



## Legal Flash September 2019

### **Draft law: conversion of underperforming company debts to shareholders to become optional.**

While last month the Ministry of Public Finance published a draft Government Ordinance obliging underperforming companies to convert their debts to associates and shareholders into stocks and shares, this month the authorities have revised the legal provisions in question.

On 2 September 2019, a draft law amending and supplementing Company Law no. 31/1990 and Accounting Law no. 82/1991 and imposing measures with effects for decapitalised companies, being a modified and less restrictive form of the initial law, was debated in the Romanian Senate.

Under the new provisions, companies which, on the date of entry into force of the law, report debts to associates and shareholders resulting from loans or other means of financing granted by them whose net asset value has fallen to less than half that of the companies' subscribed share capital are to be obliged, by latest the end of the following financial year, to restore their net assets, including by converting the receivables of their associates and shareholders into stocks and shares. Therefore, in the first instance the obligation regarding the conversion of receivables into shares is eliminated and under the current draft law becomes optional. However, if by expiration of the aforementioned deadline the net asset has not been restored, the company will be obliged to increase its share capital by converting these receivables.

If the conversion is not completed within 60 days of the submission of the financial statements for the financial year following the year in which the losses were identified, the authorities will request the dissolution of the company via the courts.

If adopted by Parliament and subsequently promulgated by the President, the new law will enter into force 60 days from the date of its publication in the Official Gazette of Romania, Part I.

*Source: Draft law amending and supplementing Company Law no. 31/1990 and Accounting Law no. 82/1991 and imposing measures with effects for decapitalised companies, as debated in the Romanian Senate on 2 September 2019.*

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Kind regards  
Your TPA Team



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