European Commission

Early restructuring and a second chance for entrepreneurs

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Slovakia — Country fact sheet

Every year in the EU, 200 000 firms go bankrupt, resulting in over 1.7 million people losing their jobs.

A well-functioning insolvency framework is essential to support growth and business creation. That is why the European Commission is putting forward modern and streamlined insolvency rules that will facilitate restructuring, give businesses a second chance and improve the efficiency of restructuring, insolvency and debt discharge procedures.

The proposed approach is expected to:

- ✓ Cut down the number of jobs lost due to bankruptcy;
- ✓ Bring more legal certainty for cross-border investors;
- ✓ Turn bad debt into performing credit to facilitate lending;
- ✓ Allow entrepreneurs to restart business activities, to keep innovation going and create an additional three million jobs across the EU.

What is the situation currently in Slovakia? [1]

Effectiveness of insolvency proceedings

18 Slovakia ranks 18th among EU Member States when it comes to the effectiveness of its insolvency proceedings.

Average length of insolvency proceedings (years)

SK	4.0
EU	2.0

Recovery rate for secured creditors following insolvency proceedings

SK	55.6 %
EU	65.0 %

▸ The most likely outcome for debtors in financial difficulty in Slovakia is **liquidation**.

[1] All figures are according to the World Bank report, *Doing Business 2017: Equal Opportunity for All*: http://www.doingbusiness.org/%7E/media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf.

What will the new rules improve?

The situation today in Slovakia (2)	With the new rules
Insolvency proceedings are lengthy.	✓ Specialised training of judges and practitioners, the use of electronic means of communication and the adoption of measures to ensure rapid treatment of procedures will improve its **efficiency and reduce the length**.
Dissenting classes of creditors can unfairly obstruct the restructuring process (hold-out).	✓ In order not to jeopardise restructuring, **dissenting classes of creditors and shareholders can be outvoted under strict conditions**. There are safeguards to protect everyone's legitimate interests. ✓ The new framework will facilitate the voting process of the adoption of the plan.
Although access to fresh money is vital for the rescued company, new financing for companies in the process of early restructuring is not sufficiently protected.	✓ **New financing will be specifically protected** increasing the chances that restructuring will be successful.
Access to early restructuring proceedings is subject to strict conditions, leading companies into formal insolvency proceedings.	✓ Viable enterprises in financial difficulties will have access to **restructuring tools at an early stage**.

(2) Information on current framework according to the Member States' responses on the implementation of the 2014 Commission Recommendation, an INSOL Europe Study of January 2014 and a comparative legal study carried out by the University of Leeds of January 2016.