

## Act XLIX of 1991

### on Bankruptcy Proceedings and Liquidation Proceedings

In order to establish the general guidelines for the reorganization of economic operators facing insolvency, or those already insolvent, through bankruptcy proceedings, by way of composition with creditors, or, if this is not possible, the winding up and dissolution of insolvent economic operators by way of liquidation, furthermore, for the protection of creditors' interests, Parliament has adopted the following Act:

#### Chapter I

#### General Provisions

##### Section 1

- (1) This Act shall cover bankruptcy and liquidation proceedings.
- (2) 'Bankruptcy' shall mean the proceedings where the debtor is granted a stay of payment with a view to seeking an arrangement with creditors, or attempts to enter into a composition arrangement with creditors.
- (3) 'Liquidation proceedings' shall mean the proceedings aimed to provide satisfaction, as laid down in this Act, to the creditors of an insolvent debtor upon its winding-up without succession.
- (4)

##### Section 2

- (1) This Act shall apply to all economic operators and their creditors.
- (2)-(3)
- (4) In respect of the Hungarian branches of foreign companies, the provisions of this Act regarding liquidation proceedings shall apply subject to the exceptions set out in the Act on the Hungarian Branch Offices and Commercial Representative Offices of Foreign-Registered Companies.
- (4a) This Act applies to mutual insurance associations if the Act on Insurance Institutions and the Insurance Business does not provide otherwise.
- (5) The provisions of this Act shall apply to associations and foundations if the Act on the Freedom of Association, on Public-Benefit Status, and on the Activities of and Support for Civil Society Organizations does not provide otherwise.

### Section 3

(1) For the purposes of this Act:

a) 'economic operator' shall mean:

aa) business associations, public-benefit organizations, law offices, notaries' offices, patent practitioners offices, court bailiff's offices, European public limited liability companies, cooperative societies, housing cooperatives, European cooperative societies, water management companies (with the exception of public utility water works associations), forest management associations, voluntary mutual insurance funds, private pension funds, sole proprietorships and groupings, including European economic interest groupings, European groupings of territorial cooperation, associations, foundations established in Hungary, and

ab) all other legal entities and unincorporated organizations qualified as business associations under national law, and any other organization pursuing economic activities who have their center of main interests within the territory of the European Union according to Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings (hereinafter referred to as "Regulation 2015/848/EU"), and the insolvency proceedings to which it subject falls within the scope of Regulation 2015/848/EU;

b) 'insolvent debtor' shall mean any economic operator that was not able to settle its debt (debts), or is expected to fail its liabilities on the date when they are due;

c) 'creditor' shall mean:

ca) in bankruptcy and liquidation proceedings - up to the time of the opening of liquidation - any person who has a claim that is overdue, whether in money or in kind expressed in monetary terms, against the debtor based on a final and executable court ruling, administrative decision or other enforcement order, that is uncontested or recognized,

cb) in bankruptcy proceedings, in addition to what is contained in Subparagraph ca), any person who has a claim, whether in money or in kind expressed in monetary terms, falling due during the bankruptcy proceedings, and that have been registered by the administrator,

cc) in bankruptcy proceedings, in addition to what is contained in Subparagraphs ca) and cb), any person who has a claim, whether in money or in kind expressed in monetary terms, with a future due date, arising lawfully from various supply, work, service and other contracts which are related to the supply of products and services, the sale of debt securities and equity securities, lending arrangements or advance payments, which have already been performed by the creditor and that have been registered by the administrator;

cd) after the time of the opening of liquidation proceedings, any person who has a claim, whether in money or in kind expressed in monetary terms, against the debtor shall be treated as a creditor, if it was registered by the liquidator;

d) 'head of economic operator' shall mean, in the case of companies, the registered executive officer (representative); in the case of law offices and patent agents' offices, the office manager; in the case of voluntary mutual insurance funds, the managing director or member of the board of directors; in the case of private pension funds, the

representative; in the case of foundations and associations, the registered executive officer, in the case of a business association established in another Member State of the European Union, the person registered in Hungary as the representative authorized to make legal statements, or failing this, the person vested with authority to represent a business association, with or without legal personality, before the authorities or in civil relations;

e) 'company assets' shall mean all holdings qualified by the Accounting Act as fixed assets or current assets of economic operators;

f) 'EEA Member State' shall mean any Member State of the European Union and any State that is a party to the Agreement on the European Economic Area;

g) 'contingent asset' shall mean any claim arising from bank guarantees, insurance guarantees or from commitments issued by an insurance company containing surety facilities, if the timing of their payment and maturity is uncertain;

h) 'close relative' shall mean the close relatives as defined in the Civil Code (hereinafter referred to as "Civil Code"), and domestic partners;

i) 'majority control' shall mean the influence defined in Section 8:2 of the Civil Code;

j) 'land' shall mean the landed areas used for agricultural and forestry purposes as defined in the Act on Transactions in Agricultural and Forestry Land;

k) 'farmstead' shall mean the farm defined as such in the Act on Transactions in Agricultural and Forestry Land;

l) 'arable land' shall mean the arable land defined as such in the Act on the Protection of Agricultural Land;

m) 'insolvency practitioner' shall mean:

ma) an administrator,

mb) a liquidator (including temporary administrators, and liquidators appointed as extraordinary administrators), and

mc) a foreign insolvency practitioner provided for in point (5) of Article 2 of, and listed under Annex B to Regulation 2015/848/EU, if able to verify such function by means of a certified copy of an appointment made by a foreign court or by a person authorized under the law of any Member State, including the Hungarian translation of such document made by a professional translator;

n) 'main insolvency proceedings' shall mean the insolvency proceedings provided for in Article 3(1) of Regulation 2015/848/EU;

o) 'center of main interests' shall have the meaning defined in Article 3(1) of Regulation 2015/848/EU pertaining to the debtor economic operator;

p) 'foreign court' shall mean a judicial body empowered to perform the functions listed under point (6) of Article 2 of Regulation 2015/848/EU;

q) 'foreign creditor' shall mean the person or body provided for in point (12) of Article 2 of Regulation 2015/848/EU;

r) 'Hungarian local creditor' shall mean a creditor provided for in point (11) of Article 2 of Regulation 2015/848/EU whose claims against a debtor arose from or in connection with the operation of an

establishment situated in Hungary of an economic operator whose center of main interests is in another Member State, and the creditor's center of main interests is located in Hungary;

s) 'Hungarian establishment' shall mean any Hungarian place of operations provided for in point (10) of Article 2 of Regulation 2015/848/EU where the circumstances for establishing the place of operations may be based on qualification as establishment under the Act on the Rules of Taxation, the Act on Corporate Tax and Dividend Tax, the Act on Value Added Tax and international treaties on taxation;

t) 'territorial insolvency proceedings' shall mean:

ta) the territorial insolvency proceedings provided for in Article 3(4) of Regulation 2015/848/EU, and

tb) the territorial secondary insolvency proceedings provided for in Article 3(3) of Regulation 2015/848/EU;

u) 'subsidiary' shall mean the legal person established under Section 74 of Act IV of 1959 on the Civil Code, unless this Act contains provisions to the contrary.

(2) Where this Act provides for a measure to be carried out immediately or a ruling to be adopted immediately, it shall be satisfied within three working days.

## Section 4

(1) All assets held by the economic operator in bankruptcy or under liquidation proceedings at the time of the opening of proceedings, as well as all assets acquired during the proceedings shall be realized in bankruptcy and during liquidation proceedings.

(2) The assets of an economic operator shall comprise all assets which it owns or controls. Assets of subsidiaries shall also be considered assets of the economic operator; with regard to trusts, assets of the trust companies shall also be considered assets, if the memorandum of association of the trust was made according to Section 49 of Act VI of 1977 on State-Owned Companies.

(3) The following shall not be construed to comprise the economic operator's assets:

a) nature preservation areas placed under protection on the strength of the relevant legislation (national parks, areas under special protection, areas placed under protection within the scope of international conventions), publicly owned historical monuments as defined in specific other legislation, furthermore, assets owned by the State or municipal governments upon which an economic operator is authorized by law or under contract to exercise ownership rights, management rights or other use rights, and the asset management right and other use right mentioned above;

b) water bodies and water works owned, managed and used by water associations and the assets of water associations appropriated for providing public services;

c) land reserved for compensation purposes and allocated land parcels defined by law, as well as lands not designated for auctioning and/or lands whose auctioning under compensation was not successful;

d) any real estate property held by the economic operator which, in accordance with the provisions of Subsection (1) of Section 7 of Act

XXXIII of 1991 on the Regulation of Ownership Status of Church Properties, is included in the list approved by the Government;

e) any membership dues deducted from the wages of the insolvent debtor's employees in accordance with specific other legislation, and any trade union dues and fees payable to interest representation bodies, if deducted during the bankruptcy or liquidation proceedings;

f) taxes and other similar dues taken out of the wages of employees under statutory provisions, which have not yet been paid up at the time of ordering the bankruptcy proceedings or at the time of the opening of liquidation proceedings;

g) overdue maintenance payments and other enforceable debts taken out of the wages of employees, which have not yet been paid up;

h) assets in the debtor's possession, in respect of which the seller reserved the right of ownership until the purchase price is paid in full, except if the debtor has lawfully used such assets - as a component, or by way of processing or conversion - before the purchase price was paid in full, for creating a new asset, and hence the asset in question had been incorporated into the new asset.

(4) Military inventories reserved by order of the Government for emergency situations can be realized in liquidation proceedings if the Government lifts the ban by recommendation of the state property management organization. Upon request of the liquidator the property management organization shall, within thirty days, declare whether it intends to file a request for having the ban lifted. The Government shall decide whether to lift the ban within sixty days from the date when the property management organization has filed the request. For the purposes of this Act, 'military inventories' shall mean the tangible assets and current assets necessary for military operations, including production documents.

(4a) Funds for grant support received from national, European Union and international sources under obligation of accounting shall not be included in the assets of the economic operator appointed for the intermediation of aid, as well as any

a) support-related equity instruments financed from such funds,

b) claims on supported third parties, originating from lease agreements, credit agreements, loan arrangements, or from the provision of venture capital or other risk-sharing instruments financed from such funds,

c) securities financed from such funds, and/or

d) fixed assets financed from such funds,

that the debtor - as the body appointed for the intermediation of aid - is required to manage separately from its own assets under agreement concluded under the relevant legislation with the provider of the aid.

(5) State reserves for national defense purposes shall not constitute part of the assets of any economic operator.

#### Section 4/A

The lien holder - including if the lien was pledged in collateral - shall not be allowed to exercise his right for the enforcement of the pledge against the lienor:

a) in the case of bankruptcy proceedings, from the time the notice of bankruptcy, or failing this, the temporary stay of payment or stay of

payment is published;

- b) in the case of liquidation proceedings,
    - ba) before liquidation is ordered, from the time of receipt of the court ruling permitting a deadline for the settlement of debt, or
    - bb) from the time the special moratorium is published,
    - bc) in the cases not covered by Subparagraph ba) or bb), from the time the liquidation order is published,
- and the lien holders' claims shall be satisfied from the pledged property (collateral) in the framework of bankruptcy or liquidation proceedings.

## Section 4/B

The provisions of Section 4/A shall apply to collateralized options to buy, as well as to transfers of rights or claims by way of security, provided that:

- a) the related statement of acquisition was entered into the collateral register, or
- b) the option to buy was registered in the real estate register and the holder of the option is able to evidence that the option was fixed by contract in security for his monetary claim.

## Section 5

Upon a request received during bankruptcy proceedings and liquidation proceedings, the head of the debtor, the administrator or the liquidator shall, within eight working days, inform:

- a) the creditors' select committee and the creditors' representative, or, in the absence thereof, the creditor (group of creditors) representing at least 10 per cent of all notified and recognized creditors' claims, regarding the financial situation of the insolvent debtor;
- b) the employees, the trade unions defined in Section 270 of Act I of 2012 on the Labor Code (hereinafter referred to as "Labor Code"), the workers' councils (shop stewards) defined in Chapter XX of the Labor Code, as well as the government employment agency with regard to matters affecting the employees.

## Section 5/A

(1) Creditors may form a creditors' select committee for the protection of their interests and to provide representation, furthermore, to monitor the activities of the administrator and the liquidator. The select committee shall represent the founding creditors in court and during consultations with the administrator, temporary administrator and the liquidator, and shall exercise the rights and entitlements conferred by this Act.

(2) Only one select committee can be appointed in respect of any one economic operator in debt. In the event that more than one select committee is established - according to the conditions set out in this Act - at an economic operator, the one that first notified the court of its existence shall be recognized as the creditors' select committee. If

simultaneously more than one select committee announces its existence, the one representing more creditors shall be considered the creditors' select committee. Other creditors may subsequently join in the operation of the creditors' select committee. Joining may not be refused if the creditors wishing to join undertake to comply with the requirements set out in Subsection (5).

(3) In bankruptcy proceedings, a select committee shall be deemed legitimate if comprising at least one-third of the creditors with voting rights according to Subsections (4)-(5) of Section 18, and if these creditors control at least one-half of the votes. If the number of creditors operating the select committee is later reduced, and consequently the rate of participation no longer reaches the percentage required, the select committee shall cease to exist on the thirtieth day following the time of the occurrence of the said circumstance, except if other creditors have joined up within the said time limit thereby reaching the required rate of participation.

(4) In liquidation proceedings, a select committee shall be deemed legitimate if comprising at least one-third of the notified creditors of record according to Paragraph f) of Subsection (2) of Section 28, and these creditors hold at least one-third of all claims of creditors entitled to participate in the composition agreement. If the number of creditors operating the select committee is later reduced, and consequently the rate of participation no longer reaches the percentage required, the select committee shall cease to exist on the thirtieth day following the time of the occurrence of the said circumstance, except if other creditors have joined up within the said time limit thereby reaching the required rate of participation.

(5) The select committee's powers, representation of the creditors operating the select committee, the provision of funding and the rules for the advancing and accounting of costs and expenses shall be laid down by agreement concluded by the creditors inter se. The select committee shall consist of minimum three and maximum seven members; the creditors operating the select committee may elect a chairperson. The select committee shall inform the insolvent debtor affected, the court and the administrator or the liquidator concerning the participating creditors, the powers conferred upon the select committee, on the representation of the said participating creditors within three working days of the time of its inception, with the relevant minutes and the agreement attached. The select committee shall adopt its rules of procedure within five working days. The rules of procedure shall govern the select committee's decision-making mechanism, as well as the procedures for requesting the opinion of the creditors operating the select committee relating to the decisions and actions of the select committee.

(6) In the process of setting up and operating the select committee, voting rights shall be distributed among the participating creditors as described in Subsections (4)-(5) of Section 18, and in Subsection (1) of Section 44. Decisions shall be adopted by open ballot subject to simple majority.

(7) The insolvent debtor or the person referred to in Subparagraphs bc)-bd) of Subsection (2) of Section 12, or if the debtor is an economic operator, any member (shareholder) of such economic operator with majority control, an executive officer, director, supervisory board

member, auditor, or the close relatives of these persons may not be appointed as members of the select committee.

(8) A creditors' select committee that was established in bankruptcy may continue to function in the liquidation proceedings, ensuing the bankruptcy proceedings under Section 21/B, if able to meet the conditions specified in Subsection (4) hereof. The mandate of the select committee for representing the creditors may be extended by agreement for the period following the final and binding conclusion of the bankruptcy or liquidation proceedings, if it is justified for monitoring the implementation of the composition agreement concluded during such proceedings, and for the protection of creditors' interests.

(9) Creditors may appoint a creditors' representative in lieu of the creditors' select committee, in accordance with the relevant provisions of Subsections (1)-(8) hereof, as regards the election and rights of such representative, covering expenses, disqualification, term of mandate, notification of appointment to the court, joining the group of appointment of the representative, termination of the appointment, and the extension of the representative's mandate in liquidation proceedings. The creditors' representative shall carry out the duties specified in this Act within the framework of the contract of assignment.

(10) If only one creditor is involved in the bankruptcy or liquidation proceedings, the rights of creditors' representatives shall be accrued to the creditor as well.

## Section 6

(1) Bankruptcy and liquidation proceedings are non-contentious proceedings falling within the competence and exclusive jurisdiction of the general court (hereinafter referred to as "court") responsible for the place where the debtor's Hungarian registered office of record, or the registered office specified under Subsection (1a), is located on the day when the request for opening the proceedings has been submitted. Request for the opening of bankruptcy proceedings submitted at other courts shall be rejected - except if the court in question has competence and jurisdiction under Section 6/H in the form of territorial insolvency proceedings -, or such proceedings in progress shall be terminated ex officio - including applications for territorial insolvency proceedings for initiating such proceedings under Article 3(3) or (4) of Regulation 2015/848/EU -, and a request for the opening of liquidation proceedings shall be transferred without delay to the court vested with competence and jurisdiction.

(1a) If the debtor moves its registered office to the area of jurisdiction of another court of registry, bankruptcy and liquidation proceedings may be initiated exclusively before the previously competent court of registry for a period of 180 days following the date of registration of the new registered office. If a request for the opening of liquidation proceedings has been lodged against the debtor, however, the decision for the declaration of insolvency and for ordering the debtor's liquidation is pending in the first instance, the debtor may submit a petition for the opening of bankruptcy proceedings at this



court only.

(1b) The court of registry of jurisdiction by reference to the new registered office shall, in the case of petitions lodged past the deadline referred to in Subsection (1a), request information of its own motion from the previously competent court referred to in Subsection (1a), as to whether the debtor is currently adjudicated in liquidation proceedings in which a decision for the declaration of insolvency and for ordering the debtor's liquidation is pending.

(1c) The Országos Bírósági Hivatal (National Office for the Judiciary) (hereinafter referred to as "Office") shall maintain an electronic register on petitions for the opening of bankruptcy or liquidation proceedings pending final decision, and on requests for proceedings pending final decision on opening. The acting courts shall supply information for the register by way of electronic means. In the register inquiries can be made by the registered number of the economic operators (or court registration number of those bodies whose incorporation is not mandatory). The register contains the economic operator's name, registered number (or court registration number of those bodies whose incorporation is not mandatory), the date of receipt of the petition or notice initiating the proceedings, the case number and the type of the proceedings. Upon receipt of notice from the acting court on the refusal - by final decision - of the petition for bankruptcy or request for liquidation the economic operator affected shall be removed from the register, also if the ruling ordering the opening of bankruptcy or liquidation proceedings has become final and enforceable. Access to the data and information (current and deleted) contained in the register shall be available electronically for the court, the public prosecutor's office and/or the investigating authority involved in the criminal proceedings,, and the public prosecutor in discharging the responsibilities for the protection of public interests for the purpose of gaining knowledge of requests for proceedings pending final decision on opening. The Office shall archive deleted data and shall retain them for a period of five years.

(1d) Any economic operator covered by this Act may request the body operating the register referred to in Subsection (1c) to issue a certificate - for an administrative service fee - of not being affected by any request pending for the opening of bankruptcy or liquidation proceedings, or of not being affected by any pending requests for its liquidation or by any final ruling ordering its liquidation.

(1e) With a view to discharging its duties and taking the measures provided for in this Act, the court and the liquidator company shall be entitled to request information from the body operating the register of personal data, home and contact address records of citizens free of charge concerning the home and contact address of:

- a) the debtor's executive officer, former executive officer;
  - b) the receiver;
  - c) natural person creditors;
  - d) the bidders in the process of realizing the assets of the debtor;
- and
- e) the home and contact address of the natural person debtor of the debt claim in the process of enforcement of the claims of the debtor.

(2) The Fővárosi Törvényszék (Budapest Metropolitan Court) shall have

competence and jurisdiction to open and conduct main insolvency proceedings instituted against an economic operator covered by Regulation 2015/848/EU, established in a place other than Hungary.

(3) As regards procedural issues which are not otherwise provided for in this Act, the provisions of Act CXXX of 2016 on the Code of Civil Procedure (hereinafter referred to as "CPC") on non-contentious judicial civil actions shall apply, subject to the derogations stemming from the special characteristics of non-contentious proceedings, as well as the general provisions of the Act on the Rules Applicable to Non-Contentious Civil Actions and on Non-Contentious Court Proceedings, with the proviso that:

a) in bankruptcy proceedings,  
aa) there shall be no right of suspension,  
ab) there shall be no right of interruption or stay,  
ac) there shall be no right of intervention, with the exception of proceedings opened upon a complaint, and the intervention or the impleader shall be notified at the latest before the decision of first instance on the complaint is adopted;

b) in liquidation proceedings,  
ba) there shall be no right of interruption,  
bb) there shall be no right of intervention, with the exception of proceedings for judgment of a disputed claim and if opened upon a complaint, and the intervention or the impleader shall be notified at the latest before the decision of first instance on the disputed claim or on the complaint is adopted,

bc) the proceedings may be suspended only upon request, in the case of Subsection (4) of Section 26, with the proviso that after three months' stay the proceedings shall be terminated,

bd) suspension of the proceedings may be ordered before the ruling on the declaration of insolvency is adopted, and in the cases under Subsections (1) and (2) of Section 6/A and Section 38/A, and under Paragraphs a) and b) of Subsection (1) of Section 126 of the CPC, with the proviso that the ruling on the suspension of proceedings may not be appealed in the cases under Subsections (1) and (2) of Section 6/A and Section 38/A, and under Paragraphs a) and b) of Subsection (1) of Section 126 of the CPC;

c) court hearing may be held only in the cases provided for in this Act;

d) where it is necessary to obtain the statement of the party and other persons involved in the proceedings, the court shall call upon them to submit a written statement, or may conduct an oral hearing if deemed necessary;

e) cost allowance under the CPC may not be granted, and any right for the suspension of payment of costs granted by the court shall not apply to:

ea) duties payable for bankruptcy and liquidation proceedings,  
eb) duties payable for objections submitted in bankruptcy and liquidation proceedings;

f) legal representation is mandatory in proceedings of first instance in the cases provided for in this Act;

g) ordering compulsory mediation is not permitted;

h) a private expert may be entered only for the adjudication of disputed creditor's claims, or objections;

i) in proceedings for the adjudication of disputed creditor's claims the proceedings may not be terminated instead of interruption.

(4) In bankruptcy proceedings the insolvent debtor, the creditor, and the administrator, in liquidation proceedings the debtor, the creditor, and the liquidator - including the temporary administrator and the extraordinary administrator - shall be considered parties. If the conduct or negligence of an administrator or liquidator affects the rights or legitimate interests of any third person, the complainant shall also qualify as a party concerning the judgment of the complaint submitted by said third person (Section 51).

(4a) An application for the authorization of judicial review under Section 410 of the CPC shall be submitted by the party within thirty days of the date of delivery of the final ruling. No justification shall be accepted upon failure to meet that deadline. The Kúria shall give a decision on the authorization of judicial review within thirty days.

(5) Effective as of 1 January 2015, communications between the court and the parties shall be maintained electronically, in accordance with the CPC and the Electronic Services Act. As regards natural persons, petitions and other official documents may be submitted, and delivered, on paper as well.

(5a) The party required to maintain communications electronically as provided for in Subsection (5) shall pay the procedural fee, the fee for filing a complaint and the costs of publication by way of electronic means, before the petition is submitted. The Országos Bírósági Hivatal (National Office for the Judiciary) shall publish by 17 December 2014 the terms for the payment of fees and publication costs, and the related information on its website. Information on changes shall be published at least eight days before they are introduced.

(5b) Where a time limit is prescribed by law for adopting a decision in connection with the appeal, such time limit shall begin on the day when the documents enabling the determination of the appeal as to merits are delivered to the court of second instance.

(6) Save where Subsection (7) applies, the non-contentious proceedings governed in this Act may be heard in the first instance by a court secretary as well, vested with independent signatory authority, including the passing of a decision on the substance of the case.

(7) The following decisions shall be adopted by judges, in connection with the procedural steps below:

a) in bankruptcy proceedings, decisions for the opening or termination of bankruptcy proceedings, decisions for the dismissal of the administrator, decisions concerning the composition agreement, decisions for declaring the bankruptcy proceedings dismissed, and decisions on the merits concerning complaints submitted by the parties;

b) in liquidation proceedings, the ruling ordering liquidation, except if

ba) the proceedings are opened upon receipt of notice from the court of registry, or at the receiver's request,

bb) the proceedings are opened upon the debtor's initiative, or

bc) the proceedings were requested by the creditor, however, the debtor acknowledged or not disputed the creditor's claim;

c) in liquidation proceedings, decisions for the appointment of a temporary administrator, and decisions for the dismissal of the

liquidator;

d) in liquidation proceedings, decisions to hold a composition conference and decisions concerning the composition agreement;

e) decisions for the termination of liquidation proceedings under Subsection (6) of Section 27 and under Section 45/A;

f) in liquidation proceedings, decision on the merits relating to complaints concerning disputed creditor's claims and to complaints lodged against any allegedly unlawful action or negligence of the liquidator;

g) in liquidation proceedings, substantive decisions for the approval or rejection of the interim financial statement;

h) decisions relating to a hearing conducted in connection with complaints submitted against the final liquidation balance sheet and the proposal for the distribution of assets, and the decision concerning the compliant;

i) the ruling on the conclusion of liquidation proceedings, except for the resolutions adopted under Subsection (4) of Section 63/B, in the cases where the head of the debtor economic operator failed to meet the obligation prescribed in Section 31, and the debtor has no assets divisible among the creditors;

j) in bankruptcy and liquidation proceedings of major economic operators of preferential status for strategic considerations, apart from the decisions mentioned in Paragraphs a)-i), all other decisions which may be appealed separately;

k)

(8) In the process of communication between the administrator, temporary administrator, extraordinary administrator, liquidator and

a) the debtor (debtor's executive officer), and/or

b) the creditor,

all legal statements shall be made in writing, any legal statement made in breach of formal requirements shall be of no effect.

(9) If the administrator, temporary administrator, extraordinary administrator, liquidator sends a document to the creditors or the debtor's executive officer by post, they shall be delivered in accordance with the general rules concerning the service of official documents.

(10) An application for provisional measures provided for in Subtitle 27 of the CPC may not be submitted in actions provided for in Section 33/A of this Act.

## Section 6/A

(1) If a legal person is implicated in criminal proceedings where certain measures may be pending, and the court hearing the case or the competent public prosecutor's office has notified the court [Section 6], or if the court is officially informed thereof, liquidation may be ordered. In that case, after the director of the debtor economic operator having satisfied the obligations set out in Section 31, and after the creditors' claims have been notified, and also if the director of the debtor economic operator failed to satisfy the obligations set out in Section 31 despite of having been notified to do so, or despite the legal consequences referred to in Section 33, the liquidation

proceedings shall be suspended.

(2) Suspension shall remain in effect until the decision of the court hearing the criminal case becomes executable, or until the measure imposed under the criminal proceeding is enforced. The suspension shall have no bearing on the liquidator's obligations, and shall not affect the application of Subsections (1) and (2) of Section 38 and Section 40, and in the cases under Subsection (2) of Section 50 the obligation of having to prepare the interim financial statement annually. The interim financial statement prepared during the period of suspension shall not contain a proposal for the distribution of assets. During the period of suspension the appointed liquidator shall exercise his rights and obligations within the limits set out in this Section. During the period of suspension the court may hear cases of complaints lodged against any allegedly unlawful action or negligence of the liquidator, and may adopt a decisions regarding the approval of the interim financial statement. The fee payable to the liquidator based on the approved interim financial statement may not exceed 300,000 forints net.

(3) If suspension under Subsection (1) is likely to cause substantial delay in or to jeopardize the satisfaction of creditors' claims, continuation of the liquidation proceedings shall be subject to authorization by the public prosecutor before the indictment, or by the court after the indictment, while ordering seizure as well.

(4) A petition for the continuation of the liquidation proceedings may be submitted by the liquidator to the court hearing the criminal case conducted against the legal person, or to the public prosecutor. The petition shall have attached a closing inventory according to Paragraph a) of Subsection (1) of Section 31 and an annual financial report, or the opening liquidation account under Subsection (2) of Section 46.

(5) If authorization is granted, the liquidation proceedings may be continued, however, it may be concluded only after the decision of the court hearing the criminal case conducted against the legal person becomes final and executable.

(6) Seized assets, parts of assets and property may not be included in the distribution of assets. If the value of the seized asset, part of an asset or property exceeds the amount secured under Subsection (2) of Section 11 of Act CIV of 2001 on Criminal Sanctions in Connection with the Criminal Liability of Legal Persons, the liquidator may submit a petition to the public prosecutor before the indictment, or to the court hearing the criminal case after the indictment for authorization for the limitation of seizure and for the sale of the seized asset, part of an asset or property in question.

(7) If sale of the seized asset, part of an asset or property is authorized, it may not be sold for less than the amount for which seizure was affected as security. The amount intended to be secured by the seizure shall be taken out of the purchase price received, and shall be deposited to the safe custody account of the court to which the court bailiff carrying out the seizure is attached.

(8) Following conclusion of the criminal proceedings, or if the criminal court ordered the confiscation of property of the debtor economic operator, after this is executed, the court shall order the continuation of the liquidation proceedings, save where Subsection (2) applies. If the criminal court imposed a financial penalty upon the debtor economic operator, or if ordered the debtor economic operator to

cover the costs of criminal proceedings (hereinafter referred to as “sum payable to the State in criminal proceedings”), the liquidator shall record such liabilities as creditor’s claims, and shall satisfy them according to the general rules on the order of satisfaction (Sections 57-58).

(9) If the competent criminal court ordered the confiscation of all property of the debtor economic operator by final peremptory decision, the minister in charge of public finances shall proceed without delay for the payment of debts for which the debtor economic operator is liable under Paragraphs a) and c) of Subsection (1) of Section 57. This obligation applies up to the value of the confiscated assets. When payment is effected, and when the debtor’s document files are properly disposed of, the liquidator shall notify the court thereof. The court shall establish the liquidator’s fee taking into account the duration of liquidation, the amount of work carried out by the liquidator and the workload of the proceedings. The liquidator shall submit the final liquidation balance sheet. Based on this information the court shall adopt a decision for the conclusion of the proceedings and on the dissolution of the debtor economic operator. The ruling shall be delivered to the body acting as the representative of the State in civil cases as well.

## Specific Provisions Relating to Cross-border Insolvency Proceedings Under Regulation 2015/848/EU

### Section 6/B

(1) The insolvency practitioner appointed in main insolvency proceedings opened in another Member State of the European Union under Regulation 2015/848/EU, and/or the debtor in possession of its assets in the insolvency proceedings may request the Hungarian court to order that key elements of the foreign judgment opening main insolvency proceedings and the decision appointing the foreign insolvency practitioner be published.

(2) Key elements of the decision shall in particular comprise:

- a) an indication and address of the foreign court opening the proceedings;
  - b) the debtor’s name and registered address, and debtor’s center of main interests, if the foreign court has determined that it is other than the registered address;
  - c) an indication as to whether the insolvency proceeding is main or territorial, whose purpose is reorganization or liquidation;
  - d) the foreign insolvency practitioner’s name and contact information;
  - e) the deadlines for filing of creditors’ claims;
  - f) the legal consequences stipulated in connection with the deadlines;
- and
- g) an indication, contact information of the bodies or authorities entitled to receive creditors’ claims.

(3) The application shall have attached the original document, or a certified copy thereof, and an official Hungarian translation, and shall

be accompanied by proof of payment of the costs of publication.

(4) If main insolvency proceedings has been opened against the debtor in another Member State of the European Union under Regulation 2015/848/EU, and the debtor has an establishment in Hungary, the foreign insolvency practitioner appointed for the main proceedings, and/or the debtor in possession of its assets in the insolvency proceedings must request to have the key elements of the judgment opening main insolvency proceedings and/or the decision appointing the foreign insolvency practitioner published pursuant to Subsections (1)-(3). The foreign insolvency practitioner and/or the debtor in possession of its assets in the insolvency proceedings shall be held liable for a damage resulting from the late performance of, or non-compliance with, the obligation of publication.

(5) The publication referred to in Subsections (1) and (4) shall be effected in the Cégközlöny (Company Gazette).

(6) If main insolvency proceedings are opened in Hungary, publication under Article 28 of Regulation 2015/848/EU shall be effected by the debtor in the case of bankruptcy proceedings, or by the liquidator in the case of liquidation proceedings. The administrator shall be contemporaneously notified of compliance with the obligation of publication.

## Section 6/C

(1) Where main insolvency proceedings have been opened against the debtor under Regulation 2015/848/EU in another Member State of the European Union before the Hungarian court has adopted a decision, and it was not challenged by an objection based on lack of jurisdiction, or it was refused by final decision of the court of that other Member State, the Hungarian court shall transfer the main insolvency proceedings – bankruptcy or liquidation proceedings – opened in Hungary against the same debtor to the Fővárosi Törvényszék (Budapest Metropolitan Court) vested with exclusive competence and jurisdiction according to Section 6/H. The Fővárosi Törvényszék shall order the conversion of the main insolvency proceedings opened by the transferring court into territorial secondary insolvency proceedings in accordance with Article 51 of Regulation 2015/848/EU, provided that the debtor has an establishment in Hungary. The Fővárosi Törvényszék shall forthwith send its ruling on the conversion of the main insolvency proceedings into territorial secondary insolvency proceedings to the national court which opened main insolvency proceedings and to the foreign insolvency practitioner appointed for the proceedings. The ruling shall contain provisions declaring that territorial secondary insolvency proceedings are subject to the provisions of Chapter II or III of this Act. The provision of the ruling on the conversion into territorial secondary insolvency proceedings may not be appealed.

(2) If the debtor has no establishment in Hungary, the provisions set out in Subsection (1) shall apply on the understanding that the Fővárosi Törvényszék shall terminate the proceedings of its own motion, and shall send its final ruling without delay to the foreign court which opened main insolvency proceedings and to the foreign insolvency practitioner appointed for the proceedings. Having the proceedings terminated shall

not affect the validity of transactions made by the debtor previously under Hungarian law, and/or rights acquired by third persons in good faith, including other proceedings in progress opened by or against the debtor.

(3) Pursuant to Article 51 of Regulation 2015/848/EU the insolvency practitioner of the main insolvency proceedings shall lodge a request with the Fővárosi Törvényszék for the conversion of pending territorial insolvency proceedings, such that are subject to the provisions of another Chapter of this Act, and the Hungarian court accepts the request in question, the court shall contemporaneously provide in the ruling for abolishing or reversing those rulings which have not yet been executed, however, their enforcement would be contrary to the rules on proceedings converted into territorial secondary insolvency proceedings.

### Section 6/D

(1) Where main insolvency proceedings have been opened against the debtor under Regulation 2015/848/EU in another Member State of the European Union, and the debtor owns any real estate property in Hungary, or has any other assets or establishment shown in any public register on which a right or fact is registered in a public register, the foreign insolvency practitioner appointed in main insolvency proceedings, and/or the debtor in possession of its assets in the insolvency proceedings must request – upon supplying the information necessary – the Hungarian court to order to have the fact of the judgment opening main insolvency proceedings registered in the real estate register and/or other public register. The foreign insolvency practitioner and/or the debtor in possession of its assets in the insolvency proceedings shall be held liable for any damage resulting from non-compliance with the provisions of this Subsection.

(2) The request referred to in Subsection (1) shall have attached the original document, or a certified copy thereof, and an official Hungarian translation.

(3) Foreign applicants shall deposit the duties, administrative service fees payable for admission into the registers referred to in Subsection (1) with the court in advance.

(4) If main insolvency proceedings are opened in Hungary, registration under Article 29 of Regulation 2015/848/EU shall be effected by the debtor in the case of bankruptcy proceedings, or by the liquidator in the case of liquidation proceedings. The administrator shall be contemporaneously notified of compliance with the obligation of registration.

### Section 6/E

### Section 6/F

The requests referred to in Sections 6/B–6/D shall be submitted to the Fővárosi Törvényszék (Budapest Metropolitan Court). The court shall adopt a decision in non-contentious proceedings within thirty days following the date of receipt, or within eight days in case of the request under Section 6/B. No remedy shall lie against the ruling



granting the request.

### Section 6/G

(1) The request for the opening of bankruptcy or liquidation proceedings or the notice sent by the court previously seised shall contain an indication of the circumstances underlying the jurisdiction of the Hungarian court, and reference to whether main insolvency proceedings or territorial insolvency proceedings are requested. In civil proceedings requested pursuant to this Act, and/or under Article 6 of Regulation 2015/848/EU, in connection with bankruptcy or liquidation proceedings, the circumstances underlying the jurisdiction of the Hungarian court shall be indicated in the statement of claim.

(2) The request and/or the statement of claim referred to in Subsection (1) shall be accompanied by documents evidencing jurisdiction of the Hungarian court and the legal basis thereof.

(3) The court shall reject the request for bankruptcy proceedings or liquidation proceedings, or shall ex officio terminate such proceedings if already pending if it is for the opening of main insolvency proceedings, however, main insolvency proceedings have been opened and are in progress against the debtor in another Member State of the European Union, and the party having submitted the request did not request the opening of territorial secondary insolvency proceedings upon receipt of information from the court.

### Section 6/H

The Fővárosi Törvényszék (Budapest Metropolitan Court) shall have competence and exclusive jurisdiction for opening and determining proceedings opened in the form of territorial insolvency proceedings – territorial proceedings whose purpose is reorganization or liquidation – or for the conversion of other types of proceedings into territorial proceedings, against economic operators falling under the scope of Regulation 2015/848/EU such that have their center of main interests in another Member State of the European Union.

### Section 6/I

(1) In main liquidation proceedings opened in Hungary statements of undertaking issued to creditors established in other Member States, provided for in Article 36 of Regulation 2015/848/EU, shall be considered valid only if approved in advance by the Hungarian court.

(2) In a request submitted to the court, the liquidator shall demonstrate the assets situated in the other Member State of the undertaking, supported by financial statements and documents, their value, plans for the sale of such assets, and the objectives to be achieved by the undertaking on behalf of the creditors on the whole, as well as the disadvantages that the lack of undertaking is likely to cause. The information thus provided shall cover a list of claims of foreign creditors known in the other Member State of the undertaking, indicating also the rules set out in this Act for the payment of such claims, and how they should be classified in the priority order of satisfaction provided for in this Act during liquidation proceedings.

(3) Before adopting a decision concerning the request, the court shall hear the liquidator, the creditors' select committee or the creditors' representative, and the creditors where deemed appropriate, or shall order them to make a written statement by the prescribed deadline. No justification shall be accepted upon failure to meet the above deadline for the hearing and/or the written statement. The court shall deliver its decision within fifteen days upon receipt of the request. The ruling may be appealed and it shall be determined within fifteen days.

(4) If the creditors in the other Member State affected did not approve the statement of undertaking that was approved by the court in advance, the liquidator shall inform them in writing without delay about the possibility of joining the main insolvency proceedings opened in Hungary under Article 45(1) of Regulation 2015/848/EU, including the ensuing obligation to pay a registration fee, with the proviso that the time limit for the submission of notices for claims shall commence on the day of voting on the statement of undertaking.

(5) If the statement of undertaking that was approved by the court in advance is approved by the creditors in the other Member State affected, they shall be able to lodge an objection in the main insolvency proceedings held in Hungary if the Hungarian insolvency practitioner fails to fulfill the undertaking.

## Section 6/J

(1) The statement of undertaking made under Regulation 2015/848/EU by a foreign insolvency practitioner to Hungarian local creditors shall also contain a legal statement declaring that the undertaking is in compliance with validity requirements according to the national law of the Member State of the main proceedings.

(2) The foreign insolvency practitioner shall inform the Hungarian local creditors concerning the assets affected by the undertaking, which are situated in Hungary, including their value and plans for the sale of such assets in writing and in Hungarian, and shall declare that the information is complete. In the statement of undertaking all known Hungarian local creditors and their claims shall be enumerated. Hungarian local creditors may request the foreign insolvency practitioner to supplement the statement of undertaking if it does not comply with the requirements set out in Regulation 2015/848/ EU or in this Section, or if - based on the information in their possession - it contains errors or insufficient information regarding their claims or the assets covered by the undertaking or the value of such assets.

(3) The foreign insolvency practitioner shall inform Hungarian local creditors about the voting process for approval of his undertaking. The voting shall be conducted in the presence of a notary public. The notary public shall make out a protocol certificate on the voting, and shall enclose the information provided by the foreign insolvency practitioner in writing to the notary public on the voting rules.

(4) The statement made by Hungarian local creditors with known and uncontested claims on approval of the statement of undertaking shall be executed in a protocol certificate made out in the Hungarian language. The protocol certificate shall contain in Hungarian the statements made by the foreign insolvency practitioner covering the information and pertaining to guarantees with respect to the legal soundness and

performance of the undertaking.

(5) The protocol certificate may be signed by the foreign insolvency practitioner at his request, and by the Hungarian local creditor whose statement is contained in the protocol certificate.

(6) In the approval of the undertaking the creditors shall be grouped in classes. As regards the classification of creditors' claims and the calculation and exercise of voting rights the provisions of this Act on voting rules relating to composition arrangements shall apply, with the proviso that the classification of claims shall be carried out based on the debtor's records, and the foreign insolvency practitioner's undertaking shall be approved by a qualified majority of creditors in each class. Once approved, the undertaking shall also apply to the Hungarian local creditors with voting right, even if they did not vote for it, including those who did not participate in the voting process despite of being duly notified, provided that less favorable conditions are not prescribed for such creditors by comparison to the rules applicable to affected class of creditors. Claims that have been contested by the debtor are to be taken into account by the undertaking subject to specific conditions and only if the holder of the contested claim provides proof of enforcing his claim against the debtor by means of judicial or administrative procedures, and that he has opened or initiated such action.

(7) The foreign insolvency practitioner shall send a certified copy of the protocol certificate to the court of the Member State where the main insolvency proceedings are in progress, to the Fővárosi Törvényszék (Budapest Metropolitan Court) and to known Hungarian local creditors.

(8) The Hungarian local creditors may - in connection with the foreign insolvency practitioner's undertaking - request the court to order the foreign insolvency practitioner to provide financial security. Such request shall be submitted to the Fővárosi Törvényszék. The request shall indicate the specific claim for which the financial security is required to be provided in the form of cash deposited to a safe custody account at the court's financial administration office.

(9) The financial security referred to in Subsection (8) shall be provided within the framework of non-contentious civil action. Taking of evidence may be performed if the request cannot be determined based on the documents submitted. The ruling on the provision of financial security may be appealed.

## Section 6/K

(1) If Hungarian local creditors initiated territorial secondary insolvency proceedings under Article 38 of Regulation 2015/848/EU, the court having competence and jurisdiction according to Section 6/H may appoint an expert for the examination of specific economics issues which are related to:

- a) the merits of the opening or suspension of secondary insolvency proceedings;
- b) the requests submitted by the insolvency practitioner in the main insolvency proceedings;
- c) circumstances which are considered material regarding the protection of the interests of Hungarian local creditors; or

d) the conditions for opening the other type of territorial secondary insolvency proceedings – territorial secondary insolvency proceedings whose purpose is liquidation rather than reorganization or territorial secondary insolvency proceedings whose purpose is reorganization rather than liquidation.

(2) The costs related to the appointment of an expert and the expert's fee shall be advanced and borne by the requesting party.

(3) In the case of secondary insolvency proceedings whose purpose is reorganization, the request for the opening of such proceedings shall contain the data and the enclosures provided for in Section 8, and the foreign judgment opening the insolvency proceedings and/or the decision appointing the foreign insolvency practitioner shall be attached.

(4) In the case of territorial secondary insolvency proceedings whose purpose is liquidation, the request for the opening of such proceedings shall have attached the foreign judgment opening the main insolvency proceedings and the decision appointing the foreign insolvency practitioner. The request shall specify the legal title of the debt owed to the applicant, including the documents verifying the existence of the debt, except where the territorial secondary insolvency proceedings are requested by the insolvency practitioner of the main insolvency proceedings opened in another Member State, or by the debtor in possession in the absence of appointment of an insolvency practitioner.

(5) If according to the accounting regulations the debtor is not required to prepare an annual account, the provisions set out in Section 31 shall apply on the understanding that in territorial insolvency proceedings opened in Hungary in accordance with Regulation 2015/848/EU the liquidator shall take account of the debtor's assets to be included in the territorial insolvency proceedings based on his records, inventory records, closing accounting statements on revenues and expenses of any establishment, and data reporting, or by way of the means provided for in Section 30, and shall prepare the opening liquidation account accordingly. Other obligations provided for in Section 31 shall be fulfilled in this case as well.

## Section 6/L

The court's prior approval is required for the conclusion and amendment of the cooperation agreements referred to in Article 41 of Regulation 2015/848/EU if the agreement is made between a Hungarian insolvency practitioner appointed for main proceedings or territorial insolvency proceedings opened in Hungary, and foreign insolvency practitioners. The ruling adopted on the approval may be appealed.

## Section 6/M

In main insolvency proceedings and territorial secondary insolvency proceedings opened in Hungary the standard claims form designed in compliance with Article 55 of Regulation 2015/848/EU for lodging foreign creditors' claims may be downloaded from the websites of the Cégközlöny (Company Gazette) and the Országos Bírósági Hivatal (National Office for the Judiciary).

## Section 6/N

(1) The national insolvency register to be established in accordance with Article 24 of Regulation 2015/848/EU in Hungary shall be construed a central register comprising a part of the national database.

(2) The insolvency register referred to in Subsection (1) shall contain the particulars of insolvency proceedings falling within the scope of Regulation 2015/848/EU, opened in Hungary on or after 26 June 2018.

(3) In addition to the data enumerated in Article 24 of Regulation 2015/848/EU, the insolvency register shall contain the following information based on the data received from the courts seised, and from Hungarian and foreign insolvency practitioners by way of electronic means:

a) the opening and closing of avoidance actions brought in connection with the debtor's assets, the name of the court hearing such action and the case number;

b) the opening and closing of actions brought against the debtor's directors, former directors, against the debtor's members, owners with legal personality, for declaration of their liability for conduct in breach of the interests of creditors, the name of the court hearing such action and the case number;

c) in the case of simplified liquidation proceedings, an indication thereof;

d) the debtor's contact detail registered for electronic communication under the Act on the General Rules for Trust Services for Electronic Transactions.

(4) The insolvency register shall be searchable and shall maintain the data it contains for fifteen years from the date of entry, and for another five years in archived form, and the data shall be deleted without delay thereafter.

## Section 6/O

The court shall bring a ruling on the conclusion of the proceedings as main insolvency proceedings, and on the debtor's dissolution without succession if there are no insolvency proceedings in progress against the debtor in another Member State under Council Regulation 1346/2000/EC or Regulation 2015/848/EU.

## Section 6/P

(1) In insolvency proceedings of members of a group of companies provided for in Chapter V of Regulation 2015/848/EU the Hungarian insolvency practitioner shall obtain prior court approval for the conclusion and amendment of the cooperation agreements referred to in Articles 56 and 58 of Regulation 2015/848/EU. The ruling adopted on the approval may be appealed.

(2) The court may appoint an expert for the examination of specific economics issues which are required for determining the request:

a) made by a foreign insolvency practitioner under Article 60 of Regulation 2015/848/EU, and

b) made by a Hungarian insolvency practitioner under Article 61 of Regulation 2015/848/EU.

(3) The court shall reject the request to open group coordination proceedings provided for in Article 61 of Regulation 2015/848/EU if such proceedings have already been requested in another Member State. Furthermore, if it learns about such request belatedly, the court shall terminate the proceedings of its own motion, and shall order the insolvency practitioner initiating the proceedings to cover the costs incurred in connection with processing the request.

(4) If the group coordination proceedings provided for in Article 61 of Regulation 2015/848/EU is opened in Hungary, it shall be opened and conducted in a non-contentious civil action. The court conducting the bankruptcy proceedings or liquidation proceedings against the Hungarian member of the group shall have competence and jurisdiction to hear such cases.

(5) Once the court decision ordering the opening of group coordination proceedings is adopted the insolvency practitioner appointed for the Hungarian member of the group of companies shall be able to lodge an objection under Article 64 of Regulation 2015/848/EU upon receipt of information from the Hungarian court.

(6) Conclusion of an agreement referred to in Article 66 of Regulation 2015/848/EU establishing jurisdiction of the court of another Member State shall be considered valid if approved in advance by the Hungarian court.

## Section 6/Q

(1) An application for review may be lodged against a final ruling ordering bankruptcy proceedings or liquidation within thirty days from the date of the opening of bankruptcy or liquidation proceedings on the grounds that the Hungarian court had no jurisdiction for ordering said proceedings. No justification shall be accepted upon failure to meet the above deadline.

(2) The Kúria (Curia) may order the suspension of the bankruptcy or liquidation proceedings.

(3) If the Kúria ordered the suspension of bankruptcy proceedings no composition conference may be held. The term of any deferred payment ordered in bankruptcy proceedings shall remain in effect for the duration of suspension, and the provisions of Section 11 shall apply under the duration of suspension. Under the duration of suspension the administrator shall carry out the tasks provided for in Sections 12-14. As regards the administrator's activity an objection under Subsection (3) of Section 15 may be submitted and adjudicated both. The ruling on the objection may be appealed and it shall be determined within fifteen days.

(4) If the Kúria ordered the suspension of liquidation proceedings, the legal facilities of ordering the liquidation shall remain to apply, and the provisions of Sections 34-35 shall be applied as well. The liquidator shall continue under the duration of suspension to carry out tasks relating to receiving the debtor's assets from the debtor's director, to preparing the opening balance sheet for liquidation and to the registration of creditor's claims. Under the duration of suspension

the liquidator may not hire out or sell the debtor's assets, not including perishable goods and movable properties where any delay in the sale is likely to result in substantial loss of value. The liquidator shall keep the proceeds of sales on separate accounts, and may not use them to cover liquidation costs.

(5) The Kúria shall adjudicate the ruling under judicial review within thirty days.

## Chapter II

### Bankruptcy Proceedings

#### Opening of Bankruptcy Proceedings, Stay of Payment

##### Section 7

(1) The directors of debtor economic operators may submit an application for the opening of bankruptcy proceedings at the court of law. Legal representation for the debtor shall be mandatory with regard to submission of the application.

(2) The debtor economic operator (hereinafter referred to as "debtor") may not file a petition for bankruptcy if already adjudicated in bankruptcy, or if a request for its liquidation has been submitted, and a decision has already been adopted in the first instance for the debtor's liquidation.

(3) The debtor may not file another petition for bankruptcy:

a) before the satisfaction of any creditor's claim that existed at the time of ordering the previous bankruptcy proceedings or that was established by such proceedings, and

b) inside a period of two years following the time of publication of the final and definitive conclusion of the previous bankruptcy proceedings, or

c) if the court ex officio refused the debtor's request for the previous bankruptcy proceedings pursuant to Subsection (4) of Section 9, and if inside the one-year period following the time of publication of the final ruling thereof.

(4)

(5) A petition for the opening of bankruptcy proceedings under Subsection (1) shall be submitted on the standard form prescribed in specific other legislation, that must be submitted electronically as of 1 January 2015.

##### Section 8

(1) The petition referred to in Section 7 may be submitted in possession of the prior consent of the supreme body of the debtor economic operator exercising founder's (shareholder's) rights. In the case of sole proprietorships, the petition may be submitted by the owner

at his own discretion. Employees and the trade unions defined in the Labor Code or the competent works councils (shop stewards) shall be duly informed when the petition is filed.

(2) The petition for the opening of bankruptcy proceedings shall contain, or shall have enclosed:

a) the debtor's name, registered office, registered number and tax number;

b) a document in proof of the prior consent of the supreme body mentioned in Subsection (1), and the document on the information of employees;

c) the annual account (simplified annual account) and the interim financial statement prepared within three months to date, together with a written statement by the head of the debtor that they give a true and fair view of the debtor's financial situation;

d) a written statement by the head of the debtor showing any major changes in the debtor's financial situation since the time the annual account or the interim financial statement referred to in Paragraph c) had been adopted;

e) if the debtor is a member in a recognized or de facto group of companies as provided for in the Civil Code, the related contracts;

f) a list of the debtor's creditors, a list of the debtor's liabilities and their due dates, an indication of the creditor's claims recognized and the ones disputed by the debtor, an indication of secured [Subsection (3) of Section 12] and unsecured creditors' claims, the contingent liabilities assumed by the debtor according to the Accounting Act, and a description of the contingent claims for which the debtor is responsible;

g) the electronic certificate in proof of payment of the fee and/or publication charges relating to the ordering of bankruptcy proceedings and to the stay of payment;

h) a statement by the head of the debtor indicating the payment service provider or providers where the debtor has a current account, showing the account numbers as well, and the name of the investment firm where the debtor has a securities account;

i) a statement of commitment by the head of the debtor for notifying the payment service providers affected at the time of submission of the petition for the opening of bankruptcy proceedings on having the petition filed, so as to enable the said payment service providers to obtain reliable information thereof by 15:00 hours of the previous working day relative to the publication of the temporary stay of payment under Subsection (1) of Section 9, and for refraining from initiating any payment transaction or credit transfer, that would be contradictory to the purpose of the stay of payment, and from taking any measures by which to provide preferential treatment to any creditor;

j) a data sheet containing the information prescribed by specific other legislation for showing the debtor's financial standing, signed by the head of the debtor.

(3) Furthermore, the debtor shall also provide a statement:

a) concerning the satisfaction of any creditor's claim that existed at the time of the opening of a previous bankruptcy proceedings, if any, or that was established by such proceedings, and as to whether two years have lapsed since the publication of the final and binding conclusion of



such previous bankruptcy proceedings;

b) as to being aware of any request for the opening of proceedings for its liquidation, or of any ruling adopted to declare the debtor insolvent, and if yes, an indication of the court before which the proceedings had been initiated;

c) concerning any previous petition it has filed for the opening of bankruptcy proceedings, that was refused by the court ex officio pursuant to Subsection (4) of Section 9, if inside the one-year period following the time of publication of the final ruling thereof, and if yes, an indication of the court before which the petition was filed.

(4) The debtor shall notify of having a petition filed for bankruptcy to all courts where a request for the opening of proceedings for its liquidation was submitted, of which the debtor is aware.

(5) Upon receipt of the notice mentioned in Paragraph i) of Subsection (2) hereof, the payment service provider affected shall treat the notice as a bank secret or a payment secret, and shall not be able to enforce any claim it may have arising from its relationship with the debtor by debiting the debtor's account, and may not take any other measure by which to provide preferential treatment to itself or any other creditor.

## Section 9

(1) At the debtor's request, provided that it is not rejected outright, the court shall - within one working day - provide for the publication of the request itself, and of the temporary stay of payment with immediate effect in the Cégközlöny (Company Gazette) by way of the means described in specific other legislation. The ruling may not be appealed separately. Publication in the Cégközlöny shall take place in the form of a display posted on the official website of the Cégközlöny at 0:00 hours, updated on a daily basis. The temporary stay of payment shall be available to the debtor from the time of publication. The temporary stay of payment shall be governed by the provisions contained in Section 11.

(2) The time of the opening of a bankruptcy proceeding is the day when the court ruling is published [Subsection (1) of Section 10]. As of this time the name of the debtor company shall be appended by the words "csődeljárás alatt" (under bankruptcy) or in the abbreviated form "cs. a."

(3) If at the time of or subsequent to the submission of the petition for the opening of bankruptcy proceedings a petition is filed for the debtor's liquidation, the court shall put such petition on hold until the time of ordering the opening of bankruptcy proceedings [Subsection (1) of Section 10], or until the refusal of the petition for the opening of bankruptcy proceedings.

(3a) If prior to the petition for the opening of bankruptcy proceedings a request is also filed for the liquidation of the debtor at the court of jurisdiction by reference to the debtor's registered address, however, the decision for the declaration of insolvency and for ordering the debtor's liquidation is pending in the first instance, the court shall postpone its decision concerning such request until the time of ordering the opening of bankruptcy proceedings [Subsection (1) of

Section 10], or until the refusal of the petition for the opening of bankruptcy proceedings.

(4) Upon taking the measure referred to in Subsection (1) hereof the court shall examine within five working days of receipt of the request whether it is in conformity with the requirements set out in Section 7 and in Subsections (1)-(3) of Section 8. If the request is incomplete, the court shall return it for having the deficiencies remedied within five working days. The court shall reject the debtor's request for the opening of bankruptcy proceedings:

a) if the deficiencies are not remedied by the applicant within the prescribed time limit of five working days, or if re-submitted with deficiencies still remaining;

b) if prior consent of the supreme body specified in Subsection (1) of Section 8 is not available;

c) if satisfaction of the claim referred to in Paragraph a) of Subsection (3) of Section 7 has not yet been provided;

d) inside a period of two years following the time of publication of the final conclusion of the previous bankruptcy proceedings;

e) if the debtor is adjudicated in bankruptcy in another court in Hungary;

f) if the debtor is undergoing liquidation proceedings, and a ruling ordering the debtor's liquidation has already been adopted; or

g) if before the request for the opening of bankruptcy proceedings the debtor has submitted another such request within one year, that was refused by the court of its own motion pursuant to this Subsection, if inside the one-year period following the time of publication of the final ruling thereof.

(4a) In the case provided for in Paragraph a) of Subsection (4), the legal effect of the application for the opening of bankruptcy proceedings shall remain in effect if the debtor lawfully resubmits the application for the opening of bankruptcy proceedings within fifteen days from the date of delivery of the ruling provided for in Subsection (4).” No justification shall be accepted upon failure to meet that deadline. The resubmitted application shall be construed as withdrawal of the appeal lodged against the ruling or waiver of the right to appeal the ruling; any statement to the contrary shall be of no effect.

(5) The ruling of rejection of the application for the opening of bankruptcy proceedings shall contain the debtor's name, registered office, registered number, the court's name and the case number, the reason for rejection of the petition for the opening of bankruptcy proceedings and - if the temporary stay of payment was published - an indication that the temporary stay of payment shall be terminated effective as of the time of publication of the final ruling. An appeal against the ruling of rejection of the application for the opening of bankruptcy proceedings shall be lodged within eight days. No justification shall be accepted upon failure to meet that deadline. The appeal shall be determined in priority proceedings, at the latest within fifteen days.

(6)-(8)

(9) The court shall terminate the bankruptcy proceedings of its own motion if it obtains reliable information that the request should have been refused under Paragraphs b)-g) of Subsection (4). The ruling for

the termination of the proceedings may be appealed. If bankruptcy proceedings are terminated, the court shall establish the administrator's fee taking into account the amount of work carried out up to that time and the workload of the administrator.

(10) The court shall have powers to impose a fine upon the person lodging a debtor request between 100,000 forints and 2,000,000 forints, and may charge the costs of the proceedings upon them, for supplying any false information in the petition for the opening of bankruptcy proceedings or in the enclosed documents, for supplying documents with false information, and in the event of the debtor's failure to comply with the obligation of notification under Paragraph i) of Subsection (2) of Section 8. A warning for compliance with the obligation and for the imposition of a financial penalty, and the ruling imposing the penalty shall be sent to the member (shareholder) holding majority control in the debtor economic operator - or to the member in the case of single-member companies and sole proprietorships or to the nonresident owners of Hungarian branches - at the time the actionable conduct or omission underlying the financial penalty took place. The aforesaid member or nonresident business association shall guarantee payment of the penalty if it cannot be recovered. Nonresident business associations may not satisfy their payment obligation arising from the said guarantee from the assets made available to the branch.

## Section 10

(1) If the court did not refuse the request for the opening of bankruptcy proceedings, it shall forthwith adopt a ruling for the opening of bankruptcy proceedings, and shall consequently provide for having the ruling thereof published in the Cégközlöny (Company Gazette) by way of the means described in specific other legislation and for having the indication "cs. a." entered in the register of companies next to the company's name. Publication in the Cégközlöny shall take place in the form of a display posted on the official website of the Cégközlöny at 0:00 hours, updated on a daily basis. The court shall ex officio appoint an administrator from the register of liquidators in its ruling on the bankruptcy and, unless otherwise provided for in this Act, no remedy shall lie against such ruling.

(2) The ruling ordering the opening of bankruptcy proceedings, to be published, shall contain:

a) the debtor's name, registered office, registered number and tax number;

b) the name and registered office of the administrator appointed by the court;

c) the name of the court and the case number;

d) an indication that the time of the opening of bankruptcy proceedings coincides with the day of publication of the ruling on the website of Cégközlöny;

e) an indication as to whether the debtor is allowed a stay of payment from the time when the court order was published with respect to the pecuniary claims which were due before the starting date of the stay of payment or becoming due thereafter;

f) a notice to creditors to register their existing claims within

thirty days following the time of publication of the ruling ordering the opening of bankruptcy proceedings - or their claims arising after the time of the opening of bankruptcy proceedings within eight working days - with the debtor and the administrator, and to make the payment charged for the registration of claims to the administrator's payment account published by way of the means referred to in Subsection (1) of Section 12;

g) an indication that no justification shall be accepted upon failure to meet the time limit for the notification of claims, and an indication of the legal consequences for non-compliance with the time limit for the notification of claims.

(3)

(4) The stay of payment under Paragraph e) of Subsection (2) shall expire at 0:00 hours on the second working day after a one hundred and twenty-day period following the time of publication, unless the court delivers a ruling in accord with the protocol decision - described in Subsection (11) of Section 18 - for the extension of the stay of payment, endorsed by the administrator, and provides for the publication in the Cégközlöny of the fact that the stay of payment has been extended until the deadline specified in the protocol. If the stay of payment is not extended, the court shall adopt a ruling under Section 21/B, upon receipt of notice from the administrator, within five working days for the termination of bankruptcy proceedings and for the extension of the stay of payment until 0:00 hours on the second working day following the day of publication of the final ruling ordering liquidation.

(5) At the time of ordering the opening of bankruptcy proceedings, the court shall ex officio dismiss the liquidation proceedings under Subsections (3) and (3a) of Section 9 without delay, and shall refuse the requests submitted for the debtor's liquidation after the opening of bankruptcy proceedings.

## Section 11

(1) The objective of temporary stay of payment and stay of payment (hereinafter referred to collectively as "stay of payment") is to preserve the assets under bankruptcy protection with a view to reaching a composition with creditors, during which the debtor, the administrator, the financial institutions carrying their accounts and creditors are liable to refrain from taking any measure contradictory to the objective of the stay of payment. The stay of payment shall not apply:

a) to claims for wages and other similar benefits existing at the time of submission of the petition for the opening of bankruptcy proceedings and those arising thereafter, as well as the related taxes and other similar charges (including membership payments made to private pension funds), severance pay, maintenance payments, life-annuities, compensation contributions, restitution and miners' income supplement benefits, benefits and allowances of vocational students, furthermore, fees charged for electricity and natural gas (including network access fees) and all other fees charged for utilities due on the basis of compulsory services defined in the relevant legislation, account maintenance fees charged by payment service providers as well as the

costs and expenses of the administrator charged in accordance with Subsection (3) of Section 16, which are not covered by the registration fees; and

b) to any value added tax, excise tax and products charges charged to the debtor after the time of the opening of bankruptcy proceedings as invoiced or incurred during the debtor's transactions; furthermore

c) to refunds of sums transferred to debtor's account by mistake.

d) to the payment obligations referred to in Paragraph g) of Subsection (2), assumed with a view to carrying on the economic activity, as endorsed by the administrator.

(2) Under the duration of the stay of payment:

a) setoff may not be applied against the debtor, however, a setoff may be adjudged in judicial proceedings initiated by the debtor and still in progress, if submitted before the time of the opening of bankruptcy proceedings;

b) payment orders - with the exception of the claims referred to in Subsection (1) - may not be satisfied from the debtor's accounts, and payment orders may not be submitted against the debtor;

c) the enforcement of money claims against the debtor, other than the claims defined in Subsection (1), shall be suspended, and the enforcement of such claims may not be ordered;

d) no satisfaction may be sought on the basis of a lien on the debtor's asset - not including the collateral agreements between the bodies specified in Subsection (3) -, moreover, the debtor may not be called to honor any security pledged before the time of the opening of bankruptcy proceedings;

e) with the exception of the claims defined in Subsections (1) and (3), the debtor cannot effect any payment for claims existing at the time of the opening of bankruptcy proceedings, and the creditor may not demand such payments, apart from claiming satisfaction from the pledged property referred to in Subsection (3);

f) the debtor shall be allowed to undertake any new commitment subject to the consent of the administrator;

g) payments may be made from the debtor's assets subject to authorization by the administrator, including for the liabilities assumed with a view to continuing the debtor's economic activity;

h) a contract concluded with the debtor may not be avoided, and it may not be terminated on the grounds of the debtor's failure to settle during the term of the stay of payment its debts incurred before the term of the temporary stay of payment.

(3) The stay of payment shall have no bearing on the enforceability of the collateral pledged before the time of the opening of bankruptcy proceedings, or on the enforceability of a framework agreement for close-out netting under Point 107 of Subsection (1) of Section 5 of Act CXX of 2001 on the Capital Market if one or both parties:

a) are treated as public sector entities in accordance with Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012, and according to the national laws of EEA Member States on the transposition of Article 1(2)a) of Directive 2002/47/EC of the European Parliament and of the Council; or

b) is either the Magyar Nemzeti Bank, the central bank of another EEA Member State, the European Central Bank, the Bank for International Settlements, or a financial institution specified in Annex 1 to Act CCXXXVII of 2013 on Credit Institutions and Financial Enterprises (hereinafter referred to as “CIFE”);

c) are credit institutions established in any EEA Member State, including the bodies governed by the national laws of EEA Member States on the transposition of Article 2 of Directive 2013/36/EU of the European Parliament and of the Council of 26 June 2013 on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC (hereinafter referred to as “Directive 2013/36/EU of the European Parliament and of the Council”);

d) are investment firms established in any EEA Member State and governed by the national laws of EEA Member States on the transposition of Directive 2004/39/EC of the European Parliament and of the Council;

e) are financial companies established in any EEA Member State and governed by the national laws of EEA Member States on the transposition of Directive 2013/36/EU of the European Parliament and of the Council;

f) are insurance companies established in any EEA Member State and governed by the national laws of EEA Member States on the transposition of Council Directive 92/49/EEC and Council Directive 2002/83/EC;

g) are undertakings for collective investment in transferable securities (hereinafter referred to as “UCITS”) established in any EEA Member State and governed by the national laws of EEA Member States on the transposition of Council Directive 85/611/EEC;

h) are management companies engaged in the management of UCITS; or

i) are central counterparties or bodies authorized to engage in clearing and settlement operations and central depository services established in any EEA Member State, governed by the national laws of EEA Member States on the transposition of Article 1(2)d) of Directive 2002/47/EC of the European Parliament and of the Council.

(3a) As regards the payments made in accordance with Subsections (1) and (3), a statement shall be provided with the transaction orders declaring that the payment order pertains to the transactions defined therein.

(4) The stay of payment shall not abolish the rights and obligations arising out of the relationship between the debtor and the creditor, however, the exercise of such rights and the discharge of obligations during the life of the stay of payment shall be governed by this Act. Subject to the exceptions set out in Subsections (1) and (3), the legal ramifications associated with any non-performance or late performance of the debtor’s money payment obligations shall not apply during the life of the stay of payment.

(5) During the period of stay of payment, creditors’ claims notified within the time limit specified in Paragraph f) of Subsection (2) of Section 10 shall earn interest unless otherwise prescribed in the agreement between the creditor and the debtor.

(6) The time limits for the enforcement of pecuniary claims against the debtor under specific other legislation, and for bringing such claims before a court shall be extended by the duration of stay of

payment, if the creditor notified its claim within the time limit specified in Paragraph f) of Subsection (2) of Section 10.

(7) The court shall impose a fine upon the head of the debtor economic operator for effecting any payment in violation of Paragraph e) of Subsection (2) hereof, or for enabling creditors to obtain satisfaction for their claims in violation of Subsection (2). The fine shall cover 10 per cent of the amount paid out. A warning for compliance with the obligation and for the imposition of a financial penalty, and the ruling imposing the penalty shall be sent to the member (shareholder) holding majority control in the debtor economic operator - or to the member in the case of single-member companies and sole proprietorships or to the nonresident owners of Hungarian branches - at the time the actionable conduct or omission underlying the financial penalty took place. The aforesaid member or the nonresident business association shall guarantee payment of the penalty if it cannot be recovered. Nonresident business associations may not satisfy their payment obligation arising from the said guarantee from the assets made available to the branch.

(8) Where Subsection (7) applies, the court may ex officio confer joint power of representation upon the administrator, including joint right of disposition over the current accounts. The ruling may not be appealed.

## Section 12

(1) The debtor shall notify its creditors directly within five working days following publication of the ruling ordering the opening of bankruptcy proceedings, and - furthermore - shall publish a notice in a daily newspaper of nation-wide circulation and also on its website (if available) advising the creditors to register their claims within the time limit specified in Paragraph f) of Subsection (2) of Section 10 and to make the payment charged for the registration of claims to the payment account of the administrator appointed by the court, and to attach the documents in proof of their claim, indicating that no claim will be registered in the event of their failure to do so in due time. The liabilities referred to in Subsection (1) of Section 11, the contingent claims under Paragraph g) of Subsection (1) of Section 3, and the claims connected to the debtor's contingent liabilities under the Accounting Act, other than the claims made against the debtor in actions and non-contentious proceedings, administrative proceedings in progress, where any payment obligation of the debtor depends on a future event, need not be notified yet. Moreover, the registration of claims is subject to a registration fee payable by the creditor amounting to 1 per cent of the claim - or 5,000 forints minimum and 100,000 forints maximum - to the administrator's current account. The administrator shall handle these payments separately and may use them solely to cover his expenses, as invoiced, and his fee, and shall give account to the creditors' select committee, creditors' representative, or failing these to the court, on the appropriation of this sum. If the registration fee paid by the creditors is insufficient to cover the aforementioned expenses, it shall be advanced and borne by the debtor. The administrator shall request creditors established abroad and nonresident creditors to appoint an agent for service of process.

(1a) The debtor's publication or notice referred to in Subsection (1) shall include the administrator's payment account number as well.

(2) The administrator - assisted by the debtor - shall categorize the claims as per the following:

a) claims mentioned in Subsection (1) of Section 11;

b) secured and unsecured claims notified within the time limit prescribed in Paragraph f) of Subsection (2) of Section 10 under payment of the registration fee specified in Subsection (1), showing separately:

ba) recognized or uncontested claims,

bb) contested claims (regardless of whether there is any enforcement procedure in progress before a court or another authority),

bc) claims held by an economic operator in which the debtor maintains majority control, or by any natural or legal person, or unincorporated business association that controls the debtor exclusively or by way of majority, furthermore, by an economic operator that is a member of a recognized or de facto group of companies, as provided for in the Civil Code, in which the debtor also participates,

bd) claims arising from debts assumed by the debtor less than 180 days before the submission of the petition for the opening of bankruptcy proceedings, or which are owed to a creditor that holds any claim against the debtor who is a party to a contract of assignment concluded less than 180 days before the submission of the petition for the opening of bankruptcy proceedings, stemming from the liability to provide guarantee, on account of the obligor's failure to honor the contract.

(3) The secured claim mentioned in Paragraph b) of Subsection (2) means:

a) a claim - up to the value of the property pledged in security - the payment of which is secured:

aa) by pledge on an asset of the debtor in the form of a lien or subordinated lien filed before bankruptcy has been sought, if a lien holder's agent has been appointed, also if said claim is not accrued, or not exclusively accrued to the lien holder's agent,

ab) by pledge on an asset of the debtor in the form of a collateral security filed before bankruptcy has been sought,

ac) by pledge on an asset of the debtor in the form of a buy option filed for collateral purposes before bankruptcy has been sought, or the transfer of any right or obligation accrued upon the debtor was stipulated for collateral purposes, and the related statement of acquisition was entered into the collateral register, or the option to buy was registered in the real estate register, and the right-holder is able to evidence that the option was fixed by contract in security for his monetary claim;

b) a claim secured by a right of enforcement registered on an asset of the debtor before bankruptcy has been sought, or the debtor's asset was seized in the process of enforcement.

(4) Components of a claim may be shown under more than one of the categories described in Subsection (2). Listing such claim or part of a claim under uncontested claims shall not be construed as an admission of debt. Creditors' claims fixed in an authentic instrument [CPC, Section 323] may not be registered as contested claims, except if the claim in question has already been paid in part or in full.

(5) The debtor and creditors shall be informed without delay



concerning the classification of claims and on the amount registered, and they shall be given an opportunity to present their views within a time limit of not less than five working days. Such comments shall be decided by the administrator within three working days, of which the creditor and the debtor shall be notified immediately, upon which they shall have five working days to submit any objection to the court concerning the administrator's action pertaining to the classification process, including the case where the administrator registered a claim in the amount other than the one notified by the creditor. The court shall adopt a decision relating to such objection in priority proceedings, within not more than eight working days. The ruling may not be appealed separately. Where a claim is listed under uncontested claims on the strength of the court's decision shall not be construed as an admission of debt, and shall not prevent enforcement vis-à-vis the creditor.

(6) In respect of the contested claim (or the contested part of the claim) the debtor is required to set aside - subject to the administrator's approval - provisions as part of the composition agreement in the amount to which the creditor would be entitled had its claim been listed as uncontested, provided that:

a) the beneficiary of the claim filed for court action or administrative action to recover the claim from the debtor (including if such proceedings are already in progress), and if able to verify the opening of such legal proceedings to the administrator, or

b) the debtor has paid to the bailiff's deposit account the amount claimed and awarded - where the same claim has already been seized by means of sequestration carried out in criminal proceedings to secure another claim - in consequence thereof, and the debtor presented to the administrator proof of such payment.

(7) Instead of setting aside provisions, the debtor may provide a guarantee, subject to the administrator's approval and in accordance with the provisions of Subsection (5) of Section 13, that is sufficient to satisfy the creditor's claim when due.

## Administrator

### Section 13

(1) The provisions pertaining to liquidators shall apply mutatis mutandis to the assignment of administrators, the refusal of such assignments and to cases of conflict of interest relating to the activities of administrators and the relevant consequences, furthermore, to the dismissal of administrators [other than the cases of dismissal referred to in Subsection (8) of Section 27/A].

(2) The directors of a debtor economic operator, including its supreme body and owners, shall exercise their respective rights only if it does not violate the powers vested in the administrator. The court shall have impose a financial penalty upon the head of the debtor economic operator between 100,000 and 500,000 forints for any breach of his statutory obligation to cooperate with the administrator. The fine may be imposed repeatedly.

(3) The administrator shall execute the functions specified below so as to monitor the debtor's business activities with a view to protect the creditors' interests and to make preparations for the composition with creditors. Accordingly, the administrator shall:

a) review the debtor's financial standing, which may entail inspection of the debtor's books, assets and liabilities, contracts and current accounts, requesting information from the directors of the economic operator, from the supreme body, supervisory board members and the auditor, and - in the case of a recognized group of companies provided for in the Civil Code from the dominant member -, shall inform the creditors regarding his findings in accordance with the provisions of Section 5;

b) carry out - assisted by the debtor - the tasks relating to the registration and categorization of claims [Subsections (2)-(4) of Section 12, Subsection (1) of Section 14];

c) approve and endorse - in accordance with what is contained in Subsection (5) - any financial commitment of the debtor after the time of the opening of bankruptcy proceedings;

d) advise the debtor to enforce its claims and shall oversee the way it is executed, and in the event of the debtor's failure to comply shall notify the supreme body, the supervisory board and the auditor thereof;

e) contest, at its discretion, any contract or legal statement the debtor has made in the absence of his approval or endorsement required under Paragraph c), and shall initiate or open proceedings for the recovery of any payments effected unlawfully or arising out of or in connection with any unlawful claim, in violation of Paragraph e) of Subsection (2) of Section 11, as well as proceedings for the restoration of the situation that existed previously;

f) carry out - assisted by the debtor - the duties specified in Subsection (1) of Section 14;

g) exercise joint power of representation and joint right of disposition over the current accounts in the cases described in Subsection (8) of Section 11, Subsection (1) of Section 17 and Subsection (10) of Section 18;

h) move to request an extension of stay of payment [Subsection (11) of Section 18].

(4) If the contest referred to in Paragraph e) of Subsection (3) of the contract or legal act is successful, the provisions of the Civil Code pertaining to invalid contracts shall apply.

(5) The administrator shall have powers to approve any new commitment made by the debtor. However, the administrator may grant approval for a commitment, or for a payment, if they serve the debtor's interest in terms of operations - that is to say to reduce losses -, and for the preparation of composition arrangements, and may provide guarantees for such commitments only if agreed by the creditors representing the majority of the claims held by creditors with voting rights [Subsections (4)-(5) of Section 18].

(6) The administrator shall advise the payment service providers carrying the debtor's accounts concerning his powers conferred under Paragraphs c) and g) of Subsection (3) and in Subsection (5), including his authentic and reliably verified signature.

## Section 14

(1) The administrator - assisted by the debtor - shall categorize the claims registered according to Subsections (2)-(4) of Section 12 in preparation for the consultation with creditors with a view to reaching a composition. The administrator shall forthwith inform the creditors concerning the registration and categorization of their claims. The amounts and the classification of recognized creditors claims shall be made available to all creditors.

(2) The administrator shall take part in the negotiations seeking the approval of creditors for a restructuring plan or composition proposed to restore or preserve solvency, witness the minutes of such meetings, and shall testify in the presentment of the composition arrangement in court that it is in compliance with the requirements set out in Section 20 and Subsection (3) of Section 21/A.

## Section 15

(1) The administrator shall act with due care and diligence, as is expected from persons in such positions. The administrator shall be held liable in accordance with the general provisions of civil law for damages resulting from any breach of his obligations. The exercise of due care and diligence on the part of the administrator shall also mean that, in the event that before the bankruptcy proceedings the debtor's executive officer is engaged in depleting the debtor's assets to the detriment of creditors, the administrator shall promptly notify the debtor's supreme body, supervisory board, auditor, and shall encourage them to take the necessary measures, or to bring action for contesting such transactions. The obligation of notification shall not apply with respect to the persons who carried out the unlawful actions. The administrator also inform the creditors' select committee and the creditors' representative of the above. The administrator shall report in writing any infringement and unlawful conduct he has detected - including the perpetrator if known - to the court and other organizations delegated to conduct the necessary proceedings.

(2) When so requested by the court, the creditors' select committee or the creditors' representative, the administrator shall give account of his activities and report on the financial standing of the debtor within eight working days.

(3) In the event of any unlawful conduct or any action or negligence of the administrator that violates the legitimate interests of the creditors or other persons, the aggrieved party and the creditors' select committee, creditors' representative may lodge a complaint in the court conducting the bankruptcy proceedings within eight working days of gaining knowledge thereof. The court shall adopt a decision relating to such complaint in priority proceedings, within not more than eight working days. If found substantiated, the court shall annul the contested action, or shall order the administrator to take the appropriate measures; otherwise the court shall dismiss the complaint. With respect to the above-specified court proceeding the provisions of Section 51 shall apply, with the exception that the court's decision on

the compliant may be appealed, and such appeal shall be determined within fifteen days.

## Section 16

(1) The administrator's mandate shall terminate:

a) upon the termination (discharge) of the bankruptcy proceedings by final decision,

b) upon the appointment of a liquidator where liquidation was ordered according to Section 21/B.

(2) The fee and the justified expenses of the administrator shall be covered from the registration fees paid by creditors according to Subsection (1) of Section 12. The administrator may claim his expenses when incurred, as invoiced. Where the fee and the expenses of the administrator can no longer be covered from the registration fees, the debtor shall be liable to pay the administrator's fee and expenses, and such payment shall be guaranteed by the member (shareholder) holding majority control in the insolvent debtor (or by the owner of a sole proprietorship). The administrator shall keep itemized records of his expenses incurred during the proceedings, and shall give account of such expenses to the creditors' select committee, creditors' representative, the debtor and the court.

(3) The fee of the administrator shall be based on the book value of the assets shown in the balance sheet, enclosed according to Paragraph c) of Subsection (2) of Section 8 and checked by the administrator and assessed in writing, representing:

a) 2 per cent of 100,000,000 forints if the book value is below 100,000,000 forints, or at least 250,000 forints,

b) 2 per cent of 100,000,000 forints if the book value is between 100,000,001 and 500,000,000 forints, and 1.25 per cent of the sum above 100,000,000 forints,

c) 1.25 per cent of 500,000,001 forints if the book value is between 500,000,001 and 1,000,000,000 forints, and 0.75 per cent of the sum above 500,000,001 forints,

d) 0.75 per cent of 1,000,000,001 forints if the book value is above 1,000,000,001, and 0.25 per cent of the sum above 1,000,000,001 forints.

(4) If the composition is approved, the administrator shall be entitled an additional 15 per cent of the fee referred to in Subsection (3), or in any case at least 300,000 forints.

(5) The sum calculated according to Subsections (3)-(4) is exclusive of value added tax. The court shall award, or approve the fee and the administrator's expenses in its ruling on the conclusion or dismissal of the proceedings. The court may establish the fee at rates lower than what is contained in Subsections (3)-(4) taking into account the duration of the bankruptcy proceedings, the amount of work carried out by the administrator and the workload of the given proceedings.

Composition Conference with Creditors, Extension of Stay of  
Payment

## Section 17

(1) The debtor shall call a meeting of creditors within a sixty-day period following the time of the opening of bankruptcy proceedings for composition conference, and shall invite the administrator and all known creditors directly with the documents specified in Subsection (2) of Section 8, a restructuring plan and preliminary composition proposed to restore solvency and a program for the settlement of debts attached, while any other unknown creditors shall be invited by way of a public notice, and shall request creditors established abroad and nonresident creditors to appoint an agent for service of process. The time of the conference shall be scheduled so as to allow ample time for the administrator to carry out his duties relating to the publication of any extension of the stay of payment in compliance with Subsection (11) of Section 18. The time of the conference shall be made known to the bodies mentioned in Subsection (1) of Section 8 as well. The invitation and its enclosures shall be sent to the persons invited at least eight working days before the scheduled time of the conference, whereas the notice shall be published in two daily newspapers of national circulation within eight working days of the time of publication of the stay of payment, and also on the debtor economic operator's website (if available). In the event of non-compliance the court may impose the sanctions specified in Subsection (10) of Section 9 at the request of either of the creditors or the administrator, and shall confer joint power of representation and joint right of disposition over the current accounts of the debtor economic operator upon the administrator.

(2) The invitation shall contain:

- a) the debtor's name, registered office and registered number;
- b) the time of the opening of bankruptcy proceedings;
- c) the place and date of the conference;
- d) information concerning the place where the documents specified in Subsection (2) of Section 8 and in Subsection (1) of Section 14 are deposited for the creditors to review before the scheduled date of the conference.

(3) For the composition conference the debtor - assisted by the administrator - shall prepare a restructuring plan or composition proposed to restore or preserve its solvency. For the composition the debtor may request its member (shareholder) with majority control - or in the case of a recognized group of companies the dominant member and the other members -, as well as the interest representation bodies and any works council operating within the debtor economic operator to participate in the arrangement. The composition proposal shall be made available to the creditors for review five working days before the scheduled time of the conference.

## Section 18

(1) Creditors may attend the composition conference in person or be represented by way of proxy. Representatives shall present proper proof to verify this capacity to the administrator voluntarily. Creditors may also decide to set up a select committee or to appoint a creditors' representative according to the rules laid down in Section 5/A. Creditors shall decide matters in the composition conference by voting.

(2) The debtor shall keep minutes of the meeting that is to contain the names of the creditors invited and those in attendance, the classification of their claims, the number of votes the creditors have in a given class, the outcome of the ballots, the creditors' comments and remarks relating to the composition proposal, and the debtor's replies to such remarks. Creditors' decisions shall be adopted by open ballot. The powers of attorney made out to the participants of the meeting shall be attached as integral parts of the minutes. The minutes shall be witnessed by two persons appointed by the creditors present and by the administrator.

(3) During the opening session the creditors may express their refusal to support the composition proposal. If the debtor denies to rework the composition proposal, the meeting shall be declared closed and so recorded in the minutes, and it shall be sent to the court and the supreme body referred to in Subsection (1) of Section 8 without delay. If the debtor agrees to rework the composition proposal inside the time limit set by the creditors, several sessions with the creditors may ensue during the life of the stay of payment. The invitation and its enclosures (including the revised composition proposal) shall be sent to the persons invited at least eight working days before the scheduled date of the conference. If the creditors were to declare after either session their refusal to grant consent for the composition arrangement in the percentage required under Section 20, the debtor shall declare the meetings closed and record it in the minutes, and it shall be sent to the court and the supreme body referred to in Subsection (1) of Section 8 without delay. The administrator shall specifically point out if the court ruling will be published - due to the number of registered creditors - in the Cégközlöny (Company Gazette) by way of a public notice, and shall provide the necessary information as well. If the debtor fails to carry out the actions specified in this Subsection in due time, the administrator shall declare the composition conference unsuccessful and shall notify the court accordingly. In the event if the notice is filed in delay or if absent, the court may impose the sanctions specified in Subsection (1) of Section 21/A upon the debtor. The court shall adopt a decision according to Section 21/B within eight working days of receipt of the aforesaid minutes concerning the termination of the bankruptcy proceedings.

(4) In the composition conference voting right shall be held by any creditor:

- a) who registered its claim by the deadline specified in Paragraph f) of Subsection (2) of Section 10, and
- b) who paid the registration fee, and
- c) whose claim is shown under recognized or uncontested claims.

(5) Any creditor who failed to participate in person or by way of proxy shall be counted to have voted no. As regards voting rights, creditors shall have one full vote awarded for each recognized or uncontested claim of 50,000 forints. There shall be no fractional votes. Creditors holding claims below the 50,000 forint threshold shall also have one vote. The assignment of creditors' claims upon other creditors within 180 days prior to the submission of the petition for the opening of bankruptcy proceedings, or upon the submission of a claim for bankruptcy shall have no effect on the counting of votes. Interest

accrued during the term of the stay of payment shall not be taken into consideration with respect to voting rights. For the purposes of this Subsection, the payment charged for the registration of claims shall also be recognized as creditors' claims. The votes of creditors described in Subparagraphs bc)-bd) of Subsection (2) of Section 12 shall apply for the above-specified calculation method at a rate of one-fourth, excluding those creditors under Subparagraph bc) of Subsection (2) of Section 12 that obtain majority control in the debtor through providing a loan for the purpose of reorganization of an amount up to at least the debtor's subscribed capital during the course of the bankruptcy proceedings, or any economic operator that, together with the debtor, is a member in a recognized or de facto group of companies as provided for in the Civil Code, and that provides a loan to the debtor for the purpose of reorganization of an amount up to at least the debtor's subscribed capital.

(6) The right for exercising voting rights may not be subsequently discredited on the grounds of having a future right of recovery of any claim that was listed under uncontested claims on the strength of the court's decision referred to in Subsection (5) of Section 12.

(7) In the course of negotiations with creditors, the debtor may ask for the creditors' consent for the extension of the stay of payment, however, the total length of the period of the stay of payment, including the extension, may not exceed 365 days from the time of the opening of bankruptcy proceedings.

(8) The stay of payment may be extended up to a maximum period of 240 days from the time of the opening of bankruptcy proceedings, if the debtor was able to secure the majority of the affirmative votes from the creditors with voting rights [Subsections (4)-(5)], in respect of secured and unsecured claims alike, separately for the claims in question.

(9) The debtor shall be granted an extension of the stay of payment for a total of not more than 365 days from the time of the opening of bankruptcy proceedings if able to secure two-thirds of the votes from the creditors with voting rights [Subsections (4)-(5)], in respect of secured and unsecured claims alike, separately for the claims in question.

(10) Creditors representing the majority described in Subsections (8)-(9) may render the extension of the stay of payment conditional upon the debtor granting the administrator joint power of representation and joint right of disposition over the current accounts. If the debtor withdraws these rights, the court - acting on the notice received from the administrator - shall adopt a ruling for terminating the stay of payment, and shall forthwith publish this ruling in the Cégközlöny (Company Gazette) by way of the means specified in Subsection (1) of Section 10.

(11) The administrator shall sign and endorse a copy of the protocol decision adopted for the extension of the stay of payment, and shall send it together with a request for publication, the records containing the creditors claims as drawn up according to Subsections (2)-(4) of Section 12, the minutes of the meeting or meetings with creditors, and the creditors' statements on their consent for the extension of the stay of payment to the court, on or before the fifteenth working day

preceding the expiry of the 120-day deadline specified in Subsection (4) of Section 10 or the expiry of the extended stay of payment. The court shall deliver its decision concerning the extension of the stay of payment within five working days. The ruling may not be appealed separately. If the court did not dismiss the request, it shall forthwith provide for having the ruling on the extension of the stay of payment published on the website of the Cégekzlöny before the expiry of the term of the stay of payment. Publication shall take place in the form of a display posted on the website of the Cégekzlöny, updated on a daily basis.

(12) The ruling published on the extension of the stay of payment shall contain:

a) the debtor's name, registered office, registered number and tax number;

b) the name and registered office of the administrator appointed by the court;

c) the name of the court and the case number;

d) the time of the opening of bankruptcy proceedings;

e) an indication of the length of the period of extension of the stay of payment (moratorium) in connection with the pecuniary claims for which he was and will be liable before and after the effective date of the stay of payment.

(13) The provisions of Section 11 shall remain to apply if the stay of payment is extended.

(14) The ruling on the extension of the stay of payment, referred to in Subsection (12) shall be presented by the debtor and the administrator to the payment service providers carrying the debtor's accounts without delay.

## Composition in Bankruptcy Proceedings

### Section 19

(1) Composition means the debtor's agreement with the creditors laying down the conditions for debt settlement, such as in particular any allowances and payment facilities relating to the debt, on the remission or assumption of certain claims, on receiving shares in the debtor economic operator in exchange for a debt, on guarantees for the satisfaction of claims and other similar securities, on the approval of the debtor's program for restructuring and for cutting losses, and any and all other action deemed necessary to restore or preserve the debtor's solvency, including the duration of and the procedures for monitoring the implementation of the composition arrangement.

(2) Voting rights in connection with composition arrangements shall be governed by the provisions contained in Subsections (4)-(5) of Section 18.

### Section 20

(1) A composition agreement may be concluded if the debtor was able to secure the majority of the votes for the agreement from the creditors



holding voting rights according to Subsections (4)-(5) of Section 18, in respect of secured and unsecured claims alike.

(1a) The composition agreement shall be concluded under the principle of good faith, and it may not contain provisions and conditions which are clearly and manifestly unfavorable or unreasonable from the point of view of creditors on the whole or certain groups of creditors. Such conditions shall include where the ratio of satisfaction provided for the claims of creditors on the whole is deemed abnormally low relative to the debtor's divisible assets, or if the claims of a particular group of creditors are satisfied at an abnormally lower ratio or under unreasonably discriminative conditions by comparison to another group of creditors.

(2) A composition arrangement shall also apply to non-consenting creditors who are otherwise entitled to participate in the composition agreement, or failed to take part in the conclusion of the composition agreement in spite of having been properly notified, and shall also apply to the creditors whose contested claims had to be secured by provisions or by way of guarantee (judicial arrangements). The composition agreement, however, may not stipulate less favorable conditions in respect of these creditors than to the creditors granting consent to the agreement in the given categories, or to the creditors mentioned in Subparagraphs bc)-bd) of Subsection (2) of Section 12. Payments may be effected from the said provisions to provide satisfaction for a contested claim (or a part of such claim) to the beneficiary of such contested claim if the said beneficiary filed charges against the debtor, and the court's final ruling declared the creditor's claim substantiated and awarded the amount of the claim, or if the creditor recovered its claim from the debtor by way of an administrative procedure.

(3) In the event of failing to observe the deadline referred to in Subsection (2) of Section 10 the debtor shall not be able to participate in the composition agreement and, consequently, shall not be covered by the agreement. Where a creditor's claim is not registered within the time limit prescribed for notifying such claims, the beneficiary shall not be able to demand satisfaction from the debtor, however, he shall be able to notify those claims which have not as yet become time-barred in liquidation proceedings initiated by others. In this case Subsection (2) of Section 35 shall apply with the exception that the default interest and late charges under Paragraph b) of Subsection (2) of Section 35, and other similar surcharges and penalties may not be enforced in the liquidation proceedings.

## Section 21

(1) The composition agreement shall be made in writing and shall contain, in particular:

a) a list of the creditors participating in the composition, their classification, the amounts of their registered claims recognized or uncontested, and the number of their voting rights;

b) the debt settlement and restructuring program approved by the creditors, and the method of execution and oversight;

c) any modification in the time limits and deadlines of performance,

the remission or assumption of the claims of creditors, and any other factors that are deemed essential by the debtor and the creditors for the purpose of restoring or preserving the debtor's solvency;

d) the name and mailing address of each creditor (or their representatives or agents for service of process), and in connection with select committees and creditors' representatives an indication of the creditors they represent.

(2) The composition arrangement shall be signed by the parties, and by their legal representatives or proxies, and shall be countersigned by the administrator and by the select committee, if there is one.

## Termination or Discharge of Bankruptcy Proceedings

### Section 21/A

(1) The head of the debtor economic operator shall notify the court concerning the outcome of the composition conference [Subsection (3) of Section 18, Sections 19-20] within five working days - in connection with an extended stay of payment at least forty-five days prior to its expiry -, and shall enclose a copy of the composition agreement where applicable, as well as the reports, agreements and statements verifying compliance with the requirements set out in Sections 19-21. In the event of failure to meet this obligation in due time the court shall impose a financial penalty between 100,000 and 500,000 forints.

(2) The court shall deliver its decision on the approval of the composition arrangements within fifteen working days of receipt of the notice referred to in Subsection (1). The court may return the request for the approval of the composition arrangements on one occasion, for remedying any deficiencies within a deadline of three working days. The time limit for remedying deficiencies shall apply with prejudice.

(3) If the composition arrangement is in conformity with the relevant legislation, the court shall grant approval by way of a ruling and shall declare the bankruptcy proceedings dismissed. No justification will be accepted upon failure to meet the time limit for appeal against the ruling of approval of the composition arrangement and the ruling declaring the bankruptcy proceedings dismissed. The appeal shall be determined within thirty days. A motion for retrial may not be submitted against a ruling of approval of the composition arrangement and the ruling declaring the bankruptcy proceedings dismissed.

(4) Where an enforcement procedure was opened against the debtor during the period of temporary moratorium, upon the conclusion of the bankruptcy proceedings actions against the debtor for the recovery of pecuniary claims shall be suspended until the composition arrangement is executed, inside the time limit set out therein, excluding the claims referred to in Subsection (1) of Section 11. Continuation of the enforcement procedure may be requested by any creditor that signed on to the bankruptcy proceedings. Enforcement shall continue for the amount to which the creditor is entitled under the composition arrangement.

### Section 21/B

If no composition is arranged, or if the arrangement fails to comply

with the relevant regulations, the court shall dismiss the bankruptcy proceedings and shall consequently declare the debtor insolvent ex officio in the liquidation proceedings governed under Chapter III [Paragraph e) of Subsection (2) of Section 27], and shall order the liquidation of the debtor. In the ruling terminating the bankruptcy proceedings the court shall extend the stay of payment until 0:00 hours on the second working day following the date of publication of the final ruling ordering liquidation. The appointment of the administrator shall be extended - with the powers and remuneration of a temporary administrator [Section 24/A] applicable - until the liquidator enters into office, furthermore, the debtor shall not be able to request stay of payment from the court. The fee to which the administrator is entitled for that period shall be advanced by the debtor. A ruling requesting advance payment shall be sent to the member (shareholder) holding majority control in the debtor economic operator - or the member in the case of single-member companies and sole proprietorships or the nonresident owners of Hungarian branches - in the share percentage specified. The aforesaid member or the nonresident business association shall guarantee satisfaction of the obligation of reimbursement if it cannot be recovered.

### Section 21/C

(1) The court shall deliver the rulings referred to in Subsection (2) of Section 21/A and in Section 21/B by way of public notice published in the Cégközlöny (Company Gazette), if the number of registered creditors exceeds one hundred.

(2) Delivery of the ruling by way of public notice shall take place in the form of display posted on the website of Cégközlöny, updated on a daily basis. When the ruling is delivered by way of public notice, the operative part of the ruling shall be posted on the bulletin board of the court as well, and shall be sent by post to the debtor, the administrator, the creditors' select committee or the creditors' representative. The operative part of the ruling shall be posted on the website of Cégközlöny twice, two days apart, and shall be considered served on the day when posted for the second time. The notice published shall contain an indication that the full text of the ruling is available at the court, and that the appeals submitted against the ruling may be reviewed at the court within three working days following the date of delivery of the appeal to the court, and the appeals, if any, may be commented within five working days following the date of delivery of the appeal to the court.

(3) Appeals against the ruling shall be submitted within eight working days following the date of delivery (in connection with public notice, from the day when posted for the second time). This time limit shall apply with prejudice. The appeal shall be heard in priority proceedings, within a maximum period of eight working days. The said rulings shall be published in the Cégközlöny without delay, by way of the means specified in Subsection (1) of Section 10. The ruling shall be forthwith delivered to the court of registry by way of electronic means. The court of registry shall take immediate action for having the indication "cs. a." entered in the register of companies deleted. In the case specified in

Subsection (3) of Section 21/A, the stay of payment shall cease to exist at the time of publication of the final ruling on the approval of the composition agreement. The ruling shall be presented by the debtor and the administrator to the payment service providers carrying the debtor's accounts without delay.

## Chapter III

### Liquidation Proceedings

#### Opening of Liquidation Proceedings

##### Section 22

(1) Liquidation proceedings shall be conducted in the event of insolvency of the debtor:

- a) ex officio in the case mentioned in Section 21/B;
- b) upon request by the debtor, the creditor or the receiver; or
- c) upon receipt of notice from the court of registry, if the court of registry has ordered the liquidation of the company;
- d) upon receipt of notice from a criminal court (if the enforcement procedure aiming for the collection of a fine imposed upon a legal person has failed).

(2) If liquidation is ordered under Paragraphs a), c) and d) of Subsection (1), the provisions of Sections 25 and 26 shall not apply as regards the decision to open liquidation proceedings, and the court shall order liquidation ex officio. A ruling adopted for ordering liquidation may not be appealed.

(3) In the case of Paragraph b) of Subsection (1) legal representation for the applicant shall be mandatory with regard to submission of the application.

(4) In liquidation proceedings opened under Paragraphs a) and c) of Subsection (1), the court hearing the bankruptcy proceedings, or the general court to which the court of registry of competence for the winding-up, involuntary dissolution or involuntary cancellation procedures is located shall have jurisdiction.

##### Section 23

(1) If liquidation proceedings are requested by the debtor the petition shall be filed according to the provisions of Subsections (1)-(2) of Section 8. The debtor shall declare in the petition all its account numbers and the payment service providers carrying such accounts, including the accounts opened subsequent to the filing of the petition.

(2) Debtors may request the opening of liquidation proceedings if unable or unwilling to enter into bankruptcy under Subsection (3) of Section 7.

(3)

(4)

## Section 24

(1) If liquidation is requested by a creditor, the petition shall specify the description of the debtor's liabilities, the date of maturity (due date) and a summary of the reasons for claiming that the debtor is deemed insolvent. The documents in proof of the contents of the petition shall also be attached, including a copy of the written notice sent to the debtor in connection with what is contained in Paragraph a) of Subsection (2) of Section 27.

(2) If the opening of liquidation proceedings were requested by a creditor and the court has not rejected the petition without any investigation of the merits of the case, the court shall notify the debtor forthwith by sending a copy of the petition.

(3) The debtor shall, within eight days of receipt of the notice, declare before the court whether he acknowledges the contents of the petition. If the debtor acknowledges the claim, he shall also simultaneously declare whether he wishes a respite for the settlement of the debts [Subsection (3) of Section 26] and shall supply the numbers of all his accounts and the names of the payment service providers carrying such accounts, including the accounts opened following receipt of the petition, and furthermore, in the case of a concession, he shall inform the concessionaire concerning the opening of liquidation proceedings. If the debtor fails to respond to the court within the above-specified deadline his insolvency shall be presumed.

## Section 24/A

(1) Simultaneously with lodging a request for the opening of liquidation proceedings, or subsequently before the time of the opening of liquidation proceedings, creditors may request the court to appoint a temporary administrator from the register of liquidators to oversee the debtor's financial management. The court shall hear the debtor before delivering a decision. The provisions of Subsection (1) of Section 27/A shall apply to the appointment of the temporary administrator.

(2) The court shall appoint a temporary administrator without delay and shall promptly notify the parties accordingly, provided that the requesting creditor:

a) is able to evidence that satisfaction of its claim at a later date is in jeopardy;

b) provides proof in the form of an authentic instrument or a private document with full probative force regarding the contract underlying its claim, and the extent and expiry of this claim; and

c) has advanced the fee of the temporary administrator (200,000 forints if the debtor has no legal personality and 400,000 forints for legal persons, exclusive of the applicable value added tax) and deposited it at the time of lodging the request.

(2a) If the court did not order liquidation, the fee of the temporary administrator shall be covered by the creditor. If liquidation is ordered the court shall ex officio provide for the return of the amount deposited, in which case the fee of the temporary administrator shall be accounted and paid as liquidation costs under Paragraph i) of Subsection

(2) of Section 57.

(2b) Where bankruptcy proceedings had been conducted immediately before the liquidation proceedings, and the court ordered liquidation ex officio as provided for in Section 21/B, it shall appoint the administrator of the bankruptcy proceedings as temporary administrator. The fee of the temporary administrator shall be advanced according to Section 21/B, and Paragraph h) of Subsection (2) of Section 57 shall apply to the accounting and payment of the fee.

(3) The temporary administrator shall be required to declare on the working day following receipt of the decision on his appointment as to whether there are any grounds for his disqualification in accordance with Section 27/A. If there are none, the temporary administrator shall commence his activities on the working day following the date of receipt, that is to say to contact the managers of the debtor and to make inquiries regarding the debtor's financial standing. The ruling on the appointment, dismissal of the temporary administrator, on terminating the appointment and on the refusal or rejection of such requests may be appealed separately, and the ruling for the appointment of the temporary administrator may be executed irrespective of any appeal.

(4) The head of the debtor economic operator shall be restricted - following the temporary administrator taking office - from entering into any contract considered to be in excess of the scope of normal operations where the economic operator's assets are concerned without the prior consent and endorsement of the temporary administrator, or from entering into any other commitment, including where the debtor is compelled to performance under an existing contract. If the temporary administrator was handling the bankruptcy proceedings conducted immediately before the liquidation proceedings and had been vested in the bankruptcy proceedings with joint power of representation and joint right of disposition over the current accounts, these same rights shall apply when functioning as a temporary administrator as well.

(5) The debtor and the temporary administrator shall present to all payment service providers carrying the debtor's accounts concerning the ruling on the temporary administrator's appointment, including the temporary administrator's authentic and reliably verified signature, indicating also the amount limit on payment orders for which the administrator's approval is required.

(6) In the event of any illegal action or infringement on the part of the temporary administrator the provisions of Section 51 shall apply.

(7) The temporary administrator shall have powers to monitor the debtor's business activities with a view to protecting creditors' interests, and shall review the debtor's financial situation. To this end the temporary administrator may inspect the debtor's books, cash holdings, securities holdings and inventories of goods, contracts and current accounts, requesting information from the directors of the economic operator and may enter any of the debtor's premises and search and inspect any of the debtor's assets. The debtor must comply with the temporary administrator's request for opening any locked rooms and areas, objects (furniture and other property of the like) without delay, and shall reveal the existence and whereabouts of assets. The temporary

administrator shall be authorized to disclose the information obtained in this fashion to the court only, and shall notify the court without delay of any contract or other commitment of the debtor, which has come to his knowledge, whose object is a transaction listed under Paragraphs a)-c) of Subsection (1) of Section 40 and Subsection (2) of Section 40, and shall request the debtor to take measures with a view to satisfying the creditors' interest.

(8) The managers of the debtor company shall be required to cooperate with the temporary administrator and shall give him help and assistance in carrying out his duties. If the managers of the debtor company violate their obligation to cooperate seriously or repeatedly, such as entering into contracts or other commitments on two occasions without the prior consent of the temporary administrator, the court shall order the company's liquidation at the request of the temporary administrator irrespective of whether the debtor is declared insolvent or not. The court's ruling ordering liquidation may be executed irrespective of any appeal.

(9) The court may request - ex officio or upon request - the temporary administrator to give account of his activities, and may request the head of the economic operator to give account of the debtor's situation and on its transactions, including to make available the related documents.

(10) The mandate of the temporary administrator shall end at the time of the opening of liquidation proceedings or upon the termination of liquidation proceedings under Subsection (6) of Section 27. However, the court may prematurely terminate the temporary administrator's appointment - subject to the prior consent of the creditor having requested the appointment of the administrator - by way of a ruling, if the debtor is able to provide sufficient guarantees for the satisfaction of the creditor's claim, and if the debtor is not involved in any other liquidation proceedings where the appointment of a temporary administrator had been requested. The temporary administrator shall present the final ruling terminating his mandate to the payment service providers carrying the debtor's accounts on the working day following the date of receipt.

(11) The fee of the temporary administrator shall be determined by the court in the ruling ordering liquidation and it shall be payable by the debtor. If the liquidation proceeding is terminated, the fee of the temporary administrator shall be covered by the creditor requesting the appointment of the temporary administrator. If the mandate of the temporary administrator was not terminated on account of a request lodged by the creditor for the appointment of a temporary administrator in another liquidation proceedings against the same debtor, the court shall order the creditor requesting the appointment of the temporary administrator to cover a part of the temporary administrator's fee. The creditor, if unable to show reasonable cause for the appointment of the temporary administrator, shall be subject to civil liability for all damages sustained by the debtor in consequence of the appointment of the temporary administrator.

(12) The provisions of Subsection (7) of Section 27/A and the provisions contained in Section 54 shall also apply to temporary administrators.

## Section 25

(1) The court shall reject the request without considering the merits, if:

- a) it was filed by a person without proper entitlement;
- b) it was filed during the period of moratorium;
- c) the petition was returned for having the deficiencies remedied and it is not rectified within eight days, or if re-submitted with deficiencies still remaining, hence rendering evaluation impossible;
- d) there is no agreement between the debtor, the petitioner and the bodies specified in Subsection (1) of Section 8;
- e)
- f) in the case of Paragraph a) of Subsection (2) of Section 27, a written notice is not dispatched to the debtor before the petition is received by the court, or if it fails to satisfy the contain requirements set out in Subsection (2c) of Section 27;
- g) the deadline specified in the final court decision did not expire at the time the petition was received by the court;
- h) the condition referred to in Subsection (2b) of Section 27 is not satisfied;
- i) the party required to maintain communications electronically as provided for in Subsection (5) of Section 6 failed to supply the electronic certificate in proof of payment of the procedural fee and the costs of publication.

(2)

(3)

## Section 26

(1) The court shall investigate the insolvency of the debtor.

(2)

(3) If requested by the debtor, the court may allow a maximum period of forty-five days for the debtor to settle his debt, except if the liquidation proceedings had been opened according to Section 21/B directly after bankruptcy proceedings. In the absence of the debtor's statement to that effect, settlement of the debt shall not be construed as an admission of the debt, and it shall not preclude the filing of a civil action to recover it.

(3a) Requests for the opening of liquidation proceedings may be withdrawn without the consent of the opposing party before the time of the opening of liquidation proceedings. Termination of the proceedings shall fall within the purview of the court before which proceedings are pending at the time of the withdrawal. The ruling for the termination of the proceedings shall also provide for the repealing of earlier rulings ordering liquidation or on the appointment of a temporary administrator.

(3b) In proceedings opened at the creditor's request pursuant to Paragraph b) of Subsection (1) of Section 22 the court shall terminate the proceedings without the creditor's consent if the debtor provides proof before the time of the opening of liquidation proceedings of having paid the debt (principal, interests, creditor's expenses incurred during the proceedings) underlying the final ruling ordering liquidation to the creditor in full. Termination of the proceedings shall fall



within the purview of the court before which proceedings are pending at the time said proof is presented. In the ruling for the termination of the proceedings the content elements under Subsection (3a) shall also be provided for.

(4) Discontinuance may be granted only if requested jointly by the debtor and the creditors filing for the liquidation proceedings, before the court's decision for opening liquidation proceedings becomes final.

(5) The debtor, upon receipt of the ruling ordering liquidation in the first instance, before the ruling becomes final and enforceable, shall establish provisions:

a) for covering the costs provided for in Subsection (1a) of Section 27; and

b) for covering the costs incurred in connection with the arrangement, placement, storage and safeguarding his document files, and the costs absolutely necessary for safeguarding his assets, and keeping them in good repair.

(6) For the costs provided for in Paragraph b) of Subsection (5) a sum commensurate for the costs estimated, but at least 150,000 forints shall be set aside.

(7) Compliance with the reserve requirements referred to in Subsections (5) and (6) shall be guaranteed - in the same way as a guarantor - by the member (shareholder) holding a share embodying majority control in the debtor, or by the member in the case of sole proprietorships, or in the case of the Hungarian branches of foreign-registered companies, the owner of such foreign-registered company.

## Section 27

(1) The court shall order the liquidation of the debtor by way of a ruling if it finds that the debtor is insolvent. The court shall adopt the ruling ordering liquidation within sixty days of receipt of the application for the opening of liquidation proceedings. A ruling adopted for the opening of liquidation proceedings may be appealed separately; however, there shall be no right of judicial review. The time of the opening of liquidation proceedings is the date of publication of the final ruling ordering liquidation (Section 28).

(1a) In the resolution adopted on the opening of liquidation proceedings the court shall order the debtor to cover the procedural fees, publication charges incurred up to the date of the resolution, as well as the fees and expenses of the creditor's legal counsel. The liquidator shall register such claim without special notification, and shall pay it at the time of the opening of liquidation proceedings under the title of liquidation costs due.

(2) The court shall declare the debtor insolvent:

a) upon the debtor's failure to settle or contest his previously uncontested and acknowledged contractual debts within twenty days of the due date, and failure to satisfy such debt upon receipt of the creditor's written payment notice, or

b) upon the debtor's failure to settle his debt within the deadline specified in a final court decision or order for payment, or

c) if the enforcement procedure against the debtor was unsuccessful, or

d) if the debtor did not fulfill his payment obligation as stipulated in the composition agreement concluded in bankruptcy or liquidation proceedings, or

e) if it has declared the previous bankruptcy proceedings terminated [Subsection (3) of Section 18, Subsection (10) of Section 18 or Section 21/B], or

f) if the debtor liabilities in proceedings initiated by the debtor or by the receiver exceed the debtor's assets, or the debtor was unable and presumably will not be able to settle its debt (debts) on the date when they are due, and in proceedings opened by the receiver the members (shareholders) of the debtor economic operator fail to provide a statement of commitment - following due notice - to guarantee the funds necessary to cover such debts when due.

(2a) The debtor shall not be liquidated in connection with any claim that the creditor failed to notify in the bankruptcy proceedings by the deadline specified in Subsection (2) of Section 10.

(2b) In the cases under Paragraphs a)-b) of Subsection (2) a request for the debtor's liquidation may be submitted if the amount of the claim (not including interest and similar charges) is over 200,000 forints.

(2c) In the case under Paragraph a) of Subsection (2), contest by the debtor shall be established if the debtor effectively disagrees with the payment obligation as to grounds, existence, due date, rate or amount. The debtor may file his contest in writing by the last day preceding the day of receipt of the creditor's payment notice. If the debtor did not file the said contest in time, payment of the debt by the debtor shall not be considered acknowledgement of the debt, and it shall not preclude the filing of civil action to have it recovered.

(3) In the cases under Paragraph a) of Subsection (2), the payment notice shall specify the legal title of the debtor's debt, the amount of such debt, the date of maturity (due date), as well as the final deadline after which the creditor plans to open the liquidation proceedings in the event of non-compliance, or to enforce its claim through other legal channels. If the creditor plans to send the payment notice to the debtor by post, it shall be dispatched in the form of registered mail with certified delivery. The consignment shall be considered delivered to the hands of the addressee on the fifteenth day from the date of dispatch also if:

a) delivery was obstructed according to postal service regulations;  
b) the addressee refused to accept the consignment; or  
c) the addressee failed to collect the consignment held for delivery by the postal service provider.

(4) A debtor cannot be declared insolvent in the cases defined in Subsection (2) above inside the deadline specified by the court in accordance with Subsection (3) of Section 26 for the settling of debts.

(5) Where Paragraph a) of Subsection (2) applies, the debtor may allege to have satisfied the creditor's claim by way of offsetting if:

a) able to verify by means of an authentic instrument or private document with full probative force that his claim exists, and that it originates from before the time of receipt of the creditor's payment notice, and it became due past the deadline for contesting the creditor's claim; or

b) able to verify by means of an authentic instrument or private

document with full probative force of gaining knowledge of the existence or expiry of his claim from the creditor after receipt of the payment notice; or

c) the claim requested to be satisfied by way of offsetting is recognized by the creditor.

(5a) In the cases defined in Subsection (5) hereof the court shall terminate the liquidation proceedings in priority.

(6) If the debtor is not insolvent the court shall dismiss the proceedings effective immediately.

(7) The holder of a claim that has already been seized by means of sequestration carried out in criminal proceedings to secure another claim, and - in consequence thereof - the debtor has paid to the bailiff's deposit account the amount claimed, may not submit a request for the liquidation of the debtor and may not present any creditor's claim in liquidation proceedings.

(8) Where a request under Subsection (7) has been submitted, the court may suspend the proceedings at the debtor's request or ex officio. Suspension shall remain in effect insofar as the enforcement order made out upon the final peremptory decision awarding the claim secured by means of sequestration in criminal proceedings, or on lifting the sequestration in criminal proceedings is delivered to the court.

## Section 27/A

(1) The court shall appoint a liquidator company (hereinafter referred to as "liquidator") without delay, using a random electronic selection process in compliance with the procedural requirements laid down in specific other legislation. The procedure for the appointment of the liquidator shall be carried out subject to transparency and verification requirements and criteria to ensure the capacities for conducting the proceedings efficiently, proper distribution of workload among the liquidators, and - with a view to cutting costs - taking also into account the geographical location of the liquidator and the debtor economic operator. Subject to the exceptions set out in Chapter IV, an economic operator may be appointed to function as a liquidator if registered in the register of liquidators.

(2) The conditions under which an entity can be listed in the register of liquidators shall be decreed by the Government. The members (shareholders) of any organization aspiring to be a liquidator must be traceable and identifiable, furthermore, such organization may not have any member (shareholder) who is liable to taxation in a state - not including any organization established in any State that is a party to the Agreement on the European Economic Area - whose tax laws do not impose any tax liability in the nature of corporate tax, or if the corporate tax rate is 10 per cent or less. The Government shall select eligible liquidators by way of public tender.

(3) The liquidator shall designate a receiver to carry out the liquidation of a debtor. The receiver shall have no prior criminal record, and shall not be restrained by court order from practicing or participating in the activities of receivers or liquidators, shall not be subject to any grounds for exclusion or any reason giving cause to conflict of interest within the meaning of Subsection (4), and shall

meet the requirements set out in this Act. The receiver designated shall have the required training in the field of liquidation and property administration as under Subsection (1) of Section 27/C, and at least one year of verifiable professional experience obtained at a liquidator company. Before the designation a statement shall be provided to the liquidator relating to the absence of any grounds for exclusion or any reason giving cause to conflict of interest in the given proceedings. The designated receiver shall be employed by or is a member of, or is contracted by, the liquidator, and shall carry out his duties in the name and on behalf of the liquidator.

(4) In the application of this Act the following reasons of exclusion shall apply to liquidators and receivers:

- a) A business association may not be appointed liquidator:
  - aa) if it is the owner or creditor of the debtor, or a non-professional fiduciary managing the debtor's assets;
  - ab) if its owner is an owner or creditor of the debtor, or a non-professional fiduciary managing the debtor's assets;
  - ac) if any of its executive officers or the close relatives thereof has majority control in the debtor organization or in any other organization that is engaged in any incompatible activities [Paragraph a) of Subsection (3) of Section 27/C].
- b) A person may not be designated receiver:
  - ba) if he is the owner or creditor of the debtor, or the owner of the business association that controls the debtor exclusively or by way of majority, except if the creditor's claim covers the fee and/or the expenses of the receiver or liquidator, the administrator or temporary administrator;
  - bb) if he is the close relative of any person covered by Subparagraph ba);
  - bc) if his close relative is the owner or creditor of the debtor;
  - bd) if he is an executive officer of a business association that is the owner or creditor of the debtor;
  - be) if he is the close relative of an executive officer referred to in Subparagraph bd);
  - bf) if he himself or his close relative is a member, shareholder or executive officer of a legal person or unincorporated business association that is engaged in any incompatible activities;
  - bg) if he has been employed by the debtor within the past three years, or maintains close business relations with the debtor, with the exception of transactions in connection with standard procedures and operations;
  - bh) if he has served, or still serves at the debtor as a regulatory commissioner in accordance with the Act on the National Bank of Hungary;
  - bi) if he is not registered in the register of liquidators, or in the official public register referred to in Subsection (6a) hereof or the official public register maintained in accordance with Subsection (6) of Section 66, as a receiver employed by the liquidator company at the time the liquidation was ordered, or at the time of appointment of a replacement receiver if the previous receiver has been dismissed;
  - bj) if he has majority interest in a business association or any company established in a State that is not a member of the European Economic Area, where national tax laws do not impose any tax liability in the nature of corporate tax, or if the corporate tax rate is 10 per

cent or less;

bk) if he has been registered by the body operating the register of liquidators - upon receipt of notice from the court under Subsection (7), with respect to any infringement -, for a period of three years from the time of registration.

(5) When appointed, the liquidator shall notify the court if any grounds for his disqualification exist within five working days of receipt of the appointment or, if any grounds for disqualification arise at a later point in time, within five working days of the occurrence of such. The liquidator may decline to accept the appointment if any grounds for his disqualification apply, or if the debtor's registered address falls outside the liquidator's area of competence shown in the register of liquidators. The ruling on the appointment of the liquidator may not be appealed separately. Where a liquidator fails to disclose any grounds for his disqualification, the court shall move to have his name removed from the register of liquidators.

(5a) The liquidator shall disclose to the court the name and home address of the receiver he has appointed, or contact address shown in the register of personal data and address records, including his date of birth, tax identification code and mother's birth name within five working days of receiving the ruling ordering liquidation, and shall provide a statement from the receiver declaring the absence of any grounds for exclusion or any reason giving cause to conflict of interest, and on undertaking the obligation to notify the liquidator without delay if any such grounds or reason should occur in the future, and to request the withdrawal of his designation. Furthermore, the liquidator shall disclose to the court and to the body operating the register of liquidators if any grounds for exclusion or any reason giving cause to conflict of interest arises relating to the receiver, or if the receiver's contract of employment, agency contract or - in the case of membership - his authorization to function as a receiver under assignment within the framework of personal participation has been terminated, or his designation was withdrawn, indicating specifically if this takes place for the reason under Subsection (5) of Section 27/B. The liquidator is required to report the replacement receiver's name and home address, or contact address shown in the register of personal data and address records, including his date of birth, tax identification code and mother's birth name within five working days.

(6) If, subsequent to the appointment, the court determines that there are grounds for disqualification of the liquidator, and/or the receiver, or the appointed liquidator has been removed from the register of liquidators, or if the liquidator himself is subject to liquidation, involuntary de-registration or dissolution, the court shall dismiss the liquidator ex officio. When removed from the register, the body operating the register shall publish it by way of the means specified by the relevant legislation, and shall forthwith notify each high court of appeal and each general court by way of electronic means.

(6a) Unless otherwise provided for in this Act, in cases in progress the administrator, temporary administrator or liquidator shall not be dismissed if having satisfied the conditions set out in Subsection (2), if, however, he had not been admitted to the register of liquidators due to the limitation in the number of eligible liquidators admitted for the

tender procedure. The body operating the register of liquidators shall maintain an official public register on the liquidators covered by this Subsection, featuring the same data and information as on the liquidator admitted to the register, and shall hear the reports of such liquidators and carry out the tasks relating to their inspection. These liquidators, and their members and employees having the qualifications, skills and vocational training provided for in this Act (including the receivers they have appointed) shall be subject to the requirements set out in this Act and in the Government Decree on the Register of Liquidators, with the proviso that it shall suffice to employ one person each for compliance with the requirement of professional qualifications under Subsection (1) of Section 27/C and for the education requirement referred to in Paragraph g) of Subsection (2) of Section 27/C under contract of employment or under contract for coverage by the social insurance system.

(6b) If the court of jurisdiction in bankruptcy or liquidation proceedings dismissed the liquidator company covered in Subsection (6a) for any infringement or negligence in at least two cases inside a period of one year, or in at least three cases inside a period of two years, or if the court of jurisdiction in bankruptcy or liquidation proceedings or in local government debt consolidation procedures imposed by final ruling a financial penalty upon the liquidator company covered in Subsection (6a) for any infringement or negligence in at least three cases inside a period of two years, the liquidator company will be dismissed by that court upon receipt of notice from the body operating the official register of liquidator companies from other ongoing proceedings as well. The ruling of dismissal shall be passed within fifteen days of receipt of the notice of the body operating the official register of liquidator companies.

(6c) Any liquidator covered by Subsection (6a) shall be removed from the official register after all bankruptcy and liquidation proceedings in progress are concluded by final decision. That action shall be notified by the liquidator to the body operating the register within eight days of receipt of the final ruling. In the event of failure to comply with the obligation of notification in due time, the court may impose a fine between 50,000 to 100,000 forints upon the head of the liquidator.

(7) The court shall dismiss the liquidator, irrespective of whether a complaint is lodged or not, if it determines based on the particulars of the procedure that the liquidator has seriously or repeatedly breached the relevant legislation, including if the liquidator's dismissal is prescribed mandatory by this Act in the event of an infringement. The court shall dismiss the liquidator if he cannot be found at his registered address or branch, or if the receiver the liquidator has appointed is subject to any grounds for exclusion or any reason giving cause to conflict of interest as provided for in this Act, or if fails to withdraw the appointment of such receiver upon the subsequent emergence of such grounds. Dismissal of the liquidator may be requested on the same grounds by the creditors' select committee as well (or by the representative of creditors or any creditor in the absence of a select committee). The court shall deliver its decision on such request within eight days of receipt. Upon receipt of the ruling of first instance on the dismissal, the authority of the dismissed liquidator

shall be limited to taking, or making preparations for urgent measures, what is considered absolutely necessary for the proceedings in progress, and shall not be entitled to sell or lease out the debtor's assets, or to dispose of them in any other way. The court shall notify the body operating the register of liquidators if the liquidator is dismissed for any infringement by final resolution, and shall disclose to the body operating the register of liquidators the particulars referred to in Subsection (5a) of the acting receiver electronically within five working days. The body operating the register of liquidators shall maintain an official register on those receivers and on their particulars provided for in this Subsection. The courts and liquidators may request data from that register by way of electronic means.

(8) The court shall adopt a decision within the time limit mentioned in Subsection (7) on the dismissal of the liquidator and on the appointment of a replacement also if so requested by more than half of the creditors - for reasons other than those referred to in Subsection (7) - in each of the groups of creditors mentioned in Subsection (1) of Section 44, where the number of votes shall be calculated according to Subsection (1) of Section 44. Creditors may request the dismissal of the liquidator for reasons other than those referred to in Subsection (7) only once, within fifteen days following the first creditors' meeting.

(9) The court rulings mentioned in Subsections (6)-(8) shall contain instructions as to covering the liquidators expenses as invoiced, and also his reasonable remuneration, which may not exceed 300,000 forints, however, the court may award a higher amount in cases which are deemed particularly complex.

(10) The ruling provided for in Subsections (6) and (7)-(9) may be appealed by the dismissed liquidator and - with respect to the part of the ruling providing for the fee and expense reimbursement due to the liquidator - by the creditor within five working days, and it shall be heard in the court of second instance without delay, at the latest within eight working days. A final ruling on the dismissal of the liquidator shall not be subject to judicial review.

(10a) If the ruling on the dismissal of the liquidator is not appealed, and thus becomes final, the court of first instance shall appoint a replacement liquidator within eight days from the date when the ruling became final, or from the date when the documents are returned if the ruling becomes final as a result of the appeal.

(11) The dismissed liquidator:

- a) shall turn over to the replacement liquidator without delay
  - aa) all documents and assets of the debtor,
  - ab) an itemized list on the debtor's contracts and on proceedings in progress;
- b) shall prepare a financial statement of transfer within fifteen days, and shall - furthermore - provide a statement that the financial statement of transfer gives a true and fair view of the debtor's financial situation, and shall send the financial statement of transfer to the creditors, and to the court for approval.

(11a) In the event of non-compliance with the obligations provided for in Subsection (11), the court may impose a fine of up to 500,000 forints upon the dismissed liquidator.

(12) The appointed liquidator may not assign the execution of liquidation proceedings to any other party. The liquidator shall act on

behalf of the debtor economic operator, and shall proceed through the receiver he has appointed.

(13) The liquidator shall discharge his duties in principle using the debtor's or his own work organization, including the statutory employment of persons in possession of the qualifications required by law, in civil relationships. The liquidator may also enter into civil relationships to the extent necessary to discharge his duties:

a) for services which are not covered by the scope of expertise prescribed under specific other legislation for liquidation activities;

b) for activities which are not commonly required in connection with liquidation proceedings, or which are in excess of what is commonly required;

c) in the cases prescribed as mandatory by the relevant legislation;

d) if authorized by the court in advance at the liquidator's request in the cases not mentioned under Paragraphs a)-c).

(14) The liquidator may not involve, even in the cases defined in Paragraphs a)-d) of Subsection (13):

a) any person who is a close relative of its member, executive officer, or of the close relatives of these,

b) any organization, in which the debtor, the debtor's member or executive officer, the liquidator or its member, or the close relatives of these have exclusive or majority control.

## Section 27/B

(1) The liquidator's vested powers shall be exercised by the receiver.

(2) At the time of his appointment, the receiver shall produce official documentary evidence for the liquidator to verify that he has no prior criminal record and that he is not restrained by court order from practicing the activities of receivers or participating in the activities of liquidators.

(3) The liquidator shall have the right during the term of the receiver's appointment to request the receiver - indicating also the legal ramifications of non-compliance - to verify that he has no prior criminal record and that he is not restrained by court order from practicing the activities of receivers or participating in the activities of liquidators.

(4) If upon the request referred to in Subsection (3) above the receiver verifies that he has no prior criminal record and that he is not restrained by court order from practicing the activities of receivers or participating in the activities of liquidators, the liquidator shall reimburse the administrative service fee the receiver has paid for the procedure to obtain the official certificate from the body operating the penal register for the purpose of verification.

(5) The liquidator shall withdraw the receiver's appointment, and shall terminate his contract of employment, agency contract or - in the case of membership, his authorization to function as a receiver under assignment within the framework of personal participation - effective immediately if:

a) the receiver fails to discharge the obligation referred to in Subsection (3) within fifteen working days of the repeated request made according to regulations, and if unable to verify that such failure is



attributable to reasons beyond his control, on the sixteenth working day following the time the request was submitted subsequently; or

b) the liquidator finds based on the official certificate made out by the body operating the penal register for the purpose of verification that the receiver has prior criminal record or that he is restrained by court order from practicing the activities of receivers or participating in the activities of liquidators, on the day when this finding is delivered to the receiver.

(6) With a view to being able to verify that the receiver has no prior criminal record and that he is not restrained by court order from practicing the activities of receivers or participating in the activities of liquidators, the liquidator shall be authorized to process the receiver's personal data contained in the official certificate made out by the body operating the penal register for this purpose.

(7) The liquidator shall be authorized to process the personal data obtained under Subsections (2) and (3) until the appointment of the receiver is terminated.

(8) The person in the employ of the liquidator, holding the qualifications specified in Paragraph g) of Subsection (2) of Section 27/C, may not have prior criminal record and may not be restrained by court order from practicing the activities of receivers or participating in the activities of liquidators, or from exercising the profession for which he is trained and qualified.

(9) The person referred to in Subsection (8) - before entering into a contract with the liquidator - shall produce official documentary evidence for the liquidator to verify that he has no prior criminal record and that he is not restrained by court order from practicing the activities of receivers or participating in the activities of liquidators, or from exercising the profession for which he is trained and qualified. The liquidator shall be authorized to process the personal data of the person referred to in Subsection (8) obtained before entering into the relationship until the decision for entering into the relationship is adopted, or for the entire duration of such relationship if the decision is in fact adopted.

(10) The body operating the register of liquidators shall check in the course of a regulatory inspection as to whether the person in the liquidator's employ, referred to in Subsection (8), has no prior criminal record and that he is not restrained by court order from practicing the activities of receivers or participating in the activities of liquidators, or from exercising the profession for which he is trained and qualified. The body operating the register of liquidators shall have powers to request information from the penal register for the purpose of regulatory inspection. The data request shall be limited to the information necessary to determine as to whether the person in the liquidator's employ, referred to in Subsection (7), has no prior criminal record and that he is not restrained by court order from practicing the activities of receivers or participating in the activities of liquidators, or from exercising the profession for which he is trained and qualified.

(11) The body operating the register of liquidators shall be authorized to process the personal data obtained under Paragraph g) of Subsections (2) of Section 27/C until the conclusion of the proceedings relating to making a decision concerning the admission of the liquidator

into the register of liquidators, and the personal data obtained in the course of the regulatory inspection referred to in Subsection (10) for the duration of the regulatory inspection or until the time of receipt of the liquidator's notice referred to in Subsection (12) sent to the body operating the register of liquidators concerning the termination of the employment contract of the person mentioned in Subsection (8).

(12) If the body operating the register of liquidators finds in the course of the regulatory inspection conducted under Subsection (10) that the person in the liquidator's employ, referred to in Subsection (8), has a prior criminal record or that he is restrained by court order from practicing the activities of receivers or participating in the activities of liquidators, or from exercising the profession for which he is trained and qualified, it shall forthwith notify the liquidator thereof and request him to terminate the employment relationship within twenty-one days from the time of receipt of notice, and to notify the body operating the register of liquidators thereof.

## Section 27/C

(1) Liquidation activities may be performed by business associations only if having at least two persons in their employ either as members who participate in liquidation activities in person, or under employment or under long-term civil relationship concluded with the company, and if these persons act on behalf and to the benefit of the company and if they have the required training in the field of liquidation and property administration (hereinafter referred to as "professional qualifications"). As regards the professional qualifications the body operating the register of liquidators shall be entitled to obtain the specialist authority's assessment decision. A person with professional qualifications may be employed by not more than three business associations engaged in liquidation activities.

(1a) The person having the professional qualifications referred to in Subsection (1) shall attend a course of continuing professional training of at least two years, and shall present the certificate thereof to the liquidator.

(2) A business association may be admitted into the register of liquidators if:

a) it has no unpaid, outstanding tax debts or public dues of any kind, or has been granted deferral or payment by instalment if it has any such debt;

b) it has the guarantees, and it meets the requirements decreed by the Government in terms of form of organization and other detailed conditions;

c) it is not subject to any involuntary de-registration or involuntary dissolution, or any stay of payment, liquidation or dissolution ordered by final ruling and pending at the time the application is submitted;

d) it is not a member of a business association with unlimited liability;

e) it agrees in writing for the disclosure of data in the register, and supplies information in this respect simultaneously with the application for admission into the register, and with the declarations of consent of the private individuals affected by the disclosure of such

data attached;

f) it agrees in writing to notify the body operating the register in writing concerning the data and conditions referred to in Paragraphs a)-e) of this Subsection and in Subsection (4) and any changes therein, and of the circumstance mentioned in Subsection (3) within five days following the effective date of the change or occurrence, and shall - furthermore - publish on its website the name, registered office and registered number of those economic operators where it previously served as a liquidator, temporary administrator, administrator, receiver or financial trustee, including the date of the beginning and the end of such appointments, and including the name and official mailing address of the person, having the professional qualifications provided for in this Act, delegated to serve as a receiver or to carry out the activities of the administrator;

g) it verifies that it employs at least two persons with professional qualifications in the field of liquidation and property administration each, as well as an economist, a lawyer who has taken the bar examination, and a certified auditor registered by the Magyar Könyvvizsgálói Kamara (Chamber of Hungarian Auditors) with an auditor's certificate under contract of employment with the exception of auditors.

(2a) As regards the persons referred to in Paragraph g) of Subsection (2), the original or a certified copy of the official certificate described in Subsection (9) of Section 27/B shall be provided to verify that they are not subject to the factors specified in Subsection (8) of Section 27/B.

(3) Liquidators admitted into the register of liquidators:

a) may not engage in real estate agency, lending and factoring activities (hereinafter referred to collectively as "incompatible activity");

b) may not have majority control in another legal person that is engaged in any incompatible activity;

c) may not engage in any conduct or activity in and outside their official capacity that may disturb public confidence in liquidators in general, and that may impair their ability to carry out the liquidation activities in an impartial and unbiased way.

(3a) The liquidator shall check whether the receiver is subject to any of the reasons for disqualification, or engaged in the pursuit of any activity covered by prohibition under this Act.

(3b) Any involvement in wholesale and retail trade activities, leasing or renting of real estate property, real estate management, operative and financial leasing activities, security services, filing services and storage operations shall, in particular, be construed to impair the impartiality under Paragraph c) of Subsection (3).

(4) The register of liquidators shall be treated as an official public register. The register shall indicate:

a) the liquidators'

aa) name, postal and electronic mail address,

ab) registered address, place of business and branch (area of competence),

ac) payment account number used in online electronic distribution systems, and the name and address of the payment service provider where such account is maintained;

b) the name and address of the managing directors, the chairman of the

supervisory board, and the auditors of liquidators;

c) the liquidators' principal activities and any other activities specified in their charter document according to the nomenclature published by the Központi Statisztikai Hivatal (Central Statistical Office);

d) the name (corporate name) and home address (registered office) of all members (shareholders) of liquidators with direct or indirect holding in the company, or - if the liquidator is incorporated as the Hungarian branch of a foreign-registered liquidator, the name (corporate name), registered office and register number of such foreign-registered liquidator, the number of the authorization for the pursuit of liquidation activities, and the issuer and the date validity of such document;

e) the name, registered office and register number of the legal person or unincorporated business association in which the liquidator business association has any direct or indirect holding;

f) the following particulars of persons with professional qualifications, economists, lawyers who have taken the bar examination, and certified auditors registered by the Magyar Könyvvizsgálói Kamara (Chamber of Hungarian Auditors) with an auditor's certificate in the business association's employ:

fa) natural identification data, home address or contact address registered in the register of personal data and address records,

fb) professional skills,

fc) practical experience of those with professional qualifications, and the number of the certificate in proof of compliance with the requirement of continuous development provided for in Subsection (1a),

fd) register number;

g) the electronic mail addresses, used only at the given liquidator, of the persons employed by the liquidator business association, who have the required training in the field of liquidation and property administration.

(4a) The data contained in the register of liquidators, and in the official registers provided for in Subsection (6a) of Section 27/A and Subsection (6) of Section 66 on liquidator companies shall be considered public information.

(5) The body operating the register shall impose a fine upon the head of the liquidator company between 30,000 and 400,000 forints:

a) for supplying any data that is false or untrue or any falsified document, for making a statement that is false or untrue;

b) for breaching the restrictions specified under Subsection (3);

c) for failure to comply with the obligations set out in Paragraph f) of Subsection (2) in due time, or for late compliance;

d) for failure to fulfill the additional commitments undertaken in the application for admission into the register of liquidators, despite of warning; or

e) for any breach of

ea) statutory data disclosure, reporting obligations,

eb) the legal obligation to provide financial security, and/or

ec) lawful obligations relating to the use of the electronic distribution system.

(5a) The body operating the register of liquidators may not impose a

fine after one year past the date on which the behavior constituting the infringement came to the attention of the body operating the register of liquidators.

(6) The body operating the register of liquidators shall remove a liquidator company from the register:

a) in cases identified as grounds for removal by definition of this Act;

b) upon the liquidator company's dissolution without succession;

c) if the president of general court determines upon receipt of warning from an administrative body, notice from the representative organization of liquidators, upon gaining direct knowledge or by way of regulatory inspection that

ca) the liquidator company failed to meet the requirements for admission into the register after a fine was imposed, or

cb) the liquidator company failed to comply with the obligation of notification, data disclosure, reporting provided for in this Act or in the Government Decree on the Register of Liquidators after a fine was imposed;

d) at the court's initiative, upon the liquidator company's repeated or serious infringements of the law, as declared by final decision;

e) if the liquidator company so requests;

f) at the conclusion of setting up a new register, by way of the means provided for in Subsection (7), if the liquidator company is not admitted to said new register;

g) if the liquidator company submitted any document that contains false information in a tender procedure to the tender evaluating body, or made a false statement for which he may be held accountable;

h) if the liquidator company submitted any document that contains false information to the body operating the register of liquidators after a fine was imposed, or made a false statement for which he may be held accountable;

i) if the liquidator company was dismissed in bankruptcy proceedings or liquidation proceedings by court order

ia) on at least two occasions within one year, or

ib) on at least three occasions within two years due to infringement or negligence;

j) for failure to fulfill the additional commitments the liquidator company has undertaken in the application for admission into the register, after a fine was imposed;

k) if the court of jurisdiction in bankruptcy or liquidation proceedings, or in local government debt consolidation procedures imposed a fine upon the liquidator company for any serious or repeated infringement or negligence in at least three cases inside a period of two years by final ruling;

l) if the liquidator company failed to pay the network access fees payable by the sellers according to the Government Decree on the Sale of Debtors' Assets in Liquidation Proceedings by Electronic Selling, despite having been asked to do so;

m) upon the liquidator company's repeated or serious infringement - after being fined - of its obligations stemming from the use of the electronic selling system.

(7) Once the last decision adopted in conclusion of proceedings for setting up a new register becomes definitive, the body operating the

register of liquidators shall immediately bring a decision on the removal from the register of those liquidator companies which have not been admitted to the new register. Said decision shall inter alia indicate if admission to the new register was refused on the grounds of non-compliance with statutory requirements or due to the limitation in number. The date of removal from the register shall be identical to the effective date of the new register.

(8) The body operating the register of liquidators shall send the definitive decision on removal from and/or admission to the register without delay to the operator of the computer system supporting the random electronic selection process provided for in the Decree on the Rules Relating to the Designation of Temporary Administrators, Liquidators and Administrators Using a Random Electronic Selection Process, and shall forward it to the operator of the selling system provided for in the Government Decree on the Sale of Debtors' Assets in Liquidation Proceedings by Electronic Selling.

(9) The body operating the register of liquidators shall remove the liquidator company from the official register maintained according to Subsection (6a) of Section 27/A where the grounds for removal under Subsection (6) apply, excluding the grounds for removal referred to in Paragraphs f) and j) of Subsection (6) hereof.

(10) The official register on liquidator companies that were refused admission to the register of liquidators pursuant to Subsection (6a) of Section 27/A, which, however, are active in ongoing cases shall be governed by the relevant provisions of this Act and the Government Decree on the Register of Liquidators on maintaining registers and on related data disclosures, on the reporting obligations of liquidator companies, including the presentment of such reports, on the regulatory inspection of liquidator companies, their removal from the official register, and on the notification of judicial authorities on their removal from the register.

## Section 27/D

(1) The body operating the register of liquidators is an independent unit of the ministry of the minister vested with powers to oversee state property, it shall carry out its regulatory functions independently from all other organs, and it may not be instructed in the regulatory proceedings for which it is competent.

(2) The body operating the register of liquidators is vested with nationwide jurisdiction. The time limit for processing cases for admission into the register of liquidators, conferred under the powers and responsibilities of the body operating the register of liquidators, shall be two months. In connection with admission into the register of liquidators and with maintaining the register of liquidators and other registers conferred under its competence, the body operating the register of liquidators shall communicate with clients and other parties to the proceedings in writing. Applications shall be submitted in writing, using the standard printed form prescribed by the body operating the register of liquidators for that purpose.

(3) There shall be no summary proceeding in connection with:

- a) admission into the register of liquidators; and
- b) the marketability of any real estate property affected by

environmental burden.

(4) In the case under Paragraph a) of Subsection (3) a request for remedying deficiencies may be issued on not more than two occasions.

(5) The body operating the register of liquidators may suspend proceedings pending before it if the professional resolution of the minister in charge of environmental protection has to be obtained for the purpose of consent for the disposition of any asset affected by environmental burden.

(6) The administrative time limit for proceedings for admission into the register of liquidators shall commence on the next day when the evaluation report of the evaluation committee of applications is delivered to the authority. Such proceedings may not be stayed.

(7) At the client's request the body operating the register of liquidators shall issue an official certificate on the data contained in the register of liquidators under Subsection (4) of Section 27/C, or in the official register provided for in Subsection (6a) of Section 27/A and Subsection (6) of Section 66.

(8) The body operating the register of liquidators shall perform inspections on a regular basis within the framework of regulatory proceedings under the Government Decree on the Register of Liquidators.

(9) In proceedings falling within the powers and responsibilities of the body operating the register of liquidators, the client's statement shall not be admissible as a substitute for any unavailable evidence, with the exception of data disclosures and periodic reports provided for in the Government Decree on the Register of Liquidators.

(10) The body operating the register of liquidators shall record changes in the official register immediately after the decision becomes definitive.

(11) The body operating the register of liquidators may enter into an administrative agreement with the client with a view to reaching a settlement in cases within its competence that is best suitable for the public and for the client alike.

(12) The body operating the register of liquidators shall adopt a formal resolution on changes in the official register.

(13) The court may not overturn a decision adopted in proceedings for admission into the register of liquidators.

## Conduct of Liquidation Proceedings

### Section 28

(1) Upon the ruling ordering liquidation of a debtor becoming final, the court shall without delay appoint the liquidator and shall order to have the abstract of the ruling ordering liquidation and the ruling on the appointment of the liquidator published in the Cégközlöny (Company Gazette). Publication in the Cégközlöny shall take place in the form of display on the website of Cégközlöny, updated on a daily basis.

(2) The notice published shall contain:

- a) the name of the court and the case number;
- b) the debtor's name, registered office, registered number and tax number, the names, registered offices and registration numbers of those

economic operators in which the debtor has exclusive or majority control, and if succession has taken place within two years prior to the publication of the proceedings, the name, registered office, registration number and tax number of the predecessor shall also be indicated;

c) the date of filing the petition for the opening of the liquidation proceedings;

d) whether bankruptcy proceedings took place before the liquidation proceedings;

e) an indication that the time of the opening of liquidation proceedings coincides with the day of publication of the final ruling ordering liquidation on the website of Cégközlöny;

f) the notice sent to the creditors [including the lien holder, holder of the subordinated liens, and the lien holder's agent - as regards the latter also in the case if said claim is not accrued, or not exclusively accrued to the lien holder's agent - as well as the right-holders affected by any collateralized option to buy or the assignment of a right or claim by way of a guarantee, registered in the collateral register or the real estate register, furthermore, the holders of contingent claims mentioned in Paragraph g) of Subsection (1) of Section 3] to report their known claims - other than the ones already notified and registered during bankruptcy proceedings conducted immediately before the liquidation proceedings [Paragraph e) of Subsection (2) of Section 27] - to the liquidator within forty days of publication of the ruling ordering liquidation;

g) the name and registered office of the liquidator, his registered contact detail for electronic communication under Section 14 of Act CCXXII of 2015 on the General Rules for Trust Services for Electronic Transactions, his tax number, and the receiver's name and home address, or contact address shown in the register of personal data and address records, including his date of birth, tax identification code and mother's birth name;

h) the number of the special account referred to in Subsection (7) of Section 46;

i) if the debtor is a single member company, the name and home address (registered office) of the founder (member, shareholder);

j) other relevant facts.

(3) In liquidation proceedings opened pursuant to Paragraph d) of Subsection (2) of Section 27 creditors shall be able to notify their claims notified, recognized or uncontested during previous bankruptcy or liquidation proceedings which they were unable to recover.

(4) Sums transferred to debtor's account by mistake need not be notified as a creditor's claim. The liquidator shall take immediate action to have such sums refunded.

(5) Within fifteen days following publication of the ruling ordering the liquidation of a debtor in the Cégközlöny (Company Gazette), the payment service provider and the investment service provider carrying the securities account shall inform the liquidator by way of electronic means if they carried, or still carry, a payment account, securities account for the debtor within five years preceding the date of publication of the ruling ordering liquidation, or if they held or if they are holding any funds of the debtor as provided for in Subsections



(3) and (4) of Section 7 of Act LIII of 1994 on Judicial Enforcement. Following completion of the identification procedure under Section 7 and Subsection (9) of Section 13 of Act LIII of 2017 on the Prevention and Combating of Money Laundering and Terrorist Financing at the payment service provider, investment service provider, the receiver shall be entitled to request information about the debtor's assets held at the payment service provider, investment service provider. The payment service provider, investment service provider shall provide said information to the liquidator free of charge, by way of secure electronic communication in accordance with Section 58 of Act CCXXII of 2015 on the General Rules for Trust Services for Electronic Transactions, within fifteen days.

## Section 29

(1) The court shall notify the following bodies when ordering liquidation:

- a) the state tax and customs authority;
- b) the municipal tax authority competent for the place where debtor's registered office and branch (business establishment) is situated;
- c) the health insurance agency and pension insurance administration agency competent for the place where debtor's registered office is situated;
- d) the government employment agency;
- e) the environmental protection authority and the occupational safety and health authority;
- f) the court's Financial Administration Office;
- g) the archives competent for the place where debtor's registered office is situated;
- h)
- i) the authority that issued the foundation and/or the operating permit, if the debtor is engaged in the pursuit of any activity for which a foundation or operating permit is required.

(2) Relying on information from the title deeds obtained by the liquidator, the court shall contact the real estate supervisory authorities of competence to have the liquidation entered in the real estate register, and to have the change in the debtor's name recorded. The request shall be sent via the real estate supervisory authority delegated by the Government, accompanied by the full address and description of the property in question (municipality, land register reference number), and the ownership ratio to be registered, including an indication of the liquidation proceedings.

(3) Any other liquidation proceedings instituted against the debtor shall be terminated ex officio within fifteen days from the time of the opening of liquidation proceedings; if the debtor has not yet been notified in the other proceedings, the application for the opening of liquidation proceedings shall be rejected.

## Section 30

(1) The liquidator shall consult public registers electronically for the purpose of obtaining information relating to the debtor's assets.

The requested bodies shall comply with such requests within fifteen days by way of electronic means, free of charge and free of duty or fee.

(2) In the application of Subsection (1), data relating to the land register reference numbers of real estate properties where the debtor is shown in the register as the beneficiary or the obligor of a right or fact shall be made available from the electronic real estate registration database free of charge.

(3)

## Section 31

(1) The head of an economic operator under liquidation shall be required to:

a) prepare a closing inventory, annual accounts or simplified annual accounts (hereinafter referred to collectively as “final statement of accounts”), as well as a closing balance sheet and a tax return following the distribution of profit as of the day preceding the time of the opening of liquidation proceedings, and shall present them to the liquidator and the tax authority within thirty days following the time of the opening of liquidation proceedings, and shall - furthermore - provide a statement that the final statement of accounts, or the closing balance sheet prepared following the distribution of profit gives a true and fair view of the debtor’s financial situation, together with another statement showing any major changes in the debtor’s financial situation since the time the said statement of accounts had been adopted;

b) prepare a list of the documents that may not be discarded, and deliver such documents, as well as archive materials to the liquidator within thirty days following the time of the opening of liquidation proceedings at the latest, together with the assets according to an itemized inventory, and shall provide information within the same time limit regarding pending affairs, and declare to have delivered all assets and documents as required;

c) provide a statement to the liquidator and the environmental protection and nature conservation authority within fifteen days from the time of the opening of liquidation proceedings as to whether there are any environmental damages or environmental hazards remaining that may result in penalties or other payment obligations, and expenses connected with the cleanup of such damage;

d) disclose information to the liquidator regarding all transactions referred to in Subsection (1) of Section 40;

e) inform without delay the employees, cooperative members, as well as the trade unions defined in Section 270 of the Labor Code and the workers’ councils (shop stewards) defined in Chapter XX of the Labor Code regarding the opening of liquidation proceedings;

f) inform the beneficiaries of the claims specified in Paragraph c) of Subsection (1) of Section 57 regarding the opening of liquidation proceedings within fifteen days from the time of opening;

g) provide information at the liquidator’s request concerning the debtor’s activities and relating to the placement of assets prior to going into liquidation, and to assist the liquidator in his activities;

h) notify the service provider carrying the debtor’s securities

account and the service provider managing the debtor's other money-market instruments concerning the ordering of liquidation proceedings within three working days following the order of liquidation, as well as the creditors holding a lien, right of enforcement and collateral, and shall verify compliance with the notification requirement to the liquidator;

i) inform the liquidator about fulfilling the obligation of establishing provisions as required under Subsection (5) of Section 26;

j) provide an inventory, supported by documentary evidence, of property and other assets controlled by the economic operator to the liquidator within thirty days after the time of the opening of liquidation proceedings, which are not construed to comprise the economic operator's assets pursuant to Section 4, and shall make them available for the liquidator.

(2) The head of the economic operator shall comply with the obligations prescribed in Paragraph b) of Subsection (1) in observation of the regulations for the protection of classified information, and the regulations on the protection of rights relating to personality.

(3) The liquidator may enter any of the debtor's premises and search and inspect any of the debtor's assets. The debtor must comply with the liquidator's request for opening any locked rooms and areas, objects (furniture and other property of the like) without delay, and shall reveal the existence and whereabouts of assets.

## Section 32

## Section 33

(1) The head of an economic operator may be subject to a fine of up to 50 per cent of his income received from the economic operator in question in the year preceding the time of the opening of liquidation proceedings, or up to 2,000,000 forints if his income cannot be determined, for any breach of the obligations defined in Section 31 or for any failure to comply with such obligations in due time, for providing any false information or for his failure to cooperate with the liquidator. The fine may be imposed even if the said person is no longer in the employment of or under any work-related contractual relationship with the debtor, or is no longer a member, executive officer or director of the debtor. In the event if the head of the economic operator fails to discharge his obligation defined in Section 31 and/or fails to cooperate with the liquidator, the liquidator shall have the right to have the documents delivered by a court bailiff in accordance with Section 31/D of Act LIII of 1994 on Judicial Enforcement.

(1a) If the location of any company asset is unknown and the head of the economic operator is unable to give any information as to the whereabouts of the asset or does not cooperate with the liquidator, the court shall put out a search order for locating the asset in question. The court shall revoke the search order when the cause for ordering the search no longer exist.

(2) The executive referred to in Subsection (1) above may be ordered by the court to cover the costs of the specialist contracted by the

liquidator to perform the duties defined in Section 31, and the costs where process is served by a court bailiff according to specific other legislation, including the costs of asset search orders. A warning for compliance with the obligation and for the imposition of a financial penalty, and the ruling on imposing the penalty specified in Subsection (1) and on the reimbursement of expenses shall be sent to the member (shareholder) holding majority control in the debtor economic operator - or the member in the case of single-member companies and sole proprietorships or the nonresident owners of Hungarian branches - at the time the actionable conduct or omission underlying the financial penalty took place. The aforesaid member or the nonresident business association shall guarantee payment of the penalty if it cannot be recovered. Nonresident business associations may not satisfy their payment obligation arising from the said guarantee from the assets made available to the branch.

(3) If the expert commissioned by the liquidator finds any discrepancies in the debtor's accounting records or any disagreement between the balance sheet, the ledger accounts, the general ledger and the analytical records, the liquidator shall be duly informed thereof in writing without delay.

(4) The liquidator shall report any criminal acts he has discovered, including the name of the perpetrator if known, in writing to the authority of competence for the purpose of prosecution.

(5) If the head of the economic operator fails to comply with the requirement of notification under Paragraph h) of Subsection (1) of Section 31, the liquidator shall do so in his stead.

### Section 33/A

(1) Any creditor or - in the debtor's name - the liquidator may bring action during the liquidation proceedings before the court having jurisdiction in accordance with Section 6 to establish that the former executives of the economic operator failed to exercise their management functions in the interests of creditors in the span of three years prior to the opening of liquidation proceedings in the wake of any situation carrying potential danger of insolvency, in direct consequence of which the economic operator's assets have diminished, or providing full satisfaction for the creditors' claims may be frustrated for other reasons. In the application of this Subsection creditors' interests shall be considered to have been ignored if the manager failed to fulfill the obligations set out by law relating to the prevention of environmental damage or the seizure of environmental offenses, or concerning remediation, in consequence of which providing full satisfaction for the creditors' claims may be frustrated. If damage is caused by several persons together their liability shall be joint and several.

(2) Any person with power to influence the decision-making mechanisms of the economic operator shall also be considered an manager of the economic operator.

(3) A situation is considered to carry potential danger of insolvency as of the day when the executives of the economic operator were able to foresee, or had reasonable grounds to foresee as is expected from

persons in such positions, that the economic operator will not be able to satisfy its liabilities when due.

(4) A manager who is able to prove of not having undertaken any business risk that may be considered unreasonable in light of the debtor's financial position, or to have taken all measures within reason, that is to be expected from persons in such positions, upon the occurrence of a situation carrying potential danger of insolvency so as to prevent and mitigate the losses of creditors, and to prompt the supreme body (decision-making body) of the debtor economic operator to take action, shall not be held responsible.

(5) Where a manager failed to perform or improperly performed - for reasons within his control - the requirement prior to the opening of liquidation proceedings of having to deposit and publish the economic operator's annual accounts (consolidated annual accounts) in accordance with specific other legislation, or failed to comply with the obligations to draw up the reports and accounts described in Paragraphs a)-d) of Subsection (1) of Section 31, and to have the relevant documents and assets delivered, and - furthermore - to provide information, the burden of proof that no situation carrying potential danger of insolvency has occurred during his tenure as manager, or if such situation has in fact occurred, he has performed his management functions in due consideration of the interests of creditors lies with such manager.

(6) The liquidator shall be liable to inform the creditors concerning the circumstances and information referred to in Subsection (1), and on bringing actions.

(7) The court shall reject the action brought according to Subsection (1) if a final judgment has already been delivered in the declaratory action in relation to the same manager for the same actions, or if the action is pending, but the hearing after which the judgment at first instance was delivered has already been adjourned.

(8) If the action was brought by a creditor and it was not rejected by the court, the court shall notify the liquidator about the action with the statement of claim attached.

(9) In the proceedings referred to in Subsection (1) the provision of security may also be demanded with a view to providing satisfaction for the creditors' claims. In the motion for the provision of security the circumstances underlying the cause for requesting security shall be established. The security may be provided in the form of cash deposited to a safe custody account at the court's financial administration office. The statement of claim - with an indication of the possibility of intervention - and the motion for the provision of security, as well as the resolutions adopted in the proceedings shall be sent to the member (shareholder) holding majority control in the debtor economic operator - or the member in the case of single-member companies and sole proprietorships or the foreign owners of Hungarian branches - in the share percentage specified during the period referred to in Subsection (1). The court shall rule on the motion for the provision of security on a priority basis. The ruling on the motion for the provision of security may be appealed separately. The appeal shall be heard without delay, within not more than fifteen days. The aforesaid member or the foreign-registered company shall guarantee payment of the security if it cannot be recovered from the manager affected. The foreign-registered company

may not satisfy the payment obligation arising from the said guarantee from the assets made available to its branch.

(10) If the court declare an action brought according to Subsection (1) to be inadmissible by final decision, and at the time the ruling closing the liquidation proceedings was adopted there is no action brought according to Subsection (1) pending against the same manager for any other conduct, the court shall release the security provided for in Subsection (9) of its own motion within fifteen days.

(11) Within a ninety-day limitation period following the time of publication in the Cégközlöny (Company Gazette) of the resolution on the final conclusion of liquidation proceedings any creditor may bring action before the court having jurisdiction in accordance with Section 6 for ordering the manager of the debtor's former manager, whose liability was established in the action under Subsection (1) hereof, for satisfying its claim registered in the liquidation proceedings, that were not recovered in such proceedings, up to the extent of loss suffered.

(12) If a final decision in the declaratory action referred to in Subsection (1) is not adopted by the final conclusion of liquidation proceedings, the preclusive period of ninety days shall commence on the day that follows the day when the final court ruling is adopted.

(13) Where an action for injunction under Subsection (11) or Subsection (12) hereof is initiated by two or more creditors, the court shall join such cases and, if judgment is for the creditors, shall provide for proportionate satisfaction of the creditors' claims without applying the order of satisfaction prescribed in Section 57, and the security provided under Subsection (9) hereof shall be distributed to cover the creditors' claims in accordance with this Subsection.

(14) In accordance with Subsection (2) of Section 3:86, Section 3:118, Subsection (3) of Section 3:347 of the Civil Code, and Act LIII of 1995 on the General Rules of Environmental Protection, the civil liability of executive officers shall be determined, pecuniary compensation may claimed under tortious liability under the provisions of this Section, if dissolution of the legal person without succession is ordered in the liquidation proceedings.

## Section 34

(1) The rights of the owner(s) of an economic operator, as defined in other regulations, shall cease as of the time of the opening of liquidation proceedings.

(2) As of the time of the opening of liquidation only the liquidator shall be authorized to make any legal statements in connection with the assets of the economic operator. As of the time of the opening of liquidation the name of the debtor company shall be appended by the words "felszámolás alatt" (under liquidation) or in the abbreviated form "f. a.". The liquidator shall advise the payment service providers carrying the debtor's accounts concerning the final ruling on his appointment, including his authentic and reliably verified signature.

(3) The liquidator shall, upon request, furnish the representative of the organizations defined in Subsection (1) of Section 8 with information disclosing the name(s) of creditor(s) filing any claims and

the amount of the claims, and whether he has acknowledged these claims and - if yes - how they have been classified, as well as information on the amounts and the beneficiaries of the claims specified in Paragraphs a) and c) of Subsection (1) of Section 57. The power of attorney for representation shall be submitted to the liquidator in the form of an authentic instrument or a private document with full probative force.

### Section 35

(1) All debts of the economic operator shall be deemed payable (due) at the time of the opening of liquidation proceedings.

(2) For pecuniary debts, the following can be enforced:

- a) contractual interest up to the date of the original due date; and
- b) default interest and late charges, as well as surcharge and penalty and similar claims from the original due date through the date of settlement, or up to the closing date of the final liquidation balance sheet at the latest.

### Section 36

(1) In a liquidation proceeding, with regard to the debtor's claims, right of setoff may be exercised only with respect to such creditor's claims which have been registered by the liquidator as acknowledged and have not been assigned subsequent to the date when the court received the petition for opening liquidation proceedings, or, if the claim has occurred at a later date, subsequent to its occurrence. If performance is affected after the time of the opening of liquidation proceedings, the creditor may not exercise the right of setoff with regard to debts assumed under Section 6:203 of the Civil Code, or undertaken under Section 6:206 of the Civil Code inside a period of two years prior to the date when the court received the petition for opening liquidation proceedings, or subsequently, nor with regard to performance assumed under Section 6:205 of the Civil Code. The executive officers and senior management of the debtor economic operator, their close relatives and their domestic partners, furthermore, any member (shareholder) of the economic operator with majority control over the debtor or the economic operator in which the debtor has majority control (or the member in the case of single-member companies, the owner in the case of sole proprietorships, or the foreign-registered company in the case of Hungarian branches) may not set off their claims against the debtor.

(2) In connection with an agreement for close-out netting concluded prior to the time of the opening of liquidation proceedings, the creditor shall notify this net claim to the liquidator, and the liquidator shall enforce this net claim. When calculating the amount of net claim under a close-out netting provision, the principal transaction date shall in all cases precede the deadline specified by the parties to the agreement, or that prescribed under Paragraph f) of Subsection (2) of Section 28 or pursuant to specific other legislation for the filing of creditors' claims.

### Section 37

(1) The liquidator shall register the claims against the debtor which are notified after forty days, but within one hundred and eighty days of the publication of the opening of liquidation proceedings. These claims shall be satisfied - except for a composition agreement - if there are sufficient funds remaining following the settlement of the debts specified in Subsection (1) of Section 57. The general rules on the order of satisfaction (Sections 57-58) shall apply to the creditors notifying their claims past the prescribed time limit. If the lien holder notifies his claim within forty days, the liquidator shall take action upon receiving the notice to have the claim satisfied according to Section 49/D. If the lien holder fails to notify his claim within forty days, this shall not prevent the sale of the pledged property, however, the proceeds shall be handled separately and the lien holder shall be satisfied - except for a composition agreement - if there are sufficient funds remaining following the settlement of the debts specified in Subsection (1) of Section 57.

(2) In respect of claims, which are incurred in the process of liquidation and which are not qualified as liquidation expenses, if the final liquidation balance sheet has not yet been submitted, creditors' claims shall be notified to the liquidator within forty days following the date when the claim falls due, and the liquidator shall register the claim among the creditors' claims duly submitted within the time limit set out in Paragraph f) of Subsection (2) of Section 28. Registration and satisfaction of claims submitted after the forty-day period, but within one hundred and eighty days before the final liquidation balance sheet is submitted, shall be subject to the provisions contained in Subsection (1).

(3) In the cases set out in Subsections (1) and (2), failure to observe the time limit of one hundred and eighty days shall constitute forfeiture of rights.

(4) Of the claims falling due at the time of conclusion of the liquidation proceedings, the liquidator shall register the absentee pay payable to employees under Subsection (3) of Section 70 of the Labor Code upon the dissolution of the economic operator without succession, the severance pay specified in Subsections (3)-(4) of Section 77 of the Labor Code, and the other payments due in connection with employment relationships among creditors' claims regardless of whether or not a notice of claim had been filed, and shall satisfy them according to the general rules on the order of satisfaction (Sections 57-58).

## Section 38

(1) Judicial enforcement proceedings in progress against the debtor at the time of the opening of liquidation proceedings in connection with any assets realized in liquidation shall be abated forthwith by the court (authority) ordering the enforcement, and the assets seized and the funds yet unpaid, remaining after deducting the costs of the enforcement proceeding, shall be transferred to the appointed liquidator. The right of enforcement on the debtor's real estate property or any asset registered by a court or authority, if any, shall cease at the time of the opening of liquidation proceedings. The liquidator may lodge a demurrer in accordance with the provisions of



specific other legislation contesting the charges made according to the enforcement tariff schedule. The court shall send its final ruling ordering liquidation to the court (authority) ordering judicial enforcement or, if known, to the court (authority) carrying out the enforcement proceeding; the court (authority) ordering judicial enforcement shall notify the court (authority) carrying out the enforcement proceeding concerning the opening of liquidation proceedings.

(2) Judicial and non-judicial proceedings opened prior to the time of the opening of liquidation proceedings shall continue before the same court. Proceedings, initiated prior to the time of the opening of liquidation proceedings in order to enforce money claims, shall not exempt creditors from fulfillment of the obligations set out in Paragraph f) of Subsection (2) of Section 28 and in Subsection (7) of Section 46. In the event the creditor loses the lawsuit, any payment made on the basis of Subsection (7) of Section 46 - upon request by the creditor - shall be refunded within thirty days. In the event the creditor loses the lawsuit partially, the amount in excess of that paid according to the awarded claim - upon request by the creditor - shall be refunded within thirty days.

(3) From the time of the opening of liquidation proceedings, any pecuniary claim against the economic operator in connection with any assets to be liquidated may only be enforced in the framework of liquidation. The creditor - in the proceedings brought by the economic operator - may enforce his claim existing at the time of the opening of liquidation proceedings against the economic operator as a setoff claim, provided however, that the beneficiary of the claim was the same creditor at the time of the opening of liquidation proceedings as well.

(4) The prohibition of alienation and encumbrance in respect of the debtor's real estate property and other assets shall cease at the time of the opening of liquidation proceedings, while any option of redemption or option to buy, as well as mortgage right shall cease upon the sale of the asset in question. The right of preemption shall cease to exist if the holder of the right of preemption fails to exercise his right of preemption, or if not allowed to do so in accordance with this Act. In the event the person holding an option of redemption or option to buy buys the assets by way of unilateral statement after the time of the opening of liquidation proceedings, he may not exercise setoff against the debtor. The ensuing cancellation from the register of real estate properties shall be performed, based on the deed of sale or sales contract, at the request of the liquidator by the real estate supervisory authority or other organization where the mortgage is recorded.

(5) If the debtor provides financial collateral under a financial collateral arrangement to secure a claim before the time of the opening of liquidation proceedings, the collateral taker shall be able to realize this financial collateral directly, irrespective of whether liquidation is opened or not, and shall refund any excess collateral to and settle accounts with the liquidator. If the collateral taker fails to exercise his right to direct satisfaction within three months following publication of the opening of liquidation, he may seek satisfaction as lien holder in accordance with the regulations set out in Section 49/D. If the collateral taker is under the debtor's majority

control, he shall release the financial collateral to the liquidator - acting as the representative of the debtor - upon publication of the notice of liquidation, and the liquidator shall then proceed according to the financial collateral arrangement and shall pay the collateral taker past the time limit for avoidance referred to in Section 40 only if the arrangement between the collateral taker and the debtor has not been contested.

(5a) Where

a) the transfer of an unregistered right or the assignment of the claim by way of a guarantee is stipulated in security for any liability of the debtor, or an unregistered movable property, right or claim is pledged in the form of a buy option, and the statement of acquisition is entered into the collateral register before the liquidation proceeding was initiated, or

b) the holder of the buy option that was registered in the real estate register before the liquidation proceeding was initiated is able to evidence that the option was fixed by contract in security for his monetary claim,

the right-holder or the holder of the buy option shall be able to call such collateral in the liquidation proceedings in accordance with the regulations applicable to lien holders. If a lien has been filed on an asset and that same asset is also subject to assignment by way of a guarantee or pledged in the form of a buy option under Paragraph a) or b), the order of satisfaction shall be enforced based on the date when the lien was filed or when the assignment or buy option was registered.

(5b) The holder of the collateralized option to buy shall have sixty days from the time of the opening of liquidation proceedings to declare his intention to buy the asset in question. In that case, the procedure for the exercise of the right of preemption shall also apply if the asset is sold during the course of the liquidation proceedings.

(6) The liquidator shall forthwith provide for the arrangement and safeguarding of the debtor's document files, including the documents made available by the head of the debtor as provided for in Section 31.

(7) The liquidator shall contract the services of a service provider who submitted the most economically advantageous offer on the aggregate for the arrangement, handling, storage and safeguarding of the debtor's document files, for safeguarding assets and keeping them in good repair, and for providing property valuation services. The liquidator shall not award the contract for such services to a company in which the liquidator, the liquidator's any executive officer, receiver or a close relative thereof holds exclusive or majority interest, or to a private entrepreneur who is the executive officer of the liquidator, the receiver or a close relative thereof. The liquidator shall document the criteria for selecting the service provider and for laying down the contents of the contract to be concluded with such service provider.

(8) The liquidator shall release the assets surrendered by the executive officer in accordance with Paragraph j) of Subsection (1) of Section 31 to the beneficiary specified by law within thirty days from the date of delivery of the inventory made on such assets to the liquidator, in the manner provided for by law.

(1) The court shall ex officio suspend the liquidation proceedings if it was opened on account of a claim that has already been seized by means of sequestration carried out in criminal proceedings to secure another claim, and - in consequence thereof - the amount claimed has been paid to the bailiff's deposit account. The ruling on the suspension shall be adopted within five days upon receipt of notice of payment made to the bailiff's deposit account. An appeal filed against such ruling shall have no suspensory effect.

(2) Suspension of the liquidation proceedings shall remain in effect insofar as the enforcement order made out upon the resolution on lifting the sequestration in criminal proceedings or the final peremptory decision awarding the claim secured by means of sequestration in criminal proceedings is delivered to the court.

(3) Having the liquidation proceedings suspended shall have no bearing on the liquidator's obligations, and shall not affect the application of Subsections (1) and (2) of Section 38, and Section 40, except for the execution of the criminal attachment. During the period of suspension the court may hear cases of complaints lodged against any allegedly unlawful action or negligence of the liquidator.

(4) During the period of suspension the liquidator shall be allowed to liquidate any of the debtor's assets only if authorized by the court hearing the liquidation proceedings and only to avoid or prevent losses, to the extent thereof, and shall manage the proceeds received in a manner not to jeopardize payment of the claim seized in the process of sequestration.

## Section 39

(1) For the purpose of establishing a creditors' select committee or for selecting a creditors' representative, the liquidator shall convene all registered creditors within seventy-five days following the date of publication of the opening of liquidation.

(2) The liquidator may refrain from initiating the formation of the creditors' select committee or the selection of a creditors' representative, if it becomes apparent during the liquidation proceedings that the announcement of a simplified liquidation, as described in Section 63/B, is required. In that case the creditors' meeting shall be called without delay, and it shall be so indicated in the invitation.

(3) The liquidator shall inform the select committee, or the creditors' representative, at least fifteen days in advance - or eight working days in advance in justified cases - of any contracts which exceed the scope of day-to-day operations, upon termination of valid contracts, and upon discarding the debtor's stocks, provided however, that the committee shall have the right to comment such actions within eight working days (or within five working days if the applicable deadline is eight working days) of receipt of notice. The liquidator shall forthwith inform the creditors' select committee (creditors' representative) of his reply to such comments, and of the measures taken in consequence.

(4) The liquidator shall send a financial statement and give account

of his activities to the creditors' select committee (creditors' representative) quarterly, and report on the financial status (revenues, expenses) of the debtor and on the costs of liquidation.

(5) In the event of any failure to comply with the obligations set out in Subsections (1)-(4), the creditors' select committee, creditors' representative or any creditor may request the court to have the liquidator dismissed. The court shall deliver its decision without delay, within not more than eight working days, and shall appoint a replacement liquidator if its ruling is in favor of the request.

## Section 40

(1) The creditor, and on behalf of the debtor, the liquidator may file for legal action before the court [Subsection (1) of Section 6] within one hundred twenty days from the time of gaining knowledge or within a one-year limitation period from the date of publication of the notice of liquidation to contest:

a) contracts concluded by the debtor within five years preceding the date when the court received the petition for opening liquidation proceedings or thereafter, or his other commitments, if intended to conceal the debtor's assets or to defraud any one creditor or the creditors, and the other party had or should have had knowledge of such intent;

b) contracts concluded by the debtor within three years preceding the date when the court received the petition for opening liquidation proceedings or thereafter, or his other commitments, if intended to transfer the debtor's assets without any compensation or to undertake any commitment for the encumbrance of any part of the debtor's assets, or if the stipulated consideration constitutes unreasonable and extensive benefits to a third party;

c) contracts concluded by the debtor within one hundred twenty days preceding the date when the court received the petition for opening liquidation proceedings or thereafter, or his other commitments, if intended to give preference and privileges to any one creditor, such as the amendment of an existing contract to the benefit of a creditor, or to provide financial collateral to a creditor that does not have any;

d) contracts concluded by the debtor within three years before the date when the court received the petition for opening liquidation proceedings or thereafter, or his other commitments, if made for the purpose of transfer of ownership by way of guarantee, or the assignment of a right or claim by way of a guarantee or exercising a collateralized option to buy, where the beneficiary exercised such acquired right by failing to fulfill his obligation of accounting toward the debtor, or did so improperly, and/or failed to pay the amount remaining after the secured claim is satisfied; if the right-holder did not have the acquisition of ownership, or the assignment of a right or claim by way of a guarantee registered in the collateral register, or his buy option in the real estate register, the conditions for lodging a contest shall be presumed to exist.

(1a) If the contest is successful, the provisions of the Civil Code pertaining to invalid contracts shall apply. The liquidator and the creditor may request on the grounds of invalidity to have the original

state restored, and to have any right registered in a public register on the asset after the alienation of the asset stricken from the records.

(2) The liquidator, on behalf of the debtor, shall be entitled to reclaim within the time limit referred to in Subsection (1) any service the debtor has provided within a sixty-day period preceding the date when the court received the petition for opening liquidation proceedings or thereafter, if it was provided to give preference to any one creditor and if such service is not usually provided under normal circumstances. Prepayment of a debt is, in particular, considered as giving preference or privileges to any one creditor.

(3) If the debtor enters into an agreement with an economic operator that is under its majority control, or with a shareholder or executive officer of such economic operator, or with their relatives, in the application of Paragraphs a) and b) of Subsection (1) bad faith and/or gratuitous promise shall be presumed. Furthermore, bad faith and/or gratuitous promise shall also be presumed when a contract is concluded between economic operators that are not directly or indirectly connected by way of affiliation, but are controlled by the same person or the same economic operator.

(4) The right to contest under Paragraph c) of Subsection (1) and the right of recovery under Subsection (2) shall not apply:

a) in the case of netting under a close-out netting arrangement;

b) in the case of provision of equivalent cover in replacement of the pledged property (collateral) and in the case of provision of additional financial collateral.

(5) The liquidator, if notified of a transaction referred to in Subsections (1) and (2) within the one hundred twenty-day time limit referred to in Subsection (1), shall inform the creditors' select committee, creditors' representative or the creditors without delay and shall simultaneously dispatch the evidence available. Creditors shall have the right to contest the contract within fifteen days following receipt of the notice past or within fifteen days preceding the deadline specified in Subsection (1). The forfeit deadline, however, applies in this case as well.

## Composition Agreement in Liquidation

### Section 41

(1) Following a period of forty days subsequent to the publication of the ruling ordering liquidation, the creditors and the debtor may, at any time, conclude a composition agreement before the final liquidation balance sheet is submitted, save where Subsection (5) of Section 116 of Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings (hereinafter referred to as "CRA") applies. Anyone who did not register as creditor in the liquidation proceedings may not enforce their claims, in the event of a composition agreement, subsequent to the closing of the proceedings.

(2) During preparations and if a composition agreement is reached the rights of the economic operator in question shall be exercised by the bodies listed in Subsection (1) of Section 8. These bodies shall adopt resolutions concerning the terms of the composition within the framework

of a procedure which is prescribed in specific other legislation for the economic operator as pertaining to dissolution. The representatives of the bodies listed in Subsection (1) of Section 8 shall act in the course of the composition negotiation and signing of the document containing the composition. The power of attorney for representation shall be fixed in an authentic instrument or in a private document with full probative force. During the preliminary procedures of the composition agreement the bodies specified in Subsection (1) of Section 8 may request additional information above and beyond those specified in Subsection (3) of Section 34.

(3) The beneficiaries of the claims specified in Paragraphs a) and c) of Subsection (1) of Section 57 may not be parties to the composition agreement.

(4) The debtor shall prepare, for the composition agreement negotiations, a program for restoring solvency and a composition proposal.

(5) Upon the debtor's request, the court shall hold composition negotiations within sixty days following receipt of the petition, and serve a notice to the debtor, the liquidator, and the creditors entitled to participate in the composition agreement to appear by sending the program intended for the restoration of solvency and the composition proposal, as well as the list of creditors.

## Section 42

For the composition conference the liquidator shall prepare a report providing an overview of the debtor's financial situation, of the assets that can be distributed according to the relevant accounting regulations, the claims of specific groups of creditors, and to provide information on previous and foreseeable future claims under Paragraphs a) and c) of Subsection (1) of Section 57, and also on the contingent asset and liabilities covered by the Accounting Act.

## Section 43

(1) In the course of composition negotiations, the economic operator under liquidation and the creditors may agree on:

- a) the order for the settlement of debts,
- b) rescheduling payments,
- c) the ratio and manner of the satisfaction of debts, furthermore,
- d) any other questions that are deemed essential by the parties for the purpose of restoring the debtor's solvency or for any other reason, in particular, for measures to increase revenues.

(2) The creditors may designate one or more creditors or outside parties to oversee performance of the composition agreement.

## Section 44

(1) A composition agreement shall be deemed valid if supported by the votes of at least half of the creditors with proper entitlement to conclude a composition agreement in all groups [Paragraphs b), d), e), f), g) and h) of Subsection (1) of Section 57, including the creditors

referred to in Subsections (1)-(3) of Section 49/D until their claims are satisfied], provided that the claim of these creditors account for two-thirds of the total claims of those entitled to conclude the composition agreement. The creditors referred to in Paragraph f) of Subsection (2) of Section 28 and Subsection (2) of Section 37, who notified their claims after forty days shall cast their vote in the group whose claims are classified under Subsection (1) of Section 57, together with those creditors who notified their claims before the forty-day time limit. The number of votes shall be calculated according to Subsection (5) of Section 18, with the exception that the assignment of creditors' claims upon other creditors following delivery of the final ruling ordering liquidation shall have no effect on the count of the creditors' votes. The votes of creditors who notified their claims past the forty-day time limit shall apply for the above-specified calculation method at a rate of one-half. The composition shall apply to all creditors, with the exception of the beneficiaries of the claims specified in Paragraphs a) and c) of Subsection (1) of Section 57 (judicial arrangements).

(1a) The composition agreement shall contain provisions concerning the contingent assets and contingent liabilities covered by the Accounting Act.

(1b) The composition agreement shall be concluded under the principle of good faith, and it may not contain provisions and conditions which are clearly and manifestly unfavorable or unreasonable from the point of view of creditors on the whole or certain groups of creditors. Such conditions shall include where the ratio of satisfaction provided for the claims of creditors on the whole is deemed abnormally low relative to the debtor's divisible assets, or if the claims of a particular group of creditors are satisfied at a considerably lower ratio or after a longer period of time, under unreasonably discriminative conditions.

(1c) The court shall deliver its ruling verbally to the parties in attendance.

(2) The liquidator shall prepare the final liquidation balance sheet referred to in Subsection (3) of Section 52 and the cash-flow statement referred to in Subsection (4) of Section 52 showing the movement of funds, as well as a final tax return and closing report effective as of the operative date of ruling on the approval of the composition, and shall send all these to the state and municipal tax authorities within thirty days of the date of signing the composition agreement.

(3) The amount which is due to a creditor holding a disputed claim at the time of conclusion of the composition, corresponding to the rate of satisfaction of the group to which the debt belongs, shall be recorded separately. Such creditor may not participate in the composition, and his claim is not required to be considered when computing the claims which may be included in the composition according to Subsection (1), however, if his claim is awarded by a final court ruling, the forced agreement shall apply to this creditor as well.

(4) The proportion of assets that is due to the creditor holding a disputed claim as specified under Subsection (3) shall be released subsequent to final discharge of the litigation, provided however, that the claim was awarded by a final court decision. The costs of management of such property, if any, shall be covered from these assets. When releasing the assets, a statement of account is to be delivered to the

creditor showing the revenues and expenses associated with the assets. If it is determined after the composition is concluded that the claim of the creditor was unsubstantiated, the proportion of assets managed separately shall be distributed among other creditors of the same group in the percentage of their claims until paid in full. The economic operator shall be held responsible for such a distribution.

## Section 45

(1) If solvency of the economic operator is restored through the composition, the claims referred to in Paragraph a) of Subsection (1) of Section 57 are satisfied, or sufficient funds are available to cover such claims, and the composition is in conformity with the relevant legislation, it shall be confirmed by the court [Subsections (2)-(3) of Section 60], otherwise the court shall give a ruling of rejection. A motion for retrial may not be submitted against the ruling. The ruling of refusal of the composition agreement may be appealed.

(2)

## Section 45/A

(1) The court shall terminate the liquidation proceedings if all registered debts, recognized or uncontested, of the debtor had been satisfied [including the claims that were notified according to Subsection (8) of Section 46, however, they were not enforced during the liquidation proceedings, and not recovered since that time], and if the debtor provides guarantees for contested claims and for the liquidator's fee.

(2) The debtor may lodge his request for having the liquidation proceedings terminated following the forfeit deadline prescribed in Paragraph c) of Subsection (5) of Section 46 for creditors to submit their claims, before the final liquidation balance sheet or the proposal for the distribution of assets is drafted. The request shall have enclosed:

a) the final liquidation balance sheet;

b) the liquidator's statement showing that the debtor has paid off all his debts (with interest) as well as the costs of the liquidation proceedings, and that sufficient funds are available to cover the liquidator's fee;

c) a statement from any creditor holding a contested claim, and from the liquidator showing that the debtor has provided the security referred to in Subsection (1); and

d) an electronic certificate in proof of payment of the costs of publication of the ruling ordering the termination of liquidation proceedings.

(3) The court shall transmit the request described in Subsection (2) together with its enclosures to the state and municipal tax authorities. If the tax authority did not make any comment within thirty days, the court shall order the termination of liquidation proceedings by way of a ruling. The court shall take measures forthwith for having the final ruling published in the Cégközlöny (Company Gazette). In this ruling the court shall order the debtor to pay the liquidator's fee. The fee shall



be 2 per cent of the book value of the assets shown in the debtor's final liquidation balance sheet, or at least 200,000 forints, exclusive of value added tax. The court may establish the fee at rates lower than what is contained above taking into account the amount of work carried out by the liquidator and the workload and the duration of the given proceedings.

(4) The provisions contained in Subsections (1)-(3) shall not apply in the cases under Subsection (5) of Section 116 of the CRA.

(5) The ruling of refusal of the debtor's request for the termination of liquidation proceedings referred to in Subsection (2) may be appealed.

## Proceedings by the Liquidator

### Section 46

(1) The liquidator shall analyze the financial standing of the economic operator and the claims against it.

(2) The liquidator shall prepare an opening liquidation account, estimate the costs of liquidation and set up a timetable for its implementation, including the duties and financial conditions required for the rational conclusion of business operations, as well as to conservation, with particular regard to the reduction of any redundant workforce. Upon request the liquidator shall present the timetable to the creditors' select committee, creditors' representative or to any of the creditors with entitlement to contest it in court (Section 51).

(3) In the event that the creditors have formed a select committee the debtor shall be required to obtain the consent of the committee for continuing business operations during liquidation within one hundred days of the publication of the opening of liquidation proceedings. If the select committee is established at a later date, such consent is to be obtained within sixty days of the announcement of the committee's establishment. If the select committee fails to respond within fifteen days of receipt of the liquidator's request, it shall be construed to have granted its consent for the continuing of such business operations. The same rule applies if the creditors have selected a creditors' representative.

(4) The consent referred to in Subsection (3) above shall be in effect for one year. If the liquidator intends to continue operations after the one-year period, the consent of the select committee (creditors' representative) shall be obtained anew within thirty days before the end of the one-year period.

(4a) The liquidator shall be allowed to lease or authorize the use of any of the debtor's assets only upon the consent of the creditors' select committee, the representative of creditors, or two-thirds of the creditors who signed up for the liquidation proceedings calculated in proportion to their respective claims, to a person or organization who:

a) was the debtor's executive officer at the time the liquidation was ordered or within one year previously, or

b) controlled the debtor exclusively or by way of majority.

(5) The liquidator shall keep separate records of the following:

a)

b) claims notified before the deadline specified in Paragraph f) of Subsection (2) of Section 28 [including the ones already notified and registered during bankruptcy proceedings conducted immediately before the liquidation proceedings, and the notified contingent claims mentioned in Paragraph g) of Subsection (1) of Section 3], and

c) claims notified past the deadline specified in Paragraph f) of Subsection (2) of Section 28, but within the one hundred and eighty-day forfeit deadline.

(6) The liquidator shall review the claims described in Paragraph b) of Subsection (5) within forty-five days of the deadline of notification, converse with the parties concerned in the cases deemed necessary based on the outcome thereof, and shall inform the creditors within fifteen days in writing concerning their claims which have been, and about those which cannot be registered. The liquidator shall forward disputed claims - except for the case provided for in Subsection (7) of Section 508 of the CPC - to the court ordering liquidation for judgment within fifteen days - the ruling adopted by the insolvency court on disputed creditors' claims may be appealed -, and shall apply the results of such review in the interim account prescribed in Section 50.

(6a) In the case provided for in Subsection (7) of Section 508 of the CPC, the liquidator shall inform the employee, simultaneously with the notice on challenging the claim, of the right to bring action in labor court - by lodging a statement of claim against the employer - to enforce his or her claim within thirty days of delivery of the notice of challenge.

(6b) In the action under Subsection (7) of Section 508 of the CPC the liquidator shall ex officio keep records on the claims awarded to the employee - including court costs - within thirty days from the date when the decision became final, and shall notify the creditor thereof.

(6c) If the employee did not bring action within the time limit provided for in Subsection (7) of Section 508 of the CPC, or the action is terminated without the court's final substantive decision, the liquidator shall refuse to register the employee's claim as creditor, and shall notify the employee thereof.

(7) With the exception of the claims set out in Paragraphs a) and c) of Subsection (1) of Section 57, the registration of claims defined in Subsection (5) is contingent upon the creditor paying 1 per cent of the principal sum of its claim (minimum 5,000 forints and maximum 200,000 forints) to the special account of the court's Financial Administration Office, with reference to the court case number, and providing proof of this payment to the liquidator. Where bankruptcy proceedings had been conducted immediately before the liquidation proceedings and the creditor has already notified his claim therein, and paid the registration fee as well, the same claim need not be notified in the liquidation proceedings, however, the difference in fee shall be paid when so instructed by the liquidator. The sums paid by the creditors shall be classified as creditors' claims under Paragraph f) of Subsection (1) of Section 57. The Financial Administration Office shall inform the liquidator every six months - by way of electronic means if the request was submitted electronically - regarding the balance of the

account.

(8) If a notified claim is acknowledged by the liquidator, however, the beneficiary does not wish to pay the amount specified in Subsection (7) to the special account, upon the beneficiary's request the liquidator shall make out - for a fee of 2,000 forints, exclusive of value added tax - a certificate of bad debt under Paragraph c) of Point 10 of Subsection (4) of Section 3 of Act C of 2000 on Accounting for such recognized claim, provided however, that the notified claim has not been assigned following the time of the opening of liquidation proceedings and that there will be no funds available to satisfy the claim of the beneficiary. The above-specified fee shall be payable to the liquidator.

## Section 47

(1) The liquidator shall have powers to terminate, with immediate effect, the contracts concluded by the debtor, or to rescind from the contract if neither of the parties rendered any services. Any claim that is due to the other party owing to the above may be enforced by notifying the liquidator within forty days from the date when the rescission or termination was communicated.

(1a) Where a leased asset is returned upon termination of the lease agreement, accounts shall be settled with the lessor. As regards the termination of a financial leasing agreement, the market value of the leased asset returned to the lessor shall be included in the principal and interest payment obligation of the debtor economic operator.

(2)

(3) The liquidator may not exercise the right of cancellation or rescission with immediate effect as described in Subsection (1) with regard to the tenancy agreements of natural persons, with the exception of company residences and garages, the contracts concluded with a school or student for the organization of vocational training, employment contracts, loan contracts which are not related to business activities, the contracts of members of cooperatives societies in connection with their business relationships, as well as the collective agreement. Contracts underlying close-out netting arrangements or framework contracts may be avoided or cancelled only if done concurrently.

(4) In the cases where an alimony or a life-annuity contract is terminated, the other party shall be entitled to appropriate compensation.

(5) From the time of the opening of liquidation proceedings, employer's rights shall be exercised and obligations shall be fulfilled by the liquidator within the framework of the relevant legislation, the collective agreement, and internal regulations and contracts of employment.

(6) In respect of wage increases after the time of the opening of liquidation proceedings, the liquidator may assume any new obligations only upon the committee's consent.

(7) The liquidator shall forthwith notify the minister in charge of public finances if the beneficiary of the contribution type claims described in Paragraph c) of Subsection (1) of Section 57 intends to undertake some commitment in connection with seeking satisfaction for such claims, or if any proceedings are in progress in that respect.

## Section 48

(1) The liquidator shall collect the claims of the debtor when due, enforce his claims and sell his assets. If consented by the creditors as defined under Section 44, the liquidator may invest the debtor's assets into private limited-liability companies, limited companies or cooperatives societies as non-pecuniary assets (contribution) if it promises to draw a better price this way.

(2) The liquidator shall notify those persons and organizations on the commencement of the sales procedure, who (that) has any right registered in a public register on the debtor's particular asset offered for sale, or who (that) has the right of preemption registered in a public register before the liquidation was ordered or pursuant to statutory provision on the debtor's particular asset offered for sale.

(2a) In the sales process the liquidator shall check whether any of the reasons specified in this Act for disqualification applies to the buyer.

(2b) The liquidator shall maintain records for identification of the persons and organizations provided for in Subsections (2)-(2a), including their accrued rights with a view to informing them on the commencement of the sales procedure, and in order to block the participation of any person or organization to whom any of the reasons for disqualification applies. The liquidator shall be authorized to process those data until the liquidation proceedings are concluded by final decision.

(3) In the process of liquidation the liquidator shall provide for the protection and safeguarding of the debtor's assets, such as in particular to sustain the productivity of arable lands, to restore the original condition of arable land used for unauthorized purposes, to carry out planting and rehabilitation works in forests, furthermore, the observation of regulations concerning environmental protection, nature conservation and protection of historical monuments, to provide a solution for any damage and contamination of the environment that of which is proven to originate from before the time of the opening of liquidation proceedings by way of cleaning up the damage or contamination during the proceedings, or by selling the assets in question in their state of contamination.

(4) The regulations to be observed during liquidation with regard to environmental protection, nature conservation and protection of historic monuments, including the definition of the content of the statement prescribed in Paragraph c) of Subsection (1) of Section 31 and the option to render an environmental status survey obligatory, the requirements and the manner of resolving environmental damage and contamination, furthermore, the types of expenses arising therefrom, which are acknowledged as liquidation expenses in accordance with Subsection (2) of Section 57 shall be decreed by the Government.

(5) The competent authority shall have powers to compel the debtor to observe the regulations on environmental protection, nature conservation and on the protection of arable land and historic monuments, in connection with any operations during the proceedings and to clean up any damage or contamination of the environment.

## Section 49

(1) The liquidator shall dispose of the debtor's assets through public sales at the highest price that can be obtained on the market. The liquidator shall effect the sale by way of tender or auction. The liquidator may forego the application of these procedures only upon the prior consent of the select committee, or if the asset in question is liable to deteriorate rapidly or the proceeds expected from the tender procedure or from the auction are insufficient to cover the costs of sale, or if the difference between the prospective proceeds and estimated costs is less than 100,000 forints. In this case the liquidator may apply other public forms of sale for the purpose of achieving a more favorable result.

(1a) If the assets to be sold include land or a farmstead, their sale shall be governed by the relevant provisions of the Act on Transactions in Agricultural and Forestry Land and the decree implementing it.

(2) Unless otherwise provided for by the select committee (or by the creditors' representative in the absence of a select committee), the sales procedure shall begin within one hundred days of publication of the liquidation. The creditors' select committee may instruct the liquidator to notify the select committee on the sales procedure, or to make available the appraisal and the sales procedure for the creditors for inspection and for monitoring. The creditors' select committee may also instruct the liquidator to present the invitation to tender and the auction notice in advance to the select committee for inspection, including the appraised value of the assets offered for sale, subject to the right of consultation. The creditors' select committee may request the court to appoint an expert for the cross-verification of the appraised value, and shall advance the costs involved. The court shall decide upon the request within eight days. The fee of the expert shall be claimed under liquidation costs [Paragraph e) of Subsection (2) of Section 57] if the appraised value he had supplied is accepted. If the expert is of the opinion that the appraised value need not be modified, the expert's fee shall be borne by the creditors participating in the select committee in the percentage shown in their agreement for requesting an expert.

(3) The liquidator, the administrator (temporary administrator), the owner (member, shareholder, founder) or the executive officer, director, supervisory board member, auditor or any employee of the said bodies, or the receiver, and their close relatives, and the economic operator holding majority control in the aforementioned may not acquire any ownership or any other rights of value in the above-specified sales procedure.

(3b) During the sales procedure ownership right may not be acquired by any person or organization who controls the debtor exclusively or by way of majority, with the exception of exercising the right of preemption on the basis of law, or by any economic operator that is the member of a recognized or de facto group of companies together with the debtor.

(4) The party acquiring ownership or any other rights of value may not apply a setoff at the public sale with the debtor, except if the sale concerns the debtor's residential property, the purchase price of which had been paid by the buyer, if a private individual, in part or in full,

however, ownership titled had not been transferred by the time of the ordering of liquidation.

(5) In the event of the liquidator's failure to comply with the provisions relating to the sales procedures and the employment of a notary as prescribed in this Act in the course of sale of the debtor's assets, the party concerned may contest the sales contract signed in conclusion, specifically of the tender or the auction, within thirty days of the date of sale before the court [Subsection (1) of Section 6]. This time limit shall apply with prejudice. If the contracts concluded for the sale of the debtor's assets are successfully challenged, the creditor shall be subject to repayment obligation to the debtor up to the amount received from the proceeds if repayment of the purchase price has been ordered by the court in the context of restitution. In this case the creditor shall not be able to exercise the right of setoff under Subsection (1) of Section 36.

(6) If the liquidator fails to comply with the obligation to observe any right of preemption registered in a public register before the liquidation was ordered or that may exist pursuant to statutory provision concerning the debtor's assets, the person holding such right shall be entitled to bring the case to court [Subsection (1) of Section 6] within the time limit set out in Subsection (5). If the contracts concluded for the sale of the debtor's assets are successfully challenged, the creditor shall be subject to repayment obligation to the debtor up to the amount received from the proceeds, if repayment of the purchase price has been ordered by the court in the context of restitution. In this case the creditor shall not be able to exercise the right of setoff under Subsection (1) of Section 36.

## Section 49/A

(1) At least fifteen days prior to the starting date fixed for the submission of tenders the liquidator shall publish the tender notice in the Cégközlöny (Company Gazette) which shall contain:

- a) the description of the assets offered for sale;
- b) the terms and conditions of sale;
- c) the lowest amount of consideration (minimum price);
- d) formal requirements concerning the tenders, the date of submission, the financial guarantee required, and the method of acceptance and evaluation;
- e) instructions for obtaining the document containing the terms and conditions of the tender and for making inquiries.

(1a) The rules for determining the minimum price referred to in Paragraph c) of Subsection (1) are contained in the decree implementing this Act.

(2) The liquidator shall open the offers in the presence of a notary public. The notary shall draw up minutes on this procedure. The liquidator shall record the evaluation procedure and the results of evaluation of the tender, a copy of which shall be sent to the select committee.

(3) Upon request any creditor shall be allowed to inspect such minutes and protocols.

(4) In the absence of appropriate offers submitted in compliance with

the tender conditions, the liquidator may declare the tender unsuccessful, and may consequently publish a new tender at the latest within three months for the date of the notice of the unsuccessful tender. In the event if several offers are received for practically the same price (ranging within 10 per cent in respect of the purchase price), the liquidator shall hold open negotiations without delay between the tenderers aforementioned. The conditions of this negotiations shall be notified to the parties in advance. The offers submitted by that time shall remain in effect automatically, or another offer for a higher price may be submitted. The financial guarantee provided by any tenderer who fails to attend the price negotiations, or by any tenderer who withdraws shall be considered forfeited.

(5) If the tender procedure conducted following the one described in Subsection (4) hereof is declared unsuccessful as well, the liquidator - in agreement with the creditors' select committee [in the absence of a select committee, the creditors entitled to create one under Subsection (4) of Section 5/A] - shall, instead of repeating the tender procedure for the third time, move to sell the asset in question at the appraised value to a creditor holding a lien on the asset and who lays claim for it, where the order of satisfaction provided for in Sections 5:118-5:122 of the Civil Code shall apply if there are more than one such creditors. If the transferee lien holder is in the first place of the order of satisfaction of lien holders (hereinafter referred to as "priority lien holder") the purchase price shall be payable in a manner where the buyer is liable to pay - based on the information supplied by the liquidator - at the latest within fifteen days of the time of conclusion of the contract:

a) the expenses provided for in Paragraphs a)-e) of Subsection (1) of Section 49/D,

b) 3 per cent of the purchase price as an advance for the liquidator's fee, including the amount of value added tax as charged,

c) 2 per cent of the purchase price for covering the payment under Subsection (5) of Section 59,

d) the positive difference between the purchase price and the recognized claim secured by the asset sold during the liquidation proceedings.

(6) The liquidator shall transfer the funds received under Paragraph c) of Subsection (5) to the account of the Financial Administration Office of the Fővárosi Törvényszék (Budapest Metropolitan Court) within fifteen days.

## Section 49/B

(1) The liquidator shall make known the auction by means of publishing an auction notice, indicating:

- a) the name and registered office of the debtor;
- b) the place and date of the auction;
- c) the assets auctioned, and their appraised value;
- d) the lowest amount of consideration (minimum price);
- e) the amount of auction deposit required and the place and time where and when the movable property can be inspected before the auction;
- f) if the auction is for real estate property,

fa) the particulars of the property on record in the real estate register, and the legal title and duration of any land use registered in the land use register,

fb) accessories of the real estate property, characteristic features of buildings, and whether it is vacant or occupied,

fc) the amount of any prepayment requirement, and

g) other material facts.

(1a) The rules for determining the minimum price referred to in Paragraph d) of Subsection (1) are contained in the decree implementing this Act.

(2) The liquidator shall publish the auction notice in the Cégközlöny (Company Gazette) at least fifteen days prior to the auction.

(3) If the purchase price quoted in the auction is less than the appraised value, the liquidator shall reschedule the auction.

(4) In respect of specific properties, offers shall be accepted upon the bidders depositing 5 per cent of the property's appraised value with the liquidator before the beginning of the auction. The buyer shall pay the full purchase price under the conditions disclosed in the auction notice to the debtor's account. In the event of the buyer's failure to do so, he shall forfeit the advance. Unless otherwise provided for by law, sale of a real estate property by auction shall not affect the rights of a third person prevailing at the time of auction in connection with the property in question, whether it is registered in the real estate register or not. If a lawsuit is in progress in accordance with the provisions of Subsections (5)-(6) of Section 49, the amount paid up shall be kept on a special interest-bearing account until the definitive conclusion of the lawsuit.

(5) In the case of sale of movable property by auction, the highest bidder shall pay the purchase price on the spot. If the buyer fails to pay the purchase price, bidding for the property in question shall be resumed, unless the purchase price exceeds 1 million forints. In this case the liquidator may set a time limit of not more than sixty days for payment. Buyers who fail to effect payment may not attend further bidding or the new auction for the same asset.

(6) The liquidator shall carry out the auction in the presence of a notary; the notary shall draw up minutes, a copy of which shall be made available to the buyers at the auction, to the creditors' select committee and, upon request, to the creditors.

(7) If the auction conducted following the one described in Subsection (3) hereof has failed as well, the liquidator - in agreement with the creditors' select committee [in the absence of a select committee, the creditors entitled to create one under Subsection (4) of Section 5/A] - shall, instead of repeating the auction for the third time, move to sell the asset in question at the appraised value to a creditor holding a lien on the asset and who lays claim for it, where the order of satisfaction provided for in Sections 5:118-5:122 of the Civil Code shall apply if there are more than one such creditors. If the transferee lien holder is the priority lien holder, the purchase price shall be payable in a manner where the buyer is liable to pay - based on the information supplied by the liquidator - at the latest within fifteen days of the time of conclusion of the contract:

a) the expenses provided for in Paragraphs a)-e) of Subsection (1) of



Section 49/D,

b) 3 per cent of the purchase price as an advance for the liquidator's fee, including the amount of value added tax as charged,

c) 2 per cent of the purchase price for covering the payment under Subsection (5) of Section 59,

d) the positive difference between the purchase price and the recognized claim secured by the asset sold during the liquidation proceedings.

(8) The liquidator shall transfer the funds received under Paragraph c) of Subsection (7) to the account of the Financial Administration Office of the Fővárosi Törvényszék (Budapest Metropolitan Court) within fifteen days.

### Section 49/C

(1) In the case of areas under environment protection the State's right of preemption shall be exercised by the body in charge of the management and protection of nature preservation areas, and in connection with the sale of historic buildings it shall be exercised by the authority delegated to function as a regulatory agency related to cultural goods before every other person. If the property offered for sale falls under both protection, the said right of preemption shall be exercised in the sequence agreed upon by the bodies mentioned above.

(2) If the sale concerns the debtor's newly constructed residential property, the purchase price of which had been paid by the buyer, if a private individual, in part or in full, however, ownership title had not been transferred by the time of the ordering of liquidation, the buyer shall have the right of preemption.

(3) The person holding the any right of preemption registered in a public register before the liquidation was ordered or that may exist pursuant to statutory provision shall exercise this right at public auctions, or thereafter when so advised by the liquidator, by declaring his intention of purchase when the final purchase price is determined.

### Section 49/D

(1) If the lien holder satisfied the payment obligation specified in Subsection (7) of Section 46 - and his claim is other than a contingent claim mentioned in Paragraph g) of Subsection (1) of Section 3 -, the liquidator shall take the following action: where a lien was filed prior to the opening of liquidation proceedings, the liquidator shall be allowed to deduct from the proceeds from the sale of the pledged property, or - in the case of a lien established on a claim - from the proceeds collected, recovered in respect of the claim (hereinafter referred to collectively as "recovery") in the following order:

a) the justified costs directly related to works ordered by administrative decision required for fixing up the pledged property where it is considered to endanger lives and property,

b) the costs of seeking restitution by the lawsuits referred to in Section 40, and the costs of safeguarding, keeping it in good repair, and the costs of sale of the pledged property,

c) taxes, administrative service fees due and payable with respect to

the pledged property after the time of the opening of liquidation proceedings,

d) if there is an underlying claim for the lien, the costs of recovery of the claim,

e) maximum 1 per cent of the net purchase price (proceeds from the recovery of the claim) as an expense item provided for in Paragraph f) of Subsection (2) of Section 57, and

f) 7.5 per cent of the net purchase price, or the proceeds from the recovery of the claim,

and the sum remaining after the deductions specified in Paragraphs a)-f) shall be used within thirty days after expiry of the deadline set for avoidance under Subsection (5) of Section 49 to satisfy the claim (principal, interest and other charges) for which such property was pledged, in the sequence above provided for, having regard to the order of satisfaction prescribed in Sections 5:118-5:122 of the Civil Code if there is more than one lien. If the action brought under Subsection (5) of Section 49 is refused or rejected, the thirty-day time limit shall begin on the date of receipt of the final court decision.

(2) From the sum specified in Paragraph f) of Subsection (1) the liquidator shall be entitled to a sum covering an advance of 3 per cent of the liquidator's fee and the value added tax charged on such advance, and shall transfer 2 per cent to the Financial Administration Office of the Fővárosi Törvényszék (Budapest Metropolitan Court) without delay. The Financial Administration Office of the Fővárosi Törvényszék shall keep the funds transferred separate, and shall use them for the payments referred to in Subsection (5) of Section 59. The liquidator shall isolate the sum remaining after the deductions and payments provided for in Subsection (1) and in this Subsection for covering the debts listed in Subsection (1) of Section 57.

(2a) For the purposes of this Section, a lien established by means of a pledge agreement before the time of the opening of liquidation proceedings on a claim shall be considered to exist, where such claim arose after the time of the opening of liquidation proceedings from a legal relationship established before the time of the opening of liquidation proceedings.

(3) The regulations on claims secured by lien shall also apply to any claim that is limited to seek sufferance for satisfaction from the pledged property (in rem liability), subordinated lien on claims, from a mortgaged real estate property or on which an independent lien has been filed, the claim that can be satisfied under the guarantee agreement, and to claims which are satisfied by seized movable property or for which the right of enforcement has been registered before the time of the opening of liquidation proceedings [Paragraph e) of Subsection (2) of Section 28]. The place of the latter claims in the order of satisfaction shall be determined consistent with the date of seizure of the movable property or the date of registration of the right of enforcement.

(4) Subsections (1)-(2) shall not apply where the holder of the lien is an economic operator or its executive officer or executive employee, or their close relative, or their domestic partner, or an economic operator under the debtor's majority control.

(5) Subsections (1)-(2) shall not apply if the lien holder is a member (shareholder) of the economic operator with majority control, and the

claim secured by the lien was filed before the occurrence of a situation carrying potential danger of insolvency. A situation is considered to constitute potential danger of insolvency as of the day when the member (shareholder) of the economic operator was or should have been able to predict that the economic operator will not be able to satisfy its liabilities when due.

(6) As regards the satisfaction of the unsettled part of the claims defined in Subsections (1)-(2) and the distribution of the sum remaining after satisfaction of the claims for which such property was pledged, the regulations on satisfying debts from assets realized in liquidation (Sections 57-58) shall be applied.

(7) If the lien holder also holds the contingent claim mentioned in Paragraph g) of Subsection (1) of Section 3, the liquidator shall deposit the sum that remains from the purchase price received from the sale of the pledged property after the expenses and the liquidator's fee referred to in Subsection (1) deducted to the reserve account mentioned in Subsection (5) of Section 58. If the amount remaining exceeds the amount of the contingent claim, this latter sum shall be transferred to the reserve account.

(8) If the tender procedure or the auction for the sale of a pledged property has been declared successful, and the right to purchase the property in question was granted to the priority lien holder whose claim does not qualify as a contingent claim under Paragraph g) of Subsection (1) of Section 3, the purchase price shall be payable in a manner where the buyer is liable to pay - based on the information supplied by liquidator - at the time of conclusion of the contract:

- a) the expenses provided for in Paragraphs a)-e) of Subsection (1),
- b) 3 per cent of the purchase price as an advance for the liquidator's fee, including the amount of value added tax as charged,
- c) 2 per cent of the purchase price for covering the payment under Subsection (5) of Section 59,
- d) the positive difference between the purchase price and the recognized claim secured by the asset sold during the liquidation proceedings.

(9) The liquidator shall transfer the funds received under Paragraph c) of Subsection (8) to the account of the Financial Administration Office of the Fővárosi Törvényszék within fifteen days.

## Section 49/E

(1) As regards the public sale of the debtor's assets, the date of introduction of an electronic distribution system made available through the internet may be prescribed by a government decree, which may also declare the use of such system mandatory, and may lay down special and detailed provisions - other than those contained in Sections 49-49/C - to the extent deemed necessary due to the unique characteristics of electronic commerce (including the conditions for invalidity or cancellation), define the requirements for technical assistance and IT support for, and the operating principles of, online distribution systems (including the rules for electronic auctions and tender procedures), the person responsible for the operation of the IT system and for overseeing operations, the requirements for the safety,

transparency and control of operation, the regulations for the attestation of the IT system for legal and operational safety aspects, the conditions for participating in the electronic distribution system for liquidators (sellers) and users (buyers), the mandatory contents of rules pertaining to system users, the modes of information technology support available to liquidators and buyers, the material conditions for system operations, the rules for the selection of an operator for hosting the IT system, and the mandatory content requirements for the agreements between computerized distribution system and the users, and between the liquidators and the system operator.

(2) In electronic auctions a notary public is not required.

(3) In electronic tender procedures a notary public is not required. The liquidator shall upload the records of the evaluation procedure to the computerized system, and shall send the printed version of such records to the court, the creditors' select committee and the representative of creditors within eight days. Access to the records shall be provided to any creditor - upon request - within eight days.

(4) Holders of the right of preemption need not participate in the electronic sales procedure. The liquidator shall, after having the electronic sales procedure declared valid and successful, present the successful tender to the holders of the right of preemption, in the appropriate sequence, and request them to make known their intention as to exercising the right of preemption.

(5) The IT system shall have facilities to retain the particulars of such sales procedures for a period of five years.

(6) A copy of the report on the outcome of the electronic auction and of the records of the evaluation of the electronic tender procedure shall be sent - upon request - to the bidders and to the holders of preemption rights as well. In the copies of reports sent to bidders and to holders of preemption rights the personal data of bidders shall be rendered unrecognizable, and bidders shall be identified by their unique identification numbers.

#### Section 49/F

The liquidator shall have powers to exclude from the auction or sales procedure any participant who wrongfully manipulated the outcome of the procedure or supplied fraudulent information to enter the procedure, or made an attempt of these.

#### Section 49/G

(1) The liquidator shall verify the identity of the auctioneer, the tenderer, or their agent before the conclusion of the contract, and shall make inquiries to determine whether any of the grounds for exclusion under Subsections (3) and (3b) of Section 49 apply. For the purpose of identification and for verifying such data the receiver may consult the personal data and address records, the authority maintaining the register of travel documents or the body operating the central immigration register to confirm the data provided in proof of identity. The data request shall be made by way of electronic means, and shall be executed by the receiver's electronic signature. The authority to which the request is submitted shall check the validity of the certificate of

the electronic signature before complying with the request, and shall refuse to supply the requested information if the trust service provider has suspended or revoked the certificate in question. The receiver shall indicate in the data request the sales procedure or procedures in connection with which the particulars of the auctioneer, the tenderer or the buyer have to be verified.

(2) The receiver shall maintain a log on data requests and shall record the transactions to which they pertain. The receiver may use the data and information obtained in the course of the verification procedure only in connection with the document to which it pertains and with his countersigning such document, and may transmit such data and information only to the court of law, the public prosecutor's office and/or the investigating authority. The receiver may retain the paper-based copies of the data obtained in the verification procedure, and shall keep them confidential and separated from other documents, and shall destroy them after five years.

(3) Any person or body whose representative refused to provide information for the purpose of identification, or is unable to produce a valid identification document may not participate in the sales procedure, or if according to the findings of the verification process conducted with the registration entity's assistance the identification document was reported lost, stolen or destroyed, and there is no evidence of such document ever being found. In the latter case, the receiver shall report without delay in writing the findings of the verification process to the police department of jurisdiction by reference to the place where the document is proposed to be used with a view to prevent any illegal use of the identification document, and shall simultaneously make the report at short notice.

## Section 49/H

At the request of the creditors' select committee, the representative of creditors or any creditor the liquidator shall within eight days provide written information concerning any document drawn up on the sale or utilization by any other means of any of the debtor's assets, or shall allow access to such documents.

## Section 50

(1) If the amount of money received during the liquidation procedure is sufficient to cover the claims of creditors, the liquidator may prepare an interim liquidation account (hereinafter referred to as "interim financial statement") following the deadline for the notification of claims. The interim financial statement shall contain the data of the balance sheet, closing the activities of the economic operator [Paragraph a) of Subsection (1) of Section 31] and the particulars of the opening liquidation account [Subsection (2) of Section 46]. The interim financial statement shall be prepared in the breakdown set out in Subsection (3) of Section 52, and the cash-flow statement showing the movement of funds as set out in Subsection (4) of Section 52. The written report shall contain an explanation of any differences between the final balance sheet, closing the activities, and

the interim financial statement, and for the cash-flow statement. The written report shall be accompanied by the register of creditors provided for in Subsection (5) of Section 46.

(2) It is mandatory to prepare the interim financial statement each year after the time of the opening of liquidation proceedings.

(3) Provisions shall be created on the basis of the interim account to cover the expected liquidation expenses and disputed creditors' claims.

(4) The creditors' claims based on final court decisions or regulatory orders and those which are not disputed may be satisfied in part or in full in the order of satisfaction defined in Section 57 from the funds remaining above the provisions.

(5) The liquidator shall send the interim account, the written report, the statement of revenues and expenditures, a breakdown of liquidation costs and the proposal for partial distribution of assets, containing the order and amount of partial satisfaction of creditors' claims, to the creditors - also to the select committee or creditors' representative, if any - with a view that they may make a statement regarding such within fifteen days. The documents referred to in Subsection (1) hereof shall be presented to the court for approval with the opinion of creditors - and the opinion of the select committee or the creditors' representative where appropriate - attached. The liquidator shall send a copy of the interim account to the state tax authority and to the local tax authorities as well.

(6) The court shall deliver its ruling for the approval or refusal of the interim financial statement and the proposal for partial distribution of assets within thirty days; the ruling may be appealed. The ruling of approval shall be executed irrespective of any appeal. The court ruling shall contain the instruction to disburse 4 per cent [or 2 per cent if the opening of the liquidation proceedings was ordered simultaneously upon the termination of the bankruptcy proceedings (Section 21/B)] - if the debtor continues to operate during the liquidation proceedings, an additional 2 per cent of the revenues therefrom - of the amount received collectively from the assets sold and claims collected - except for the sales provided for in Subsections (1) and (3) of Section 49/D - up to the closing of the interim financial statement, but at least 200,000 forints from the special account of the Financial Administration Office to the liquidator, if the aforementioned sum is available from payments of the debtor's creditors. In the event if the aforementioned sum is not available on the said special account, but is available on the account of the debtor company, the liquidator's fee shall be paid from this account. The payment remitted to the liquidator shall include sufficient cover for any value added tax that is due on the original amount.

(7) The liquidator shall inform all creditors of the debtor, indicating the exact amounts, regarding the satisfaction of the claims on the basis of the interim financial statement approved by the court.

## Section 51

(1) In the event of any illegal action or negligence by the liquidator, the aggrieved party, as well as the creditors' select

committee and the creditors' representative, may file a complaint against the liquidator within fifteen days of gaining knowledge thereof at the court which has ordered the liquidation. The representative of the organizations specified in Subsection (1) of Section 8 may file complaints on behalf of the debtor.

(2) The court shall deliver its decision relating to the above-specified complaint in priority proceedings, within not more than thirty days. This deadline shall be extended by the time required for the evidentiary procedure. If it entails the hearing of the parties or the admission of other evidence, the court shall order suspension of the measures contested. The ruling on suspension may not be contested separately.

(3) If the complaint is found substantiated the court shall overturn the measures of the liquidator and restore the original conditions, or shall order the liquidator to revise his actions, otherwise the court shall dismiss the complaint. If the complaint concerns the allocation of liquidation costs, the court - if so requested - may order the liquidator to provide compensation for the debtor for any liquidation costs that has been charged unlawfully. The court shall inter alia send its final ruling for the complaint to the body operating the register of liquidators by way of electronic means.

(3a) The court ruling on the complaint may allow - at the liquidator's request - the liquidator to collect from the debtor's assets funds for covering the procedural costs he is liable to pay according to the court ruling to the complainant, and to enter such costs under liquidation costs, if it was determined - having regard to the circumstances of the action or negligence underlying the complaint - that the liquidator acted with due care and diligence as generally expected from persons in such positions.

(4) The liquidator may appeal the ruling upholding the complaint within fifteen days of delivery, covering also the part denying the motion for allowing the expenses awarded for the complainant to be paid under the title of liquidation costs, whereas the part allowing the expenses awarded for the complainant to be paid under the title of liquidation costs may be appealed by the complainant, if the latter qualifies as a creditor. The ruling of denial of the complaint may be appealed by the complainant.

(4a) The appeal against the ruling on the complaint shall be determined within forty-five days.

(5) In the event of the liquidator's failure to abide by the court's final ruling for the complaint, the court may appoint a new liquidator, and may compel the liquidator to cover all related costs and may reduce his fee. The court shall send its final ruling to the body operating the register of liquidators by way of electronic means.

(6)

## Section 51/A

The court shall send its decision on imposing a fine on the liquidator within eight days to the body operating the register of liquidators, and/or the authority of registration of the liquidator company under Subsection (6a) of Section 27/A or Subsection (6) of Section 66.

## Section 52

(1) Upon conclusion of the liquidation proceedings the liquidator shall prepare the final liquidation balance sheet, the statement of revenues and expenditures, the final tax returns, the closing report and a proposal for distribution of assets, and shall send all these to the court and, on the day that follows the date of the final balance sheet, to the tax authorities and shall arrange for the placement of the economic operator's documents. Upon filing the final tax return with the tax authority, the applicable tax shall be paid as well.

(2) Following the end of the second year from the time of the opening of liquidation proceedings a final liquidation balance sheet must be prepared, except:

a) where definitive conclusion of a pending lawsuit or administrative proceeding is necessary for establishing a creditor's claim; or

b) if

ba) the declaratory actions initiated by the liquidator under Section 33/A,

bb) the proceedings opened under Section 40, or cases relating to fraudulent contracts for concealment of the debtor's assets, or

bc) proceedings for judgment of disputed claims or those opened upon a complaint, had not yet been closed.

(3) The final liquidation balance sheet shall contain:

a) the liquid assets;

b) the remaining (unsold) assets at market values;

c) outstanding receivables;

d) unpaid debts, broken down according to creditors, including the liquidation expenses, at book values;

e) indivisible assets;

f) divisible assets.

(4) The statement on revenues and expenditures shall contain

a) the revenues and expenses in connection with business operations;

b) the price and book value of individual assets put on sale;

c) the sums recovered during the liquidation proceedings;

d) liquidation costs if paid.

(5) Uncollected claims shown in the final liquidation balance sheet may be assigned up to the value of the creditors' claims in due observation of the provisions of Section 6:201 of the Civil Code.

## Section 53

(1) The liquidator shall:

a) transfer the documents of historical value of the economic operator to the competent archives;

b) transfer the documents and records of historical value compiled during the proceedings to the local archive, uncontaminated, properly arranged, with all auxiliary materials attached, in acid-proof boxes suitable for archiving and labeled as appropriate (or in any other container deemed suitable for the given documents), delivered with a list for cataloguing the archive materials (delivery protocol) according to storage units (boxes and other similar containers). The costs of transfer shall be borne by the transferor. The tasks to be carried out



relating to the documents referred to in Paragraph a) may be transferred, however, the liquidator shall remain responsible until the documents are in fact transferred to the archive;

c) compile a list of documents containing any classified information and disclose this list to the original classifier with entitlement for review and initiate the review of the classification.

(2) In connection with the data disclosure requirements relating to pension insurance, the liquidator shall disclose data relating to the relationship of insured persons relevant for pension insurance in the form of a declaration submitted in accordance with specific other legislation. Data relating to the legal relationships of insured persons that existed until 31 December 2009 shall be sent to the competent pension insurance administration agency. Information on payments made subject to social security obligations for periods past the above-specified time limit shall be provided to the state tax authority. The liquidator shall send the certificate issued by the competent pension insurance administration agency and the state tax authority on its fulfillment of the obligation of declaration to the court.

(3) The liquidator shall provide for having any remaining files discarded or retained for a period defined by law. The tasks of safeguarding the documents for the period defined by law may be transferred, however, the liquidator shall remain responsible until the time period for safeguarding expires.

## Section 54

(1) The liquidator shall act with due care and diligence, as is expected from persons in such positions, at all times during the liquidation procedure. The liquidator shall be held liable in accordance with the general provisions of civil law for damages caused by any breach of his obligations. The liquidator's liability shall cover the assets of the debtor existing at the time of the opening of liquidation proceedings, or acquired in the course of liquidation [Subsection (1) of Section 4]. The exercise of due care and diligence on the part of the liquidator shall mean that, in the event that any property is fraudulently concealed or transferred before the court's declaration of insolvency, and the liquidator is of the opinion that, by contesting such fraudulent conduct, the assets of liquidation can be increased, he shall be obliged to initiate the necessary procedures and shall notify the creditors' select committee thereof.

(2) The court provided for in Section 6 shall have exclusive jurisdiction to hear the cases referred to in Subsection (1) hereof.

## Section 55

### Conclusion of Liquidation Proceedings

## Section 56

(1) The court shall send the liquidation balance sheet, the closing

report and the proposal for the distribution of assets to the creditors within 30 days of receipt. Any creditor may raise an objection in writing concerning the liquidation balance sheet, the closing report or the proposal for the distribution of assets within thirty days of the date of receipt. Failure to observe this time limit shall constitute forfeiture of rights. The court shall hold a hearing to which the creditors raising the objection and the liquidator shall be summoned. The court shall decide whether to sustain or reject the objection after the hearing. The ruling adopted in favor of the objection may be appealed separately.

(2) If the final liquidation balance sheet and the proposal for the distribution of the assets are prepared following the mandatory two-year period, and the legal situation of the outstanding receivables shown in the closing balance sheet was not settled by virtue of Subsection (5) of Section 52, the court shall distribute the outstanding receivables and the unsold assets among the creditors, according to their respective claims, in view of the order of satisfaction prescribed in Section 57. The provisions of Section 60 shall apply to further proceedings.

(3) If at the end of the proceedings there are any assets on which a lien has been filed, or assets underlying the right referred to in Subsection (3) of Section 49/D among unsold assets, before the final liquidation balance sheet, closing report is completed, the liquidator shall advise the holder of such right shown as creditor that he may obtain title of ownership to such assets upon conclusion of the liquidation proceedings on condition that an advance payment for the liquidator's fee is made in the amount representing 3 per cent of the asset's minimum price fixed in the last sales notice within thirty days of the date of receipt of notice, including the sum covering the value added tax on such advance payment, along with 2 per cent of the minimum price fixed in the last sales notice for covering the payments under Subsection (5) of Section 59. Where there are several rightholders, the liquidator shall establish the payment obligations under this Subsection on the basis of the priority order of satisfaction provided for in Section 49/D and shall determine the amounts payable in that context proportionally, where the rightholder whose claim is not covered - because of the priority order of satisfaction - by the value of the assets against which a lien has been filed, or assets underlying the right referred to in Subsection (3) of Section 49/D specified in the final liquidation balance sheet shall not be subject to any payment obligation.

(3a) When the ruling on the distribution of the assets specified in Subsection (3) among the creditors in the priority order of satisfaction provided for in Subsection (3) hereof becomes final, the lien and/or the rights enumerated in Subsection (3) of Section 49/D shall be terminated, and their removal is to be initiated ex officio on the basis of court ruling.

(3b) As regards the distribution of any share from the pledged property provided for in Subsection (3) hereof remaining after satisfaction of the unsatisfied parts of claims which are not covered by the value of the property shown in the final liquidation balance sheet, and after satisfying the lien holders provided for in Subsection (3), the provisions of Sections 57-58 shall apply.

(4) Any property acquired by way of the distribution of unsold assets

among the creditors, including those under simplified liquidation (Section 63/B), shall be exempt from duty.

(5) Any outstanding receivables which are in excess of all creditors' claims shall be distributed under the provisions of Section 61.

## Section 57

(1) The economic operator's debts shall be satisfied from its assets that are subject to liquidation in the following order:

a) liquidation costs described in Subsection (2);

b) the part of a claim secured by a pledge that were not satisfied according to Subsections (1)-(2a) of Section 49/D before the time of the opening of liquidation proceedings up to the amount of the proceeds from the sale of the pledged property, exclusive of value added tax, where the sum deducted according to Paragraph f) of Subsection (1) of Section 49/D at the time of payment made to the lien holders, isolated according to Subsection (2) of Section 49/D for the liabilities provided for in Subsection (1) of this Section, shall also be used for satisfying claims secured by pledge; if there is more than one lien on the pledged property they shall be satisfied in the sequence provided for in Sections 5:118-5:122 of the Civil Code;

c) alimony and life-annuity payments, compensation benefits, income supplement to miners, which are payable by the economic operator, furthermore, monetary aid granted to members of agricultural cooperatives in lieu of household land or produce, for which the beneficiary is entitled for his/her lifetime;

d) with the exception of claims based on bonds, other claims of private individuals not originating from economic activities (in particular claims resulting from insufficient performance, compensation for damages or restitution, also including the amount of the guarantee obligations ordinarily expected in the given trade, as calculated by the liquidator), claims of small and micro companies and small-scale agricultural producers, and the receivables of the Szövetkezeti Hitelintézetek Tőkefedezeti Közös Alapja (Common Capital Fund of Cooperative Credit Institutions) originating from the Szövetkezeti Hitelintézetek Tőkefedezeti Közös Alapja subrogating to the rights and obligations of covered depositors;

e) debts owed to social security funds, taxes - with the exception of the tax arrears and compulsory contribution debts described in Subsection (2) - and outstanding public dues enforced as taxes, claims under Act on General Public Administration Procedures, sums payable to the State established in criminal proceedings under Subsection (8) of Section 6/A, repayable State aid and financial aids from the European Union and other international resources by virtue of international agreement, as well as public utility charges and condominium maintenance fees, and the claims not mentioned in Paragraph d) of the Szövetkezeti Hitelintézetek Tőkefedezeti Közös Alapja;

f) other claims;

g) irrespective of the time and grounds of occurrence, default interests and late charges, as well as surcharges and penalty and similar debts;

h) claims, other than wages and other similar benefits if below double

of the prevailing minimum wage or, in the case of employees whose wages are paid on the basis of performance only, double of the guaranteed salary specified in Subsection (6) of Section 138 of the Labor Code, and if it does not exceed six months' average earnings [Paragraph a) of Subsection (2)] held by:

ha) any member (shareholder) of such economic operator with majority control,

hb) any executive officer of the economic operator,

hc) any executive employee referred to in Subsection (1) of Section 208 of the Labor Code,

hd) the close relatives and domestic partners of the persons mentioned in Subparagraphs ha)-hc),

he) an economic operator under the debtor's majority control,

hf) a body (person) benefiting from the debtor's gratuitous commitments.

(2) Liquidation expenses shall cover the following:

a) wages and other non-salary compensation payable by the debtor, including:

aa) severance pay due upon the termination of employment and any other benefits fixed in the collective agreement or in the contract of employment, including the employer's payment obligations arising out of or in connection with the wrongful termination of an employment relationship,

ab) from the fee charged to the debtor in its capacity as the user enterprise under agreement concluded between the debtor and the temporary-work agency, wages and other personnel costs payable by the temporary-work agency, which are due to temporary agency workers working for the debtor, and

ac) 85 per cent of the fee charged to the debtor for services provided by a school cooperative under contract, comprising the total amount of the remuneration and other related benefits payable out of such fee to school cooperative members who personally participated in the performance of the work, furthermore

ad) if the wages and other personnel costs falling due prior to the time of the opening of liquidation proceedings were paid by the liquidator after the opening of liquidation, along with all applicable tax and contribution payment obligations;

b) costs in connection with the rational termination of the debtor's business operations incurred following the time of the opening of liquidation proceedings, furthermore, the costs in connection with the protection of his assets, including the costs of cleanup of any environmental damage and contamination, the costs of restoring the original condition of arable land used for unauthorized purposes, and the costs of compliance with requirements for the protection of arable land, the expenses incurred upon entering into the civil relationships referred to in Subsection (13) of Section 27/A, as well as the tax and contribution payment obligations and other impositions of a like nature and compensation, indemnification obligations of the debtor arising due to business operations after the opening of liquidation, with the exception of the taxes to be paid from profits;

c) verified costs in connection with the sale of the assets and the enforcement of claims;

d) assistance received from the wage guarantee account of the National Employment Fund, charged to the debtor;

e) court costs and the costs of regulatory proceedings payable by the economic operator incurred in connection with the liquidation proceedings;

f) costs in connection with the arrangement, placement and safeguarding of the debtor's documents;

g) liquidator's fee [Subsection (4) of Section 60] - if not claimed on the basis of Subsection (1) of Section 49/D - which contains expenditures incurred in connection with any civil relationship entered into by means other than what is contained in Subsection (13) of Section 27/A;

h) the expenses and fee of the administrator (temporary administrator) unpaid and uncovered by the guarantors, if bankruptcy proceedings took place before the liquidation proceedings;

i) the fee of the temporary administrator in cases not mentioned in Paragraph h);

j) funds allocated from the debtor's assets for reasons of disaster management, nature conservancy or environmental protection, advanced by the State for cleaning up environmental damage or for preventing further endangerment of the environment, and the justified costs - advanced from the central budget - of works ordered by administrative decision required for fixing up buildings and other structures where it is considered to endanger lives and property;

k) an advance payable in accordance with this Act on the liquidator's fee; and

l) any expense that the court allowed to be paid under the title of liquidation costs, and accounted as such, in the cases under Subsection (3a) of Section 51.

(3) In the event of dismissal by the employer by ordinary notice, the absentee pay for the period of exemption from work and the severance pay may be taken into account as liquidation expenses in the amount that of which is due to the employee on the basis of Subsections (1)-(3) of Section 69, Subsection (3) of Section 70 and Subsections (3) and (4) of Section 77 of the Labor Code, unless a higher amount is stipulated in a collective agreement or contract of employment concluded at least one year prior to the opening of the liquidation proceedings. In the application of this provision, for the debtor's executive employees - other than those mentioned in Subparagraph hc) of Subsection (1) - only the amounts determined in Subsection (3) of Section 210 of the Labor Code may be applied to the extent due at the time of the opening of liquidation proceedings.

(4) If the assets are insufficient to cover the cost of the creditors' claims secured by lien as well as all the other debts, the creditors specified in Paragraphs c) and d) of Subsection (1) - in that sequence - shall be first satisfied in accordance with their respective claims, following the satisfaction of the cost and the guaranteed creditors.

(5) If the funds available are insufficient for satisfying the creditors' claims indicated in Paragraphs e)-g) of Subsection (1), the creditors shall be satisfied according to the sequence of categories laid down in Paragraphs e), f) and g) as consistent with their respective claims.

(6) If the funds available are insufficient for the full satisfaction of the creditors listed under Paragraph e) of Subsection (1), within the same category first debts owed to the social security funds (including social contribution taxes) shall be satisfied in full, followed by the other creditors as consistent with their respective claims.

(7) Whenever a claim that is registered by the liquidator is assigned, it shall not effect the place of such claim in the order of satisfaction.

## Section 58

(1) The claims specified in Paragraphs a) and c) of Subsection (1) of Section 57 shall be satisfied when due, while the claims listed in Paragraphs d)-g) within thirty days upon the approval of the closing balance sheet or the closing simplified balance sheet. The claims described in Paragraphs d)-f) may also be satisfied, as prescribed in Section 57, on the basis of the interim financial statement.

(2)

(3) The liquidator may reach an agreement with the beneficiaries on the payment of contribution claims described in Paragraph c) of Subsection (1) of Section 57, in one lump sum; if no agreement is reached, the liquidator shall conclude an annuity insurance contract, with a single fee clause included, in favor of the beneficiaries.

(4) The liquidator shall commission another economic operator for the settlement of future guarantee, warranty and indemnification obligations considered customary in the trade, while simultaneously transferring the amount allocated for this purpose in accordance with Paragraph d) of Subsection (1) of Section 57, and shall make it public or shall grant a lump-sum compensation to the entitled parties.

(5) The liquidator shall set aside funds during the proceedings for the contingent claims mentioned in Paragraph c) of Subsection (1) of Section 3 in the amounts shown in the creditors' claims, taking also into account the provisions contained in Subsection (7) of Section 49/D. The collateral provided by the holders of such contingent claims to the liquidator under Subsection (5) of Section 38, in security for the contingent claims, shall also be tied up. If the claim does not fall due before the final liquidation balance sheet is completed, or falls due only in part, the amounts tied up, or the unused portion of such amount - which are due to the holder of the contingent claims according to Section 49/D and Section 57 - shall be placed into a court deposit account. These amounts shall be used in accordance with the property distribution proceedings governed in Chapter IX of the CRA, where the holder of the said contingent claims shall have until the last day of the third year following the final and binding conclusion of the liquidation proceedings to request the opening of the relevant proceedings, and thereafter it may be requested by any creditor whose claim was not satisfied in the liquidation proceedings, nor in the proceedings referred to in Section 33/A and Section 63. If no such request is submitted, or if submitted by a person other than the holder of the contingent claims, the court shall advise the holder of the contingent claims within fifteen working days following the end of the third year to notify his claim within fifteen working days, and to enclose the documents to verify such claims. This time limit applies

with prejudice, and the lien shall automatically terminate if the notice is not filed. The court shall then advise the other creditors registered in the liquidation proceedings to notify their claims - subject to a thirty working day limitation period - that were not recovered in the aforesaid proceedings or in any other proceedings, and to enclose the documents to verify such claims. The court shall thereupon deliver a decision, in accordance with Section 57 and Section 61, within fifteen working days concerning the distribution of the amounts set aside among the creditors and the debtor's owners who notified their claims in due time.

## Section 59

(1) The liquidator's fee shall be 5 per cent (or 3 per cent if the opening of the liquidation proceedings was ordered simultaneously upon the termination of the bankruptcy proceedings) of the total amount of the proceeds from the assets sold in the course of liquidation and the proceeds from claims - arising before the time of the opening of liquidation proceedings - recovered, or minimum 300,000 forints. If the debtor continues operating during the liquidation procedure, 2 per cent of the sales revenues arising therefrom can be taken into account as a fee. The court may deviate therefrom in particularly complicated cases, and set a higher percentage for the liquidator's fee. In the case of a simplified liquidation, the liquidator's fee shall be 300,000 forints, plus 1 per cent of the total amount of the proceeds from the assets sold in the course of liquidation and the proceeds from claims - arising before the time of the opening of liquidation proceedings - recovered, plus - having regard to the sales governed under Subsection (5) of Section 49/A, Subsection (7) of Section 49/B and Subsection (2) of Section 49/D, the sum calculated by the method therein provided for. In connection with composition arrangements, the liquidator's fee shall be 5 per cent of the value of the assets that may be included in the scope of composition and that can be distributed according to the relevant accounting regulations (Section 42), in any case at least 300,000 forints. If the amount of divisible assets is over 1,000,000,000 forints, the court may reduce the liquidator's fee taking into account the amount of work carried out by the liquidator and the workload involved in the given proceedings. The liquidator's fees specified under this Section are exclusive of value added tax. If the liquidator is dismissed as per Section 27/A or Section 39, his fee shall be determined based on the work performed, as commensurate to the revenues the debtor has received during the liquidator's tenure.

(2) If the amount of the fee actually payable to the liquidator (excluding value added tax) exceeds 4 per cent of the total amount of the proceeds from the assets sold in the course of liquidation and the proceeds from claims - arising at the time of the opening of liquidation proceedings - recovered, the part of the fee exceeding 4 per cent - exclusive of the portion stemming from the higher fee percentage mentioned in Subsection (1) - shall be paid to a fee supplement account of the Fővárosi Törvényszék (Budapest Metropolitan Court), provided that the amount of the fee under Subsection (1) exceeds 300,000 forints, but

it fails to reach 400,000 forints, where only the amount in excess of 300,000 forints shall be paid to the fee supplement account. In the event the debtor continues to operate during the liquidation procedure, if the actually payable fee (excluding value added tax) exceeds 1 per cent, the amount in excess of 1 per cent shall be paid to the fee supplement account of the Fővárosi Törvényszék. No setoff may be made in respect of the amount to be paid to the fee supplement account.

(3) In the event the liquidator's fee payable as due (not including value added tax) does not reach 4 per cent, the court shall inform the Financial Administration Office of the Fővárosi Törvényszék after the ruling has become final, indicating the name and registered office of the liquidator and the sum to be transferred to him, which shall be the difference of the fee actually received and the 4 per cent. If the fee defined in Subsection (1) - except in simplified liquidation proceedings -, does not reach 300,000 forints, the Financial Administration Office shall supplement the liquidator's fee and bring it up to 300,000 forints as due.

(4) The Financial Administration Office of the Fővárosi Törvényszék shall disburse the difference - increased to cover the value added tax in proportion of the fee supplement - within fifteen days of receiving the notice, unless the amount required is not available in the fee supplement account on the date the notice is received, or if the liquidator failed to satisfy his payment obligation to the fee supplement account. In this case, the Financial Administration Office shall satisfy the liquidators' claims indicated in the notice, provided sufficient funds are available, in the order of arrival of such notices.

(5) Where liquidation is carried out by the simplified procedure, the Fővárosi Törvényszék shall supplement the liquidator's fee and bring it up to 150,000 forints if the fee due and payable is below that amount (without value added tax). This extra payment, however, may not be paid from the fee supplement account. The Fővárosi Törvényszék shall prepare a statement by the last working day of each quarter - and send it to the minister in charge of public finances - in which it specifies the amount of supplement necessary for each simplified liquidation procedure during the subject quarter - taking also into account the sum available by virtue of Subsection (1) of Section 49/D -, including sufficient cover for value added tax as consistent with the amount of supplement, and the funds required to satisfy this obligation. On the basis of this statement, the minister in charge of public finances shall provide the funds required from the central budget, and the Financial Administration Office shall remit payment to the liquidators within fifteen days of receiving such funds. The detailed regulations concerning settlements between the Financial Administration Office and the central budget and the disbursement of funds shall be decreed by the minister in charge of public finances.

(6) The supplementary payments referred to in Subsection (5) shall be repaid subsequently (by 31 May of the following year) from the fee supplement account to the central budget, provided that there are sufficient funds available to do so on the fee supplement account.



(1) Based on the final liquidation balance sheet and the proposal for the distribution of assets the court shall rule on the bearing of costs, on the liquidator's fee, on satisfaction of the claims of creditors, on the closing of current accounts and on the abrogation of securities issued by the debtor by way of the central depository, furthermore, it shall order the liquidator to take the measures yet required. Simultaneously, the court shall decide concerning the conclusion of liquidation and the dissolution of the debtor without succession, and also on the dissolution of any subsidiary of the debtor, or the trust company where applicable.

(2) If a composition agreement is made by the parties, the court shall confirm the agreement by way of a ruling, also providing for the conclusion of liquidation, the fee of the liquidator, the bearing of costs, and on the satisfaction of the claims of creditors excluded from the agreement.

(3) The court shall order the publication of the final rulings specified in Subsections (1)-(2) in the Cégközlöny (Company Gazette), and shall send copies to the organizations indicated in Section 29.

(3a) The liquidator shall take action within fifteen days following publication of the final ruling referred to in Subsection (1) for having the rights and facts registered under the debtor's name deleted from the relevant public registers, official records and official registers.

(4) The liquidator's fee, established according to Subsection (1) of Section 59, and the amount necessary to cover value added tax as appropriate shall be paid primarily from the amount available in the special account of the Financial Administration Office. If the funds available in this account are insufficient to cover the fee calculated according to Subsection (1) of Section 59, the liquidator may charge the difference as a liquidation cost [Paragraph g) of Subsection (2) of Section 57], inclusive of value added taxes.

(5) In the event the fee actually payable to the liquidator (excluding value added tax) according to Subsection (4), taking into account the provisions of Subsection (2) of Section 59, exceeds 4 per cent, or 1 per cent, the court shall order the transfer of the part of the amount in excess of 4 per cent or 1 per cent from the account of the Financial Administration Office or from the debtor's account to the fee supplement account of the Financial Administration Office of the Fővárosi Törvényszék (Budapest Metropolitan Court) [Subsection (2) of Section 59]. By sending its ruling, the court shall inform both the Financial Administration Office and the Financial Administration Office of the Fővárosi Törvényszék.

(6) In the event the amount available in the special account of the Financial Administration Office exceeds the liquidator's fee, including the sums necessary to pay value added tax, the difference shall be refunded to the debtor's creditors according to their payments [except the sums paid up at the time of registration of the contingent claims mentioned in Paragraph g) of Subsection (1) of Section 3, if funds had to be set aside - according to Subsection (5) of Section 58 - to cover these claims, and such amounts had not yet been used]. If the amount to be refunded to any one creditor is below 5,000 forints, this amount shall be transferred to the fee supplement account of the Financial

Administration Office of the Fővárosi Törvényszék.

(6a) The appeal against the ruling closing the liquidation proceedings shall be determined within ninety days.

(7) A ruling adopted for the conclusion of liquidation proceedings shall not be subject to judicial review.

## Section 61

(1) If the debtor is dissolved by liquidation, that portion of assets remaining after the satisfaction of creditors' claims shall be distributed among the holders of share notes in proportion to the subscribed capital shown in the closing balance sheet [Paragraph a) of Section 31].

(2) In respect of companies of certain legal entities, subsidiary companies and with regard to trust companies, the founding (establishing) body, shall dispose over the assets - including non-marketable assets - remaining after the satisfaction of creditors' claims.

(3) With respect to the liquidation of cooperative societies, the provisions of the Civil Code on the dissolution of cooperative societies without succession shall apply for the distribution of assets remaining after satisfaction of creditors' claims.

(4) The regulations provided for in the Civil Code shall apply, unless otherwise provided for in the articles of association, to the dissolution of business associations by liquidation, and the division of the assets remaining after the dissolution of general partnerships, limited partnerships, groupings, joint companies, private limited-liability companies and limited companies.

(5) Following dissolution of a debtor by liquidation the assets remaining in the possession of the State shall be managed by the state property management organization, which exercised owner's rights in respect of the debtor in question.

(6) Assets owned by the State or municipal governments which cannot be included in liquidation, as defined in Subsection (3) of Section 4, shall be transferred, without compensation, to the body exercising ownership rights on behalf of the State or municipal governments, at book value, within thirty days of approval of the final liquidation balance sheet. If, by virtue of its responsibility defined in Subsection (1) of Section 62, the State refunds the value of assets prior to this date, the liquidator shall transfer the assets over to the body exercising ownership rights on behalf of the State immediately after the transfer of the funds.

## Section 62

(1) The State shall not be liable for the fulfillment of creditors' claims that were not satisfied from the assets of the debtor; it shall, however, assume responsibility for contribution and similar claims - upon such becoming due - described in Paragraph c) of Subsection (1) of Section 57, furthermore, for all claims up to the value of the assets of the economic operator which, in accordance with Subsection (3) of Section 4, cannot be included in liquidation, declared non-tradable by

statutory provisions, owned by the State, and in the cases defined in Section 5:42 of the Civil Code.

(2) In the event where the State, based on its responsibility set out in Subsection (1), effects payment to the beneficiaries of contributions and similar claims in the course of liquidation, this amount shall be shown under liquidation costs according to Paragraph a) of Subsection (1) of Section 57 and recorded as a government receivable and satisfied as a credit debt falling under Paragraph b) of Subsection (2) of Section 57, if there are sufficient funds available.

(3) The provision of Subsection (1) shall not affect the claims against economic operators for the fulfillment of which the State is liable in accordance with specific other legislation.

(4) The State shall have the option to satisfy its liabilities in cash, irrespective of their nature.

(5) The interests of creditors for whose claims the State is liable shall be represented by the liquidator.

(6) In connection with contributions and similar claims the minister in charge of public finances shall act in the name and on behalf of the State.

## Section 63

(1)

(2) In respect of the liquidation of a company under control by qualified majority, a single member company or a sole proprietorship, the controlling party or the sole member (shareholder) shall be responsible without limitation for the company's liabilities which are not covered by the debtor's assets during the liquidation proceedings, if the court having jurisdiction in accordance with Section 6 has ordered the member (shareholder) - pursuant to a claim filed by the creditor during the liquidation proceedings or within a preclusive period of ninety days following the time of publication in the Cégközlöny (Company Gazette) of the resolution on the final conclusion of liquidation proceedings - to satisfy the creditor's such claim registered in the liquidation proceedings, on account of such debtor having had a history of making unfavorable business decisions from the standpoint of the debtor company, which are not covered in the liquidation proceedings. The liquidator shall be liable to inform the creditors' select committee, the creditors' representative or the creditors seeking information concerning the circumstances and information serving grounds for bringing action.

(3)-(4)

## Establishing Liability for any Transfer of Partnership Shares Done in Bad Faith

### Section 63/A

If, according to the interim financial statement approved by the court (or the proposal for distribution of assets approved by the court in simplified proceedings), the debtor has accumulated debts in excess of

50 per cent of its equity capital, upon the request lodged by a creditor, the court having jurisdiction in accordance with Subsection (1) of Section 6 shall establish that a former member (shareholder) with majority control, who transferred his share within three years before the opening date of the liquidation procedure, is subject to unlimited liability for the debtor's outstanding liabilities, unless the former member transferring his share is able to prove that the debtor was solvent at the time of transfer of such share, and that threat of insolvency or insolvency occurred subsequently, or that he has acted in good faith bearing the interests of creditors in mind in transferring his share even though the debtor was in a situation considered to carry potential danger of insolvency, or was insolvent. The liquidator shall be liable to inform the creditors' select committee, the creditors' representative or the registered creditors seeking information concerning such transactions of partnership shares underlying liability under this Subsection. The action may be brought at the latest within a ninety-day preclusive period following the time of publication in the Cégközlöny (Company Gazette) of the resolution on the final conclusion of the liquidation proceedings.

## Simplified Dissolution Procedures

### Section 63/B

(1) If the debtor's available assets are insufficient even to cover the foreseeable costs of liquidation, or the liquidation proceedings are technically non-executable according to the general provisions due to discrepancies and deficiencies in the records and/or in the books, the liquidator shall inform the creditors having registered claims concerning his intention to file with the court a petition for simplified liquidation, and shall advise the creditors within forty-five days following the time of the opening of liquidation proceedings to offer any information they may have concerning any concealed assets of the debtor within fifteen days, or if they are able to render assistance for carrying out the proceedings in its normal course. The liquidator - if the books and records of the debtor economic operator are found deficient - shall advise the head of the debtor economic operator concerning his intention to file for simplified liquidation proceedings in the event of his failure to remedy the deficiencies found in the economic operator's books and records. The liquidator shall, furthermore, publish a notice on its website as well, encouraging any one who has any reliable information on any real estate property or other assets the debtor may have (including outstanding receivables and rights) to report such information within fifteen days.

(2) If the liquidator's requests and notices referred to in Subsection (1) produce no result, and if the proceedings cannot be executed according to the general rules of liquidation proceedings, the liquidator shall draw up a report in writing thereon, and shall submit a petition, or recommendation to the court for having the debtor's assets, and outstanding claims distributed among the creditors. The liquidator shall prepare a final tax return as well, and shall submit it to the tax

authority simultaneously with the submission of the recommendation to the court and payment of the tax. The request for the distribution of assets shall contain the total of all creditors' claims, an itemized breakdown of costs prepared by the liquidator, and a proposal concerning the distribution of unrecoverable claims and the remaining funds and assets. The court shall transmit the liquidator's report and proposal for the distribution of assets to the creditors within eight days following the time of receipt of the petition [subject to the exception mentioned in Subsection (3)], as well as to the state and municipal tax authorities. Complaints concerning the report and relating to the proposal for the distribution of assets shall be made in writing, and shall be submitted within fifteen days. The time limit shall apply with prejudice. The complaint may be filed in requesting the court to order the liquidator to execute the liquidation proceedings according to the general rules. The court shall forward the complaint to the liquidator within five days, who shall be entitled to make observations to the complaint within eight days. The court's decision in favor of the complaint may be appealed by the liquidator, or by the complainant if refused, within eight days from the time of delivery. The court shall refuse the liquidator's request provided for in Subsection (1) even if the conditions for simplified liquidation are not satisfied. The liquidator shall have the right to appeal the ruling of refusal within eight days from the date of delivery of the ruling. The appeal shall be determined within thirty days.

(3) If, relying on the liquidator's report and proposal for the distribution of assets, the debtor did not have any revenue nor any expense during the liquidation proceedings, the said liquidator's report and proposal for the distribution of assets shall be sent to the state and municipal tax authorities only, furthermore, no interim financial statement is to be prepared.

(4) If based on the findings of the assessment of the complaint the liquidator's report and proposal for the distribution of assets need not be returned to the liquidator for the purpose of redrafting, the court shall adopt a ruling for the distribution of the debtor's assets and outstanding claims among the creditors in accordance with Subsection (1) of Section 57, and shall order the debtor's dissolution without succession and the conclusion of the liquidation proceedings. If no complaints had been filed in connection with the report, the ruling shall be delivered within ninety days of receipt of the liquidator's report and proposal for the distribution of assets. If any complaint had been filed, the court shall deliver its decision thereon within fifteen days following expiry of the time limit provided for in Subsection (2) for observations. A ruling adopted for the debtor's dissolution without succession and for the conclusion of liquidation proceedings shall not be subject to judicial review.

(5) The court shall order the publication of the abstract of its final ruling referred to in Subsection (4) in the Cégközlöny (Company Gazette), and shall send it to the bodies mentioned in Section 29. The liquidator shall take action within fifteen days following publication for having the data registered in the relevant public registers, official records and official registers, showing the debtor as the owner

or other right holder, deleted from such registers.

(6) The court's ruling referred to in Subsection (4) hereof shall contain a clause ordering the head of the debtor economic operator:

a) to reimburse the State for the liquidator's fee officially payable under Subsection (5) of Section 59,

b) to cover the dues and publication charges paid by the creditor having initiated the liquidation proceedings - at the creditor's request submitted before the time when the ruling referred to in Subsection (4) was adopted - that were not recovered under Subsection (1a) of Section 27 in the liquidation proceedings, and

c) to pay - at the liquidator's request - the difference between 300,000 forints payable to the liquidator in simplified liquidation proceedings and the sum paid according to Subsection (5) of Section 59, if the simplified liquidation proceedings had to be ordered on account of the discrepancies and deficiencies found in the books and records, or if the executive officer failed to comply in either of the three years previous to the company's liquidation with the obligation of deposit and publication of the annual accounts, simplified annual accounts or consolidated annual accounts as prescribed in specific other legislation.

(7) Payment to cover the liquidator's fee referred to in Paragraph a) of Subsection (6) shall be made to the Financial Administration Office of the Fővárosi Törvényszék (Budapest Metropolitan Court). The Financial Administration Office shall show the sum that is due to the central budget as part of the settlement under Subsection (5) of Section 59. The sum that is due to the central budget shall be treated as outstanding public dues enforced as taxes, and shall be collected by the state tax authority. The unpaid costs of the enforcement procedure shall be covered by the central budget.

## Section 64

### Chapter IV

#### Special Provisions Pertaining to Major Economic Operators of Preferential Status for Strategic Considerations

## Section 65

(1) The Government may classify - by means of a decree - as major economic operators of preferential status for strategic considerations those economic operators specified under Subsection (3) to whom the following criteria applies:

a) settlement of the debts of such operators, composition with creditors or reorganization is in the interests of the national economy or is of particular common interest, or

b) the winding up of such operators without succession - where the lack of funding and insolvency cannot presumably be resolved - in a

simplified, transparent and standardized procedure is given priority due to economic considerations.

(2) The Government shall publish the decree mentioned in Subsection (1):

a) in the case of bankruptcy proceedings, within thirty days from the time of the opening of bankruptcy proceedings [Subsection (1) of Section 10],

b) in the case of liquidation proceedings, within 365 days from the time of the opening of liquidation proceedings [Subsection (1) of Section 27, Subsection (1) of Section 28],

c) in the case of economic operators under majority state ownership, and in the case of associations and foundations where founder's rights and members' voting rights are exercised by a central budgetary agency or any other public entity,

ca) by the time a composition agreement is reached in bankruptcy proceedings,

cb) by the time a composition agreement is reached if a composition conference is held in liquidation proceedings, in the absence of a composition agreement, before the final balance sheet is submitted to the court,

d) in the case of economic operators of preferential status for reasons of disaster management, nature conservancy or environmental protection, by the time indicated in Subparagraphs ca) and cb) of Paragraph c).

(3) 'Major economic operator of preferential status for strategic considerations' shall mean any economic operator:

a) that operates in fields that may be construed to be of national importance for reasons of national security, defense, law enforcement, military, energy safety, energy supply, industrial safety, disaster relief and emergency response, nature preservation, environmental protection, public health, public utility, infrastructure development, cultural heritage, public information, communications, transport, transportation safety, research and development and public health considerations, or as related to basic public functions or to ensuring basic food supplies to the general public, as well as for reasons of national and international trade and employment, or for reasons of supplying district heat and other public utility services to the general public,

b) that is involved in the implementation of, or undertook to execute, projects given priority for national economy consideration,

c) that is involved in discharging public functions conferred by law nation-wide,

d) that received large amounts of State aid for restructuring, credit guarantees, surety facilities or export credit insurance, or that is engaged in the pursuit of, or undertook to carry out, concession-bound activities, and is therefore engaged under contract with the State or specific public bodies (including the State-owned economic operators established for carrying out the aforesaid functions) in connection with the above, or

e) that is engaged in the pursuit of activities considered to carry strategic importance for national economy purposes, other than those under Paragraphs a)-d).

## Section 66

(1) In the cases described in Section 65, the relevant provisions of this Act shall apply to the bankruptcy and liquidation proceedings of major economic operators of preferential status for strategic considerations, subject to the exceptions set out in this Section and in Section 67.

(2) In the application of this Chapter, the nonprofit business association under exclusive State ownership, delegated by the Government in a decree, may function as the administrator, temporary administrator, extraordinary administrator or liquidator (hereinafter referred to as "State liquidator"). The State liquidator may not be instructed by the person exercising ownership rights on behalf of the State in carrying out the proceedings under this Act.

(2a) Delegating the State liquidator to function as a temporary administrator is mandatory. The court may omit the hearing of the debtor in that respect. The court shall order said delegation within three working days following the date of submission of the petition for, or notice of, liquidation. If a temporary administrator has been delegated to function as the State administrator, the court shall accept no further petitions for such purpose. The fee of the State liquidator acting as the temporary administrator shall be between 500,000 and 5,000,000 forints. The court shall decide concerning an advance payment of the fee taking into account the temporary administrator's expected workload, and shall establish the amount of the fee taking into consideration the amount of work actually performed. The fee shall be advanced at the court's initiative by the central budget, and shall be borne by the debtor, except if the creditor has withdrawn the request for the opening of liquidation proceedings, or if the court decided not to order liquidation in proceedings opened upon the creditor's request. In the latter cases the creditor shall be liable to pay the fee advanced within fifteen days when so requested by the State's representative. The Financial Administration Office of the Fővárosi Törvényszék shall repay the fee advanced by the central budget, to the central budget within eight working days of receipt of payment from the debtor, if it was paid.

(2b) The mandate of the temporary administrator may be cancelled if:

- a) the creditor has withdrawn the request for the opening of liquidation proceedings, and there is no other petition or notice initiating the opening of liquidation proceedings against the debtor, or
- b) the court dismissed the request for the opening of liquidation proceedings by final decision, or
- c) the court has ordered the debtor's liquidation, and appointed the State liquidator as the liquidator.

(3) If the court has already appointed an administrator or liquidator under Subsection (1) of Section 27/A, the dismissal thereof and the appointment of a State liquidator shall be executed in a ruling adopted by the judge presiding over the proceedings within five working days following the government decree referred to in Subsections (1)-(2) of Section 65 entering into force, and shall, at the same time, order publication of the ruling in the Cégközlöny (Company Gazette) by way of the means defined in specific other legislation. Publication in the



Cégekzlöny shall take place in the form of display on the official website of Cégekzlöny, updated on a daily basis. The court ruling shall contain instructions as to covering the dismissed liquidator's verified expenses, and also his reasonable remuneration for work performed up to that point, which may not exceed 100,000 forints, however, a higher amount in cases which are deemed particularly complex may be awarded. The ruling may be executed irrespective of any appeal, and only the section on awarding remuneration may be appealed. The provisions set out in Subsection (11) of Section 27/A shall apply to the obligations of the dismissed liquidator, where the liquidator shall be liable to publish the date of termination on his website on the day following the date of the ruling of dismissal, as well as to cooperate with the State liquidator, and shall assist the State liquidator in taking over the proceedings.

(3a) The court, if the Government has designated a new State liquidator by means of a decree, shall adopt a ruling relieving the former State liquidator of its duties and delegating the new State liquidator designated by the Government within eight working days from the time of the relevant government decree entering into force. The ruling shall provide for the compensation of the former State liquidator's invoiced and verified expenses and for its appropriate remuneration. The dismissed State liquidator shall turn over all documents and assets of the debtor to the replacement State liquidator without undue delay, and shall prepare an itemized list on contracts, proceedings in progress at the time of transfer, sales, and shall prepare an interim financial statement as well, and shall, furthermore, provide a statement that the balance sheet gives a true and fair view of the debtor's financial situation. In the event of the dismissed State liquidator's failure to comply with these obligations the court may impose a fine of up to 900,000 forints upon the dismissed State liquidator.

(3b) The rulings mentioned in Subsections (2a) and (3a) may be executed irrespective of any appeal. An appeal may be lodged only against the part of the ruling establishing the fee within eight working days from the time of delivery of the ruling. The appeals under Subsections (2a) and (3a) shall be heard without delay, within a maximum period of fifteen working days.

(4) The relevant provisions of this Act shall apply to the liquidator referred to in Subsection (2) hereof, its employees and receivers, subject to the exception that the grounds for exclusion - related to the debtor's owner or creditor - provided for in Subparagraphs aa) and ab) of Paragraph a) of Subsection (4) of Section 27/A shall not apply if the debtor is an economic operator owned by the State in whole or in part, or if the debtor's creditors include the State, the central budget, extra-budgetary funds, social security funds, bodies governed by public law, or organizations owned by the State, or operating with State participation in whole or in part.

(5) State liquidators may not pursue any economic activity outside the activities defined in this Act, with the exception of business and management consultancy for economic operators under full or majority state ownership, and - with respect to the economic operators aforementioned - the activities of receivers and property commissioners

in accordance with the relevant provisions of the CRA, under the conditions prescribed by the CRA, as well as the activities of financial trustees in accordance with the Act XXV of 1996 on the Debt Consolidation of Local Governments with respect to municipal governments.

(6) The State liquidator referred to in Subsection (2), and the liquidators designated under specific other legislation for the liquidation or winding-up of financial institutions need not be listed in the register of liquidators, however, the particulars of liquidators, receivers and the persons specified in Section 27/C defined therein shall be recorded, and regularly updated, by the administrative body that maintains the register of liquidators. The register shall be construed as an official public register. The administrative body that maintains the register of liquidators shall monitor - in an official capacity - the activities of the State liquidator as defined in this Act and in its implementing decrees, and in the event of detecting any serious or repeated infringement or violation on the part of the receiver or the State liquidator's employees and/or executive officers it shall request the State liquidator to take disciplinary action, including dismissal, and may impose an administrative penalty of up to 400,000 forints upon the receiver. When imposing the penalty the authority shall take into account the nature and gravity of the infringement, and whether it is a one-off or a repeated offense.

(6a) The requirements set out in this Act and in the Government Decree on the Register of Liquidators shall apply to the State liquidators provided for in Subsection (6), and also to their executive officers and employees, including the receivers they have appointed.

(7) The liquidator referred to in Subsection (2) of Section 66 may not be dismissed pursuant to the reasons defined in Subsection (7) or (8) of Section 27/A, however, the court shall have powers to impose a financial penalty upon the liquidator referred to in Subsection (2) of Section 66 or receiver for any breach of, or non-compliance with, the obligations laid down by this Act, in an amount up to 900,000 forints. When imposing the penalty the court shall take into account the nature and gravity of the infringement, and whether it is a one-off or a repeated offense, as well as any harm or danger inflicted upon creditors' interests.

(8) Subsection (5) of Section 51 shall apply with the exception that a new liquidator may not be appointed, and the court may impose financial penalty of up to 900,000 forints on the receiver, and may order the liquidator to appoint a replacement receiver, and - furthermore - may reduce the State liquidator's fee. When imposing the penalty, or reducing the fee, the court shall take into account the nature and gravity of the infringement, and whether it is a one-off or a repeated offense, as well as any harm or danger inflicted upon creditors' interests.

## Section 66/A

In bankruptcy proceedings of major economic operators of preferential status for strategic considerations the State liquidator acting as the temporary administrator is also entitled to request the extension of the stay of payment. In bankruptcy proceedings Subsection (9) of Section 18

shall apply with the proviso that the debtor shall be granted an extension of the stay of payment for a total of not more than 365 days from the time of the opening of bankruptcy proceedings if able to secure at least the majority of the votes of creditors with voting rights, in respect of secured and unsecured claims alike, separately for the claims in question.

## Section 67

(1) Creditors shall be able to file their claims with the State liquidator, following the appointment of the State liquidator under Subsection (3) of Section 66, taking account of the original deadline. The State liquidator shall register as claims notified in due time those claims of creditors that they notified by the deadlines under Paragraph f) of Subsection (2) of Section 10, Paragraph f) of Subsection (2) of Section 28, Subsections (1)-(2) of Section 37 and Paragraph b) of Subsection (5) of Section 46 to the dismissed liquidator, provided that the holders of such claims are able to provide proof to the State liquidator within ten days following the deadline for having such claims notified.

(2) In liquidation proceedings the peremptory time limit under Paragraph c) of Subsection (5) of Section 46 and Subsections (1)-(3) of Section 37 for the notification of claims shall be one hundred and twenty days.

(3) The time limit for the verification of claims notified in liquidation proceedings under Subsection (6) of Section 46 shall be forty days, and disputed claims shall be sent to the court within ten days. The court shall hear cases related to disputed claims in priority proceedings.

(4) In the case of liquidation of major economic operators of preferential status for strategic considerations, Subsection (5) of Section 38 shall apply with the exception that the time limit available to the collateral taker's right to direct satisfaction shall be two months.

(5) The liquidator referred to in Subsection (2) of Section 66 shall call the creditors' meeting under Subsection (1) of Section 39 within sixty days. In the event of any breach of the obligations set out in Section 39 the court shall - instead of dismissing the liquidator referred to in Subsection (2) of Section 66 - impose a financial penalty of up to 300,000 forints upon the company and the receiver. In discharging the obligation of supplying information to creditors and the creditors' select committee (representative of creditors), the receiver shall take into account the requirements of confidentiality relating to the debtor's unique activities, which are considered significant for strategic considerations.

(6) The composition conference under Subsection (5) of Section 41 must be held within forty-five days from the date of receipt of the debtor's request. Subsection (1) of Section 44 and Section 45 shall apply to composition arrangements subject to the exception that the court may approve the composition arrangement even if the claims of creditors in support of the composition represent at least half of all claims of the creditors entitled to participate in the composition agreement.

(7) As regards the debtor's ability for continuing business operations during liquidation, the creditors' select committee may grant consent under Subsections (3)-(4) of Section 46 for a period of one and half year instead of one year.

(8) The time limit for completing the final liquidation balance sheet is two hundred and seventy days, except if the court decided to extend this time limit in justified cases and unless the creditors' select committee granted consent for the debtor for continuing business operations during liquidation, and also in the case defined in Subsection (2) of Section 52, and/or having regard to ongoing proceedings. The court shall deliver the final liquidation balance sheet and the proposal for the distribution of assets - in accordance with Subsection (1) of Section 56 - to the creditors within twenty-one days of receipt of the final liquidation balance sheet.

(9) Section 53 shall apply subject to the exception that if the debtor is engaged in the pursuit of any activity subject to prior official authorization, any concession-bound activity or any public service activity defined by law, the debtor's documents related to such activities shall be delivered to the organization involved in carrying out the given activity.

(9a) If the debtor is an authorized operator covered by the Act on Mining, the Act on Natural Gas, the Act on District Heat Supply or the Act on Electric Energy, the liquidator referred to in Subsection (2) of Section 66 shall contrive the conditions for the sales procedure in collaboration with the authority that issued the authorization, with facilities to allow for the sale of the debtor economic operator's assets as a going concern to an organization that is capable to ensure the continuity in carrying on the company's activities so as to provide the public services in question.

(9b) If the debtor economic operator was found responsible for environmental damage or for endangering the environment, or if engaged in activities which could harm the environment, the State liquidator shall administer the debtor's assets with a view to preventing further environmental damage, while taking into account the public interest that lies in continuing the debtor's business operation.

(9c) In the process of realizing the assets of the debtor, the State liquidator shall draw up the conditions of sale - in consultation with the environmental protection authority - for liquidating the debtor's assets as going concern, targeting professional investors committed to cleaning up environmental damage or to preventing further endangerment of the environment. The State liquidator shall make efforts to sell real estate properties and movables, and the related rights as going concern, at the highest price that can possibly be received on the market.

(9d) In order to achieve the objectives set out in Subsection (9b) or (9c), the State liquidator shall sell the debtor's assets non-publically, in closed proceedings. The State liquidator shall consult the creditors' select committee before making a decision for using the non-public sales procedure. The consent of the creditors' select committee is not required in deciding upon the method of sale and for laying down the terms and conditions of sale. The State liquidator's decision for using the non-public sales procedure may not be contested.

(9e) If the State liquidator sells the debtor's assets by means of non-public procedures, the liquidator shall obtain appraisals from three different independent valuers in advance. The creditors' select committee may request the review of the appraised value in accordance with Subsection (2) of Section 49. In connection with using the non-public sales procedure Section 49/A and Section 49/B shall apply, subject to the exception that the tender notice need not be published in the Cégközlöny, however, it shall be made available to the creditors and to the creditors' select committee (representative of creditors). In such sales procedures Subsection (5) of Section 49/A and Subsection (7) of Section 49/B are not mandatory.

(9f) The opening of tenders and the price negotiation process shall be attended by a notary public. The minutes drawn up by the notary public shall contain the reasons for selling the assets non-publically, the tender conditions in detail and the criteria for the evaluation of offers. The State liquidator shall disclose the purchase price specified in the contract concluded upon the non-public sales procedure and the description of the asset sold to the Cégközlöny within five working days following the conclusion of the sales agreement, and shall publish it on its website as well.

(9g) If any right of preemption registered in a public register before the liquidation was ordered or that may exist pursuant to statutory provision applies to any particular asset, the State liquidator shall inform the person holding the right of pre-emption in advance if the asset to which the right of pre-emption pertains will be sold by non-public means. The liquidator shall convey to the holder of the right of pre-emption any offer received non-publically. The holder of the right of pre-emption shall decide whether to exercise the right of pre-emption within eight working days of receipt of notice, and shall inform the liquidator of this decision without delay. The holder of the right of pre-emption shall accept the offer made in its entirety for the asset offered for sale (total of all assets) on the whole.

(9h) The time limit for bringing action under Subsections (5) and (6) of Section 49 shall begin on the date of dissemination referred to in Subsection (9e).

(10) The time limits mentioned in Subsection (8) shall be taken into consideration in rendering the court decision under Subsection (2) of Section 56 on the distribution of outstanding claims and unsold assets among the creditors.

## Section 68

(1) Where a major economic operator of preferential status for strategic considerations or the facilities it operates are placed under protection for national security reasons, or if providing a public service of international or national importance for reasons of defense, law enforcement, military and energy supply considerations, or providing public utility services of strategic importance to the general public, the general provisions and Sections 65-67 of this Act shall apply - in light of the public interest related to the activities they pursue - subject to the exceptions set out in this Section and in Sections 69-70.

(2) The Government shall be able to declare in the decree referred to

in Section 65 that Subsection (1) applies to a particular major economic operator of preferential status for strategic considerations, if the lack of funding cannot presumably be resolved due to the reasons behind the operator's deficit, the accumulation of losses cannot be stopped, the economic operator cannot be given any assistance or State aid for the purpose of salvaging the company, however, the sale of the economic operator's assets as a going concern is in the public interest in order to ensure continuity and carrying on the company's activities.

(3)

(4) In liquidation proceedings already in progress at the time of publication of the government decree referred to in Subsection (2), opened upon request, the provisions of Subsections (5)-(6) of this Section and Subsections (1)-(9a) of Section 69 may not be applied. Subsection (10) of Section 69 applies with the exception that the special moratorium will be ordered instead of being extended, if the debtor fails to respond within the five-day peremptory time limit to the court's request made in the ruling ordering liquidation as to having set aside financial means sufficient to cover its payment obligations with a view to continuing operations during the period of the moratorium and to maintaining its viability.

(5) The court shall adopt the ruling referred to in Subsection (2) of Section 22 on ordering liquidation within three working days, and shall, at the same time, order - in accordance with the provisions of specific other legislation - to have it published in the Cégközlöny (Company Gazette). Publication in the Cégközlöny shall take place in the form of display on the official website of Cégközlöny, updated on a daily basis.

(6) In liquidation proceedings joinder, suspension is not admissible. Liquidation proceedings may be suspended only upon request, in the case of Subsection (4) of Section 26, in proceedings of first and second instance not more than once each, with the proviso that after three months' stay the proceedings shall be terminated.

(7) The court shall hear such cases in priority proceedings.

## Section 69

(1) If liquidation is requested by the debtor, the petition shall be filed according to the provisions of Subsection (1) of Section 23 with the exception that the debtor is required to provide a statement concerning the requirements set out under Subsection (3) of Section 8 as well. The debtor's payment service provider shall be bound by the obligations defined in Subsection (5) of Section 8. The petition shall contain information for enabling the head of the debtor to be summoned at short notice in accordance with Subsection (3) of Section 133 of the CPC (electronic mail address, phone number, fax number).

(2) Within one working day following receipt of the debtor's petition under Subsection (1), the court shall publish a ruling in the Cégközlöny (Company Gazette) by way of the means defined in specific other legislation concerning the special moratorium to which the debtor is entitled, containing also an indication that an extraordinary administrator has been appointed and that the proceedings are conducted against an economic operator granted preferential status by the

Government for strategic considerations, to which Sections 68-70 of this Act also apply. Publication in the Cégközlöny shall take place in the form of a display posted on the official website of Cégközlöny at 0:00 hours, updated on a daily basis. The special moratorium shall be available to the debtor from the time of publication. In its ruling the court shall appoint the State liquidator referred to in Subsection (2) of Section 66 to function as an extraordinary administrator. The fee and expenses of the State liquidator functioning as an extraordinary administrator shall be advanced and covered by the debtor economic operator. The ruling may not be appealed separately.

(3) The purpose of the special moratorium is to keep the debtor operational on a temporary basis. During the period of special moratorium the claims of creditors shall draw interest. During the period of special moratorium payments may exclusively be made subject to authorization (approval) by the extraordinary administrator. The extraordinary administrator shall authorize (approve) payments falling due during the period of special moratorium which are considered necessary with a view to enabling the debtor to carry on its activities which have been granted priority status under this Act during the period of special moratorium and to maintaining its viability; the payment authorized by the extraordinary administrator may be executed during the special moratorium. The extraordinary administrator shall have joint right of disposition over the debtor's payment accounts. The extraordinary administrator shall advise the payment service providers carrying the debtor's accounts concerning his powers conferred under this Subsection, including his authentic and reliably verified signature. The provisions contained in Section 11 shall otherwise apply during the period of special moratorium. The head of the debtor shall set aside financial means sufficient to cover its payment obligations with a view to continuing operations during the period of the special moratorium and to maintaining its viability, the execution of which shall be monitored by the extraordinary administrator, who shall notify the supreme body, the supervisory board and the auditor in the event of non-compliance. During the period of special moratorium the debtor's operating licenses and authorizations shall be extended until the end of the special moratorium, and the competent authority shall be able to withdraw such authorizations according to the relevant legislation only if deemed necessary for the protection of life and property. During the period of special moratorium contracts concluded with the debtor may not be rescinded or avoided by the other party, moreover, such contracts shall not be terminated on account of the debtor's insolvency or stemming from the special moratorium.

(3a) When so requested by the extraordinary administrator, the head of the debtor shall make available all information and documents related to the debtor's operations and financial standing to the extraordinary administrator. The head of the debtor shall take - following consultation with the extraordinary administrator - all measures within reason, that is to be expected from persons in such positions, to keep the debtor operational throughout the special moratorium.

(4) The court shall review the debtor's petition for liquidation submitted under Subsection (1) within five days. The time limit for remedying deficiencies shall be five days.

(5) If the court decided to refuse the debtor's petition under Subsection (1) without any examination of its merits, or dismisses the proceedings, or declares the proceedings to be conducted in the form of a territorial proceeding, the special moratorium shall terminate upon publication of the final ruling thereof in the Cégekőzlöny, except if the court has published another ruling on the special moratorium in another proceeding opened upon the petition for liquidation. Publication in the Cégekőzlöny shall take place in the form of a display posted on the official website of Cégekőzlöny at 0:00 hours, updated on a daily basis.

(6) The provisions pertaining to the special moratorium and its publication, and to the extraordinary administrator shall apply also if the debtor's liquidation is requested by a creditor; in this case the time limit for publication of the special moratorium under Subsection (2) shall be reckoned from the time of delivery of the creditor's petition to the court. The provisions of Subsections (3)-(5) shall also apply. The petition shall contain information for enabling the head of the creditor to be summoned at short notice in accordance with Subsection (3) of Section 133 of the CPC (electronic mail address, phone number, fax number). The creditor's petition and the summons to the hearing specified in Subsection (7) shall be sent to the debtor by way of a process server. The debtor may not request stay of payment under Subsection (3) of Section 24 and Subsection (3) of Section 26 for settling his debts. The debtor shall supply information to the court within two working days following the time of receipt for enabling the head of the debtor to be summoned at short notice in accordance with Subsection (3) of Section 133 of the CPC (electronic mail address, phone number, fax number), including information relating to its payment accounts.

(7) The court shall hold a hearing concerning the creditor's petition for the opening of liquidation proceedings at the latest within eight days of the time of delivery of the creditor's petition to the court. The time elapsed between the date on which the request for remedying discrepancies had been ordered and the date on which it was satisfied shall not be included in the time limit. The court shall summon the creditor and the extraordinary administrator to the hearing at short notice. The parties shall present their statements relating to the petition during the hearing at the latest. In such hearing the extraordinary administrator shall make the statements (such as the receiver's particulars) which are necessary for his appointment as the liquidator, if liquidation is in fact ordered, and/or for the publication of such. Where additional documents and/or statements are required for making a decision on insolvency, the court shall set another hearing within not more than five days. In that hearing the debtor shall provide a statement to indicate whether the funds at its disposal are considered sufficient to cover the payment obligations incurred or scheduled to fall due during the period of special moratorium. If the debtor fails to make such statement or indicates that the funds are insufficient, the court shall adopt a ruling in priority on terminating the special moratorium. The ruling may be appealed separately. The appeal shall be determined without delay, within not more than fifteen days. The court shall publish the final ruling in the



Cégekzlöny without delay.

(8) In proceedings opened at the creditor's request the court shall adopt a decision concerning the debtor's insolvency during the hearing, or within fifteen days after the first hearing. The court shall deliver its ruling to the parties during the hearing or by way of a process server. Upon the ruling ordering liquidation of the debtor becoming final, the court shall - within one working day - provide for the publication of the ruling specified in Subsection (1) of Section 28 in the Cégekzlöny by way of the means described in specific other legislation. Publication in the Cégekzlöny shall take place in the form of display on the official website of Cégekzlöny, updated on a daily basis.

(9) If the debtor is not insolvent the ruling to dismiss the proceedings with immediate effect shall also provide for the termination of the special moratorium. The court shall take measures in priority for having the final ruling published in the Cégekzlöny. Publication shall take place in the form of a display posted on the official website of Cégekzlöny at 0:00 hours, updated on a daily basis. The special moratorium shall terminate upon publication of the ruling, except if the court has published another ruling on the special moratorium in another liquidation proceeding in progress against the debtor.

(9a) An appeal against the ruling ordering the debtor's liquidation or adopted for the termination of the proceedings with immediate effect shall be submitted within five working days from the time of delivery. The appeal shall be decided by the court within five working days.

(10) The ruling ordering liquidation shall contain an indication, and the publication shall specify that the proceedings are conducted against an economic operator granted preferential status by the Government for strategic considerations, to which Sections 68-70 of this Act also apply. In the ruling ordering liquidation the court shall extend the duration of special moratorium for a period of ninety days from the time of publication of the ruling ordering liquidation, which shall be referred to in the publication specified in Subsection (2) of Section 28. Following the time of the opening of liquidation, up to the expiry of the extended special moratorium, from the provisions pertaining to special moratorium, the ones contained in Subsections (3)-(3a) on keeping the debtor operational on a temporary basis, on payments made from the debtors funds, on authorizations granted by the relevant authorities and on restrictions for the termination of and withdrawal from contracts concluded with the debtor shall apply in due consideration of the rules of liquidation, with the proviso that Section 11 shall not apply; the special moratorium shall be without prejudice to the rights and obligations of the liquidator obtained in connection with liquidation proceedings, including the liquidator's right of termination or withdrawal under Section 47.

(11) Section 5 shall apply subject to the exception that information may be provided by the liquidator only. Information may be refused if and when it is deemed to jeopardize the objectives of the procedure [Subsection (2) of Section 68]. Subsection (3) of Section 39 shall apply with the exception that the liquidator may refuse to give out information if and when it is deemed to jeopardize the objectives of the

procedure [Subsection (2) of Section 68].

(12) Subsection (1) of Section 36 and Subsection (3) of Section 38 shall apply with the exception that instead of the time of the opening of liquidation the date of publication of the special moratorium shall be applied to determine whether creditors' claims may or may not be imputed.

(13) If the court orders liquidation, the debts incurred and falling due during the period of special moratorium, approved according to Subsection (3) by the extraordinary administrator (liquidator) and the debts stemming from any commitment by the extraordinary administrator (liquidator), yet unpaid, shall be satisfied by the liquidator included in the costs of liquidation under Paragraph b) of Subsection (2) of Section 57.

(14) In determining the fee of the liquidator referred to in Subsection (2) of Section 66, the court shall proceed according to Section 59 with the exception that it shall award a higher amount covering the work performed by the extraordinary administrator before the binding decision ordering the opening of liquidation proceedings was adopted. The fee shall be paid by the debtor, and shall be shown under the costs of liquidation in accordance with Paragraph g) of Subsection (2) of Section 57.

(15) If after the time of the opening of proceedings for the liquidation of a debtor covered by Subsection (2) of Section 68 liquidation proceedings are opened against a resident economic operator in which the debtor has majority control, such proceedings shall be carried out according to Section 68, this Section and Section 70.

## Section 70

(1) In the event of ordering the liquidation of an economic operator covered by Subsection (2) of Section 68, the liquidator referred to in Subsection (2) of Section 66 shall administer the debtor's assets taking account of the activity referred to in Subsection (1) of Section 68, and the public interest related to the activities thus pursued. In the process of alienating the debtor's assets, the liquidator referred to in Subsection (2) of Section 66 shall make efforts to sell real estate properties and movables, and the related rights as going concern, at the highest price that can possibly be received on the market.

(2) Where this is deemed necessary to achieve the objective of the proceedings [Subsection (2) of Section 68], the liquidator shall sell off the debtor's assets in closed proceedings. The liquidator shall select the method of non-public sales procedures (such as in particular restricted tender, direct negotiations). The liquidator shall not be liable to provide advance information to creditors concerning his decision to use non-public sales procedures and the selected method, however, the reasons for the decision and the offers received must be recorded in writing in the presence of a notary public.

(3) If the liquidator sells the debtor's assets by means of non-public procedures, the liquidator shall obtain appraisals from three different independent valuers concerning the assets offered for sale. The selling price may not be lower than the arithmetic average value of the sums shown in the appraisals.

(4) The liquidator shall publish the purchase price shown in the contract concluded upon the non-public sales procedure, along with a description of the asset sold in the Cégközlöny and also on its website within five working days from the date of the contract.

(5) The liquidator's decision to conduct a non-public sales process and on the method of sale may not be contested. This provision shall be without prejudice to the right to take action under Subsection (5) of Section 49, where the time limit for taking such action shall commence at the time of publication under Subsection (4).

(6) In the case of non-public sales procedures Subsections (1) and (2) of Section 49, Section 49/A and Section 49/B shall not apply.

(7) The liquidator shall inform the person holding the right of preemption registered in a public register before the liquidation was ordered or that may exist pursuant to statutory provision in advance if the asset to which the right of pre-emption pertains will be sold by non-public methods. The liquidator shall disclose the offers received through non-public sales procedures to the holder of the right of pre-emption. The holder of the right of pre-emption shall decide on whether or not to exercise the right of pre-emption and shall notify the liquidator of his decision. The holder of the right of pre-emption shall accept the offer made in its entirety for the asset (total of all assets) on the whole.

## Sections 71-79

### Chapter V

#### Miscellaneous provisions

#### Section 80

(1) In the proceedings governed by this Act, the organization entitled to collect claims which are due to the State, the central budget, to extra-budgetary funds, the Pension Insurance and Health Insurance Fund or to municipal governments, local minority self-government bodies or associations of municipal governments may disclaim or assign such claims. The organization entitled to collect claims may decide not to notify its claim in a liquidation proceeding if it has attempted to carry out an enforcement procedure immediately before filing a request for the opening of liquidation proceedings, and according to the findings of these proceedings it is unlikely to recover any part of its claim, including the amount charged and payable for registration of the claim. The organization entitled to collect claims shall keep separate records of these claims, indicating the data and information evidencing the frustration of recovery in the absence of any property and assets that can be realized in judicial enforcement. Failure of notification of the claim shall be construed as a disclaimer. The organization entitled to collect claims may not assign any claim that is due from a debtor under liquidation, where such debt has been guaranteed by the State.

(2) If a claim payable to the Pension Insurance Fund is for the repayment of benefits - including early retirement pension - provided according to the Act on Social Security Pension Benefits, such claim shall be collected by the state tax authority.

## Section 81

## Chapter VI

## Closing Provisions

## Entry into Force

## Section 82

(1) This Act shall enter into force on 1 January 1992.

(2) Subsection (1) of Section 50, Subsections (2) and (5) of Section 52, Section 53 and Section 55 shall also apply to liquidation proceedings in progress. Otherwise, prior legislation shall govern the proceedings in progress at the time of this Act entering into force. Following the entry of Act LXXXI of 1993 on the Amendment of Act IL of 1991 on Bankruptcy Proceedings, Liquidation Proceedings and Voluntary Dissolution into force, rulings ordering liquidation shall be published in the Cégközlöny (Company Gazette).

(3) Paragraph d) of Subsection (2) and Subsection (3) of Section 11, Subsection (2) of Section 36, Subsection (5) of Section 38, Subsection (4) of Section 40 and Subsection (3) of Section 47 serve the purpose of conformity with Directive 2002/47/EC of the European Parliament and of the Council of 6 June 2002 on financial collateral arrangements.

## Section 83

(1) Subsections (1) and (3) of Section 65 of this Act, as established by the Act on the Special Provisions for Bankruptcy and Liquidation Proceedings Concerning Major Economic Operators of Preferential Status for National Economy Considerations and on the Related Amendments (hereinafter referred to as "MEOP"), and the provisions pertaining to the State liquidator, its obligations, document transfer and data disclosure responsibilities, and the provisions on financial penalties imposed upon liquidators and receivers shall also apply to bankruptcy proceedings already ordered and liquidation proceedings ordered by final ruling at the time of the MEOP entering into force, if the deadline for publishing the government decree under Subsection (2) of Section 65 has already expired, however, the composition conference in bankruptcy proceedings is pending, and composition agreement in liquidation proceedings is pending or the final liquidation balance sheet has not yet been delivered to the court. In these cases the Government shall have until the thirtieth day following the entry into force of the MEOP

to publish the decree under Subsection (2) of Section 65. Subsection (3) of Section 66 shall apply with the exception that the court shall determine remuneration of a dismissed liquidator covering the work performed up to that point in time, and shall reduce the State liquidator's fee accordingly. Moreover, the dismissed liquidator shall be entitled to a percentage of the proceeds under Section 49/D and to an appropriate portion of the fees specified in Subsections (1) and (4) of Section 59 in connection with the sales he has completed.

(2) Subsection (2) of Section 65 of this Act, as established by the Act XLVI of 2013 on the Amendment of Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings (hereinafter referred to as "Act XLVI of 2013"), shall also apply to bankruptcy proceedings already ordered and liquidation proceedings ordered by final ruling at the time of Act XLVI of 2013 entering into force, if the deadline for publishing the government decree under Subsection (2) of Section 65 - as effective before the time of Act XLVI of 2013 entering into force - has already expired, however, the composition conference in bankruptcy proceedings is pending, and composition agreement in liquidation proceedings is pending or the final liquidation balance sheet has not yet been delivered to the court. If the decree referred to in Subsection (2) of Section 65 is promulgated during the time of pending bankruptcy or liquidation proceedings, the court shall dismiss the previous liquidator within three working days following the date of said decree entering into effect. Subsection (3) of Section 66 shall apply with the exception that the court shall determine the remuneration of a dismissed liquidator covering the work performed up to that point in time, and shall reduce the State liquidator's fee accordingly. Moreover, the dismissed liquidator shall be entitled to a percentage of the proceeds under Section 49/D and to an appropriate portion of the fees specified in Subsections (1) and (4) of Section 59 in connection with the sales he has completed.

### Section 83/A

(1) The provisions of this Act established by Act CXCVII of 2011 on the Amendment of Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings, Act IV of 2006 on Business Associations, Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings, and Other Related Acts (hereinafter referred to as "Act CXCVII/2011") shall apply - with the exceptions set out in Subsections (2)-(9) - to bankruptcy proceedings and liquidation proceedings initiated after the time of entry into force.

(2) Where an economic operator that has been terminated without succession following liquidation proceedings, before the time of entry into force of Act CXCVII/2011, is registered in a public register as the holder of some right pertaining to an asset (other than ownership right), or any fact is registered pertaining an asset for it or on its behalf, such rights may be cancelled - in all cases by way of derogation from the rules covering the asset in question - if so requested by the owner of such asset, with the ruling referred to in Subsection (1) or (5) of Section 83/C attached. In this case the consent for cancellation prescribed by the legislation covering the register in question is not

required.

(3) Paragraph d) of Subsection (1) of Section 21, as amended by Act CXCVII/2011, shall also apply to the bankruptcy proceedings in progress at the time of Sections 21/A-21/C entering into force, if the composition conference has not yet been opened.

(4) Section 31, Section 33/A, Section 40, Subsection (2) of Section 63, Section 63/A and Subsections (6)-(7) of Section 63/B, as amended by Act CXCVII/2011, shall also apply to proceedings in progress at the time of Act CXCVII/2011 entering into force, if liquidation has not yet been ordered.

(5) Subsection (4) of Section 49/A and Section 49/C, as amended by Act CXCVII/2011, shall also apply to liquidation proceedings in progress at the time of Act CXCVII/2011 entering into force, if the sale of assets has not yet been started.

(6) Subsection (2) of Section 53, as amended by Act CXCVII/2011, shall also apply to liquidation proceedings in progress, if the deadline for the measures defined therein has not expired yet.

(7) Section 83/B, enacted by Act CXCVII/2011, shall also apply to administrative proceedings in progress at the time of Act CXCVII/2011 entering into force pending conclusion by resolution.

(8) Subsection (2) of this Section and Section 83/C shall also apply to assets involved in liquidation proceedings in progress at the time of, or concluded before the entry into force of Act CXCVII/2011.

### Section 83/B

(1) Those members of the liquidator business association who participate in liquidation activities in person, or employed under employment or under long-term civil relationship concluded with the company, and who has the training and qualifications prescribed by Subsection (4) of Section 20 of Act VI of 2006 on the Amendment of Act XLIX of 1991 on Bankruptcy Proceedings, Liquidation Proceedings and Voluntary Dissolution shall be considered to have the professional qualifications specified in Subsection (3) of Section 27/A and in Paragraph f) of Subsection (4) of Section 27/C.

(2) In the application of Subsection (3) of Section 27/A and in Paragraph f) of Subsection (4) of Section 27/C, until 30 June 2010 the qualifications defined in Paragraph b) of Subsection (3) of Section 2 of Government Decree 167/1993 (XI. 30.) Korm. on the Register of Liquidators, in effect on 30 June 2006, and training in the field of liquidation and property administration shall also be construed as professional qualifications.

(3) As of 1 October 2015, the persons holding the qualifications referred to in Subsections (1) and (2) may be employed by not more than three business associations engaged in liquidation activities.

(4) The body operating the register of liquidators shall be entitled to obtain the specialist authority's assessment as regards the university-level degrees specified by the legislation referred to in Subsections (1) and (2).

### Section 83/C

(1) At the request of the owner of an asset, the general court

conducting the non-contentious proceedings under Subsections (2)-(5) for the liquidation of an economic operator terminated without succession shall adopt a ruling that the proposal for the distribution of assets, approved in connection with termination without succession, did not contain any clause for the assignment of a right or fact.

(2) Unless otherwise provided for in this Section, non-contentious proceedings shall be governed by the relevant provisions of the Code of Civil Proceedings, however, there shall be no right of suspension.

(3) The application shall contain the particulars for the identification of the economic operator terminated without succession, with documentary evidence of title of ownership of the asset attached, as well as any other documents and decisions which are at the disposal of the applicant relating to the registration of the right or fact in question.

(4) If the resolution adopted for the conclusion of liquidation proceedings and the court-approved proposal for the distribution of assets is no longer available in the court file department, and cannot be obtained from the liquidator or from the archives, and there is no other document available to prove beyond doubt that the right or fact referred to in Subsection (1) belongs to others, the court shall publish a ruling in the Cégközlöny (Company Gazette) with reference to the economic operator wound up and containing an indication of the right or the fact as well. The ruling contains an invitation for any person who holds the right or who has any vested interest in having the fact registered to come forth and notify the court thereof within a thirty-day limitation period, with the underlying documentary evidence attached.

(5) If a notification is not received within the time limit specified in Subsection (4) hereof, or if the evidence submitted is found insufficient, the court shall declare in a ruling that no other person is entitled to the right, or that the fact should not be registered for or on behalf of others. Otherwise, the court shall dismiss the request. The court's ruling shall not be subject to review.

### Section 83/D

Sections 65-70, as amended by the Act CXCVII/2011, excluding Subsection (5) of Section 66 also amended by Act CXCVII/2011, shall apply to proceedings initiated after 1 January 2012, whereas Subsection (5) of Section 66, as amended by Act CXCVII/2011, shall also apply to proceedings in progress on 1 January 2012.

### Section 83/E

Paragraph e) of Subsection (1) of Section 57 and Subsection (6) of Section 57, as established by Act LXIX of 2012 on the Amendment of Regulations Relating to Taxes, shall apply to liquidation proceedings opened after the date of entry into force.

### Section 83/E

## Section 83/F

(1) Paragraph b) of Subsection (3) of Section 7, as established by Act LI of 2009 on the Amendment of Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings, and Other Related Acts (hereinafter referred to as “Act LI of 2009”), shall apply to additional bankruptcy proceedings opened after the bankruptcy proceedings initiated after 1 September 2009.

(2) Subsection (3) of Section 11 of this Act, as established by Act LI of 2009, shall apply to collateral pledged before 1 September 2009 with the exception that the stay of payment shall not affect the enforceability of the collateral, if the collateral is held by an organization referred to in Paragraphs a)-i) of Subsection (3) of Section 11.

## Section 83/G

(1) Subsection (2a) of Section 66 of this Act, as established by Act CXCVII of 2012 on the Amendment of Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings and on Act LXVI of 1994 on the Wage Guarantee Fund (hereinafter referred to as “Act CXCVII of 2012”), shall apply to liquidation proceedings initiated before the date of entry into force thereof, with the proviso that the court shall appoint the State liquidator to serve as a temporary administrator within eight days following the time of Act CXCVII of 2012 entering into force. If the court has already appointed a temporary administrator previously, in the ruling on delegating the State liquidator as the temporary administrator the court shall relieve the previous temporary administrator of its duties, and shall establish the remuneration in proportion to the work performed.

(2) Subsections (3a) and (3b) of Section 66, Subsections (5) and (7) of Section 66 and Subsection (8) of Section 67 of this Act, as established by Act CXCVII of 2012, shall also apply to bankruptcy proceedings and liquidation proceedings in progress at the time of Act CXCVII of 2012 entering into force.

(3) Subsections (9b)-(9h) of Section 67 of this Act, as established by Act CXCVII of 2012, shall also apply to liquidation proceedings initiated or ordered before the date of entry into force of Act CXCVII of 2012, if the tender notice or auction notice has not been published in the Cégközlöny at the time of Act CXCVII of 2012 entering into force.

(4) Paragraph a) of Subsection (2) of Section 57 of this Act, as established by Act CXCVII of 2012, shall also apply to liquidation proceedings pending on 1 January 2013, where the final liquidation balance sheet under Section 52 has not been completed by 1 January 2013.

## Section 83/H

Subsection (1) of Section 49/C, as amended by Act CXCI of 2012 on the Amendment of Regulations Relating to the Protection of Cultural Heritage (hereinafter referred to as “Act CXCI of 2012”) shall also apply to liquidation proceedings in progress at the time of entry into force of the provision of Act CXCI of 2012 on establishing Subsection (1) of



Section 49/C, if the sale of assets has not yet been started.

### Section 83/I

(1) In bankruptcy and liquidation proceedings opened after 15 March 2014 the provisions of this Act in effect on 14 March 2014 shall apply to claims arising from fiduciary collateral arrangements (Civil Code, Section 6:99) made before 15 March 2014.

(2) In bankruptcy and liquidation proceedings opened after 15 March 2014 the provisions of this Act in effect on 14 March 2014 shall apply to rights and obligation accruing from liens on financial assets or from independent liens, with the proviso that if any claim arising from a lien on pledged property identified by detailed description is also enforced in liquidation proceedings, the principle of ranking provided for in Sections 5:118-5:122 of the Civil Code shall apply mutatis mutandis.

### Section 83/J

The provisions of Subsection (7) of Section 33/A of this Act, as established by Act CCLII of 2013 on the Amendment of Certain Acts in Connection with the Entry into Force of the New Civil Code, shall also apply to liquidation proceedings in progress.

### Section 83/K

(1) The obligation of debtors to establish provisions as provided for in Subsection (5) of Section 26, as established by Act XV of 2014 on Fiduciaries and on the Regulations Governing Their Activities (hereinafter referred to as "Act XV/2014"), for covering liquidation costs shall apply to proceedings where the court ruling ordering liquidation in the first instance was adopted after 1 April 2014.

(2) Subsections (5) and (5a) of Section 27/A, as amended by Act XV/2014, shall apply to appointment rulings adopted after 15 March 2014.

(3) As regards cases in progress on 15 March 2014 Subsection (1) of Section 28, as amended by Act XV/2014, shall apply if on 15 March 2014:

- a) liquidation has not yet been ordered in the first instance, or
- b) the ruling ordering liquidation in the first instance has not yet become final, and the liquidator appointed is not listed in the new register of liquidators that was officially published in 2014, or
- c) the ruling ordering liquidation in the first instance has not yet become final, however, the temporary administrator appointed is not listed in the new register of liquidators that was officially published in 2014.

(4) In the cases provided for in Paragraphs b) and c) of Subsection (3) the court of the first instance shall ex officio dismiss the temporary administrator or liquidator, and - as regards the temporary administrator - shall ex officio appoint a replacement temporary administrator in accordance with Subsection (1) of Section 27/A. The court of the first instance shall determine the remuneration of the temporary administrator dismissed in the ruling on dismissal as commensurate for the amount of work carried out and the workload involved.

(5) The requirements set out in Subsection (1) of Section 27/C, as amended by Act XV/2014, shall be satisfied by 1 October 2015, and the statements and documents verifying compliance with Subsection (1) of Section 27/C, and with the requirement set out in Subsection (3) of Section 83/B shall be sent to the body operating the register by 1 November 2015.

(6) The obligation of continuing professional training provided for in Subsection (1a) of Section 27/C, as amended by Act XV of 2014, shall be satisfied for the first time by 30 June 2016, and the document in proof of having participated in such advanced training shall be presented to the body operating the register of liquidators by 31 July 2016.

(7) The rule set out in Paragraph f) of Subsection (2) of Section 27/C, as amended by Act XV/2014, relating to the appointment of a person to serve as an administrator shall apply to bankruptcy proceedings ordered after 1 April 2014.

(8) The requirement of professional experience of at least one year provided for in Subsection (3) of Section 27/A, as amended by Act XV/2014, shall for the first time be verified as of 1 January 2016 for the designation of a receiver.

(9) With a view to retaining the lease and use agreements referred to in Subsection (4a) of Section 46, enacted by Act XV/2014, the consent of the creditors' select committee, or the representative of creditors or, lacking these, the consent of all creditors shall be obtained by 30 June 2014. If such consent is not obtained by 1 August 2014, the liquidator shall be required to terminate the agreements in question.

(10) Paragraph c) of Subsection (2) of Section 65, as established by Act XV/2014, shall also apply to bankruptcy and liquidation proceedings already ordered before 15 March 2014, if the deadline provided for in Subsection (2) of Section 65 for publishing the government decree - in effect before 14 March 2014 - has already expired, however, the composition conference in bankruptcy proceedings is pending, and composition agreement in liquidation proceedings is pending or the final liquidation balance sheet has not yet been delivered to the court. If the decree referred to in Paragraph c) of Subsections (2) of Section 65, as established by Act XV/2014, is promulgated during the time of pending bankruptcy or liquidation proceedings, the court shall dismiss the previous liquidator within three working days following the date of said decree entering into effect. Subsection (3) of Section 66 shall apply with the exception that the court shall determine the remuneration of a dismissed liquidator covering the work performed up to that point in time, and shall reduce the State liquidator's fee accordingly. Moreover, the dismissed liquidator shall be entitled to a percentage of the proceeds under Section 49/D and to an appropriate portion of the fees specified in Subsections (1) and (4) of Section 59 in connection with the sales he has completed.

## Section 83/L

The liquidator business association shall notify to the body operating the register of liquidators the data provided for in Paragraphs a) and g) of Subsection (4) of Section 27/C, as established by Act LXXIII of 2014 on the Amendment of Regulations Relating to the Judiciary and Private Law (hereinafter referred to as "Act LXXIII of 2014"), for the

first time within eight days following the date of entry into force of Subsections (5) and (6) of Section 2 of Act LXXIII of 2014.

### Section 83/M

(1) Paragraph d) of Subsection (2) of Section 65 of this Act, as established by Act CVIII of 2015 on the Amendment of Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings and Act CXXIII of 2007 on Expropriation (hereinafter referred to as “Act CVIII/2015”), shall also apply to bankruptcy and liquidation proceedings already in progress at the time of Act CVIII/2015 entering into force, if the deadline for publishing the government decree under Subsection (2) of Section 65 – as effective before the time of Act CVIII/2015 entering into force – has already expired, however, the composition conference in bankruptcy proceedings is pending, and composition agreement in liquidation proceedings is pending or the final liquidation balance sheet has not yet been delivered to the court.

(2) If bankruptcy or liquidation proceedings are already in progress at the time when the decree referred to in Paragraph d) of Subsection (2) of Section 65, as established by Act CVIII/2015, is promulgated, the court shall dismiss the previous liquidator within three working days following the date of said decree entering into effect. Subsection (3) of Section 66 shall apply with the exception that the court shall determine the remuneration of a dismissed liquidator covering the work performed up to that point in time, and shall reduce the State liquidator’s fee accordingly. Moreover, the dismissed liquidator shall be entitled to a percentage of the proceeds under Section 49/D and to an appropriate portion of the fees specified in Subsections (1) and (4) of Section 59 in connection with the sales he has completed.

### Section 83/N

The provisions set out in Section 27/D of this Act, as established by Act CLXXI of 2015 on the Amendment of Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings (hereinafter referred to as “Act CLXXI/2015”) shall also apply to administrative proceedings in progress at the time of Act CLXXI/2015 entering into force, and to reopened proceedings, and Subsection (6) of Section 49/E shall apply to electronic sales procedure in progress at the time of Act CLXXI/2015 entering into force.

### Section 83/O

Paragraph bd) of Paragraph b) of Subsection (3) of Section 6, Subsections (6) and (7) of Section 12, Subsection (5) of Section 26, Subsections (7) and (8) of Section 27, Section 38/A, Subsection (1) of Section 49/D, and Paragraph j) of Subsection (2) of Section 57 of this Act, as established by Act CXCI of 2015 on the Amendment of Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings and Act LIII of 1994 on Judicial Enforcement (hereinafter referred to as “Act CXCI/2015”), shall also apply to cases in progress at the time of Act CXCI/2015 entering into force.

## Section 83/P

Subsection (3) of Section 6/B, Subsection (2) of Section 6/C and Subsection (2a) of Section 27/C of this Act, as established by Act CXXI of 2016 on the Amendment of Regulations Required for Setting Up the Single Electronic Administration System, shall apply until 31 December 2017 only if the competent authority agreed before 1 January 2018 to communicate electronically in accordance with Subsection (2) of Section 108 of Act CCXXII of 2015 on the General Rules for Trust Services for Electronic Transactions. In the absence of such agreement, as regards electronic communication the provisions of this Act in effect on 31 December 2016 shall apply to the competent authority until 31 December 2017.

## Section 83/Q

The provisions of this Act established by Act L of 2017 on Amendments Relating to the Implementation of the Act on General Public Administration Procedures and the Act on the Code of Administrative Procedure (hereinafter referred to as “Administrative Amendments Act”) shall apply to proceedings opened after the date of entry into force of the Administrative Amendments Act and to reopened cases.

## Section 83/R

(1) The provisions of this Act established by Act XLIX of 2017 on the Amendment of Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings, and Other Related Acts (hereinafter referred to as “Act XLIX/2017”) shall also apply - except as specified in Subsections (2)-(3), and having regard to Subsections (4) and (5) - to cases in progress at the time of entry into force of Act XLIX/2017 with respect to:

a) procedural steps commencing after the date of entry into force of Act XLIX/2017,

b) facts arising and measures commencing after the date of entry into force of Act XLIX/2017, and

c) sales of assets commencing after the date of entry into force of Act XLIX/2017 in liquidation proceedings.

(2) Subsection (4a) of Section 4 of this Act, as established by Act XLIX/2017, shall apply to bankruptcy proceedings and liquidation proceedings ordered after the date of entry into force of Act XLIX/2017.

(3) Section 4/B, Subsection (3) of Section 12, Section 29, Section 30, Paragraph h) of Subsection (1) of Section 31, Subsection (1) of Section 36, Subsections (5a)-(5b) of Section 38, Subsection (2) of Section 48, Subsection (6) of Section 49, Subsection (5) of Section 49/A, Subsection (7) of Section 49/B, Subsection (3) of Section 49/C, Section 49/D, Subsection (9g) of Section 67 and Subsection (7) of Section 70 of this Act, as amended by Act XLIX/2017, shall apply to bankruptcy proceedings and liquidation proceedings ordered after the date of entry into force of Act XLIX/2017.

(4) Section 33/A of this Act, as amended by Act XLIX/2017, shall apply for the first time to declaratory actions launched after the date of entry into force of Act XLIX/2017, and to any actions for injunction

that may ensue.

(5) The presumption provided for in Paragraph d) of Subsection (1) of Section 40 of this Act, enacted by Act XLIX/2017, shall apply to transactions concluded before the date of entry into force of Act XLIX/2017 if the statement of acquisition is not registered into the collateral register within sixty days following the date of entry into force of Act XLIX/2017, or if the collateralized option to buy is not registered into the real estate register within sixty days following the date of entry into force of Act XLIX/2017.

(6) Changes in, or additions to, the data provided for in Paragraph f) of Subsection (4) of Section 27/C of this Act, as established by Act XLIX/2017, shall be reported to the body operating the register of liquidators by 1 October 2017, or to the authority maintaining the registers provided for in Subsection (6a) of Section 27/A or Subsection (6) of Section 66.

### Section 83/S

(1) The provisions of this Act established by Act CXXVI of 2017 on the Amendment of Act XLIX of 1991 on Bankruptcy Proceedings and Liquidation Proceedings for the Purpose of Approximation (hereinafter referred to as "Act CXXVI of 2017") shall apply to insolvency proceedings opened on the basis of Regulation 2015/848/EU.

(2) In proceedings opened on the basis of Council Regulation 1346/2000/EC on insolvency proceedings the provisions of this Act established by Act CXXVI of 2017 shall apply if the judgment opening the main proceedings or the territorial secondary insolvency proceedings after the main proceedings refers to Article 3 of Regulation 2015/848/EU.

### Section 83/T

Subsection (1a) of Section 33 and Subsection (2) of Section 33 of this Act, as amended by Act CXLIV of 2017 on the Amendment of Act XIX of 1998 on Criminal Procedure, Other Acts on Criminal Liability and Acts Governing Cooperation in Criminal Matters in the European Union and Internationally (hereinafter referred to as "Act CXLIV of 2017"), shall apply to liquidation proceedings ordered after the date of entry into force of Act CXLIV of 2017.

### Section 83/U

Subsection (3b) of Section 26, as established by Act XL of 2018 on Establishing the Foundations for the 2019 Budget of Hungary, shall also apply to cases in progress at the time of entry into force of Act XL of 2018 on Establishing the Foundations for the 2019 Budget of Hungary, including also the liquidation proceedings already ordered at the time of entry into force thereof, where the final ruling ordering liquidation has not yet been published, even if the resolution of first instance has already been adopted on the subject of termination.

## Sections 84

(1) If the liquidator or any member of the liquidator fails to satisfy the requirement set out in Subsection (2) of Section 27/A, as amended by Act CIV of 2012 on the Amendment of Act V of 2006 on Public Company Information, Company Registration and Winding-up Proceedings and Other Regulations, for transparent and traceable ownership structure, the liquidator shall provide proof of compliance by 1 September 2012 to the body operating the register of liquidators.

(2) The liquidator shall notify to the body operating the register by 1 September 2012 the name (corporate name, registered number), home address (registered office) of all its members (shareholders) with a direct or indirect holding, and the name, registered office and register number of the legal person or unincorporated business association in which the liquidator business association has membership or any direct or indirect holding, and which is not yet listed in the register of liquidators.

(3) In the event of non-compliance with the obligations referred to in Subsections (1)-(2), the body operating the register shall remove the liquidator from the register.

## Authorizations

### Section 84/A

(1) The Government is hereby authorized to decree:

a) the procedures of accountancy relating to liquidation proceedings;  
b) the detailed regulations relating to the public sale of the debtor's assets in liquidation proceedings;

c) the detailed conditions and the procedures for admission into and removal from the register of liquidators, the rules relating to changes in the particulars stored in the register, the detailed regulations for the data disclosure of liquidators, for hearing the reports of such liquidators and for carrying out the tasks relating to their supervision, and the types and the extent of financial securities that liquidators must have, and how such securities are to be made available;

d) the detailed regulations relating to the procedures and activities of liquidators, administrators and temporary administrators;

e) the detailed regulations relating to activities of liquidators not admitted to the register of liquidators, who are, however, eligible to participate in accordance with Subsection (6) of Section 27/A in ongoing bankruptcy proceedings, liquidation proceedings in the capacity of administrator, temporary administrator or liquidator, including the rules for the data disclosure of such liquidators and for hearing their reports, and for carrying out the tasks relating to their supervision.

(1a) The Government is hereby authorized to designate - by means of a decree - the body operating the register of liquidators, and the specialist authority delegated to provide an assessment decision relating to the professional qualifications and the university-level degree referred to in Section 83/B.

(2) The Government is hereby authorized to:

a) designate the major economic operators of preferential status for

strategic considerations, including the economic operators specified in Sections 68-70 by means of a decree, and to appoint the State liquidator referred to in Subsection (2) of Section 66;

b) determine the mandatory layout for the Government presentation related to the decree mentioned in Subsection (1) of Section 65 and Subsection (2) of Section 68;

c) decree the procedural rules concerning the registration of the particulars of the State liquidator specified in Subsection (2) of Section 66 and to the supervision of the State liquidator.

(3) The Government is hereby authorized to decree the detailed regulations specified in Sections 49/E-49/G for the creation, operation and introduction of an electronic distribution system made available through the internet in connection with the public sale of the debtor's assets in liquidation proceedings, and may designate the body for setting up and operating the electronic distribution system.

(4) The Government is hereby authorized to:

a) designate - by way of a decree - the body for establishing the Hungarian insolvency register provided for in Article 24 of Regulation 2015/848/EU and for maintaining such register, the body in charge of data processing duties, to lay down the rules for data disclosure and for reporting changes in such data, and the rules for making queries from the register;

b) designate - by way of a decree - the body responsible for the establishment of the interconnection of insolvency proceedings opened in Member States in accordance with Article 25 of Regulation 2015/848/EU at the national level.

## Section 85

(1)-(4)

(5) The minister in charge of the judicial system is hereby authorized to decree:

a) the regulations relating to the formal and content requirements for the standard forms of petitions for the opening of bankruptcy proceedings, and the data sheet to be enclosed, showing the debtor's financial position;

b) the regulations concerning the appointment of administrators in bankruptcy proceedings by an electronic selection process, and the rules for the operation, functioning and supervision of such electronic systems;

c) the mandatory contents of the abstracts of rulings to be published on the website of Cégközlöny (Company Gazette);

d) the

da) provisions on publication under Article 28 of Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings,

db) supplementing rules prescribed in Article 54 of Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings on the information of known creditors,

dc) detailed provisions on cooperation, communication and information under Articles 41-43, Article 51(2), Articles 56-58 of Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings, based on the recommendations and guidelines as

set out in recital 48 of Regulation 2015/848/EU.

(6) The minister vested with powers to oversee state property is hereby authorized to decree, in agreement with the minister in charge of the judicial system:

a) provisions for determining the amount of the fee to which the liquidator is entitled in connection with the sale of any property pledged as security, and from the proceeds from the enforcement of a claim if there is an underlying claim for the lien;

b) the detailed regulations concerning the appointment of administrators and temporary administrators in liquidation proceedings by an electronic selection process, and the rules for the operation, functioning and supervision of such electronic systems;

c) the detailed provisions for setting up and implementing mandatory continuing professional training programs for persons with training in the field of liquidation and property administration.

(7)

(8) The minister in charge of public finances is hereby authorized to decree the regulations concerning the settlement of accounts between the Financial Administration Office of the Fővárosi Törvényszék (Budapest Metropolitan Court) according to Subsection (5) of Section 59 and the central budget, and for the disbursement of sums.

(9) The minister in charge of the judicial system is hereby authorized to establish - in agreement with the minister in charge of taxation by means of a decree - the administrative service fee payable for making queries from the Hungarian insolvency register provided for in Article 24 of Regulation 2015/848/EU.

## Compliance with the Acquis

### Section 86

(1) This Act serves the purpose of compliance with Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market.

(2) The draft of this Act had been submitted in advance in accordance with Article 15(7) of Directive 2006/123/EC of the European Parliament and of the Council of 12 December 2006 on services in the internal market.

(3) This Act contains provisions for the implementation of:

a) Regulation (EU) 2015/848 of the European Parliament and of the Council of 20 May 2015 on insolvency proceedings; and

b) Commission Implementing Regulation (EU) 2017/1105 of 12 June 2017 establishing the forms referred to in Regulation (EU) 2015/848 of 20 May 2015 of the European Parliament and of the Council on insolvency proceedings.