferred under leasing is connected with increased hazard to others, all the risks arising from such hazards and the liability for losses which have arisen due to the impact of the source of the increased hazard shall be transferred to the lessee after receipt of this property.

**Section 467. Immediate Termination by the Lessor**

A lessor is entitled to terminate a leasing contract immediately and to take over the subject-matter of leasing in his or her actual possession without notification if:

1) the lessee who has failed to meet the deadline for the payment of the agreed consideration has not paid this consideration within 15 days after receipt of a reminder from the lessor;

2) the seller has failed to transfer a property to the lessee within the period specified in the purchase contract or the ownership rights to this property have not been transferred to the lessor due to circumstances beyond his or her control;

3) the lessee has, when entering into the leasing contract, provided the lessor with false information on the circumstances which are essential when entering into the leasing contract.

[*15 April 2010*]

**Chapter 6**

**Factoring Contract**

**Section 468. Definition of Factoring Contract**

A factoring contract is such a contract by which one contracting party (customer) undertakes the obligation to transfer the known monetary claims of the customer against a third party (debtor) to another contracting party which is a merchant (factor) for the agreed consideration, and also to fulfil other commitments specified in the factoring contract.

**Section 469. Claims to be Transferred**

(1) A customer is entitled to transfer to a factor such monetary claims the fulfilment of the commitments of which has already set in and also such claims which will arise in the future (future claims). The claims to be transferred shall be characterised in the factoring contract so the current claims could be determined at the time of entering into the factoring contract, and future claims – not later than at the time of their occurrence.

(2) A future claim shall be transferred to the factor at the time of its occurrence.

**Section 470. Validity of Transfer of Claim**

An arrangement concluded by a debtor who is a merchant and a customer under which the transfer of the customer’s claims to another person is prohibited or restricted shall not have effect as regards the transfer of claims to such person who provides factoring services.

**Section 471. Liability of a Customer for the Authenticity and Safety of Claim**

(1) A customer shall be liable towards the factor for the authenticity of the claim transferred or to be transferred, unless otherwise agreed upon in the factoring contract.

(2) A customer shall not be liable towards the factor for the safety of the claim transferred or to be transferred, unless otherwise agreed upon in the factoring contract.

**Section 472. Further Transfer of Claims**

A factor is not entitled to transfer a claim transferred thereto further to another person, unless otherwise provided for in the factoring contract.

**Section 473. Payment**

A debtor has the obligation to fulfil the commitment corresponding to the claim by making a payment in favour of the factor, if the debtor has received a notice from the customer or the factor on the transfer of this claim to the factor. The payment in favour of the factor shall release the debtor from the commitments corresponding to the claim against the customer.

**Chapter 7**

**Franchise Agreement**

**Section 474. Definition of Franchise Agreement**

A franchise agreement is such contract by which a merchant (franchisor) grants another contracting party (franchisee) the right to use a trade mark, other intellectual property rights, know-how for the sale, distribution of goods or provision of services in accordance with the system developed and verified by the franchisor (franchise), and the franchisee pays the agreed consideration.

**Section 475. Form of a Franchise Agreement**

The franchise agreement shall be entered into in writing.

**Section 476. Obligations of a Franchisor**

(1) A franchisor has an obligation to provide the following information in writing on the franchise to the potential franchisees prior to entering into a franchise agreement:

1) a general characterisation of the offered franchise which corresponds to the actual circumstances;

2) evidence of the existence of the rights included in the franchise and general characterisation of the know-how;

3) duration of the franchise agreement and the possibilities for its extension;

4) the amount of remuneration for the use of the franchise and the procedures for payment thereof;

5) other information, which the franchisor considers as necessary when entering into the franchise agreement.

(2) A franchisor has an obligation to ensure that the intellectual property rights specified in the franchise agreement are valid throughout the period of validity of this agreement.

(3) In accordance with the provisions of the franchise agreement, the franchisor has an obligation to cooperate with the franchisee and to provide support to him or her throughout the period of validity of the franchise agreement. The franchisor, in particular, has an obligation to train the franchisee, to provide him or her with commercial and technical assistance, accounting, delivery, logistics, management services, as well as other services and information which is necessary for the use of the franchise in accordance with the provisions of the franchise agreement.

(4) A franchisor shall transfer to the franchisee all documents (instructions, permissions, licences, technical regulations, descriptions etc.), which are necessary for the use of the franchise in accordance with the franchise agreement.

(5) If a franchisee has an obligation to purchase goods only from the franchisor or a person specified by him or her, the franchisor has an obligation to ensure the supply of goods in reasonable time.

(6) In case of application of Paragraph five of this Section, a franchisor has an obligation to notify the franchisee in reasonable time of a delay in the delivery limit of goods or the failure to deliver goods in the previously agreed amount.

(7) In accordance with the provisions of the franchise agreement, the franchisor has an obligation to ensure the measures of advertising and visibility of the franchise, taking care of maintaining the good reputation of the franchise.

**Section 477. Obligations of a Franchisee**

(1) A franchisee has an obligation to provide the franchisor with current and true information on the circumstances which are essential when entering into a franchise agreement prior to entering into the franchise agreement.

(2) A franchisee has an obligation to use the franchise in accordance with the provisions of the franchise agreement, obeying reasonable instructions of the franchisor, respecting the trade mark, other intellectual property rights, know-how for the sale, distribution of goods or provision of services of the franchisor and without harming the good reputation of the franchisor.

(3) A franchisee has an obligation not to use the trade secrets which have been entrusted or become known to the franchisee using the franchise contrary to the objective of the franchise agreement and not to disclose them to third parties. The franchisee also has such an obligation for five years after expiry of the franchise agreement.

(4) The franchisee has an obligation to provide the franchisor with information necessary for the fulfilment of commitments of the franchisor agreed upon in the franchise agreement, and also to allow the franchisor to check the work of the franchisee at the place where goods are sold or services are provided during the regular working hours.

**Section 478. Consequences of a Franchise Agreement**

(1) A legally concluded franchise agreement shall impose an obligation on the contracting parties to fulfil the promised. Any of the contracting parties is entitled to terminate the franchise agreement in the cases and in accordance with the procedures specified in the Law and franchise agreement.

(2) The contracting parties may unilaterally withdraw from the franchise agreement if the fulfilment of commitments has become too burdensome due to changes in impartial circumstances or if any contracting party, prior to entering into the franchise agreement, has provided false information on the circumstances which are essential when entering into the franchise agreement.

(3) If the fulfilment of commitments has become too burdensome due to impartial changes in circumstances, the contracting parties have an obligation to conduct discussions in order to amend or terminate the agreement. A contracting party may refer to impartial changes in circumstances if:

1) the changes in circumstances have occurred after entering into the franchise agreement;

2) the contracting party could not predict the changes in circumstances at the time of entering into the franchise agreement;

3) the contracting party has not undertaken the risk of change in circumstances.

(4) If the contracting parties are not able come to an agreement on amendments to the franchise agreement or termination thereof within a month, any of the contracting parties is entitled to request that a court:

1) terminates the contract, determining the date of termination;

2) amends the contract, determining fair division of losses and benefits caused by the changes in circumstances.

**Section 479. Restriction on Competition**

(1) An arrangement by which the professional activity of a franchisee is limited after the termination of the franchise agreement (restriction on competition) shall be entered into in writing.

(2) The time limit for the restriction of competition may not exceed one year, counting from the day of the termination of the franchise agreement.

(3) A franchisor has an obligation to pay the franchisee the agreed consideration for the period of the restriction of competition. If the franchisor withdraws from the franchise agreement due to threats to the good reputation or due to such substantial reason which was based on blameable action of the franchisee, the franchisee shall lose his or her right to receive consideration for the period of the restriction of competition.

**Section 480. Application of the Competition Law**

The provisions of this Law shall not limit the legislation which has been included in the laws and regulations governing the field of competition law as regards the franchise agreement.

**Transitional Provisions**

1. This Law shall come into force on 1 January 2002.

[*26 June 2001*]

2. The procedures for the coming into force of this Law shall be determined by a special law.

3. The Cabinet shall, until 1 March 2001, ensure the necessary funding for the implementation of the conditions for the coming into force of the Commercial Law.

[*21 December 2000*]

4. In order to ensure the compliance of the articles of association of a capital company and a partnership with the requirements of this Law in respect of the condition that members of the executive board or members of the partnership are not limited in their right of representation by a procurator, the capital company shall submit the relevant amendments to the articles of association to the Commercial Register Office by 1 June 2005, if it is specified there that one or several members of the executive board are entitled to represent the capital company only jointly with a procurator, or the partnership shall apply the change in the representation model to the Commercial Register Office, if it is specified in the partnership agreement that one or several members of the company are entitled to represent the partnership only jointly with a procurator. Until making of the relevant amendments to the articles of association of a capital company or the partnership agreement, but not longer than until 1 June 2005, the representation model specified in the articles of association of the capital company or the partnership agreement shall be in force.

[*22 April 2004*]

5. The second sentence of Section 149, Paragraph three, Clause 5 and the third sentence of Section 224, Paragraph two of this Law (regarding the right of a member of the executive board of the company not to submit a written consent to be a member of the executive board), and also amendments under which Section 25, Paragraph two, Clause 5 and Section 75, Paragraph three, Clause 4 of this Law are deleted shall come into force on 1 July 2006.

[*16 March 2006*]

6. The new wording of Section 10, Paragraph two of this Law, amendments to the second sentence of Section 38, Paragraph one, Section 107, Paragraph three, first sentence of Section 149, Paragraph three, Clause 6, Section 320, Paragraph one, Clause 3, and also the second sentence of Section 347, Paragraph one, Clause 9 of the Law (regarding the right of an official of the Commercial Register Office to certify signature samples) shall come into force on 1 July 2006.

[*16 March 2006*]

7. The Cabinet shall, not later than by 1 July 2006, issue the regulations referred to in Section 15, Paragraph three of this Law.

[*16 March 2006*]

8. Starting from 10 April 2006 when amendments to the Law stipulating that information about an auditor shall not constitute the information to be entered in the Commercial Register come into force, an official of the Commercial Register Office shall, without taking a separate decision and without applying the provisions of Section 11 of this Law, make an entry in the Commercial Register on the deletion of such information from the Commercial Register which contains information on the auditor of the company.

[*16 March 2006*]

9. A natural person whose economic activities correspond to the activities of a commercial agent (Section 45 of this Law) or a broker (Section 64, Paragraph one of this Law) and who is not registered in the Commercial Register shall apply himself or herself for registration in the Commercial Register by 31 December 2008.

[*24 April 2008*]

10. Amendments regarding Section 181 (deletion of this Section) shall come into force concurrently with the amendments to the Law on Annual Statements and Consolidated Annual Statements which lay down the procedures for the submission of annual statements and consolidated annual statements.

[*24 April 2008*]

11. If a joint-stock company has bearer stocks which have not been recorded in the Latvian Central Depository in accordance with the provisions of the Financial Instrument Market Law, the joint-stock company shall, not later than by 31 December 2009, take the decision on the conversion of the bearer stocks to registered stocks or ensure that the bearer stocks are recorded in the Latvian Central Depository.

[*24 April 2008*]

12. If the articles of association of a joint-stock company do not specify the principal types of its commercial activities thereof, the company shall, in compliance with the requirements laid down in Section 144, Paragraph two, Clause 4 of this Law, make respective amendments to its articles of association and submit them to the Commercial Register Office not later than by 31 December 2009.

[*24 April 2008*]

13. Section 154, Paragraph 3.2 of this Law shall come into force on 1 June 2008.

[*24 April 2008*]

14. The opinions on the valuation of the material contribution provided until 1 June 2008 shall be in force until 31 December 2008.

[*24 April 2008*]

15. Part D of this Law shall come into force on 1 January 2010.

[*18 December 2008*]

16. If the limitation period specified in the Civil Law or another law has not expired on the day of coming into force of Part D of this Law, but Part D of this Law provides a shorter limitation period, the limitation period specified in Part D of this Law and counted from 1 January 2010 shall be applicable. If the limitation period is longer than the previous limitation period based on such calculation, the limitation period shall end on the day when it would have expired in accordance with the Civil Law or another law or regulation.

[*18 December 2008*]

17. Section 11, Paragraph four and Section 15, Paragraph 1.1 of this Law shall be in force until 1 May 2012.

[*15 April 2010*]

18. Amendments to Section 28 of this Law shall come into force concurrently with the amendments to the law On the Enterprise Register of the Republic of Latvia which stipulate that, when forming and registering a firm name of a merchant, the condition that the firm name of the merchant applied for registration may not correspond to a firm name or name already applied for registration or recorded in the registers of the Commercial Register Office.

[*15 April 2010*]

19. Amendments to Section 28 of this Law regarding a firm name being distinguishable from a firm name or name already recorded in other registers of the Commercial Register Office shall not affect the right of the merchant to the firm name which has been recorded in the Commercial Register before coming into force of these amendments.

[*15 April 2010*]

20. If a member of the executive board or supervisory board of a limited liability company was elected until 30 April 2010 and his or her powers have not expired by 1 May 2010, it shall be considered that the member of the executive board or supervisory board has been elected for an indefinite period. This condition shall not be applicable in case when the term of powers of the executive board or supervisory board has been determined in the articles of association of the company.

[*15 April 2010*]

21. If a member of the executive board or supervisory board of a joint-stock company was elected by 30 April 2010, his or her powers shall expire on the date when it would have expired in accordance with the provisions of this Law which were in force on the date when the member of the executive board or supervisory board was elected.

[*15 April 2010*]

22. Amendments to Section 154, Paragraphs one and 1.1 of this Law (regarding the keeping of the list of valuators of property contributions) shall come into force on 1 July 2010.

[*15 April 2010*]

23. Starting from 1 July 2011 when amendments to the Law stipulating that information on the person’s place of residence is not the information to be recorded in the Commercial Register come into force, an official of the Commercial Register Office shall, without taking a separate decision and without applying the provisions of Section 11 of this Law, make an entry in the Commercial Register on the deletion of such information from the Commercial Register which contains information about the person’s place of residence.

[*16 June 2011*]

24. From 1 July 2011 until 1 April 2014, the provisions of Section 9, Paragraph four of this Law (stipulating that the Commercial Register Office shall provide information on the address of a person where he or she may be reached upon a substantiated request of the person) shall not apply to such information on the person’s place of residence which has been entered in the Commercial Register before 1 July 2011.

[*16 January 2014*]

25. [15 June 2017]

26. The new wording of Section 8, Paragraph five, Clause 4.1 of this Law, amendments to Section 210, Paragraph one, Clause 9, Section 218, Paragraph one, Section 268, Paragraph one, Clause 10, Section 284, Paragraph two, as well as Division XIV1of this Law (regarding the suspension and renewal of the activities of a merchant) shall come into force on 1 January 2014.

[*29 November 2012*]

27. The Cabinet shall, until 30 June 2013, prepare and submit to the *Saeima* the amendments necessary to the laws and regulations governing taxes and accounting in relation to the suspension and renewal of activities of a merchant on the basis of a decision of the merchant.

[*29 November 2012*]

28. Section 7, Paragraph four of this Law shall come into force on 1 January 2014.

[*2 May 2013*]

29. An official of the Commercial Register Office shall certify the signature of the person specified in Section 9, Paragraph one and Section 10, Paragraph two of this Law in full amount, starting from1 January 2014. Until 31 December 2013, the official of the Commercial Register Office shall certify the signature of a person on an application for:

1) entering a merchant in the Commercial Register, if the application for entering a sole proprietorship in the Commercial Register has been submitted;

2) entering a capital company in the Commercial Register, if the capital company is founded by one founder;

3) entering such capital company in the Commercial Register which conforms to the provisions of Section 185.1, Paragraph one of this Law.

[*2 May 2013*]

30. If the application referred to in Section 10, Paragraph two of this Law or the document appended thereto has been submitted to the Commercial Register Office until 30 June 2013, but an official of the Commercial Register Office examines it after 30 June 2013, he or she is entitled to take the relevant decision also if the signature on the application or the document appended thereto has not been notarised (except for the application for the entering of a merchant in the Commercial Register and the consent of a person to hold the position of a member of the executive board of a capital company or a liquidator of a commercial company).

[*2 May 2013*]

31. Until 30 June 2013, limited liability companies registered in the Commercial Register and having more than one shareholder shall, in compliance with the requirements of Section 187 of this Law, prepare and submit to the Commercial Register Office the current register of the shareholders of the company not later than by 30 June 2015. Until 30 June 2013, limited liability companies registered in the Commercial Register and having one shareholder shall submit a register of shareholders prepared in compliance with the requirements laid down in Section 187 of this Law concurrently with other changes affecting the transfer of shares or changes in the equity capital.

[*21 May 2015*]

32. The provisions of this Law regarding the pre-emption rights shall be applicable if the transaction of alienation, including transfer, of the equity capital shares of a limited liability company has been concluded after 30 June 2013.

[*2 May 2013*]

33. During the period from 1 July 2013 until 30 June 2014, a capital company which has been registered in the Commercial Register until 30 June 2013 is entitled to take the decision in the meeting of shareholders or stockholders on amendments to the articles of association, providing that the conduct of the meeting of shareholders or stockholders shall be notarised by a sworn notary (Paragraph 3.1 of Section 9), with a simple majority of votes of the shareholders or stockholders present in the meeting of shareholders or stockholders.

[*2 May 2013*]

34. Amendments to Section 333.3 of this Law regarding deletion of Paragraph six and amendments to Section 333.5 regarding deletion of Paragraph three shall come into force on 1 January 2014.

[*2 May 2013*]

35. Amendments to the introductory part of Section 75, Paragraph one and Clause 1, Section 151, Paragraph two, Section 154, Paragraph two, Section 172, Paragraphs two and six, Section 185, Section 186, Paragraph one, Section 225 (by which monetary amounts in lats are expressed in euros), and also the new wording of Section 230 and deletion of Section 443, Paragraph two of this Law shall come into force on 1 January 2014.

[*19 September 2013*]

36. Starting from 1 January 2014, when the amendments to this Law regarding the denomination of the equity capital and nominal value of an equity capital share (stock) of a capital company from lats to euros come into force, an official of the Commercial Register Office may take the decision to enter the capital company in the Commercial Register if the equity capital and nominal value of an equity capital share (stock) has been expressed in lats in the documents of incorporation, and the application for the entry of the capital company in the Commercial Register has been submitted to the Commercial Register Office by 31 December 2013.

[*19 September 2013*]

37. If the equity capital of a capital company is expressed in lats, starting from 1 January 2014:

1) the nominal value of an equity capital share of a limited liability company must be expressed in whole lats and the amount of equity capital may not be less than the amount laid down in Section 185 of this Law, taking into account the exchange rate of lats against euros which has been determined by the Council of the European Union in accordance with Article 140(3) of the Treaty on the Functioning of the European Union;

2) the nominal value of an equity capital share of a limited liability company which conforms to the conditions of Section 185.1, Paragraph one of this Law must be expressed in whole lats and the amount of the equity capital may not be less than the amount laid down in Section 185.1 of this Law, taking into account the exchange rate of lats against euros which has been determined by the Council of the European Union in accordance with Article 140(3) of the Treaty on the Functioning of the European Union;

3) the nominal value of a stock of a joint-stock company must be expressed in whole lats and the amount of equity capital may not be less than the amount laid down in Section 225 of this Law, taking into account the exchange rate of lats against euros which has been determined by the Council of the European Union in accordance with Article 140(3) of the Treaty on the Functioning of the European Union.

[*19 September 2013*]

38. A capital company whose equity capital is expressed in lats shall, from 1 January 2014 until 30 June 2016, submit the Commercial Register Office amendments to the articles of association providing for the denomination of the equity capital and the nominal value of an equity capital share (stock) from lats to euros.

[*19 September 2013*]

39. Starting from 1 July 2014, when submitting amendments to the articles of association to the Commercial Register Office, a capital company whose equity capital is expressed in lats shall concurrently provide in the articles of association for the denomination of the equity capital and the nominal value of an equity capital share (stock) from lats to euros.

[*19 September 2013*]

40. If a limited liability company submits amendments to the articles of association which provide for the denomination of the equity capital and the nominal value of an equity capital share from lats to euros to the Commercial Register Office in accordance with Paragraph 38 or 39 of the Transitional Provisions of this Law, it shall additionally submit the last division of the register of shareholders in which the nominal value of an equity capital share is expressed in euros.

[*19 September 2013*]

41. The nominal value of an equity capital share (stock) acquired as a result of denomination conducted in conformity with Section 22, Paragraphs two and three of the Law on the Procedure for Introduction of Euro shall be rounded down to the nearest value which can be divided by the minimum nominal value of the equity capital share (stock) in euros without remainder. The capital company may determine another nominal value of the equity capital share (stock) if such is necessary for compliance with the principles laid down in the Section 22, Paragraph one of the Law on the Procedure for Introduction of Euro.

[*19 September 2013*]

42. The remaining value of the equity capital shares (stocks) acquired as a result of denomination [including by determining another nominal value of the equity capital share (stock)] conducted in conformity with Section 22, Paragraph three of the Law on the Procedure for Introduction of Euro which is disbursed to shareholders (stockholders) of the capital company or transferred into the reserves of the capital company shall be the value which cannot be expressed in new equity capital shares (stocks) and granted to shareholders (stockholders) of the capital company in proportion to the equity capital shares (stocks) belonging to them.

[*19 September 2013*]

43. The denomination of the equity capital and equity capital share (stock) of the capital company from lats to euros which is conducted in conformity with Section 22 of the Law on the Procedure for Introduction of Euro and Paragraphs 41 and 42 of the Transitional Provisions of this Law shall not be considered as the reduction of the equity capital of the capital company within the meaning of this Law. In an application to the Commercial Register Office, the executive board shall certify that the principles laid down in Section 22, Paragraph one of the Law on the Procedure for Introduction of Euro have been complied with in the denomination of the equity capital and equity capital share (stock) and the interests of creditors are not affected.

[*19 September 2013*]

44. Starting from 1 January 2014, the decision of the meeting of shareholders (stockholders) of a commercial company on amendments to the articles of association providing for the denomination of the equity capital and the nominal value of an equity capital share (stock) from lats to euros shall be taken with a simple majority of votes of the shareholders (stockholders) present in the meeting of shareholders (stockholders).

[*19 September 2013*]

45. If an application for amendments to the articles of association of a capital company and the last division of the register of shareholders of a limited liability company are submitted to the Commercial Register Office in the period from 1 January 2014 until 30 June 2016, and the decision of the meeting of shareholders (stockholders) on amendments to the articles of association, the full text of the new wording of the articles of association, and the last division of the register of shareholders of a limited liability company only provide for the denomination of the equity capital and the nominal value of an equity capital share (stock) or another monetary amount specified in the articles of association from lats to euros:

1) a capital company shall not be subject to the requirement for the notarial certification of signatures on the minutes of the meeting of the shareholders (stockholders) or derivative thereof, a new full wording of the articles of association and the last division of the register of shareholders of a limited liability company;

2) a capital company shall be released from the State fee for the registration of the amendments to the articles of association and the last division of the register of shareholders in the Commercial Register, and for making the entries in the Commercial Register which are related to the denomination of the equity capital and the nominal value of an equity capital share (stock) or another monetary amount specified in the articles of association from lats to euros;

3) a capital company shall be released from the fee for the promulgation of such entries and information in the official gazette *Latvijas Vēstnesis* which are related to the denomination of the equity capital and the nominal value of an equity capital share (stock) or another monetary amount specified in the articles of association from lats to euros.

[*19 September 2013*]

46. Paragraph 45, Sub-paragraphs 2 and 3 of these Transitional Provisions shall also be applied if a limited liability company, in addition to the amendments to the articles of association providing for the denomination of the equity capital and the nominal value of an equity capital share (stock) from lats to euros, submits to the Commercial Register Office the current register of shareholders of the company in accordance with Paragraph 31 of these Transitional Provisions.

[*19 September 2013*]

47. Starting from 1 January 2014, the Commercial Register Office shall, by 1 July 2014, express in euros the amount of the contribution of each limited partner and the total amount of the contributions of limited partners which has been expressed in lats, taking into account the exchange rate of lats against euros which has been determined by the Council of the European Union in accordance with Article 140(3) of the Treaty on the Functioning of the European Union. The entry shall be promulgated in the official gazette *Latvijas Vēstnesis* free of charge.

[*19 September 2013*]

48. The new wording of Section 8, Paragraph five, Clause 7 of this Law (regarding the information which shall be entered in the Commercial Register on the guardian of a sole proprietorship or a member of a partnership with the right of representation) and Section 8, Paragraph five, Clause 7.1 of this Law shall come into force on 1 September 2014.

[*16 January 2014*]

49. Until 1 October 2014, the Commercial Register Office shall, without taking a separate decision, update the information entered in the Commercial Register until 31 August 2014 on the trustee of a sole proprietorship by replacing the name and surname of the trustee with the information on the establishment of trusteeship.

[*16 January 2014*]

50. Section 161.1 of this Law, as well as amendments to Section 161, Paragraph four and Section 182, Paragraph three of this Law (regarding the procedures for the determination, calculation, and disbursement of extraordinary dividends) shall come into force on 1 July 2014.

[*16 January 2014*]

51. Until 1 March 2014, the Cabinet shall draw up and submit to the *Saeima* the necessary amendments to the laws and regulations governing taxes and accounting in relation to the procedures for the determination, calculation, and disbursement of extraordinary dividends.

[*16 January 2014*]

52. If a capital company fails to provide the documents referred to in Paragraph 38 or 40 of the Transitional Provisions of this Law by 30 June 2016, the Commercial Register Office shall recalculate the equity capital entered in the Commercial Register in euros without taking a separate decision. The equity capital shall be expressed in whole euros by taking into account the exchange rate of lats against euros which has been determined by the Council of the European Union in accordance with Article 140(3) of the Treaty on the Functioning of the European Union.

[*21 May 2015*]

53. If the Commercial Register Office has recalculated the equity capital in conformity with Paragraph 52 of the Transitional Provisions of this Law, the capital company shall concurrently denominate the equity capital and share of the equity capital when applying for changes in the entries of the Commercial Register or the registration of documents (attachment to the registration file) to the Commercial Register Office.

[*21 May 2015*]

54. Amendments to Section 207, Paragraph two and Section 264, Paragraph two of this Law providing the obligation for the Commercial Register Office to promulgate the notice on the decision taken by the company to reduce the equity capital at the expense of the capital company shall come into force on 1 January 2018. Until 31 December 2017, a capital company shall indicate in the application for the reduction of equity capital the date when the notice on the reduction of equity capital has been published in the official gazette *Latvijas Vēstnesis*.

[*15 June 2017*]

55. Amendments to Section 255 of this Law providing for a new wording of the Section shall come into force on 1 January 2018. If a joint-stock company has transferred employee stocks to an employee or member of the executive board until 1 January 2018 and employment relationship between the joint-stock company and employee ends or the member of the executive board has been removed from the position or left the position, the provisions which were in force at the time of the acquisition thereof shall be applied to actions with employee stocks.

[*15 June 2017*]

56. Amendments to Section 169.1 of this Law regarding the administrative liability of the members of the executive board for the violations of the provisions for keeping the register of shareholders shall come into force concurrently with the relevant amendments to the Latvian Administrative Violations Code.

[*15 June 2017*]

57. Amendment regarding the deletion of Section 17.1 of this Law shall come into force concurrently with the amendments to the Law on the Prevention of Money Laundering and Terrorism Financing that provides the obligation for legal persons to identify and disclose their beneficial owners, and also to submit information on beneficial owners to the Enterprise Register of the Republic of Latvia.

[*15 June 2017*]

58. New Sections 189.1 and 189.2 of this Law (regarding the right of first refusal of the shareholders of limited liability companies if shares of the equity capital are sold by a sworn bailiff, administrator of insolvency proceedings or they are sold by using the right of commercial pledge), and also amendments regarding the consideration of the previous Section 189.1 as Section 189.3 shall come into force on 1 January 2018.

[*15 June 2017*]

59. If a limited liability company has shares of various categories, the Commercial Register Office has the right, until 31 December 2023, by adding a division of the register of shareholders to the registration file, not to register the information on the equity capital shares owned by the person in electronic form in the information system of the Commercial Register Office. In such case, Section 4.11, Paragraph one, Clause 2 and Paragraph four of the law On the Enterprise Register of the Republic of Latvia shall not be applied to the issuing of the information on the equity capital shares owned by the person and the Commercial Register Office shall issue information on the equity capital shares owned by the person in accordance with Section 4.10, Paragraph five of the law On the Enterprise Register of the Republic of Latvia by issuing the division of the register of shareholders that is attached to the registration file of the company.

[*17 December 2020*]

60. Entries made in the Commercial Register until 31 July 2021 shall be promulgated in the official gazette *Latvijas Vēstnesis*. Information on documents of incorporation and their amendments, on draft reorganisation agreement and amendments thereto which have been attached to the registration file until 31 July 2021 shall be promulgated in the same way. Entries and information for promulgation shall be submitted by the official of the Commercial Register Office within three days (excluding holidays and public holidays) from the day of making the entry or from the day when the document is attached to the registration file.

[*6 July 2021*]

61. Section 11, Paragraph three of this Law (in relation to indicating the date of making the entry in the Commercial Register and attaching the document to the registration file) shall come into force on 1 July 2023.

[*6 July 2021*]

62. Until the moment when the Commercial Register Office and the register of the relevant Member State referred to in Section 8, Paragraph 4.1 of this Law ensure the transfer of information and documents in the system of interconnection of registers, not only the documents referred to in Section 25, Paragraph three, Clauses 2 and 4 of this Law but also the documents referred to in Clauses 1 and 3 shall be attached to the application for the entry of a branch of a capital company of a Member State in the Commercial Register. The Commercial Register Office shall publish on its website the list of Member States which ensure transfer of information and documents in the system of interconnection of registers.

[*6 July 2021*]

63. Amendments regarding the deletion of the second sentence of Section 333.3, Paragraph three of this Law, and also amendments regarding the new wording of Section 333.4, Paragraph one of this Law which provide the obligation for the Commercial Register Office to publish notices on its website shall come into force on 1 July 2023.

[*6 July 2021; 11 May 2023*]

64. By 30 June 2023, the notices referred to in Section 207, Paragraph two, Section 264, Paragraph two, Section 318.1, Paragraphs three and six, and also Section 324, Paragraph one of this Law shall be promulgated in the official gazette *Latvijas Vēstnesis*. The Commercial Register Office shall submit notices for publication within three days (excluding weekends and public holidays) from the day of making the entry or the day when the document is attached to the registration file.

[*6 July 2021*]

65. Amendment to this Law regarding the new wording of the second sentence of Paragraph one of Section 15 shall be applicable starting from 1 September 2021. The Cabinet shall, by 31 August 2021, make amendments to the Cabinet Regulation No. 664 of 11 October 2016, Regulations Regarding the State Fee to be Paid for Making Entries in the Enterprise Register Journal and Commercial Register and also for Registering the Documents to be Submitted, ensuring conformity of the amount of the State fee for making entries in the Commercial Register and appending documents to the registration file to the second sentence of Section 15, Paragraph one of this Law. Until the day of entry into force of the relevant amendments, but not later than until 31 August 2021, the amount of the State fee for making entries and registration of the documents to be submitted (attachment to the file) in the Commercial Register shall be determined in the amount stipulated in Cabinet Regulation No. 664 of 11 October 2016, Regulations Regarding the State Fee to be Paid for Making Entries in the Enterprise Register Journal and Commercial Register and also for Registering the Documents to be Submitted (the wording effective on 31 July 2021).

[*6 July 2021*]

66. Until 30 June 2023, a joint-stock company registered in the Commercial Register and having:

1) registered stocks and bearer stocks shall, not later than by 30 June 2024, submit the Commercial Register Office amendments to the articles of association providing that all stocks of the company shall be either registered stocks or dematerialised stocks. Concurrently with the amendments to the articles of association, the company shall submit to the Commercial Register Office the information or documents referred to in Sub-paragraph 2 or 3 of this Paragraph;

2) registered stocks shall, in compliance with the requirements laid down in Section 235 of this Law and not later than by 30 June 2024, prepare and submit to the Commercial Register Office the current register of the stockholders of the company;

3) bearer stocks shall, not later than by 30 June 2024, submit to the Commercial Register Office the application referred to in Section 236.1, Paragraph four of this Law.

[*16 June 2022*]

67. In the period from 1 July 2023 until 30 June 2024, the meeting of stockholders is entitled to take the decision on the amendments to the articles of association referred to in Paragraph 66, Sub-paragraph 1 of these Transitional Provisions with a simple majority of votes of the stockholders present in the meeting of stockholders.

[*16 June 2022*]

68. Until 30 June 2023, a joint-stock company registered in the Commercial Register and having bearer stocks shall, not later than by 30 June 2024, submit to the Commercial Register Office the notices referred to in Section 236.3, Paragraph five of this Law.

[*16 June 2022*]

69. Until 30 June 2023, a joint-stock company registered in the Commercial Register which has not submitted the information or documents referred to in Paragraph 66 of these Transitional Provisions shall, starting from 1 January 2024, submit the information or documents referred to in Paragraph 66 of these Transitional Provisions concurrently with other changes affecting amendments to the articles of association or changes in the equity capital.

[*16 June 2022*]

70. If a joint-stock company has not submitted the information and documents referred to in Paragraph 66 of these Transitional Provisions by 1 July 2024, the Commercial Register Office shall take the decision to terminate activities of the company in accordance with the procedures laid down in Section 314.1 of this Law.

[*16 June 2022*]

71. If the term for the payment of the equity capital of a capital company specified in the memorandum of association or regulations for increasing the equity capital expires after 30 June 2023, the equity capital shall be paid up within the term specified in the memorandum of association or regulations for increasing the equity capital. The executive board shall, not later than within five days after expiry of the term for the payment of the equity capital shares (stocks), submit to the Commercial Register Office a copy of the current register of shareholders (stockholders) reflecting the status of the payment of the equity capital shares (stocks).

[*16 June 2022*]

72. Starting from 1 July 2023, when the amendments to this Law stipulating that the subscribed equity capital is not information to be entered in the Commercial Register come into force, an official of the Commercial Register Office shall, without taking a separate decision and without applying the provisions of Section 11 of this Law, update information on the equity capital of the capital company in the Commercial Register. If the equity capital of the capital company has not been paid up in full amount, an official of the Commercial Register Office shall update information on the subscribed equity capital at the moment when the Commercial Register Office is notified of the payment of the equity capital in full amount.

[*16 June 2022*]

73. If the equity capital of a capital company is not paid up in full amount, the following conditions shall be applied starting from 1 July 2023:

1) the capital company may only increase the equity capital when all current equity capital shares (stocks) are paid up in full amount;

2) the capital company shall calculate and pay dividends for the fully paid-up equity capital shares (stocks);

3) only a fully paid-up equity capital share (stock) shall give voting rights to a shareholder (stockholder);

4) a shareholder of a limited liability company may only alienate a fully paid-up share, unless the articles of association provide otherwise. In the case of the alienation of an unpaid share, the alienor and the acquirer shall be liable for the payment of the share as joint debtors.

[*16 June 2022*]

74. If a notice on the meeting of shareholders (stockholders) has been sent or promulgated before 30 June 2023, the convening, course, and minute-taking of the meeting of shareholders (stockholders), and also the rights of shareholders (stockholders) related to participation and voting at the meeting of shareholders (stockholders) shall be subject to the provisions of this Law, and, if stocks of a joint-stock company have been admitted for trading on a regulated market, to the provisions of the Financial Instrument Market Law which were in force on the day of convening or promulgating the meeting of shareholders (stockholders).

[*16 June 2022*]

75. Starting from 1 July 2023, registered stocks of a joint-stock company which has been entered in the Commercial Register before 30 June 2023 shall be considered as recorded stocks, and bearer stocks shall be considered as dematerialised stocks. The joint-stock shall submit the Commercial Register Office amendments to the articles of association which provide for the respective changes concurrently with other changes in the articles of association, but not later than by 1 July 2026.

[*16 June 2022*]

76. The joint-stock shall submit the Commercial Register Office amendments to the articles of association providing for the deletion of the form of stocks concurrently with other changes in the articles of association, but not later than by 1 July 2026.

[*16 June 2022*]

77. The reorganisation process in which the application for the commencement of reorganisation referred to in Section 338 of this Law and accompanying draft agreement are submitted to the Commercial Register Office by 31 May 2023 shall be subject to the provisions of this Law for reorganisation which were in force at the moment the respective application was submitted.

[*11 May 2023*]

78. Until 30 June 2023, the notices referred to in Section 346, Paragraph three, Section 351, Paragraph two, and Section 382, Paragraph two of this Law shall be promulgated in the official gazette *Latvijas Vēstnesis*. The Commercial Register Office shall submit notices for publication within three days (excluding weekends and public holidays) from the day of making the entry or the day when the document is attached to the registration file.

[*11 May 2023*]

79. Amendments to Section 347, Paragraph one, Clause 7 and Section 359, Paragraph three, Clause 5 of this Law regarding the attaching of the division of the register of stockholders to the application, and also amendments to Section 359, Paragraph three, Clause 6 of this Law regarding the certification issued by the central securities depository on the recording of dematerialised stocks shall be applicable from 1 July 2023.

[*11 May 2023*]

80. If a joint-stock company registered in the Commercial Register before 30 June 2023 has not submitted the documents referred to in Paragraph 66 of these Transitional Provisions, it shall, starting from 1 January 2024, concurrently with the application referred to in Section 347 of this Law for making an entry on reorganisation, submit to the Commercial Register Office the documents referred to in Paragraph 66 of these Transitional Provisions.

[*11 May 2023*]

81. Amendments regarding the new wording of Section 291 of this Law, and also amendments to Section 292, Paragraph one and Section 294, Paragraph one of this Law regarding the tasks of the supervisory board shall come into force on 1 July 2023.

[*11 May 2023*]

82. Amendments to Section 4.2, Paragraph one, Section 210, Paragraph one, Section 268, Paragraph one, Section 276, Paragraph three, Section 280, Paragraph two, and Section 284, Paragraph four of this Law, and also amendment regarding the deletion of Section 184 of this Law shall come into force on 1 July 2023.

[*11 May 2023*]

83. Section 4.3 of this Law, and also amendments to Section 224, Paragraph two, Section 305, Paragraph two, and Section 319, Paragraph four of this Law regarding the restrictions on commercial activities imposed on a natural person in a Member State shall enter into force on 1 August 2023.

[*11 May 2023*]

84. Amendments to Section 236.1, Paragraph two of this Law regarding deletion of the word “registration”, Section 236.2, Paragraph three, Clause 4 of this Law regarding the replacement of the word “two” with the words “this Paragraph”, title and text of Section 238.1 of this Law regarding replacement of the word “registered” with the word “recorded”, and deletion of the second and third sentences of Section 238.2, Paragraph two of this Law shall come into force on 1 July 2023.

[*11 May 2023*]

85. The amendment to Section 354.1 of this Law adopted on 16 June 2022 regarding the new wording of its Paragraph one, deletion of Paragraph two, deletion of the words “or, in case of bearer stocks, from the day of publishing the notice” in the second sentence of Clause 5 of Paragraph three, and the new wording of Paragraph four, and also the amendments to Paragraph one of Section 378 by which the words “registered stocks” are replaced with the words “recorded stocks” shall be deleted (Sections 62 and 63 of the law Amendments to the Commercial Law adopted on 16 June 2022).

[*11 May 2023*]

**Informative Reference to Directives of the European Union**

[*6 July 2021; 11 May 2023; 16 June 2022*]

This Law contains norms arising from:

1) Council Directive 86/653/EEC of 18 December 1986 on the coordination of the laws of the Member States relating to self-employed commercial agents;

2) Directive 2009/102/EC of the European Parliament and of the Council of 16 September 2009 in the area of company law on single-member private limited liability companies;

3) Directive (EU) 2017/1132 of the European Parliament and of the Council of 14 June 2017 relating to certain aspects of company law;

4) Directive (EU) 2019/1151 of the European Parliament and of the Council of 20 June 2019 amending Directive (EU) 2017/1132 as regards the use of digital tools and processes in company law;

5) Directive (EU) 2019/1023 of the European Parliament and of the Council 20 June 2019 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 amending Directive (EU) 2017/1132 (Directive on restructuring and insolvency);

6) Directive 2007/36/EC of the European Parliament and of the Council of 11 July 2007 on the exercise of certain rights of shareholders in listed companies;

7) Directive (EU) 2019/2121 of the European Parliament and of the Council of 27 November 2019 amending Directive (EU) 2017/1132 as regards cross-border conversions, mergers and divisions.

President V. Vīķe-Freiberga

Riga, 4 May 2000