

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 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, and all legal persons and unincorporated business associations who have their center of main interests within the territory of the European Union according to Council Regulation 1346/2000/EC on insolvency proceedings;
 - 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 general partnerships and limited partnerships, the member or members entitled to manage the business affairs of and represent the partnership; in the case of groupings and joint companies, the director; in the case of private limited-liability companies, the managing director or directors; in the case of limited companies, the board of directors or the persons authorized to manage the company; in the case of sole proprietorships, the owner; in the case of law offices, notaries' offices and patent practitioners offices, the office manager, and in the case of court bailiff's offices, the managing director or failing this, the deputy director of court bailiff's offices; in the case of cooperative societies, the board of directors (managing director) or the managing president; in the case of water management corporations, the director (company commissioner); in the case of voluntary mutual insurance funds, the managing director (or the board of directors if no managing director is employed); in the case of private pension funds, the managing director; the representatives of foundations and associations; in the case of a business association established in another Member State of the European Union, the person registered in Hungary as the authorized representative, or failing this, the person vested with authority to represent a business association, with or without legal personality, before the court in civil actions;

e) 'assets' shall mean all holdings defined as fixed assets or current assets by the Accounting Act;

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.

(2)

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) arable 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 XXXII 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.

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

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 [Civil Code, Section 685] 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.

Section 6

(1) Bankruptcy and liquidation proceedings are non-contentious proceedings conducted by the general court of competence and jurisdiction (hereinafter referred to as "court") by reference to the debtor's registered office of record on the day when the request for opening the proceedings has been submitted, or to the registered office specified under Subsection (1a). Request for the opening of bankruptcy proceedings submitted at other courts shall be automatically refused, or such proceedings in progress shall be terminated, and a request for the opening of liquidation proceedings shall be transferred to the court of competence.

(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.

(2) The Fővárosi Törvényszék (Budapest Metropolitan Court) shall have exclusive jurisdiction to conduct main and territorial insolvency proceedings under Council Regulation 1346/2000/EC on insolvency proceedings concerning economic operators [Paragraph a) of Subsection (1) of Section 3] established in a place other than Hungary.

(3) The provisions of Act III of 1952 on the Code of Civil Procedure (hereinafter referred to as “CPC”) shall apply with due consideration of the differences originating from the nature of non-contentious civil procedures to the procedural matters which are not governed under this Act, with the proviso that:

- a)* in bankruptcy proceedings,
 - aa)* there shall be no right of stay of action,
 - ab)* there shall be no right of adjournment or suspension;
- b)* in liquidation proceedings,
 - bb)* there shall be no right of adjournment,
 - bb)* there shall be no right of intervention, with the exception of proceedings for judgment of disputed claims and if opened upon a complaint,
 - bc)* the proceedings may be suspended only in the case of Subsection (4) of Section 26,
 - bd)* stay of action may be ordered until the declaration of insolvency, and in the case of Subsection (2) of Section 6/A.

(4) In bankruptcy proceedings the insolvent debtor, the creditor, and the administrator, in liquidation proceedings the debtor, the creditor, and the liquidator shall be considered parties. If the conduct or negligence of an administrator or liquidator affects the rights or lawful interest of any third person, this third person shall also qualify as a party concerning the judgment of his complaint (Section 51).

(5) Effective as of 1 January 2013, communications between the court and the parties shall be maintained electronically, in accordance with the CPC. As regards natural persons, petitions and other official documents may be submitted, and delivered, on paper as well.

(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, decisions to order liquidation, except if the proceedings are opened upon receipt of notice from the court of registry;
- 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)* rulings adopted for the conclusion of liquidation proceedings, except if conclusion took place by summary proceedings where liquidation was preceded by involuntary dissolution proceedings;
- 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)* in bankruptcy and liquidation proceedings, decisions for the imposition of financial penalty.

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 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. Suspension shall not effect the liquidator's obligations, nor the application of Subsections (1)-(2) of Section 38 and Section 40. 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.

(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 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.

Section 6/B

(1) The liquidator appointed in an insolvency proceeding opened in another Member State of the European Union under Council Regulation 1346/2000/EC on insolvency proceedings may request a court order that key elements of the judgment opening insolvency proceedings and, where appropriate, the decision appointing him, be published in the *Cégközlöny* (Company Gazette).

(2) Key elements of the decision shall comprise:

- a) designation and address of the court opening the proceeding;
- b) name and address or principal place of business administration of the insolvent debtor;
- c) an indication as to whether the proceeding is main or territorial;
- d) the liquidator's name and contact information;
- e) the deadlines for filing of creditors' claims;
- f) legal consequences stipulated in connection with the deadlines;

g) designation of the bodies or authorities entitled to receive creditors' claims.

(3) The application shall have attached the original document and an official Hungarian translation, as well as proof of payment of the costs of publication.

(4) If a main proceeding has been opened under Council Regulation 1346/2000/EC on insolvency proceedings in another Member State of the European Union and the debtor has an establishment in Hungary, the liquidator of the main proceeding must request that key elements of the judgment opening the insolvency proceeding and, where appropriate, the decision appointing him, be published. The liquidator shall be held liable for damages resulting from his failure to do so.

(5) The notice published shall contain all key elements of the decision.

Section 6/C

(1) If a main proceeding has been opened under Council Regulation 1346/2000/EC on insolvency proceedings in another Member State of the European Union and the debtor has any immovable or other assets in Hungary according to the land register, the trade register and any other public register, the liquidator of the main proceeding must request that the judgment opening the insolvency proceeding is registered in the land register or any other public register as appropriate. The liquidator shall be held liable for damages resulting from his failure to do so.

(2) The request shall have attached the original document along with an official Hungarian translation.

Section 6/D

The requests referred to in Sections 6/B and 6/C shall be submitted to the Fővárosi Törvényszék (Budapest Metropolitan Court). The court shall adopt a decision in a non-judicial proceedings within thirty days following the date of receipt, taking into account the deadlines prescribed in the notice to be published for filing claims under Section 6/B. This decision shall be final and it may not be appealed.

Chapter II

Bankruptcy Proceedings

Opening of Bankruptcy Proceedings, Stay of Payment

Section 7

(1) The directors of debtor economic operators may file for bankruptcy at the court of law. Legal representation for the debtor shall be mandatory.

(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 2013.

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 governed in the Companies Act, 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 document in proof of payment of 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) The court shall verify immediately upon taking the measure referred to in Subsection (1), or within five working days of receipt of the petition at the latest, whether the request is in conformity with the requirements set out in Section 7 and in Subsections (1)-(3) of Section 8. If the petition is deficient, the court shall return it for having the deficiencies remedied within five working days. The court shall *ex officio* refuse the debtor’s petition for the opening of bankruptcy proceedings if:

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

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

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

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

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

f) the debtor is undergoing liquidation proceedings, and a decision for the declaration of insolvency and for ordering the debtor’s liquidation has already been adopted;

g) before the petition for the opening of bankruptcy proceedings the debtor has submitted another such request within one year, that was refused by the court *ex officio* pursuant to this Subsection, if inside the one-year period following the time of publication of the final ruling thereof; or

h) a resolution for the opening of main proceedings under Section 6/B against the debtor in another Member State of the European Union was published in the *Cégeközlöny*.

(5) The ruling for refusing the petition for the opening of bankruptcy proceedings *ex officio* shall contain the debtor’s name, registered office, registered number, the court’s name and the case number, the reason for refusal 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 *ex officio* ruling for the refusal of the petition for the opening of bankruptcy proceedings shall be lodged within five days. No application for continuation shall be accepted upon missing the above deadline. The appeal shall be heard without delay, within a maximum period of eight working days.

(6)-(8)

(9) The court shall, furthermore, terminate the bankruptcy proceedings if it obtains reliable information that the petition should have been refused *ex officio* under Paragraphs b)-h) of Subsection (4) hereof. 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 [Civil Code, Section 685/B] 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 provide 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 proceedings. The ruling may not be appealed.

(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) the time of the opening of bankruptcy proceedings;
- 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 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, and arising after the opening of, bankruptcy proceedings, 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, 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 specific other 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 claim may be heard 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 provided in connection with any lien on the debtor's asset, nor from the hypothecated property or a property pledged in security - 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 (including any collateralized option to buy), whereas in the case of any collateralized title transfer the debtor shall be authorized to release the document required for having the transfer registered in the real estate register to the benefit of the creditor if endorsed by the administrator, or shall be allowed to hand over the pledged property to the creditor if endorsed by the administrator, as the case may be;

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 Schedule No. 1 to Act CXII of 1996 on Credit Institutions and Financial Enterprises (hereinafter referred to as "CIFE"), 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 Schedule No. 1 to the 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 2006/48/EC of the European Parliament and of the Council relating to the taking up and pursuit of the business of credit institutions;

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 2006/48/EC 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 [Civil Code, Section 685/B] 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 defined in the Companies Act, 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 by virtue of Section 330 of the Civil Code, on account of the obligor's failure to honor the contract.

(3) The secured claims mentioned in Paragraph *b*) of Subsection (2) means a claim - up to the value of the property pledged in security - the payment of which is guaranteed by pledge of the debtor's asset or property, where the debtor is shown as the obligor, or covered by collateral or collateralized option to buy, where the debtor is also shown as the obligor, or covered by assignment for the purpose of guarantee, and for which a right of enforcement relating to the debtor's asset has been registered, 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 195] 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 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. Instead of setting aside provisions, the debtor may provide a guarantee, subject to the administrator's approval and in accordance with 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 governed by the Companies Act 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 five working days of gaining knowledge thereof. The court shall adopt a decision relating to such complaint in priority proceedings, within not more than five 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 complaint cannot be contested separately.

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 governed in the Companies Act, 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 Cégközlöny 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 Cégközlöny, 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.

(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. A motion for retrial may not be submitted against a ruling adopted in approval of the composition arrangement.

(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 mandate 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 [Civil Code, Section 685/B] 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 *Cégekzlöny (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 *Cégekzlöny*, 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 *Cégekzlöny* 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 *Cégekzlöny* 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 is mandatory.

(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; where bankruptcy proceedings had been conducted immediately before the liquidation proceedings and the court has ordered liquidation of its motion, the administrator handling the bankruptcy proceedings shall be appointed as a temporary administrator, in which case the fee of the temporary administrator shall be shown under liquidation costs according to Paragraph h) of Subsection (2) of Section 57.

(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 decision 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 *ex officio* reject the petition 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) there is a main proceeding in progress under Council Regulation 1346/2000/EC on insolvency proceedings in another Member State of the European Union concerning the debtor's insolvency and the petition is for a main proceeding as well;
 - 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.
- (2) If, prior to the court decision, a main proceeding has been opened in another Member State of the European Union under Council Regulation 1346/2000/EC on insolvency proceedings, the court shall declare the main proceeding opened with respect to the same debtor in the form of a territorial proceeding, provided that the debtor has no establishment in Hungary. The court shall inform thereof the other court where the main proceeding has been opened.
- (3) If, prior to the court decision, a main proceeding has been opened in another Member State of the European Union under Council Regulation 1346/2000/EC on insolvency proceedings, the court shall declare the main proceeding terminated if the debtor has no establishment in Hungary. The court shall inform thereof the other court where the main proceeding has been opened. However, the legal acts carried out before the termination, such as rights and obligations arising from the transactions concluded by the liquidator, shall remain in effect even if contradictory to the legal acts of a proceeding in progress in another Member State of the European Union.

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.
- (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.

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 petition for the opening of liquidation proceedings. A ruling adopted for the opening of liquidation proceedings shall not be subject to judicial review. The time of the opening of liquidation proceedings is the date of publication of the final ruling ordering liquidation (Section 28).
- (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) hereof, contest by the debtor shall apply if the debtor disagrees with the payment obligation as to grounds, existence, due date, rate or amount, and the payment notice shall inter alia indicate the legal title and amount of the claim, and the due date. The payment notice shall also specify 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.

(3) If the documents referred to in Paragraph *a)* of Subsection (2) were dispatched in the form of registered mail with certified delivery, they shall be considered delivered within the domestic territory on the date indicated on the certificate of delivery or, in the case of other registered mail, on the fifth working day following the date of dispatch, unless proven to the contrary. Where Paragraph *a)* of Subsection (2) applies, 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, settlement of the debt shall not be considered acknowledgement of the debt, and it shall not preclude the filing of a civil action to have it recovered.

(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.

Section 27/A

(1) The court shall appoint a 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 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. The justification of the ruling on the liquidator's appointment, and the notice published according to Section 28 shall contain an indication if the liquidator the court has appointed is other than the one recommended by the electronic selection process, showing the name of the liquidator recommended by the electronic selection process as well, where the court is required to provide detailed reasons for its choice, such as, in particular, that the appointed liquidator has the expertise required for the given economic operator and has the necessary capacity as well. 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. The data contained in the register of liquidators according to Subsection (4) of Section 27/C shall be considered public information.

(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) Simultaneously with the liquidator's appointment the court shall include a clause authorizing the appointed liquidator to function as a temporary administrator up to the time of the opening of liquidation proceedings, if so requested by the creditor at the time of submitting the petition for liquidation, or subsequently, before the ruling ordering liquidation is adopted, and if having advanced the fee of the liquidator as specified in Paragraph c) of Subsection (2) of Section 24/A, placed in court custody. If the final ruling ordering liquidation has been published the liquidator's fee shall be covered by the debtor. The liquidator shall appoint a receiver to carry out the liquidation of a debtor. The receiver shall have no prior criminal record, and must not be restrained by court order from practicing or participating in the activities of receivers or liquidators. The appointed receiver must have the appropriate training and qualifications, 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;

ab) if its owner is an owner or creditor of the debtor;

ac) if any of its executive officers or the close relatives [Civil Code, Paragraph b) of Section 685] thereof has majority control [Civil Code, Section 685/B] 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 appointed receiver:

ba) if he is the owner or creditor of the debtor, 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 Hungarian Financial Supervisory Authority;

bi) if he has not been notified by the liquidator to the body operating the register of liquidators.

(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. The liquidator shall disclose to the court the name and mailing address of the appointed receiver within five working days of receiving the ruling ordering liquidation. Furthermore, the liquidator shall disclose to the court and to the body operating the register of liquidators 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, indicating specifically if this takes place for the reason under Subsection (5) of Section 27/B. In this case, the liquidator is required to report the name and mailing address of the replacement receiver 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 notify each high court of appeal and each general court by way of electronic means without delay. In cases in progress, the administrator or liquidator shall not be dismissed if having satisfied the conditions set out in Subsection (2), if, however, had been removed from the register due to the limitation in the number of eligible liquidators admitted for the tender procedure; in liquidation proceedings ordered under Paragraph e) of Subsection (2) of Section 27 an administrator who was removed from the register after the

tender procedure may not be appointed as liquidator. The body operating the register of liquidators shall remain to exercise regulatory inspection over the liquidator defined above.

(7) The court shall move to dismiss the liquidator, irrespective of whether a complaint is lodged or not, if it determines in its ruling based on the particulars of the procedure that the liquidator seriously or repeatedly violates the law. In this ruling the court shall appoint a replacement liquidator as well. Dismissal of the liquidator may be requested on the same grounds by the creditors' select committee as well (or by the creditors' representative in the absence of a select committee). The court shall deliver its decision on such request within eight days of receipt, and shall appoint a replacement liquidator if its ruling is in favor of the request. If the liquidator is dismissed for the reasons indicated above, the court shall notify the body operating the register of liquidators electronically.

(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 rulings mentioned in Subsections (6)-(9) may be executed irrespective of any appeal. The ruling may be appealed by the dismissed liquidator within five working days, and it shall be heard in the court of second instance without delay, in any case within a maximum period of eight working days.

(11) The dismissed liquidator shall turn over all documents and assets of the debtor to the replacement liquidator without undue delay, and shall prepare an itemized list on contracts, proceedings in progress, 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 non-compliance the court may impose a fine of up to 500,000 forints upon the 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 five business associations engaged in liquidation activities.

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

- a) it has no unpaid, outstanding public dues of any kind;
- 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 eight 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;

g) it verifies that the business association 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. Of the above-specified professionals, excluding the auditor, one of each shall be engaged with the business association under an employment relationship.

(2a) As regards the persons referred to in Paragraph *g)* of Subsection (2), the original 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.

(4) The register of liquidators shall indicate for each liquidator:

- a) the name, address, place of business and branch (area of competence) of liquidators;
- 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 name and address 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;

g)

(5) The body operating the register shall impose a financial penalty upon the head of the economic operator between 10,000 and 200,000 forints for supplying any data that is false or untrue or any false document, for

breaching the restrictions specified under Subsection (3), for any failure to comply with the obligations set out in Paragraph *f*) of Subsection (2) in due time, or may remove such person from the register for any repeated breach of obligations.

(6) The information relating to the appointment and dismissal of liquidators and administrators may inter alia be accessed on the website of the *Cégekzlöny* (*Company Gazette*) by way of a search engine or browser.

Conduct of Liquidation Proceedings

Section 28

(1) Upon the ruling ordering liquidation of a debtor becoming final, the court shall forthwith order - in accordance with the provisions of specific other legislation - to have the abstract of this ruling published in the *Cégekzlöny* (*Company Gazette*). Publication in the *Cégekzlöny* shall take place in the form of display on the official website of the *Cégekzlöny* updated 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) the time of the opening of liquidation (the date of disclosure of the final ruling ordering liquidation);
- f) the notice sent to the creditors [including lien holders and 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 and the name and mailing address of the receiver;
- 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.

Section 29

The court shall notify the following bodies when ordering liquidation:

- a)
- b) the competent tax and customs authorities, as well as the health insurance administration agency and the pension insurance administration agency;
- c) the government employment agency;
- d) the environmental protection authority and the occupational safety and health authority;
- e) the court's Financial Administration Office;
- f) the archives of jurisdiction by reference to the registered office of the debtor;
- g) payment service providers carrying the debtor's accounts;
- h) the real estate supervisory authority.
- 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.

Section 30

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 competent environmental protection agency 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 Paragraph a) of 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 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.

(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

If the debtor is not required to prepare an annual account, in an insolvency proceeding opened under Council Regulation 1346/2000/EC on insolvency proceedings the liquidator shall take account of the debtor’s assets based on his records and shall prepare the opening balance sheet accordingly.

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.

(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. 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 [Civil Code, Section 685/B] 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.

Section 33/A

(1) Any creditor or the liquidator - in the debtor's name - may bring action during the liquidation proceedings [Section 6] for the court to establish that the former executives of the economic operator failed to properly represent the preferential rights 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 consequence of which the economic operator's assets have diminished, or that they prevented to provide full satisfaction for the creditors' claims, or failed to carry out the cleaning up of environmental damages. Any person with powers to influence the decision-making mechanisms of the economic operator shall also be considered an executive of the economic operator. If damage is caused by several persons together their liability shall be joint and several. A situation is considered to carry potential danger of insolvency as of the day when the executives of the economic operator were or should have been able to foresee that the economic operator will not be able to satisfy its liabilities when due.

(2) In the aforesaid court action, financial security may also be demanded with a view to providing satisfaction for the creditors' claims. This security may be provided in the form of money deposited with the administration office of the court and held in a deposit account, or liquid assets tied up in a credit institution and held in a discretionary account (cash deposit), or debt securities issued or guaranteed by the government of any EEA Member State or by any credit institution with a remaining maturity of more than one hundred and eighty days that can be redeemed or liquidated on demand, or a bank guarantee, insurance guarantee or a commitment issued by an insurance company containing surety facilities. The statement of claim - with an indication of the possibility of intervention - and the request for financial security, as well as the resolutions adopted in the proceedings shall be sent to the member (shareholder) holding majority control [Civil Code, Section 685/B] 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 during the period referred to in Subsection (1). The ruling ordering the provision of security may be appealed separately. The aforesaid member or the nonresident business association shall guarantee payment of the financial security if it cannot be recovered from the executive in question. Nonresident business associations may not satisfy their payment obligation arising from the said guarantee from the assets made available to the branch.

(3) Any executive referred to in Subsection (1) hereof who is able to verify 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 of the debtor economic operator to take action, shall not be held responsible. Where an executive did not carry out the requirement prior to the opening of liquidation proceedings for having to deposit and publish the debtor'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, injury to the creditors' interest shall be presumed.

(4) The liquidator shall be liable to inform the creditors' select committee, the creditors' representative or the creditors seeking information concerning the circumstances and information referred to in Subsection (1).

(5) Distribution of the financial security specified in Subsection (2) among the creditors shall be provided for following the final and binding conclusion of the liquidation proceedings, in the binding conclusion of the action for condemnation, if the court's decision is in favor of the creditors. Distribution among the creditors shall be effected in the percentage of their claims that were not recovered in the liquidation proceedings.

(6) Within a sixty-day limitation period following the final conclusion of liquidation proceedings any creditor may bring action [Subsection (1) of Section 6] for the court to establish the liability of the debtor's former executive under Subsection (1) hereof and hence to order this executive to satisfy the debtor's claim to the extent of its claims not yet satisfied. If within the said time limit more than one creditor filed for action, the court shall consolidate these actions and shall obtain to award equivalent dividends on the claims. If a final decision in the lawsuit under Subsection (1) is not adopted by the final conclusion of liquidation proceedings, the limitation period shall commence on the day that follows the day when the final court ruling in the lawsuit under Subsection (1) is adopted.

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 only such claims can be set-off which have been registered by the liquidator as acknowledged and have not been assigned subsequent to the time of the opening of liquidation proceedings, or, if the claim has occurred at a later date, subsequent to its occurrence. The executive officers and executive employees of the debtor economic operator, their close relatives [Civil Code, Paragraph b) of Section 685] and their domestic partners, furthermore, any member (shareholder) of the economic operator with majority control (Civil Code, Section 685/B) over the debtor or the economic operator in which the debtor has majority control (Civil Code, Section 685/B), (or the member in the case of single-member companies, the owner in the case of sole proprietorships, or the nonresident owners 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, 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 claim against the economic operator in connection with any assets realized in liquidation may only be enforced in the framework of liquidation on condition that the creditor - in the proceedings brought by the business association - 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. 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 enforce a 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 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 according to Section 271 of the Civil Code 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 conferred under

Section 271 of the Civil Code within three months following publication of the opening of liquidation, he may seek satisfaction according to the regulations on liens. If the collateral taker is under the debtor's majority control (Civil Code, Section 685/B), 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.

(6)

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 ninety 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 two 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 ninety 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.

(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 (Civil Code, Section 685/B), 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 collateral in replacement of the financial collateral under Subsection (6) of Section 270 of the Civil Code and in the case of provision of additional financial collateral under Subsection (7) of Section 270 of the Civil Code.

(5) The liquidator, if notified of a transaction referred to in Subsections (1) and (2) within the ninety-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) and (3) of Section 60], otherwise the court shall pass a ruling of rejection. A motion for retrial may not be submitted against the ruling.

(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) a document in proof of payment of publication charges relating to the ruling ordering the termination of liquidation proceedings.

(3) The court shall transmit the request described in Subsection (2) hereof 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, and shall have the abstract of this final ruling published in the *Cégekzlöny (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, but minimum 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.

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.

(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, consult the parties concerned and forward the claims deemed disputable to the court ordering liquidation for judgment within fifteen working days. The results of such review shall be inserted in the interim account prescribed in Subsection (2) of Section 50. The liquidator may not declare disputable a creditor's claim that is based on debt fixed in an authentic instrument, except of the debt has already been paid in part or in full.

(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 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) The liquidator shall withdraw, with immediate effect, the statement of commitment given to a work association if no agreement was concluded within sixty days following the time of the opening of liquidation proceedings.

(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)

(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 estimated proceeds 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.

(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 [Paragraph b) of Section 685 of the Civil Code], 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.

(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) Should the liquidator fail to comply with the provisions relating to the sales procedures and employment of a notary as prescribed in this Act in the course of sale of the debtor's assets, any party concerned may contest the sale contract signed in conclusion, specifically of the tender or the auction, within thirty days of the date of sale by filing for court action [Subsection (1) of Section 6]. Failure to observe this time limit shall constitute forfeiture of rights.

(6) If the liquidator fails to comply with the obligation to observe one's right of first refusal 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).

Section 49/A

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

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

(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 for reasons within his control, or by any tenderer who withdraws shall be considered forfeited.

(5) If the tender procedure conducted following the one described in Subsection (4) 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 specified in Subsection (1) of Section 256 of the Civil Code shall apply if there are more than one such creditors. The transferee lien holder shall be liable to pay the expenses and the fee of the liquidator within fifteen working days of the day of signature of the contract, plus the difference between the purchase price and his claim. The provisions contained in Section 49/D shall apply to the amount of the liquidator's fee, to the amount to be transferred from this fee to the account of the Financial Administration Office of the *Fővárosi Törvényszék* (Budapest Metropolitan Court), the amount to be deducted from the fee and to the accounting of such amount.

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 time of the auction;
- c) the assets auctioned, and their appraised value;
- d) if the auction is for movable property, the place and time where and when the movable property can be inspected before the auction;
- e) if the auction is for real estate property,
 - ea) 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,
 - eb) accessories of the real property, characteristic features of buildings, and whether it is vacant or occupied,
 - ec) the amount of any prepayment requirement, and
 - ef) other material facts.

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

(3) In the event if the purchase price quoted in the auction is less than the appraised value, the liquidator shall decide whether to reschedule the auction or to reduce the purchase price - subject to the consent of the creditors' select committee - by half of the appraised value at most. If no offer is received after the price is reduced the liquidator shall declare the auction cancelled.

(4) In respect of real estate 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) 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 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 specified in Subsection (1) of Section 256 of the Civil Code shall apply if there are more than one such creditors. The transferee lien holder shall be liable to pay the expenses and the fee of the liquidator within fifteen working days of the day of signature of the contract, plus the difference between the purchase price and his claim. The provisions contained in Section 49/D shall apply to the amount of the liquidator's fee, to the amount to be transferred from this fee to the account of the Financial Administration Office of the Fővárosi Törvényszék (Budapest Metropolitan Court), the amount to be deducted from the fee and to the accounting of such amount.

Section 49/C

(1) In the case of areas under environment protection the State's right of preemption shall be exercised by the body delegated by the minister responsible for nature conservation, and in connection with the sale of historic buildings, it shall be exercised by the authority for cultural heritage 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 right of preemption on the strength of law or under contract 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 property pledged as security only the costs of keeping it in good repair, maintenance, and costs of the sale of the pledged property (if there is an underlying claim for the lien, the costs of recovery from the proceeds from the enforcement of the claim), and the liquidator's fee up to 5 per cent of the net purchase price (proceeds from the enforcement of the claim), and shall use the remainder to satisfy the

claims (principal, interest and other charges) for which such property was pledged, in the sequence specified under Subsection (1) of Section 256 of the Civil Code if there is more than one lien. The liquidator shall be entitled to 3 per cent of the aforementioned liquidator's fee (with value added tax), and shall send the remainder to the Financial Administration Office of the Fővárosi Törvényszék (Budapest Metropolitan Court), where it shall be handled separately and used for the payments made under Subsection (5) of Section 59.

(2) In the case of any lien on financial assets (Civil Code, Section 266), by way of derogation from Subsection (1), 50 per cent of the proceeds from the sale of a property pledged as security, less the costs of sale, shall be used exclusively to satisfy the claims (principal, interest and other charges) for which such property was pledged up to the amount covered by the lien - in the sequence specified under Subsection (1) of Section 256 of the Civil Code if there is more than one lien - provided that the lien was established prior to 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 (tangible liability, independent lien) and to claims which are satisfied by judicial enforcement or for which a writ of enforcement has been registered before the time of the opening of liquidation [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 [Civil Code, Paragraph b) of Section 685], or their domestic partner, or an economic operator under the debtor's majority control (Civil Code, Section 685/B).

(5) Subsections (1)-(2) shall not apply if the lien holder is a member (shareholder) of the economic operator (Civil Code, Section 685/B) 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.

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. In the event that several offers are received in electronic auctions for practically the same price (ranging within 10 per cent in respect of the purchase price), the receiver shall hold another round of bidding (another round of electronic auction) for such bidders. The offers submitted by that time shall remain in effect automatically, or another offer for a higher price may be submitted.

(3) In electronic tender procedures a notary public is required. The records of the evaluation procedure shall also be uploaded to the computerized system.

(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.

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 Subsection (3) 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 certification-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 and the criminal authorities. 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 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.

(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 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 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 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 within eight days of gaining knowledge thereof at the court which has ordered 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.

(4) The court's decision concerning a complaint may be appealed within fifteen days from the date when it was delivered.

(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 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, with the exception if a creditor prevails in a pending lawsuit against the debtor and any fraction of the claim of this creditor can be satisfied with due regard to his position in the order of satisfaction.

(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, 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) Outstanding receivables shown in the liquidation balance sheet may be assigned up to the value of the creditors' claims (Civil Code, Sections 328-330) in due observation of the provisions of Section 331 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

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 resulting from 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.

Section 55

Conclusion of Liquidation Proceedings

Section 56

(1) The court shall send the liquidation balance sheet and the proposal for the distribution of assets to the creditors within thirty days of receipt. Any creditor may raise an objection in writing concerning the liquidation balance sheet 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 court's decision for the rejection of the objection cannot be appealed.

(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 against which a lien has been filed among unsold assets, such lien shall be terminated upon the operative date of the ruling on the distribution of assets among the creditors. The ensuing procedure shall be conducted ex officio on the basis of the court ruling.

(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) claims secured by lien on financial assets prior to the time of the opening of liquidation proceedings, up to the value of the pledged property and in consideration of the sums already paid pursuant to Subsection (2) of Section 49/D; if there is more than one lien on the pledged property they shall be satisfied in the sequence laid down in Subsection (1) of Section 256 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 or compensation for damages, 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 as well as small-scale agricultural producers;
 - 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, sums payable to the State established in criminal proceedings under Subsection (8) of Section 6/A, repayable State aid and financial aids from European Union and other international resources by virtue of international agreement, as well as public utility charges and condominium maintenance fees;
 - 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 [Civil Code, Paragraph b) of Section 685] and domestic partners of the persons mentioned in Subparagraphs ha)-hc),
 - he) an economic operator under the debtor's majority control (Civil Code, Section 685/B),
 - hf) a body (person) benefiting from the debtor's gratuitous commitments.
- (2) Liquidation expenses shall cover the following:

a) wages and other personnel costs payable by the debtor, including severance pay due upon the termination of employment and any other benefits fixed in the collective agreement or in the contract of employment, furthermore, if the wages and other personnel costs falling due prior to the time of the opening of liquidation proceedings were paid after the opening of liquidation, along with all applicable tax and contribution payment obligations and other impositions of a like nature (including membership payments to private pension funds);

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 (including membership payments to private pension funds) 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.

(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. 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.

Section 60

(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, 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.

(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 (Civil Code, Section 70), subsidiaries 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 Section 94 of Act X of 2006 on Cooperatives shall apply for the distribution of assets remaining after satisfaction of creditors' claims.

(4) The regulations prescribed in the Act on Business Associations 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 120 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 has established the unlimited and full responsibility of such member (shareholder) for the company's liabilities

pursuant to a claim filed by the creditor during the liquidation proceedings or within a ninety-day limitation period following the final conclusion of liquidation proceedings, on account of such member (shareholder) having had a history of making unfavorable business decisions from the standpoint of the debtor company. 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 Company 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 or the liquidator on the debtor's behalf, the court shall establish that a former member (shareholder) with majority control (Civil Code, Section 685/B), 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 he is able to prove that the debtor was solvent at the time of transfer of such share, and that the accumulation of losses took place after that time, or that he has acted in good faith 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 creditors seeking information concerning such transactions. The action may be brought at the latest within a ninety-day preclusive period following 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) hereof 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 working 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 working days. The above-specified 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's decision for the complaint may be appealed by the liquidator, or by the complainant if refused, within eight days from the time of delivery.

(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.

(4) The court shall weigh the liquidator's report and any complaints submitted against the report, and shall adopt a ruling for the distribution of the debtor's assets and outstanding claims among the creditors accordingly, in accordance with Subsection (1) of Section 57, and shall order the termination of the debtor. 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.

(5) The court shall order the publication of the abstract of its final ruling referred to in Subsection (4) in the *Cégekzlöny (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 to reimburse the State for the liquidator's fee payable under Subsection (5) of Section 59, and to cover the dues and publication charges paid by the creditor having initiated the liquidation proceedings [if the creditor so requested before the time when the ruling referred to in Subsection (4) is adopted], 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 - for reasons within his control - 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 Subsection (6) hereof shall be made to the Economic Department of the Fővárosi Törvényszék (*Budapest Metropolitan Court*). The Economic Department 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.

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), in the case of bankruptcy proceedings:

a) within fifteen days from the time of the opening of bankruptcy proceedings [Subsection (1) of Section 10],

b) in the case of liquidation proceedings, within thirty days from the time of the opening of liquidation proceedings [Subsection (1) of Section 27, Subsection (1) of Section 28].

(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 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 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) 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.

(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 three working days following the government decree referred to in Subsections (1)-(2) of Section 65 entering into force, and shall forthwith order publication of the ruling in the *Céggazlóny* (*Company Gazette*) by way of the means defined in specific other legislation. Publication in the *Céggazlóny* shall take place in the form of display on the official website of *Céggazlóny*, 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.

(4) The relevant provisions of this Act shall apply to the liquidator referred to in Subsection (2) of Section 66, its employees and receivers, subject to the exception that the reasons of exclusion under Subparagraph *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, other than the supervisory activities at financial institutions in the capacity of an appointed commissioner, and the liquidation and winding-up of financial institutions under the Act on the *Pénzügyi Szervezetek Állami Felügyelete*, and the dissolution of venture capital funds.

(6) The liquidator referred to in Subsection (2) of Section 66 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. These data shall be considered public information. The administrative body that maintains the register of liquidators shall monitor - in an official capacity - the activities of the liquidator referred to in Subsection (2) of Section 66 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 liquidator's referred to in Subsection (2) of Section 66 employees and/or executive officers it shall request the liquidator referred to in Subsection (2) of Section 66 to take disciplinary action, including dismissal, and may impose an administrative penalty of up to 300,000 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.

(7) The liquidator referred to in Subsection (2) of Section 66 may not be dismissed, 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 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 for enforcing the rights under Section 271 of the Civil Code 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, 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. 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.

(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.

(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 preemptory 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 forthwith order - in accordance with the provisions of specific other legislation - to have it published in the *Cégeküzöny (Company Gazette)*. Publication in the *Cégeküzöny* shall take place in the form of display on the official website of *Cégeküzöny*, updated on a daily basis.

(6) In liquidation proceedings stay, joinder or suspension is not admissible. 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 96 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 *Cégeküzöny (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 *Cégeküzöny* shall take place in the form of a display posted on the official website of *Cégeküzöny* 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 Cégközlöny, except if the court has published another ruling on the special moratorium in another proceeding opened upon the petition for liquidation. 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.

(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 96 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 96 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 notification of the receiver's name and mailing address) 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 court shall publish the final ruling in the Cégközlöny 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 Cégközlöny by way of the means described in specific other legislation. Publication in the Cégközlöny shall take place in the form of display on the official website of Cégközlöny, 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 Cégközlöny. Publication 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 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 according to Section 685/B of the Civil Code, 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 pre-emption 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.

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 (1) 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 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 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 June 2012, the persons holding the qualifications referred to in Subsections (1) and (2) may be employed by not more than five 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 *Cégeközlöny (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.

(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, shall apply to additional bankruptcy proceedings opened after the bankruptcy proceedings initiated after 1 September 2009.

(2) Subsection (3) of Section 11, 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, 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.

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 regulatory inspection of liquidators, and the types of securities that liquidators must have.

(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.

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 showing the debtor's financial position;

b) 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;

c) the detailed regulations concerning the appointment of administrators, temporary administrators and liquidators in bankruptcy proceedings and liquidation proceedings by an electronic selection process, and the rules for operation, functioning and supervision of such electronic systems.

d) the mandatory contents of the abstracts of rulings to be published on the website of Cégközlöny (*Company Gazette*).

(6) The minister in charge of the judicial system is hereby authorized to decree the formal and content requirements for the notification of known creditors as prescribed under Article 40 of Council Regulation 1346/2000/EC on insolvency proceedings.

(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.