

Bankruptcy Law

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Chapter 1 General Provisions

Article 1

In this Law, the following terms and phrases shall have the meanings assigned thereto, unless the context requires otherwise:

Law: Bankruptcy Law.

Regulations: Implementing Regulations of this Law.

Court: Commercial Court.

Ministry: Ministry of Commerce and Investment.

Minister: Minister of Commerce and Investment.

Person: A natural or legal person.

Debtor: A person who is proven to owe a debt to another person.

Creditor: A person to whom a debt is proven to be owed by a debtor.

Debt: A financial obligation proven to be owed by a debtor.

Small Debtor: A debtor who meets the criteria set by the Bankruptcy Committee in coordination with the Small and Medium Enterprises General Authority.

Owner: A person who holds a stake or a share in the debtor's capital. Related Party:

1. The debtor's manager, member of his board of directors, or the like; partner; owner; and the relatives to the third degree of the foregoing persons and the debtor.

2. A person who has a business relationship with the debtor.

3. A person who is controlled, directly or indirectly, along with the debtor by another person(s) holding over 50% of the capital of each of them.

4. A person who, directly or indirectly, controls the debtor by holding over 50% of his capital.

5. A person who is, directly or indirectly, controlled by the debtor by holding over 50% of his capital.

Distressed Debtor: A debtor who stopped paying a due debt on its maturity date.

Bankrupt: A debtor whose debts have consumed all of his assets.

Regulated Entity: A person who is licensed to engage in a financial activity, or who manages a public facility in accordance with the provisions of Article 3 of this Law.

Competent Authority: The authority in charge of regulating, monitoring, and overseeing the business of the regulated entity.

Bankruptcy Trustee or Trustee: A person who is appointed by the court or the petitioner, as the case may be, to perform the tasks and duties assigned to him according to the type of procedure, including the financial restructuring trustee and the liquidation trustee.

Bankruptcy Trustee List: A list prepared by the Bankruptcy Committee which includes bankruptcy Trustees or Trustees who satisfy the conditions specified in the Regulations.

List of Experts: A list prepared by the Bankruptcy Committee which includes experts who satisfy the conditions specified in the Regulations.

Protective Settlement Procedure: A procedure which aims to facilitate an agreement between the debtor and his creditors to settle his debts, where the debtor maintains the right to manage his business.

Financial Restructuring Procedure: A procedure which aims to facilitate an agreement between the debtor and his creditors for the financial restructuring of the debtor's business under the supervision of the financial restructuring trustee.

Liquidation Procedure: A procedure which aims to list the claims of creditors, selling the bankruptcy assets, and distribute the proceeds thereof among creditors under the supervision of the liquidation trustee.

Administrative Liquidation Procedure: A procedure which aims to sell bankruptcy assets whose sale proceeds are not expected to cover the charges of the liquidation procedure or the small debtors' liquidation procedure under the supervision of the Bankruptcy Committee.

Assets: Movable and immovable assets, intellectual property rights, current or future receivables, and any rights attached thereto, as well as other assets which may have current or future financial value.

Bankruptcy Assets: The debtor's assets on the date of initiation of any of the bankruptcy procedures provided for in this Law or during the validity of any of the bankruptcy procedures.

Moratorium: Suspension of the right to take or complete any procedure, action, or lawsuit against the debtor, his assets, or the guarantor of his debts during a specific period stipulated in this Law.

Bankruptcy Debts: Debts proven to be owed by the debtor at the date of initiation of any of the liquidation procedures stipulated in this Law, or arising from contracts or liabilities prior to the date of initiation of any of such procedures, including debts of a natural person debtor arising from commercial or professional activities, any activity aiming to generate profit, or other debts.

Commercial Activity: Any of the commercial activities provided for in relevant laws.

Professional Activity: Any activity practiced by a person as a profession for his own account, based on expertise, qualification, talent, or skill, without an employment contract with a beneficiary rendering him a subordinate thereto or subject to his control and supervision.

Bankruptcy Register: A register which is created, managed, and maintained by the Bankruptcy Committee under this Law.

Judicial Depository: A submission to the court by the trustee, who is assigned by the small debtor or the competent authority, of a decision issued by those who have assigned him to initiate a financial restructuring procedure or a small debtors' liquidation procedure, in compliance with the legal requirements and subject to the court's approval of depositing the same.

Proposal: A proposal for the initiation of a protective settlement procedure, small debtors' protective settlement procedure, financial restructuring procedure, or small debtors' financial restructuring procedure, which shall be voted on.

Plan: An approved or confirmed proposal, depending on the type of procedure.

Article 2

This Law aims to regulate the following bankruptcy procedures:

1. Protective settlement.
2. Financial restructuring.
3. Liquidation.
4. Small debtors' protective settlement.
5. Small debtors' financial restructuring.
6. Small debtors' liquidation.
7. Administrative liquidation.

Article 3

1. The following shall be considered regulated entities under this Law:

- a) Banking, financing, insurance, and exchange companies.
- b) Persons licensed to trade in securities.
- c) The Capital Market, and the financial settlement, clearing, and deposit companies.
- d) Credit rating companies.
- e) Credit information and records companies.
- f) Telecommunication, water, electricity, and gas companies.
- g) Companies exploring minerals and energy resources.
- h) Companies operating airports, railways, seaports and the like, as specified in the Regulations.
- i) Special purpose facilities.
- j) Other persons specified in the Regulations.

2. A petition for the initiation of a bankruptcy procedure or a judicial depository for a regulated entity debtor shall not be registered without the issuance of a decision of approval by the competent authority.

3. The competent authority shall, upon completion of the application, issue a decision approving or rejecting the petition within a period not exceeding 30 days. The petition shall be deemed approved if the competent authority fails to issue a decision within such period.

4. The court shall have jurisdiction to hear lawsuits arising from the decision of the competent authority, pursuant to paragraph (3) of this Article.

Article 4

This Law shall apply to:

- a) natural persons engaging in commercial or professional activities, or any other for-profit activities in the Kingdom;
- b) commercial and professional companies, regulated entities, as well as other companies and for-profit entities registered in the Kingdom; and
- c) non-Saudi investors of a natural or legal personality holding assets in the Kingdom, or engaging in commercial or professional activities, or any for-profit activities through a licensed establishment in the Kingdom. This Law shall only apply to said investors' assets which are located in the Kingdom.

Article 5

Bankruptcy procedures shall aim to:

- a) enable a debtor who is bankrupt, distressed, or is likely to suffer financial difficulties to benefit from the bankruptcy procedures, restructure his financial position, resume his business, and contribute to economic development;
- b) protect creditors' rights in a manner that ensures fair treatment;
- c) maximize the value of bankruptcy assets, conduct proper procedures for the sale thereof, and ensure fair distribution of sale proceeds among creditors upon liquidation;
- d) reduce the costs and duration of procedures and increase their efficiency, especially in restructuring the financial position of small debtors, or the sale of bankruptcy assets, and the distribution of sale proceeds among creditors in a fair manner within a specified period;
- e) undertake administrative liquidation of a debtor whose assets are not expected to cover the costs of the liquidation procedure or the liquidation of small debtors.

Article 6

The court shall issue judgements and decisions necessary for the application of the procedures stipulated in this Law, oversee the implementation thereof, decide disputes arising therefrom, and impose the penalties prescribed in this Law.

Article 7

1. Subject to Article 4 of this Law, no person shall be liquidated under any other law unless he is not distressed and his assets are sufficient to cover all his debts.
2. If the debtor undergoes a voluntary dissolution or liquidation in violation of paragraph (1) of this Article, members of the debtor's board of directors or board of managers, and the like, shall be jointly and severally liable for any of the debtor's outstanding debts.
3. Voluntary liquidation, in violation of paragraph (1) of this Article, must not be included in the agenda of the debtor's general assembly or shareholders' assembly for voting.
4. The Regulations shall specify the provisions necessary for the implementation of this Article.

Article 8

The Regulations shall specify the provisions relating to transborder bankruptcy procedures.

Chapter 2 Bankruptcy Committee

Article 9 Bankruptcy Committee: Formation and Powers

1. Pursuant to a resolution by the Council of Ministers, a committee named the Bankruptcy Committee shall be formed, comprising five or more experienced and qualified members nominated by the Minister for a three-year renewable term. The Committee shall enjoy a legal personality, as well as financial and administrative autonomy under the supervision of the Minister.
2. The Bankruptcy Committee shall, in addition to the technical and administrative powers provided for in this Law, have the following powers:
 - a) Creating, maintaining, and managing the Bankruptcy Register.
 - b) Licensing bankruptcy trustees and experts in accordance with the Regulations.
 - c) Preparing a list of bankruptcy trustees and a list of experts in accordance with the Regulations.
 - d) Issuing rules governing the work of bankruptcy trustees and experts.
 - e) Inspecting and verifying any bankruptcy procedure initiated in accordance with this Law.
 - f) Submitting to the Minister its recommendations for the update of the list of regulated entities, upon coordination with the competent authorities.
 - g) Setting the criteria for small debtors in coordination with the Small and Medium Enterprises General Authority.
 - h) Determining the minimum amount of debt that gives the creditor the right to file a petition for the initiation of liquidation procedures.
 - i) Managing the administrative liquidation procedures.
 - j) Creating, maintaining, and managing the register referred to in Article 204(2) of this Law.
 - k) Issuing the forms and documents provided for in this Law and its Regulations.
 - l) Organizing and sponsoring initiatives which promote awareness of this Law.
 - m) Making the proposals necessary to enhance the effective implementation and development of the provisions of this Law, including conducting studies and research.
 - n) Organizing activities and participating in events relating to its functions.
 - o) Conducting periodic reviews of the provisions of this Law and its Regulations as well as relevant rules and instructions, coordinating with the relevant agencies, and proposing amendments to the Minister.
 - p) Providing consultation, training, and other services for a consideration or free of charge.
 - q) Assuming any other power provided for in the Regulations or its formation decision.

Article 10 Bankruptcy Committee: Formation and Powers

1. The Bankruptcy Committee's work rules and procedures shall be issued pursuant to a decision by the Minister, and shall include:
 - a) Rules and procedures for inviting to and holding its meeting, voting on its decisions, preparing its meeting minutes, and the like.
 - b) Establishing a general secretariat for the Committee, defining its duties, and its work rules and procedures.
2. The Bankruptcy Committee shall submit periodic reports to the Minister on its activities, achievements, challenges, and any recommendations for the efficient and effective exercise of its powers and performance of its duties.

Article 11 Bankruptcy Committee: Formation and Powers

In the performance of its duties, the Bankruptcy Committee may:

- a) seek the assistance of experts and specialists; and
- b) delegate certain executive and administrative powers to whom it deems appropriate.

Article 12 Bankruptcy Committee Financial Recourses

1. The Ministry shall provide the Bankruptcy Committee with the financial resources necessary to exercise its powers and perform its duties, including remuneration of Committee members and allocations for contracting with experts, specialists, and employees, and shall provide the Committee with suitable premises.
2. The Bankruptcy Committee may charge fees for issuing licenses, rendering services, and organizing activities. The Minister shall determine the amount of such fees and methods of payment.
3. The Committee shall deposit its funds in an account opened under its name with one or more local banks, and shall disburse therefrom on its operations, secretariat, and employees in accordance with administrative and financial regulations set by the Committee and approved by the Minister.

Chapter 3 Protective Settlement Procedure

Article 13 Filing Petitions for the Initiation of a Protective Settlement Procedure

1 Without prejudice to any relevant law, the debtor may file a petition with the court to initiate a protective settlement procedure if he is:

- a) likely to suffer financial difficulties that may lead to distress;
- b) distressed; or
- c) bankrupt.

2 A debtor shall not file a petition for the initiation of a protective settlement procedure if he has previously been subject to such procedure or to a small debtors' protective settlement procedure during the 12 months preceding the filing of the petition for the initiation of the procedure.

Article 14 Filing Petitions for the Initiation of a Protective Settlement Procedure

1. The petition for the initiation of a protective settlement procedure shall be registered with the court upon filing such petition along with the proposal and the relevant information and documents, as specified in the Regulations.

2. The proposal must include information on the financial position of the debtor, effects of the economic situation thereon, and classification of creditors in accordance with Article 29 of this Law.

Article 15 Court Powers in the Initiation of a Protective Settlement Procedure

1. The court shall set a date for considering the petition for the initiation of a protective settlement procedure within a period not exceeding 40 days from the date of filing, and shall notify the debtor of the hearing date within five days from the date of registering the petition. The court shall take any of the following decisions:

a) Initiate the procedure if:

- I. the debtor is likely to remain in business, and the claims of creditors are likely to be settled within a reasonable time;
- II. the debtor is bankrupt, distressed, or is likely to suffer financial difficulties that may lead to distress;
- III. the debtor provides the information and documents referred to in Article 14 of this Law; or
- IV. the debtor has fairly and with due diligence classified the creditors into classes.

b) Reject the petition if:

- I. the petition does not satisfy the statutory requirements, or is unjustifiably incomplete; or
 - II. the petitioner acts in bad faith, or commits any of the offenses stipulated in this Law.
- If the court rejects the petition, it may order the initiation of another suitable bankruptcy procedure.

c) Postpone the hearing for a period not exceeding 21 days if:

- I. the court requires the debtor to provide additional information or documents; or
- II. the court requires the debtor to amend the classification of creditors stated in the proposal in a manner that ensures fair classification. The debtor shall provide the court with the required information, documents, or the amendment of classification of creditors on the set date, prior to the date set for

the postponed hearing. The court shall initiate the procedure or reject the petition in accordance with the provisions of this Article.

2. The court may, on its own motion or upon the request of the debtor or any of the creditors, summon any person who has information or documents related to the petition for the initiation of the procedure to attend the hearing. The summoned person shall provide the court with such information or documents.

3. The debtor shall notify the creditors specified in the proposal of the court's decision in accordance with the Regulations, and shall deposit a copy of the decision at the Bankruptcy Register.

Article 16 Court Powers in the Initiation of a Protective Settlement Procedure

1. In its decision to initiate a protective settlement procedure, the court shall set the date on which the creditors vote on the proposal within a period not exceeding 40 days from the procedure initiation date, unless it decides to set a later date, provided it is within a period not exceeding an additional 40 days.

2. The debtor shall publish the initiation of the procedure within seven days from the date of issuance of the court's decision to initiate such procedure.

Article 17 Moratorium

Upon filing a petition for the initiation of a protective settlement procedure, the debtor may petition the court to order a moratorium, provided his petition is accompanied with a report issued by a listed trustee indicating his opinion on the likelihood of majority of creditors approving the proposal as well

as the feasibility of its implementation.

Article 18 Moratorium

1. Without prejudice to the provisions of Chapter 14 of this Law, the court may order a moratorium for a period not exceeding 90 days from the procedure initiation date, and may extend such period for one or more additional thirty day periods at the request of the debtor. In any event, the moratorium period must not exceed 180 days.
2. A moratorium period shall expire upon the lapse of the period specified in paragraph (1) of this Article, or at an earlier date by the court's confirmation of the proposal or termination of the procedure.

Article 19 Moratorium

The debtor shall notify his creditors of the court's moratorium decision upon its issuance, and shall, during the moratorium period, exercise due diligence to convince his creditors to vote in favor of the proposal.

Article 20 Effects of a Moratorium

- 1- During the moratorium period, it shall be prohibited to take or complete:
 - a) any procedure, action, or lawsuit against the debtor or his assets, including filing a petition for the initiation of a bankruptcy procedure;
 - b) any enforcement procedure against any bankruptcy assets provided as security, except upon the approval of the court;
 - c) any procedure or action against the personal guarantor or the in-kind guarantor of the debtor's debt, except upon the approval of the court;
 - d) any of the procedures or actions provided for in the Regulations.
- 2- Any procedure in violation of paragraph (1) of this Article shall be deemed null and void.
- 3- The court may, on its own motion or upon the request of a person with interest, order the recovery of any assets disposed of during the moratorium period, or take any other appropriate action, without prejudice to the rights of bona fide third parties. An aggrieved party may file a claim for compensation.

Article 21 Effects of a Moratorium

- 1- The court shall, during the moratorium period, approve the petition for enforcement against bankruptcy assets, or the assets of the guarantor of the debtor's debts offered as security if:
 - a) enforcement does not affect the continuation of the debtor's business or obtaining the acceptance of creditors and owners of the proposal; or
 - b) the rejection of such petition may cause substantial damage to the secured creditor rendering the debtor unable to compensate him therefor, and such damage outweighs any damage that may be sustained by the debtor and other creditors.
- 2 The court shall, during the moratorium period and in accordance with the Regulations, consider the petition of a creditor whose exact property is in the possession of the debtor.
- 3- Notwithstanding Article 18 of this Law, the court may, upon the petition of a person with interest, suspend the moratorium period for certain claims which were subject of a procedure prior to its commencement, if the court establishes that such action is in the interest of the debtor and the majority of creditors.

Article 22 Contracts

Without prejudice to the provisions of Chapter 14 of this Law, the registration of a petition for the initiation of a protective settlement procedure, or the initiation of such procedure shall not render future debts due, nor affect the maturity date of any payment under any contract. Any condition to the contrary shall be deemed null and void.

Article 23 Contracts

Without prejudice to the provisions of Chapter 14 of this Law, the registration of a petition for the initiation of a protective settlement procedure, or the initiation of such procedure shall not affect any contract to which the debtor is party. Any condition to the contrary shall be deemed null and void.

Article 24 Contracts

- 1- Contracts to which the debtor is party shall remain valid, regardless of the initiation of the protective settlement procedure. The debtor's counterparty shall be obliged to perform his contractual obligations after the initiation of such procedure, provided the debtor satisfies all the obligations arising

after the initiation of the procedure. Any obligations of the debtor which he has not satisfied prior to the initiation of the procedure shall be included in the claims list.

2- If the debtor, after the initiation of the procedure, fails to satisfy his obligations under contracts to which he is party pursuant to paragraph (1) of this Article, the court may, upon the request of the counterparty, terminate the contract and discharge the counterparty from his contractual obligations without prejudice to his rights.

3- The debtor shall exercise due diligence to ensure satisfaction of his contractual obligations arising after the initiation of the procedure, including the immediate performance of such obligations or the provision of alternative guarantees for the counterparty's rights upon fulfillment of his obligations, as specified in the Regulations.

4 The debtor shall fulfill his obligations arising after the initiation of the procedure on their due dates, unless otherwise agreed with the counterparty.

Article 25 Contracts

1 -The court may, as specified in the Regulations and upon the request of the debtor during a hearing of which the counterparty is notified, terminate any contract to which the debtor is party if such termination is necessary to protect the debtor's business and is in the interest of the majority of creditors, provided that such termination does not result in substantial damage to the counterparty; the counterparty must be notified of the court's decision if he fails to attend the hearing.

2- Notwithstanding paragraph (1) of this Article, no security contracts, including pledge agreements, shall be terminated except in accordance with the provisions of this Law or relevant laws.

Article 26 Contracts

1- The provisions of Articles 22-25 of this Law shall not apply to government tenders and procurement contracts concluded between government agencies and the debtor.

2 -The provisions of Articles 23-25 of this Law shall not apply to financing contracts concluded between banking or financing companies and the debtor.

Article 27 Voting on the Proposal

The proposal shall be voted on only by the creditor or the owner whose statutory or contractual rights will be affected by such proposal, as specified in the Regulations.

Article 28 Voting on the Proposal

Subject to the provisions of Article 16 of this Law, if the proposal would affect owners' rights, the debtor must call upon them to vote thereon in accordance with relevant laws, provided that such vote precedes the creditors' vote.

Article 29 Voting on the Proposal

In case of multiple creditors with debts or rights of different nature, the debtor must classify them in accordance with the Regulations.

Article 30 Voting on the Proposal

1- If the claims of creditors are disputed, the debtor shall appoint a listed expert approved by the court to estimate the value of such claims which shall be included in the proposal to be voted on.

2- Subject to the court's approval, the proposal shall include claims of creditors not included in the proposal for reasons attributable to the debtor.

Article 31 Voting on the Proposal

1 Creditors shall vote on the proposal in accordance with the procedures set forth therein and following the owners' vote of acceptance, if any, in accordance with Article 28 of this Law.

2 The proposal shall be deemed approved if all classes of creditors vote in its favor. A class of creditors shall be deemed to have accepted the proposal if the claims of creditors voting in favor of the proposal represent two-thirds of the value of debts owed to voters in the same class, and such voters include creditors whose claims represent more than half of the debts of non-related parties, if any.

3 The Regulations shall specify the provisions necessary for the management of the voting process referred to in paragraph (1) of this Article.

4 Upon completion of the voting process, the debtor shall immediately notify the creditors and owners of the voting result, and shall deposit the

same with the court.

5 If the creditors fail to vote on the proposal at the date set by the court, the court shall take necessary action, including setting another voting date, or terminating the procedure.

6 The Regulations shall specify the manner for plan amendment.

Article 32 Petitioning the Court Confirmation of the Proposal

If creditors accept the proposal, the debtor shall file a petition with the court to confirm it and shall, prior to filing the petition, notify creditors accordingly. The court shall set a date for the confirmation hearing.

Article 33 Petitioning the Court Confirmation of the Proposal

The initiation of a protective settlement procedure and the confirmation of the proposal shall not relieve the debtor of any obligation relating to his business under relevant laws.

Article 34 Confirmation of the Proposal

1 The court shall confirm the proposal upon verifying creditors' acceptance thereof and its compliance with standards of fairness.

2 A creditor shall have the right to object to the proposal before the court during the confirmation hearing on the grounds that it does not meet the standards of fairness if he votes against it, and if he reasonably believes that such proposal is prejudicial to his interests.

Article 35 Confirmation of the Proposal

The proposal shall be deemed to have satisfied the standards of fairness if:

- a) the creditors' voting procedures are observed;
- b) the creditors have obtained sufficient information to review the proposal as well as the alternatives available to the debtor as compared to the items in the proposal; and
- c) the outstanding creditors' rights are observed, especially in respect of sharing losses, and the distribution of new rights, benefits, and securities.

Article 36 Notification and Deposit

Upon the court's confirmation of the proposal, the debtor shall immediately notify the creditors of such confirmation, and shall deposit a copy thereof in the Bankruptcy Register within a period not exceeding five days from the date of confirmation.

Article 37 Effects of the Court's Confirmation of the Proposal

The plan shall be binding upon the debtor, creditors, and owners, and the debtor shall complete the procedures stipulated in relevant laws.

Article 38 Termination of the Procedure

Upon completion of the implementation of the plan, the debtor shall file a petition with the court to render a decision terminating the protective settlement procedure, and shall attach therewith the information and documents specified in the Regulations. The debtor shall notify the creditors of such petition prior to filing. Any person with interest shall have the right to object to such petition before the court within 14 days from the date of filing the petition.

Article 39 Termination of the Procedure

The court may terminate the protective settlement procedure if:

- a) the debtor files a petition with the court for the termination of the procedure due to the completion of the implementation of the plan;
- b) the quorum required for voting on the proposal by the owners or creditors is not met, or if it is not possible for the owners or creditors to vote on the proposal on the set date, without prejudice to Article 31(5) of this Law;
- c) the court refuses to confirm the proposal;
- d) the debtor files a petition for the termination of the procedure due to the fact that procedure initiation conditions are no longer applicable;
- e) the debtor or the creditor files a petition for the termination of the procedure due to inability to implement the plan;
- f) the debtor files a petition for the termination of the procedure due to his intention not to continue management of his business or implementation

of the plan; or

g) a person with interest files a petition for the termination of the procedure due to material breaches during the procedure, or due to the debtor's commission of any of the offenses stipulated in this Law.

Article 40 Termination of the Procedure

The debtor shall deposit the court's decision to terminate the procedure in the Bankruptcy Register within a period not exceeding five days.

Article 41 Termination of the Procedure

The court shall, on its own motion or upon the request of a person with interest, order the initiation of an appropriate bankruptcy procedure if:

- a) the debtor is distressed or bankrupt;
- b) the conditions for the initiation of the bankruptcy procedure are satisfied; and
- c) the protective settlement procedure is terminated pursuant to Article 39(b)(c)(e)(f) or (g) of this Law.

Chapter 4 Financial Restructuring Procedure

Article 42 Filing Petitions for the Initiation of the Procedure

1. Without prejudice to the provisions of relevant laws, the debtor, creditor, or the competent authority may file a petition with the court for the initiation of a financial restructuring procedure if the debtor is:
 - a) likely to suffer financial difficulties that may lead to distress;
 - b) distressed; or
 - c) bankrupt.
2. A petition for the initiation of a financial restructuring procedure shall not be filed if the debtor has been subject to such procedure or to a small debtors' financial restructuring procedure during the 12 months preceding the petition.

Article 43 Filing Petitions for the Initiation of the Procedure

The petition for the initiation of a financial restructuring procedure shall be registered with the court upon filing it along with the relevant information and documents, as specified in the Regulations.

Article 44 Filing Petitions for the Initiation of the Procedure

If a person other than the debtor files a petition for the initiation of a financial restructuring procedure, the court shall notify the debtor thereof within a period not exceeding five days from the date of filing. The debtor may object to the petition before the court at the scheduled hearing if:

- a) the conditions for the initiation of the procedure are not satisfied;
- b) the debt is disputed; or
- c) the creditor seeks to abuse the procedure.

The court may order the debtor to submit the information and documents specified in the Regulations.

Article 45 Filing Petitions for the Initiation of the Procedure

The debtor, owner, manager, official, member of the board of directors, and auditor shall be exempted from the provisions of the Companies Law regarding company's losses amounting to a specific percentage under the Law, as specified in the Regulations.

Article 46 Moratorium Modified

1. The registration of a petition for the initiation of a financial restructuring procedure or the initiation of such procedure shall result in a moratorium for a period of 180 days and the court may, on its own motion or the motion of the trustee or the debtor, extend such period by not more than 180 days.
2. The moratorium period shall end upon the expiry of the period specified in paragraph (1) of the Article or before if the petition for initiation of the procedure is rejected, or upon confirmation of the proposal by the court, or the termination of the procedure prior to confirmation.

Article 47 Initiation of the Procedure

1-A financial restructuring procedure shall be initiated by virtue of a court order pursuant to Article 41 of this Law or paragraph (2) of this Article.

2-The court shall set a hearing date for considering the petition for the initiation of the procedure within 40 days from the date of filing, and notify the petitioner and debtor thereof within five days from the date of registering the petition. The court shall take any of the following decisions:

- a) Initiate the procedure if:
 - I. the debtor is likely to remain in business, and the claims of creditors are likely to be settled within a reasonable time;
 - II. the debtor is bankrupt, distressed, or is likely to suffer financial difficulties that may lead to distress; or
 - III. the petitioner provides the information and documents referred to in Article 43 of this Law.
- b) Reject the petition if:

- I. the petition does not satisfy the statutory requirements, or is unjustifiably incomplete; or
- II. ii. the petitioner acts in bad faith, or commits any of the offenses stipulated in this Law.

If the court rejects the petition, it may order the initiation of another suitable bankruptcy procedure.

- c) Postpone the hearing for a period not exceeding 21 days to provide any additional information or documents it requests. Such information and documents shall be submitted on the set date and prior to the date set for the postponed hearing. The court shall decide to either initiate the

procedure or reject the petition in accordance with the provisions of this Article.

3-The court shall notify the debtor who fails to attend the hearing of its decision within five days from the date of its issuance.

Article 48 General Powers of the Court

The court may, on its own motion or upon the request of a person with interest, summon any person who has information or documents related to the petition for the initiation of a financial restructuring procedure to attend the hearing. The summoned person shall provide the court with the necessary information or documents within the period specified by the court.

Article 49 General Powers of the Court

1. The court may order that an asset be subjected to a financial restructuring procedure if the debtor jointly owns such asset with another person and it is not possible to divide said asset between them, without prejudice to the rights of the creditors of the debtor and the creditors of the co-owner of such asset.
2. The court may order that another person, on whom the conditions of the initiation of the procedure apply, be subjected to the procedure if it is in his interest and the interest of the debtor, and that applying separate procedures for each is costly or infeasible, provided the rights of the creditors of the debtor and the creditors of the other person are protected.

Article 50 Effects of the Initiation of the Procedure (Appointment and Powers of Trustee, Expert, and Overseeing Judge)

1. In its decision to initiate a financial restructuring procedure, the court shall appoint a listed trustee. The petitioner for the initiation of the procedure may propose to the court the name of the listed trustee to be appointed.
2. In the appointment of the trustee, his financial capabilities and academic qualifications, as well as the qualifications of his team shall be taken into consideration.
3. The trustee shall exercise due diligence vis-a-vis creditors' interests.
4. Without prejudice to paragraph (2) of this Article, the trustee may, upon the court's approval, delegate certain duties to a listed trustee or expert, when necessary, provided that such duties are clearly specified in the court's decision.
5. The court may, when necessary, appoint more than one trustee to jointly act in accordance with this Law and the court's instructions, provided the court appoints a chairman from among them. The trustees shall be jointly liable for their actions. The Regulations shall set forth their work procedures.
6. The trustee shall deposit a copy of the court's decision to initiate the procedure and of his appointment in the Bankruptcy Register.

Article 51 (Appointment and Powers of Trustee, Expert, and Overseeing Judge)

The court may, upon the request of the trustee, appoint an expert from the list of experts or any other expert to assist the trustee in the discharge of his duties.

Article 52 (Appointment and Powers of Trustee, Expert, and Overseeing Judge)

1. The following shall not be appointed as trustees or experts:
 - a) The debtor's creditor, spouse, son-in-law, or relative up to the fourth degree.
 - b) The debtor's partner, employee, auditor, or agent during the two years preceding the initiation of the procedure.
2. Prior to his appointment, the trustee or the expert shall disclose to the court his relationship with the debtor and creditors, and the trustee must disclose his relationship with the creditors upon submitting the statement of claims to the court.
3. If the trustee or the expert violates paragraph (2) of this Article, he shall be dismissed without the right to receive any fees.

Article 53 (Appointment and Powers of Trustee, Expert, and Overseeing Judge)

The court, at its discretion, may appoint one or more judges to oversee the financial restructuring procedure and determine their duties.

Article 54 (Appointment and Powers of Trustee, Expert, and Overseeing Judge)

1. The court may, on its own motion or upon the request of a person with interest, dismiss the trustee and appoint a new listed trustee, or dismiss the expert and appoint a new expert from the list of experts or any other expert, if sufficient grounds for dismissal exist, without prejudice to his rights and obligations.
2. A trustee or expert shall not resign after his appointment without legitimate reasons acceptable to the court, without prejudice to his rights and obligations.

Article 55 (Appointment and Powers of Trustee, Expert, and Overseeing Judge)

The Regulations shall specify the manner in which to determine the fees of the trustee and the expert, and any other related expenses.

Article 56 Publication of the Procedure

1. The trustee shall, within seven days from the date of his appointment, publish in any of the mediums specified in the Regulations the court's decision to initiate the financial restructuring procedure, and invite the creditors to submit their claims within a period not exceeding 90 days from the date of publication.
2. The trustee shall notify the creditors known to him of said court's decision in order to submit their claims within a period not exceeding 90 days from the date of notification.

Article 57 Procedure Oversight

The trustee shall oversee the debtor's business during the financial restructuring procedure period to verify fairness of the procedure, and implement the plan in such a manner as to ensure speedy performance and the provision of necessary protection to the interests of those affected by the procedure, in accordance with this Law.

Article 58 Procedure Oversight

1. During the period of the financial restructuring procedure, in addition to other duties and powers vested in him under this Law and its Regulations, the trustee shall:
 - a) verify the soundness of the debtor's management of his business, and monitor his financial operations;
 - b) attend litigation hearings, creditors' meetings, and other meetings relating to the debtor and the procedure;
 - c) perform any task ancillary or incidental to his duties and powers;
 - d) perform tasks entrusted to him by the court; and
 - e) perform any other task specified by the Regulations.
2. In the performance of his duties and the exercise of his powers, the trustee must act with integrity and honesty.

Article 59 Procedure Oversight

1. The trustee may access and obtain information or documents held by the court relating to the debtor. The debtor shall provide the trustee with any additional information or documents and any updates upon becoming aware thereof, and shall disclose to him the amounts he owes to third parties that were not previously disclosed to the court, as well as any contracts, lawsuits, or judicial proceedings to which he is party.
2. The trustee shall have the right to obtain and maintain information and documents relating to bankruptcy assets, licenses pertaining to the debtor's business, and any other information or documents relevant to the debtor's business.
3. The trustee may request the creditor to provide additional information or documents to support his claim, or amend the amount or nature of the debt.
4. The trustee shall have the right to obtain any information relating to the debtor's business or bankruptcy assets from public and private entities to the extent necessary to enable him to perform his duties, including documents and the debtor's bank and investment account statements. Any person in possession of such information shall disclose the same.
5. Disclosure to the trustee of the information referred to in paragraph (4) of this Article shall not be deemed a breach of information confidentiality. The trustee shall maintain such information and documents, and protect their confidentiality.

Article 60 Contracts

1. The debtor shall provide the trustee, upon his appointment, with a detailed list of valid contracts and any data relevant thereto, along with copies of said contracts and a statement identifying contracts to remain valid or to be terminated along with the grounds therefor.
2. The trustee may request the debtor to provide him with information or documents relating to the contracts referred to in paragraph (1) of this Article, and the debtor must submit the same within a reasonable time determined by the trustee.
3. The trustee shall carefully examine the list of contracts, information, and documents submitted to him under paragraphs (1) and (2) of this Article.

Article 61 Contracts

Article 61 Contracts

1. The trustee may, upon examination of the debtor's list of contracts as well as relevant information and documents submitted to him, issue a decision within 60 days from the date of initiation of the financial restructuring procedure for the termination of any contract concluded by the debtor, if such termination is necessary to implement the confirmed proposal and to protect the interests of the majority of creditors, and does not cause substantial damage to the debtor's counterparty, even if the contract provides otherwise. Such termination shall be pursuant to a written notification to the counterparty. The contract shall be deemed terminated upon the lapse of 30 days from the date of notification, unless the trustee and the counterparty agree on a shorter period. The trustee may request the court to extend the period during which he is entitled to decide on the termination of any contract for a period not exceeding 30 days, provided this is necessary in view of the volume and nature of the debtor's business.
2. Notwithstanding paragraph (1) of this Article, the trustee may, upon examining the debtor's list of contracts and relevant information and documents, issue a decision terminating any lease contract for properties where the debtor conducts his business within 60 days from the procedure initiation date if such termination is necessary to implement the confirmed proposal and protect the interests of the majority of creditors, even if the contract provides otherwise. The trustee must notify the debtor's counterparty of his decision in writing. The contract shall be deemed terminated upon the lapse of 90 days from the date of notification, unless the contract provides for a shorter period. The trustee may request the court to extend the period during which he is entitled to decide on the termination of any contract for a period not exceeding 30 days, provided this is necessary in view of the number of properties where the debtor conducts his business.
3. The trustee's termination of any contract between the debtor and the counterparty under paragraphs (1) or (2) of this Article, shall not prejudice the rights of such counterparty including the right to make a claim to the trustee for any damage incurred as a result of such termination, for purposes of voting on the proposal.
4. If the debtor's counterparty objects to the trustee's decision to terminate his contract, the court shall consider such objection in accordance with the provisions of Article 62 of this Law.
5. If the trustee decides not to terminate any contract in accordance with paragraphs (1) and (2) of this Article, the debtor shall be obligated to fulfill the terms of the contract, unless amended or affected by the plan.
6. The trustee may sublease to a third party the property rented by the debtor or part thereof, even if the contract provides otherwise. The debtor must guarantee preservation of the property and payment of the lease in accordance with the terms of the contract.
7. Contracts relating to government tenders and procurement concluded between a government agency and the debtor shall not be subject to the provisions of this Article, as well as Articles 22, 23, 24, and 60 of this Law.
8. Financing contracts concluded between banking or financing companies and the debtor shall not be subject to the provisions of this Article, as well as Articles 23, 24, and 60 of this Law.

Article 62 Contracts

The court shall consider the objection filed by the counterparty, in accordance with Article 61(4) of this Law, and shall accept the objection if it is established that:

- a) the termination of the contract, pursuant to Article 61(1) of this Law, is not necessary for the implementation of the plan or the protection of the interests of the majority of creditors, and it causes substantial damage to the counterparty;
- b) the termination of the contract, pursuant to Article 61(2) of this Law, is not necessary for the implementation of the plan or the protection of the interests of the majority of creditors.

Article 63 Submission of Claims

1. Any creditor whose debt is established prior to the court's decision to initiate the financial restructuring procedure shall submit to the trustee within the period specified in Article 56 of this Law any due, future, conditionally suspended, or potential claims, or other claims that may have current or future financial value. The creditor shall attach to his claim the documents and information provided for in the Regulations, a statement of the value of his claim on the date of the court's decision for the initiation of the procedure, the debt not yet due and its maturity date, and any other document supporting his claim. The creditor must also state if his claim is secured and the type of securities presented.
2. If the value of the claim is not precisely stated, the creditor shall submit the claim with an estimated value, and the trustee shall verify the actual value thereof.

Article 64 Non-Submission of Claims

Any creditor who fails to submit his claim within the period specified in Article 56 of this Law shall be excluded from voting on the proposal, unless he proves to the court prior to voting that:

- a) he submitted his claim, but such claim did not reach the trustee for reasons beyond his control;
- b) the debtor omitted his claim from the list submitted to the trustee; or
- c) the trustee omitted his claim from the list filed with the court.

Article 65 Inventory of Debtor's Bankruptcy Assets

The trustee shall prepare a detailed inventory of bankruptcy assets, including details of such assets, any securities associated therewith, assets in possession of the debtor, assets subject to third-party claims, and other pertinent information. The trustee must provide the court with a copy of said inventory.

Article 66 Inventory of Debtor's Bankruptcy Assets

A natural person debtor may retain out of the bankruptcy assets what is required to provide him and his dependents with a decent standard of living. The court shall determine the amount based on the trustee's recommendation. The debtor shall assist the trustee in determining the value of his assets to determine those that may be retained by the debtor. Assets retained for such purpose shall not be included in the proposal.

Article 67 Third-Party Assets

Any third party whose assets are in the possession of the debtor or attached thereby shall provide the trustee with detailed information relating thereto, and shall file a petition with the court to recover such assets attached with supporting documents. The trustee may provide the court with his opinion on such petition.

Article 68 List of Claims of Creditors

1. The trustee shall, as specified in the Regulations, prepare a list of claims of creditors on the basis of information submitted to him, and shall submit such list with the court for approval within 14 days from the date of expiration of the period set for submission of claims. The list must include the following:
 - a) The address and claim amount of each creditor.
 - b) Identification of secured creditors, details of securities held thereby, and the estimated value of assets subject of such securities.
 - c) Debts that may be set off.
 - d) The trustee's recommendation regarding each submitted claim whether to accept, reject, or refer such claim to an expert.
 - e) Stipulations of the Regulations.
2. The trustee must, within five days from the date of filing the list of claims with the court, notify the creditor of the recommendation to reject or refer his claim to an expert. Said creditor may petition the court to consider his claim. If the court decides to accept such claim or part thereof, it shall include it in the list of claims for voting purposes.
3. The court may, if necessary and upon the request of the trustee, extend the deadline for submitting the list of claims referred to in paragraph (1) of this Article.
4. The creditor may access the list of claims approved by the court.

Article 69 List of Claims of Creditors

1. Without prejudice to the trustee's powers and duties, the debtor shall continue to manage his business and activities during the period of the financial restructuring procedure under the trustee's supervision.
2. If, during the procedure, the debtor or any of his officials fails to cooperate with the trustee or commits any act of negligence, mismanagement, or any offense stipulated in this Law, the trustee may request the court to suspend the debtor's management of his business, provided the trustee provides the court with his opinion and that of the creditors' committee, if any, regarding the continuation of the procedure. Accordingly, the court may decide to:
 - a) assign the trustee instead of the debtor to manage the business, and transfer all the debtor's powers and responsibilities to the trustee during the validity of the procedure. The trustee may seek the assistance of any person he deems appropriate in the management of the debtor's business;
 - b) appoint another person to replace the debtor in managing the business if the volume or type of the business so requires, and transfer all the debtor's powers and responsibilities to such person during the validity of the procedure, provided the appointee fulfills the debtor's obligations towards the trustee. If the appointee is a legal person, it must appoint a natural person as its representative;
 - c) terminate the procedure and initiate the debtor's liquidation procedure, if it deems it necessary; or
 - d) decide on any other procedure stipulated in the Regulations.
3. If the debtor submits a signed request to the trustee declaring his decision to discontinue the management of his business during the procedure for personal reasons, the trustee may submit a request to the court in accordance with paragraph (2) of this Article.

Article 70 Protection of Business

1. Without prejudice to relevant laws, the debtor must obtain the trustee's written approval, during the period from the initiation of the financial restructuring procedure to the confirmation of the proposal, for any of the following acts:
 - a) Preparing the proposal and implementing its procedures, including inviting creditors to vote thereon.
 - b) Applying for financing.
 - c) Paying due or outstanding debts.
 - d) Concluding a new insurance contract that entails substantial obligations.

- e) Vacating any of the leased bankruptcy assets, and concluding any lease contract necessary or beneficial for his business.
 - f) Concluding any agreement or settlement with one or more creditors.
 - g) Providing or renewing any security for a third party.
 - h) Changing any of the debtor's registered premises or offices.
 - i) Voting on a proposal of a debtor's debtor under any of the bankruptcy procedures entailing waiving any of the debtor's rights.
 - j) Concluding a contract for obtaining legal, accounting, or other consultancy services to assist him in the financial restructuring of his business.
 - k) Filing lawsuits or litigating in any proceeding before judicial, quasi-judicial, or arbitration bodies.
 - l) Appointing an agent to act on his behalf, except if such appointment falls within the scope of the debtor's normal course of business.
 - m) Establishing a subsidiary, or purchasing shares in another company.
 - n) Transferring ownership of all or some of his business or assets beyond the normal course of his business.
 - o) Requesting the termination of the procedure in accordance with Article 87(a) or (f) of this Law.
 - p) Undertaking any action stipulated in the Regulations.
2. The debtor's compliance with paragraph (1) of this Article shall not relieve him from any obligations stipulated in this Law and relevant laws.
3. The trustee shall exercise due diligence in the exercise of his powers and duties, and shall not be held liable to third parties for any loss or damage resulting from his approval of any of the debtor's actions provided for in paragraph (1) of this Article.

Article 71 Prohibition on the Disposition of Assets

If the debtor disposes of any of the bankruptcy assets beyond the scope of his normal course of business in violation of the provisions of Article 70(1)(n) of this Law, the court may decide, upon the request of a person with interest, to nullify his action and recover assets, or take any other appropriate action, without prejudice to the rights of bona fide third parties. An aggrieved party may file a claim for compensation.

Article 72 Prohibition on the Disposition of Assets

Without prejudice to the rights of secured creditors, the trustee may, during the period from the initiation of the financial restructuring procedure to the confirmation of the proposal, petition the court to approve the replacement of the security submitted to the debtor's creditor with another equivalent security if such action is in the interest of the majority of creditors.

Article 73 Formation of Creditors' Committee

A creditors' committee shall be formed in the cases specified by the Regulations. The Regulations shall specify the duties and work procedures of the committee.

Article 74 Formation of Creditors' Committee

In case of multiple creditors with debts or rights of different nature, the debtor must classify them as specified in the Regulations.

Article 75 Financial Restructuring Proposal

1. The debtor shall, with the assistance of the trustee, prepare the proposal within the period set by the court in its decision to initiate the financial restructuring procedure.
2. The proposal must include a description of the debtor's financial position and the effect of the economic conditions thereon, as well as information and documents specified in the Regulations.
3. The trustee shall prepare a report indicating his opinion on the likelihood of creditors accepting the proposal as well as the feasibility of its implementation.
4. Without prejudice to the provisions of Chapter 14, the trustee may petition the court to approve the inclusion of a clause in the proposal providing for the amendment of any security if it is necessary for the implementation of the proposal, provided that such clause includes a statement according the affected secured creditor a security equivalent to his original security.
5. The trustee shall notify the secured creditor of his intention to file a petition with the court in accordance with paragraph (4) of this Article, and the creditor may challenge such petition before the court.
6. The trustee shall deposit a copy of the proposal with the court, which shall set a date for voting thereon. The trustee may propose to the court a date he deems appropriate.

Article 76 Financial Restructuring Proposal

1. The proposal shall only be voted on by a creditor whose statutory or contractual rights are affected by such proposal, and who has a claim included in the list of admissible claims approved by the court in accordance with the provisions of Article 68 of this Law.
2. An owner may not vote on the proposal unless such proposal affects his statutory or contractual rights.

Article 77 Financial Restructuring Proposal

1. The debtor shall, upon the trustee's approval, notify the creditors whose claims are approved by the court of the date scheduled for voting, at least 21 days prior to such date. The notification shall be accompanied with a copy of the proposal, or proof of access thereto through any electronic means as specified in the Regulations. The debtor shall announce the date scheduled for voting on the proposal in the manner specified by the Regulations.
2. If owners' rights are affected by the proposal, the debtor shall, upon the trustee's approval, notify the affected owners of the date scheduled for voting, at least 21 days prior to such date.

Article 78 Voting Rights

Notwithstanding the provisions of relevant laws, the Regulations shall specify the quorum required for holding the owners' meeting and the majority required for accepting the proposal if said proposal affects their rights, subject to the provisions of Article 77 of this Law.

Article 79 Quorum of Creditors' Voting

1. Creditors shall vote on the proposal in accordance with the procedures set forth therein.
2. The proposal shall be deemed accepted by any class of creditors if the claims of creditors who voted in favor of the proposal represent two-thirds of the value of debts of voters of the same class, and such voters include creditors whose claims represent more than half of the debts of non-related parties, if any.
3. The Regulations shall specify the procedures for managing the voting process referred to in paragraph (1) of this Article.
4. The trustee shall, upon completion of the voting process, notify the debtor, creditors, and owners of the voting result, and deposit said result with the court.
5. If the creditors' vote on the proposal does not take place at the set by the court, the court shall take an appropriate decision, including setting a new voting date or terminating the procedure.
6. The Regulations shall specify the manner for plan amendment.

Article 80 Confirmation of the Proposal

1. If any of the cases referred to in paragraph (2) of this Article occur, the trustee shall file a petition with the court to confirm the proposal, and shall notify the creditors thereof prior to filing. The court shall set a date for the confirmation hearing.
2. The court shall, upon the request of the trustee, confirm the proposal which meets the standards of fairness if:
3. all classes of creditors and owners accept the proposal; or
4. at least one class of creditors accepts the proposal, and the creditors whose claims represent at least 50% of the total value of claims of creditors voting in all classes vote in its favor, and if the court determines that the confirmation of the proposal is in the best interest of the majority of creditors.
5. The court shall approve the proposal to amend the plan in accordance with paragraph (2) of this Article.
6. A creditor shall have the right to object to the proposal before the court during the confirmation hearing on the grounds that it does not meet the standards of fairness if he has voted against it believing on reasonable grounds that the proposal is prejudicial to his interests.

Article 81 Confirmation of the Proposal

The proposal shall not include any provisions conflicting with this Law and relevant laws relating to set-off rights and priorities of debts. Any action to the contrary shall be deemed null and void.

Article 82 Sale of Secured Assets

The trustee shall, pursuant to the plan and upon the court's approval, sell any of the bankruptcy assets which secure the debtor's debts during the procedure at the market price on the date of sale. After deducting his fees and sale expenses, the trustee shall deposit the remainder of the sale proceeds into a separate current account for the payment of the secured creditor's debt in accordance with the ranking of his security. If the amount deposited in the current account exceeds the amount of the secured debt, the trustee shall deposit such surplus into the debtor's account.

Article 83 Publication and Registration of Proposal Confirmation

The trustee, within 10 days of the proposal's confirmation date, shall:

- a) publish the proposal confirmation in the manner specified by the Regulations, including debtor's name, head office address, commercial registration number, confirmation issuance date as well as a brief description of the items of the plan as specified in the Regulations; and

b) deposit a copy of the court's confirmation decision in the Bankruptcy Register.

Article 84 Overseeing Plan Implementation

1. Without prejudice to the provisions of Articles 58 and 69 of this Law, the trustee shall oversee the implementation of the plan during the period from the confirmation of the proposal to the completion of the plan and the conclusion of the financial restructuring procedure. If the trustee encounters any obstacles impeding said implementation, he must petition the court to review the matter and take the necessary action.
2. The proposal may, in addition to the provisions of this Law and the Regulations thereof, specify the trustee's powers and duties as well as restrictions on the debtor's actions.
3. The debtor shall submit a quarterly progress report to the trustee on the plan implementation progress, as specified in the Regulations.
4. The trustee shall review the report submitted by the debtor under paragraph (3) of this Article to verify the accuracy of the information contained therein, and shall submit the same to the court and creditors within 30 days from the date of receipt.

Article 85 Overseeing Plan Implementation

1. The debtor must, during the period from the confirmation of the proposal to the conclusion of the financial restructuring procedure, obtain the trustee's written approval before he:
 - a) Applies for financing.
 - b) Provides or renews security to third parties.
 - c) Changes any of the debtor's registered premises or offices.
 - d) Votes on a proposal of the debtor's debtor in any bankruptcy procedure that results in the waiver of the debtor's rights.
 - e) Establishes a subsidiary or acquires shares in another company.
 - f) Transfers ownership of all or some of his business or assets outside the normal course of his business.
 - g) Conducts any other action as provided for in the Regulations.
2. The debtor's compliance with paragraph (1) of this Article shall not relieve him from any obligations provided for in this Law or in relevant laws.
3. The trustee shall exercise due diligence in the discharge of his duties and powers, and shall not be liable to third parties for any loss or damage resulting from his approval to any of the debtor's actions provided for in paragraph (1) of this Article.

Article 86 Implementation of the Plan

The trustee shall, upon completion of the implementation of the plan, file a petition with the court for the termination of the financial restructuring procedure, attached with the information and documents specified by the Regulations, and shall notify the creditors of such petition prior to filing. Any person with interest shall have the right to object to such petition before the court within 14 days from the date of filing.

Article 87 Termination of the Procedure

The court shall order the termination of a financial restructuring procedure if:

- a) the debtor files a petition for the termination of the procedure because the conditions for the initiation of the procedure are no longer applicable, provided the petition is supported by a report from the trustee;
- b) the trustee files a petition for the termination of the procedure due to the completion of the implementation of the plan and the end of his duties;
- c) the trustee files a petition for the termination of the procedure due to the lack of quorum necessary for the creditors' voting on the proposal, or that such voting does not take place on the set date, without prejudice to Article 79(5) of this Law;
- d) the court refuses to confirm the proposal;
- e) the trustee or the creditor files a petition for the termination of the procedure due to the infeasibility of implementing the plan;
- f) the trustee files a petition signed by the debtor for the termination of the procedure due to the debtor's intention not to continue management of his business or implementation of the plan, without prejudice to the provisions of Article 69 of this Law; or
- g) a person with interest requests termination of the procedure due to material violations during the procedure, or due to the debtor's commission of any of the offenses stipulated in this Law during the validity of the procedure, without prejudice to the provisions of Article 69 of this Law.

Article 88 Termination of the Procedure

1. A court's decision ordering the termination of a financial restructuring procedure shall not relieve the guarantor from his obligations to implement the plan.
2. A creditor shall not be required to return to the debtor any payments received prior to the termination of the procedure.

Article 89 Termination of the Procedure

1. The trustee shall deposit the court's decision to terminate the financial restructuring procedure in the Bankruptcy Register. This shall result in the end of his duties.

2. The Regulations shall specify the actions to be taken by the trustee regarding the information and documents in his possession which are related to the procedure.

Article 90 Termination of the Procedure

The court shall, on its motion or upon the request of a person with interest, initiate a liquidation procedure or an administrative liquidation procedure if:

- a) the debtor is distressed or bankrupt;
- b) the conditions required for the initiation of a liquidation procedure or an administrative liquidation procedure are satisfied; and
- c) the financial restructuring procedure is terminated pursuant to Article 87(c), (d), (e), (f), or (g) of this Law.

Article 91 Referrals

The financial restructuring procedure shall be subject to the provisions of Articles 20-24, 35, and 37 of this Law.

Chapter 5 Liquidation Procedure

Article 92 Initiation of a Liquidation Procedure

Without prejudice to the provisions of relevant laws, the debtor, creditor, or competent authority may file a petition with the court for the initiation of a debtor's liquidation procedure if the debtor is distressed or bankrupt.

Article 93 Initiation of a Liquidation Procedure

1. For registering a petition for the initiation of a liquidation procedure, the petition shall be filed along with the relevant information and documents, as specified by the Regulations.
2. No petition by one or more creditors shall be registered with the court unless:
 - a) the debt is due, and its amount, origin, and related securities, if any, are specified;
 - b) the amount of debt or the aggregate value of petitioners' debts is less than the amount determined by the Bankruptcy Committee; or
 - c) the debt in question is due either pursuant to a writ of execution or an ordinary document, provided the creditor proves that he has requested the debtor to repay such debt 28 days prior to the date of filing the petition, and the debtor has not paid nor disputed the debt, as specified in the Regulations.

Article 94 Initiation of a Liquidation Procedure

The creditor's petition for the initiation of a liquidation procedure shall not be registered if the debtor disputes the debt prior to filing. If it is proven that the debtor has disputed the debt, such petition shall constitute an abuse of the liquidation procedure.

Article 95 Initiation of a Liquidation Procedure

1. If a person other than the debtor files a petition for the initiation of the debtor's liquidation procedure, the court shall notify the debtor of the same within a period not exceeding five days from the date of registering the petition. The debtor may object to the petition before the court, or file a petition for the initiation of a protective settlement procedure or financial restructuring procedure if he establishes his ability to remain in business in a manner that best serves the interests of the majority of creditors. The court may order the debtor to provide any relevant information or document.
2. The debtor shall, upon filing a petition for the initiation of the procedure, notify his creditors of such petition as specified in the Regulations. The creditor may object to the petition before the court and may, as an exception to the provisions of Article 97 of this Law, file a petition for the initiation of a financial restructuring procedure if he establishes the debtor's ability to remain in business in a manner that best serves the interests of the majority of creditors.

Article 96 Precautionary Measures

The court may, on its own motion or upon the request of a person with interest and after the registration of the petition for the initiation of the liquidation procedure, take any precautionary measure in the manner specified by the Regulations.

Article 97 Moratorium

1. Without prejudice to the provisions of Chapter 14 of this Law, the registration of a petition for the initiation of the liquidation procedure or issuance of a court's decision to initiate the procedure shall result in a moratorium until the date of issuance of a court's decision to reject the petition or terminate the procedure.
2. Any action contrary to paragraph (1) of this Article shall be deemed null and void. The court may, on its own motion or upon the request of a person with interest, order the recovery of any asset disposed of during the moratorium period, or take any other action it deems appropriate, without prejudice to the rights of bona fide third parties. An aggrieved party may file a claim for compensation.
3. As an exception to paragraph (1) of this Article, the court may, upon the petition of a secured creditor, authorize the enforcement against any of the bankruptcy assets securing the debtor's debt.
4. The court shall, during the moratorium period and as specified in the Regulations, consider the petition of a creditor whose exact property is found in the possession of the debtor.
5. Notwithstanding paragraph (1) of this Article, the court may, upon the petition of a person with interest, suspend the moratorium period for certain claims which were subject of a procedure prior to the commencement of the moratorium period, if the court establishes that such action is in the best interest of the debtor and the majority of creditors.

Article 98 Moratorium

The court shall have the sole jurisdiction to take legal action during the moratorium period against any guarantor of the debtor who has provided a personal or in-kind security to secure the debtor's obligations.

Article 99 Initiation of the Procedure

1. The liquidation procedure shall be initiated pursuant to a court decision as specified in Article 41 or Article 90 of this Law, or paragraph (2) of this Article.
2. The court shall set a date for considering the petition for the initiation of the procedure within 40 days from the date of filing, and shall notify the petitioner and debtor of the hearing date within five days from the date of registering the petition. The court shall decide as follows:
 - a) Initiate the procedure if:
 - I. the debtor is distressed or bankrupt;
 - II. it finds, based on information submitted thereto, that the debtor is unlikely to remain in business and that his assets are sufficient to cover the expenses of the liquidation procedure; or
 - III. the petitioner provides the information and documents referred to in Article 93 of this Law.
 - b) Reject the petition if:
 - I. the petition does not satisfy the statutory requirements, or is unjustifiably incomplete;
 - II. it finds, based on information submitted thereto, that the debtor is likely to remain in business and settle the claims of creditors within a reasonable time;
 - III. the petitioner acts in bad faith or the petition involves abuse of the procedure; or
 - IV. the debtor's assets are insufficient to cover the expenses of the liquidation procedure. If the court rejects the petition, it may order the initiation of another suitable bankruptcy procedure.
 - c) Postpone the hearing for a period not exceeding 21 days to provide the court with any additional information or documents it requests. Such information and documents shall be submitted on the set date and prior to the date set for the postponed hearing. The court shall decide to either initiate the procedure or reject the petition in accordance with the provisions of this Article.
3. The court shall notify the debtor, who fails to attend the hearing, of its decision within five days from the conclusion of the hearing.

Article 100 Management of Debtor's Assets by the Trustee

1. The debtor's management of his business shall be suspended immediately after the appointment of a trustee.
2. The trustee shall replace the debtor in the management of his business and the fulfillment of his statutory duties during the procedure. The trustee shall not be held liable vis-a-vis third parties for the actions taken in such capacity.
3. Any disposition of any of the bankruptcy assets by the debtor after the appointment of the trustee shall be deemed null and void. The court may order the recovery of said bankruptcy assets from third parties or take any other action, without prejudice to the rights of bona fide third parties. An aggrieved party may file a claim for compensation.
4. The trustee shall notify the debtor of any summons, notice, or order concerning him issued by the court or any other competent authority.

Article 101 Management of Debtor's Assets by the Trustee

Any security created during the liquidation procedure shall be deemed invalid, unless the creditors vote in its favor, in accordance with Article 108 of this Law, and approved by the court.

Article 102 Management of Debtor's Assets by the Trustee

1. The initiation of the liquidation procedure shall result in commencement of the liquidation of bankruptcy assets.
2. The trustee shall liquidate the bankruptcy assets, except for assets the court approves to be retained by a natural person debtor to provide him and his dependents with a decent standard of living, based on the trustee's assessment. The debtor shall assist the trustee in the evaluation of the assets in order to determine assets that may be retained by the debtor.

Article 103 Sale of Assets

1. The trustee shall sell the bankruptcy assets in conjunction with the verification of claims received thereby.
2. If the trustee finds that the procedure expenses and secured debts will consume any proceeds from the sale of assets, he may cease the verification of received claims upon the court's approval.

Article 104 Sale of Assets

Without prejudice to Article 108 of this Law, the trustee shall, immediately after the initiation of the liquidation procedure, take necessary actions

for the sale of the bankruptcy assets at the best possible price, including the sale of all bankruptcy assets in one transaction, provided that sale proceeds are deposited in a current account opened for such purpose.

Article 105 Sale of Assets

The court shall identify the bankruptcy assets to be announced prior to their sale in the manner specified in the Regulations.

Article 106 Sale of Assets

If the trustee intends to sell an asset the value of which exceeds one quarter of the total value of the bankruptcy assets, he shall invite creditors to vote in accordance with Article 108 of this Law, or notify the creditors' committee, if any, to consider approving such sale. The trustee shall provide creditors with any information necessary to consider the feasibility of the purchase offers within a reasonable time.

Article 107 Sale of Assets

The following persons may not submit, in person or by proxy, an offer to purchase any of the bankruptcy assets offered for sale, unless they are offered at public auction:

- a) The creditor.
- b) The debtor, owner, or their spouses, in-laws, or kins up to the fourth degree.
- c) The debtor's partner, employee, auditor, or agent within the two years preceding initiation of the procedure.
- d) The trustee or his kin up to the fourth degree.

Article 108 Voting Rights

1. Without prejudice to Article 106 of this Law, the trustee shall invite the creditors, whose claims and addresses are known to him, to a meeting to deliberate and decide, through voting, on cases which require their approval, including the following cases:

- a) The trustee receives multiple offers to purchase any substantial bankruptcy assets.
- b) The trustee determines, based on information and documents available to him, that the initiation of a lawsuit against a third party is in the best interest of the majority of creditors.
- c) The trustee decides that deferring the sale of any of the bankruptcy assets for a reasonable period is in the best interest of the majority of creditors; and
- d) A settlement or conciliation between the debtor and third parties is concluded in a manner that serves the interest of the majority of creditors.

2. The trustee's call for a creditors' meeting shall include the items subject to voting.

3. A decision taken pursuant to paragraph (1) of this Article shall be deemed valid if creditors representing the majority of the value of claims submitted by voting creditors voted in its favor.

Article 109 Voting Rights

Cases referred to in Article 108 of this Law shall only be voted on by creditors with undisputed claims. The court may, after hearing the trustee's opinion, allow creditors with disputed claims to vote on such cases.

Article 110 Voting Rights

If the court decides to initiate the liquidation procedure pursuant to Article 90 of this Law, claims submitted in the course of the financial restructuring procedure shall be considered automatically submitted as part of the liquidation procedure. Any amount paid by the debtor under the procedure shall be deducted from the value of the creditor's claim.

Article 111 Voting Rights

If the debtor's guarantor or any other person pays part of the debt to the creditor prior to or after the initiation of the liquidation procedure, the creditor must deduct the amount paid from the claim submitted to the trustee. The guarantor or any other person may submit a claim to the trustee for any such paid amount.

Article 112 Voting Rights

1. If the creditor files his claim after the expiration of the 90-day period specified under Article 56 of this Law, and prior to the final distribution of

the sale proceeds of the bankruptcy assets, the trustee shall consider the claim and recommend that the court either accepts, rejects, or refers said claim to an expert, subject to Article 68(2) of this Law.

2. The objection of a creditor who fails to file his claim within the 90-day period specified under Article 56 of this Law to any distribution made by the trustee prior to the filing of the outstanding claim shall not be accepted.

Article 113 Voting Rights

Debts that are not yet due but proven to be owed by the debtor shall become due and payable as soon as the liquidation procedure is initiated.

Article 114 Contracts of Employment

The court may, upon the request of the trustee, consider the termination of the employment contracts of the debtor's business employees, in accordance with the provisions of relevant laws.

Article 115 Reports

The trustee shall, at least every three months, provide the court with a progress report on the liquidation procedure, which may be made available to creditors.

Article 116 Distribution to Creditors

1. The trustee shall issue a decision to distribute the sale proceeds of the bankruptcy assets to creditors as specified in the Regulations. He shall distribute such proceeds among creditors in a single distribution in accordance with creditors' priority ranking. However, multiple distributions of sale proceeds of bankruptcy assets may, if necessary, be carried out subject to the court's approval.
2. The trustee shall notify each creditor known to him of the distribution decision, and shall deliver a copy thereof at least 30 days prior to the date of distribution. A creditor may object to the distribution decision or its procedures before the court within 21 days from the date of notification, provided that the trustee is notified of said objection, and a copy of the objection documents are submitted to the trustee; in such case, the trustee must halt the distribution process pending a final decision on the objection.
3. The court shall hear the objection filed by the creditor and issue a decision thereon and on the distribution process within 20 days from the date of filing the objection.
4. The issuance of the distribution decision by the trustee shall not require the approval of the court.
5. The trustee shall retain an amount proportionate to the amount of debts subject of judicial dispute.

Article 117 Distribution to Creditors

1. In case of multiple distribution decisions and a creditor files a claim prior to the implementation of the final distribution decision, such creditor shall, if possible, receive his due share from previous distributions at the same percentage distributed to other creditors, without prejudice to the creditors' priority ranking.
2. If any of the creditors files a claim after the implementation of a single or final distribution decision, such claim shall only be paid if there are remaining assets, or if the debtor acquires assets after the distribution and prior to the conclusion of the liquidation procedure.

Article 118 Distribution to Creditors

The trustee may, pursuant to a decision he issues following creditors' approval in accordance with Article 108 of this Law, distribute to one or more creditors any in kind bankruptcy assets for the payment of their claims, according to their assessed value based on a certified assessment, if it is established that the sale of such asset is not possible due to its nature, or is not in the best interest of the remaining creditors.

Article 119 Distribution to Creditors

1. The trustee shall return to the debtor any surplus from the liquidation proceeds after satisfying all debts, in accordance with the Regulations.
2. The trustee may, upon satisfying the creditors' dues and upon the debtor's request, petition the court to postpone the termination of the liquidation procedure, as specified in the Regulations.

Article 120 Owners' Liability

1. Upon liquidation of bankruptcy assets, the trustee shall take into account the limitation of owners' liability in accordance with the provisions

of relevant laws.

2. Jointly liable owners shall be liable for covering any shortfall in bankruptcy assets if sale proceeds thereof are insufficient to satisfy bankruptcy debts. The trustee shall demand in writing that the owners satisfy bankruptcy debts on the date he sets, and any funds paid by the owners shall be added to the bankruptcy assets. If the owners fail to make such payments, the trustee shall petition the court to order them to pay.

Article 121 Termination of the Procedure

1. The trustee shall file a petition with the court for the termination of the liquidation procedure upon completion of the sale of bankruptcy assets, conclusion of lawsuits to which the debtor is party, and final distribution to creditors, attached with the balance sheets and final reports.
2. The trustee must notify creditors prior to filing the petition. Any person with interest may object to such petition before the court within 14 days of the date of filing.
3. The trustee's petition for the termination of the liquidation procedure of a legal person debtor must include a request for the dissolution of such debtor.

Article 122 Termination of the Procedure

1. The court shall terminate the liquidation procedure if:
 - a) the trustee files a petition for the termination of the procedure due to the insufficiency of sale proceeds of bankruptcy assets to satisfy expenses of the liquidation procedure; or
 - b) the trustee files a petition for the termination of the procedure due to the completion of the liquidation procedure. The court may terminate the procedure without a hearing.
2. If the debtor is a legal person, the court shall terminate the procedure by the dissolution of the debtor.

Article 123 Termination of the Procedure

The court shall initiate the debtor's administrative liquidation procedure if it has terminated the procedure pursuant to Article 122(1)(a) of this Law, and shall refer the case documents to the Bankruptcy Committee.

Article 124 Termination of the Procedure

The trustee shall deposit the court's decision to terminate the liquidation procedure in the Bankruptcy Register and the commercial register, if any, and the debtor's registration shall be stricken from the commercial register.

Article 125 Termination of the Procedure

1. The name of a natural person debtor shall be removed from the Bankruptcy Register 30 days following the date of the court's decision to terminate the liquidation procedure. The debtor, as a result, can engage in commercial, professional, or for-profit activities.
2. A natural person debtor shall, upon removal of his name from the Bankruptcy Register, remain liable for any outstanding debt save by a special or public discharge from creditors.
3. A natural person debtor who remains liable for an outstanding debt shall be deemed bankrupt vis-a-vis outstanding rights of creditors even after the removal of his name from the Bankruptcy Register, for a period of 24 months from the date of termination of the liquidation procedure. During such period, the creditors may not file a petition with the court for the initiation of any bankruptcy procedure. The Regulations shall specify the procedures for creditors' claims of outstanding debts filed during such period.
4. The Regulations shall specify any procedure to be taken by the trustee upon the termination of the liquidation procedure.

Article 126 Referrals

Provisions of Articles 48-56, 59, 63, 65, 67, 68, and 73 of this Law shall apply to the liquidation procedure.

Chapter 6 Small Debtors' Protective Settlement Procedure

Article 127 Objective

The protective settlement procedure for small debtors aims to enable small debtors to reach an agreement with creditors to settle the debts within a reasonable time through simple, efficient, and low-cost procedures, allowing the debtor to continue management of his business.

Article 128 Objective

1. The small debtor may file a petition for the initiation of a protective settlement procedure instead of initiating the protective settlement procedure for small debtors.
2. The debtor may not initiate a protective settlement procedure for small debtors if he has previously been subject to such procedure or to a protective settlement procedure during the preceding 12 months.

Article 129 Procedure

1. If the small debtor is distressed, bankrupt, or is likely to suffer financial difficulties that may lead to distress, he may decide to initiate a protective settlement procedure for small debtors in accordance with the form issued by the Bankruptcy Committee.
2. The small debtor shall, prior to issuing his decision, prepare the proposal which shall include a brief description of his financial position along with the documents specified by the Regulations.
3. The small debtor shall deposit the decision for the initiation of the procedure in the Bankruptcy Register along with a copy of the proposal. Such decision shall become effective from the date of deposit in the register.
4. The small debtor shall invite his unsecured creditors to vote on the proposal, as specified in the Regulations.

Article 130 Procedure

If the proposal affects owners' rights, the small debtor shall invite them to vote on the proposal at least 21 days prior to the voting date in accordance with the provisions of relevant laws, provided that such vote takes place prior to the creditors' voting date.

Article 131 Moratorium

1. The small debtor may, during the period from the date of the initiation of the small debtors' protective settlement procedure until the issuance of the creditors' approval of the proposal, file a petition with the court to order a moratorium for a period not exceeding 90 days. The court shall render its decision within five days from the date of filing.
2. The moratorium period shall expire upon the lapse of the period specified in paragraph (1) of this Article or at an earlier date if the voting on the proposal by the creditors is in its favor, if the necessary quorum for the owners' or creditors' vote is not met, or if the procedure is terminated.

Article 132 Moratorium

1. The petition for the moratorium shall be filed with the court using the Bankruptcy Committee form, provided it is accompanied with a brief summary of the proposal and the requirements stipulated by the Regulations.
2. The court may request the small debtor to provide documents supporting his petition, including a statement from his auditor or from a listed trustee or expert indicating the likelihood of creditors approving the proposal.

Article 133 Moratorium

1. Without prejudice to the provisions of Chapter 14 of this Law, if the court decides to order a moratorium, it shall not be permissible to:
 - a) file a petition for the initiation of any of the bankruptcy procedures;
 - b) undertake or complete any action or legal procedure regarding the bankruptcy assets; or
 - c) undertake or complete any of the procedures provided for in the Regulations.
2. Any action contrary to paragraph (1) of this Article shall be deemed null and void, and the court may, on its own motion or upon the request of a person with interest, order the recovery of any asset disposed of during the moratorium period or take any other action it deems fit, without prejudice to the rights of bona fide third parties. An aggrieved party may file a claim for compensation.
3. Notwithstanding paragraph (1) of this Article, a moratorium shall not apply to secured debts. A secured creditor shall, upon enforcement against any of the securities securing his debt, return any surplus amounts to the small debtor within three days from the date of enforcement.

Article 134 Approval of the Proposal

1. Creditors shall vote on the proposal in the manner specified therein after the owners, if any, have voted in its favor, in accordance with Article 130 of this Law.
2. The proposal shall be deemed approved if the creditors whose claims represent two-thirds of the value of voters' debts vote in its favor, and such voters include creditors whose claims represent more than half of the debts of non-related parties, if any.
3. The Regulations shall specify the provisions necessary for the administration of the voting process referred to in paragraph (1) of this Article.
4. If the creditors fail to vote on the proposal on the set date, the court shall decide as it deems fit, including setting another date for voting or terminating the small debtors' protective settlement procedure.
5. The Regulations shall specify the manner for plan modification.

Article 135 Deposit of Creditors' Decision

The small debtor shall, within three days from the end of the creditors' vote on the proposal, deposit the voting result with the court and in the Bankruptcy Register.

Article 136 Effect of Proposal Approval

1. The proposal in whose favor the creditors vote shall commence from the date of depositing the voting result with the court. Such proposal shall become the plan binding upon the debtor, creditors, and owners. The small debtor shall complete the legal procedures required by relevant laws.
2. The small debtor shall deposit in the bankruptcy register the documents indicating the implementation of the plan and shall announce such implementation, as specified in the Regulations.

Article 137 Objection to the Plan

A creditor may object to the plan before the court if he votes against it, believing on reasonable grounds that the plan is detrimental to his interests and in breach of fairness as provided for in Article 35 of this Law, provided that such objection is filed with the court within 14 days from the date of depositing the voting result therewith.

Article 138 Objection to the Plan

1. The court may, based on the objection filed therewith, order the suspension of the plan for a period not exceeding 14 days, provided that the court, during this period, decides to nullify the plan or reject the objection.
2. If the court rules to nullify the plan, no creditor shall be required to return any amount received from the small debtor prior to nullification of the plan.

Article 139 Termination of the Procedure

The court shall terminate the small debtors' protective settlement procedure if:

- a) the small debtor petitions the court to terminate the procedure due to the completion of implementation of the plan;
- b) the quorum required for voting on the proposal by the owners or creditors is not met or if creditors fail to vote on the set date, without prejudice to Article 134(4);
- c) it decides to nullify the plan;
- d) the small debtor files a petition for the termination of the procedure on the grounds that the conditions for the initiation of the procedure are no longer applicable;
- e) the small debtor or the creditor files a petition for the termination of the procedure on the grounds that implementation of the plan is infeasible;
- f) the small debtor files a petition for the termination of the procedure due to his intent not to continue management of his business or implementation of the plan; or
- g) a person with interest files a petition for the termination of the procedure due to substantial violations during the procedure or due to the small debtor committing any of the offenses stipulated in this Law.

Article 140 Termination of the Procedure

The court shall, on its own motion or upon the request of a person with interest, initiate the appropriate bankruptcy procedure if:

- a) the small debtor is distressed or bankrupt;
- b) the conditions of initiating the bankruptcy procedure are satisfied; and
- c) the small debtors' protective settlement procedure is terminated pursuant to Article 139(b), (c), (e), (f) or (g) of this Law.

Article 141 Referrals

The small debtors' protective settlement procedure shall be subject to the provisions of Articles 22-27, 38 and, 40 of this Law.

Chapter 7 Restructuring Procedure

Article 142 Objective

The small debtors' financial restructuring procedure aims to facilitate an agreement between the small debtor and his creditors in order to restructure his business within a reasonable period, through simple, low cost, and efficient procedures and under the supervision of the trustee.

Article 143 Objective

1. The small debtor, creditor, or competent authority may request the initiation of a financial restructuring procedure instead of small debtors' financial restructuring procedure.
2. The small debtors' financial restructuring procedure shall not be initiated and a petition for its initiation shall not be filed if the small debtor has previously been subject to such procedure or to a financial restructuring procedure during the preceding 12 months.

Article 144 The Procedure

For a small debtors' financial restructuring procedure to be initiated, the small debtor must be bankrupt, distressed, or is likely to suffer financial difficulties that may lead to distress.

Article 145 The Procedure

1. The small debtor or the competent authority may issue a decision to initiate the small debtors' financial restructuring procedure upon agreement with a listed trustee to assume the trustee's duties. The small debtor or the competent authority shall provide the trustee with the decision as well as information and documents for judicial depository purposes, as determined by the Regulations.
2. The decision to initiate the procedure issued by the small debtor or the competent authority shall not be effective nor have any effect except after the judicial depository.
3. The creditor may file a petition with the court for the initiation of the procedure. The petition shall be registered with the court upon submission of relevant information and documents, as specified in the Regulations.
4. If the creditor files a petition with the court for the initiation of the procedure, the court shall notify the small debtor of such petition no later than five days from the date of filing. The small debtor may object to such petition during the hearing if the conditions for the initiation of the procedure are not met, the debt is disputed, or the creditor intends to abuse the procedure. The court may order the small debtor to provide the information and documents specified in the Regulations.

Article 146 The Procedure

1. The trustee who is assigned by the small debtor or the competent authority shall make the judicial depository.
2. The court shall maintain a record which includes information and documents submitted for the initiation of the small debtors' financial restructuring procedure.

Article 147 Moratorium Modified

1. The registration of a petition for the initiation of a small debtors' financial restructuring procedure or the initiation of such procedure shall result in a moratorium for a period of 180 days, and the court may, on its own motion or the motion of the trustee or the debtor, extend such period by not more than 180 days.
2. The moratorium period shall end upon the expiry of the period specified in paragraph (1) of the Article or before, if the petition for initiation of the procedure is rejected, the proposal is implemented, or the procedure is terminated prior to its implementation.

Article 148 Initiation of the Procedure

1. The small debtors' financial restructuring procedure shall be initiated pursuant to a court decision in accordance with Article 140 of this Law, by a judicial depository, or under paragraph (2) of this Article.
2. If the petition for initiation is filed by the creditor, the court shall consider such petition and decide as follows:
 - a) Initiate the procedure if:
 - I. it finds, based on information submitted thereto, that the small debtor is likely to remain in business and settle the claims of creditors within a reasonable time;
 - II. ii. the small debtor is bankrupt, distressed, or is likely to suffer financial difficulties that may lead to distress; or

III. iii. the creditor provides the information and documents referred to in Article 145 of this Law.

b) Reject the petition if:

I. the petition does not satisfy the statutory requirements, or is unjustifiably incomplete;

II. it decides, based on information submitted thereto, that the small debtor is unlikely to remain in business or settle the claims of creditors within a reasonable time; or

III. the petitioner acts in bad faith or commits any of the offenses stipulated in this Law. If the court rejects the petition, it may order the initiation of another suitable bankruptcy procedure.

c) Postpone consideration of the petition for a period not exceeding 21 days to allow the petitioner or the small debtor to provide the court with the required additional information or documents, or for any other reason. Such information and documents shall be submitted on the set date and prior to the date set for the postponed hearing. The court shall decide to either initiate the procedure or reject the petition in accordance with the provisions of this Article.

3. The court shall notify the small debtor who fails to attend the hearing of its decision within five days from the conclusion of the hearing.

Article 149 Appointment of a Small Debtors' Financial Restructuring Trustee

1. In its decision to initiate a small debtors' restructuring procedure, the court shall include the appointment of a listed trustee. The creditor may propose to the court the name of the listed trustee to be appointed.

2. The trustee assigned by the small debtor or the competent authority shall be considered appointed from the date of the judicial depository.

3. When appointing a trustee, his financial capabilities and academic qualifications, as well as the qualifications of his team shall be taken into consideration.

4. The trustee shall exercise due diligence to protect creditors' interests.

5. Without prejudice to paragraph (2) of this Article, the trustee may, subject to the court's approval, assign some of his tasks to a listed trustee or expert if necessary, provided that such tasks are accurately described in the court's decision.

6. The court may, when necessary, appoint up to three trustees to jointly act in accordance with the Law and court instructions, provided that the court appoints a chairman from among them. Said trustees shall be jointly and severally liable for their actions. The Regulations shall specify their work procedures.

7. The trustee shall deposit in the Bankruptcy Register a proof of his appointment, as specified in the Regulations.

Article 150 Announcement of Small Debtors' Financial Restructuring Procedure

1. The trustee shall announce the initiation of the small debtors' financial restructuring procedure within five days from the date of its initiation, and deposit in the Bankruptcy Register proof of said initiation. He shall invite creditors to submit their claims within a period not exceeding 60 days from the announcement date, as specified in the Regulations.

2. The trustee shall notify the creditors known to him of the initiation of the procedure within five days, and shall invite them to submit their claims within a period not exceeding 60 days from the notification date.

Article 151 Announcement of Small Debtors' Financial Restructuring Procedure

1. Any creditor whose debt is established prior to the initiation of the small debtors' financial restructuring procedure must submit to the trustee, within the specified period, any due, future, conditional, or potential claim, or any other claim that may have current or future financial value. The creditor must attach to his claim the documents and information specified in the Regulations, a statement of the value of the claim on the date of the court's decision to initiate the procedure, the undue debt and its maturity date, and any other supporting documents. The creditor must also indicate if his claim is secured and specify the type of securities presented.

2. If the value of the claim is not specified, the creditor must submit the claim at an estimated value, and the trustee shall verify the actual value thereof.

Article 152 Announcement of Small Debtors' Financial Restructuring Procedure

1. The small debtor shall prepare the proposal, with the assistance of the trustee, within the period specified in the Regulations.

2. The proposal must include a brief description of the small debtor's financial position, effects of the economic situation thereon, and the information and documents specified in the Regulations.

3. The trustee shall prepare a report stating his opinion on the likelihood of creditors accepting the proposal by creditors as well as the feasibility of its implementation.

4. Without prejudice to the provisions of Chapter 14, the trustee may petition the court to include in the proposal a clause to amend any security necessary for the implementation of the proposal, provided that the clause includes a statement giving the affected secured creditor a guarantee equivalent to his original guarantee.

5. The trustee shall notify the secured creditor of his intention to petition the court in accordance with paragraph (4) of this Article. The creditor may challenge the petition before the court.

6. The trustee shall deposit a copy of the proposal with the court, which shall set a date for voting thereon. The trustee may propose to the court a

date he deems appropriate.

Article 153 Voting

1. For purposes of voting on the proposal, a voting class must be assigned to secured creditors, if any, and another voting class shall be assigned to unsecured creditors.
2. If the creditors fail to vote on the proposal on the set date, the court shall decide as it deems appropriate, including setting another voting date or terminating the procedure.

Article 154 Voting Quorum

1. The holding of creditors' meeting and voting shall comply with the procedures set forth in the proposal, and the trustee shall verify compliance therewith.
2. The proposal shall be deemed approved if accepted by:
 - a) the unanimous vote of secured creditors; and
 - b) unsecured creditors whose claims represent at least two-thirds of the value of debts owed to voters, and such voters include creditors whose claims represent more than half of the debts of non-related parties, if any.
3. The Regulations shall specify the manner for plan modification.

Article 155 Voting Quorum

1. The proposal accepted by the creditors shall become effective from the date of depositing the voting result with the court. The proposal shall become the plan binding on the small debtor, creditors, and owners. The small debtor must comply with the statutory procedures mandated by relevant laws.
2. The trustee shall deposit in the Bankruptcy Register a proof of the implementation of the plan and announce such implementation, as specified in the Regulations.

Article 156 Termination of the Procedure

The court shall terminate the small debtors' financial restructuring procedure if:

- a) the small debtor files a petition for the termination of the procedure on the premise that the conditions for the initiation of the procedure are no longer applicable, provided such petition is supported by a report from the trustee;
- b) the trustee files a petition for the termination of the procedure due to the completion of the implementation of the plan and the end of his duties;
- c) the trustee files a petition for the termination of the procedure if the quorum required for the creditors' vote on the proposal is not met, or if such vote does not take place on the set date, without prejudice to Article 153(2) of this Law;
- d) it decides to nullify the plan;
- e) the trustee or the creditor files a petition for the termination of the procedure if implementation of the plan is infeasible;
- f) the trustee files a petition signed by the small debtor to terminate the procedure due to his intention not to continue management of his business or implementation of the plan, without prejudice to the provisions of Article 69 of this Law; or
- g) a person with interest files a petition for the termination of the procedure due to material violations during the procedure or due to the small debtor committing any of the offenses stipulated in this Law during the validity of the procedure, without prejudice to the provisions of Article 69 of this Law.

Article 157 Termination of the Procedure

1. A court's decision ordering termination of a small debtors' financial restructuring procedure shall not relieve the guarantor from his obligations to implement the plan.
2. A creditor shall not be required to return to the debtor any payments received prior to the termination of the procedure.

Article 158 Termination of the Procedure

The court shall, on its own motion or upon the request of a person with interest, initiate a small debtors' liquidation procedure or administrative liquidation procedure if:

- a) the small debtor is distressed or bankrupt;
- b) the conditions required for the initiation of a small debtors' liquidation procedure or administrative liquidation procedure are satisfied; and
- c) the small debtors' financial restructuring procedure is terminated pursuant to Article 156(c), (d), (e), (f), or (g) of this Law.

Article 159 Referrals

The small debtors' financial restructuring procedure shall be subject to the provisions of Articles 20-24, 35, 48, 49, 51-55, 57-62, 64-71, 73, 76(1), 77(1), 81, 86, 89, 137, and 138 of this Law.

Chapter 8 Small Debtors' Liquidation Procedure

Article 160 Objective

The small debtors' liquidation procedure aims to sell bankruptcy assets and disturb their proceeds to creditors within a reasonable period through simple, low cost, and efficient procedures under the supervision of the trustee.

Article 161 Objective

The small debtor, creditor, or competent authority may file a petition for the initiation of the liquidation procedure for the small debtor instead of the small debtors' liquidation procedure.

Article 162 Objective

For a small debtors' liquidation procedure to be initiated, the small debtor must be distressed, bankrupt, or unable to continue his business, and that his assets are sufficient to cover the expenses of the small debtors' liquidation procedure.

Article 163 Initiation of the Procedure

1. The small debtors' liquidation procedure shall be initiated by a court's decision pursuant to Article 140 or Article 158 of this Law, or by a judicial depository, or pursuant to paragraph (2) of this Article.
2. If the petition for initiation is filed by the creditor, the court shall consider such petition and take any of the following actions:
 - a) Initiate the procedure if:
 - I. the small debtor is distressed or bankrupt;
 - II. it finds, based on information submitted thereto, that the small debtor is unlikely to remain in business, and that his assets are sufficient to cover the expenses of the liquidation procedure; or
 - III. the creditor submits the information and documents referred to in Article 145 of this Law.
 - b) Reject the petition if:
 - I. the petition does not satisfy the statutory requirements or is unjustifiably incomplete;
 - II. it finds, based on information submitted thereto, that the small debtor is likely to remain in business and settle the claims of creditors within a reasonable time;
 - III. the petitioner acts in bad faith or the petition involves abuse of the procedure; or
 - IV. the debtor's assets are insufficient to cover liquidation procedure expenses. If the court rejects the petition, it may order the initiation of another suitable bankruptcy procedure.
 - c) Postpone the hearing for a period not exceeding 21 days to provide any additional information or documents it requests on the set date and prior to the date set for the postponed hearing. The court shall decide to either initiate the procedure or reject the petition in accordance with the provisions of this Article.
3. The court shall notify the small debtor who fails to attend the hearing of its decision within five days from the conclusion of the hearing.

Article 164 Initiation of the Procedure

The trustee shall petition the court to terminate the small debtors' liquidation procedure immediately after becoming aware that the sale proceeds of the bankruptcy assets are insufficient to cover expenses of the small debtors' liquidation procedure.

Article 165 Initiation of the Procedure

1. The trustee shall, within 12 months from the date of initiation of a small debtors' liquidation procedure, file a petition with the court for the termination of such procedure upon completion of the procedures for the sale of bankruptcy assets, conclusion of lawsuits to which the debtor is party, and the final distribution to creditors, along with the balance sheets and final reports. However, the trustee may, if necessary, petition the court to extend the procedure for a reasonable time and shall, during such period, file a petition for the termination of the procedure.
2. The trustee must notify the creditors of the petition for the termination of the procedure prior to filing. Each person with interest may object to such petition before the court within 14 days from the date of filing.
3. The trustee's petition for the termination of a procedure for a legal person small debtor must include a request for the dissolution of said debtor.

Article 166 Referrals

The small debtors' liquidation procedure shall be subject to the provisions of Articles 48, 49, 51-55, 59, 93(2), 97, 98, 100-104, 107-109, 113-120, 122-125, 145, 146, and 149-151 of this Law.

Chapter 9 Administrative Liquidation Procedure

Article 167 Objective

The administrative liquidation procedure aims to sell bankruptcy assets whose sale proceeds are unlikely to cover the expenses of the liquidation procedure or the small debtors' liquidation procedure.

Article 168 Conditions for the Initiation of the Procedure

1. The debtor or the competent authority may file a petition with the court for the initiation of an administrative liquidation procedure if the debtor is distressed or bankrupt and his assets are insufficient to cover the expenses of the liquidation procedure or small debtors' liquidation procedure. The petition for the initiation of the procedure shall be registered with the court after filing it along with the relevant information and documents, as specified in the Regulations.
2. If the competent authority files a petition for the initiation of the procedure, the court shall notify the debtor of such petition within a period not exceeding five days from the date of filing. The debtor may object to such petition, and file a petition for the initiation of any other bankruptcy procedure. The court may order the debtor to submit any information or documents specified in the Regulations.
3. The debtor shall, upon filing a petition for the initiation of the procedure, notify his creditors as specified in the Regulations.

Article 169 Moratorium

1. Without prejudice to the provisions of Chapter 14 of this Law, the registration of a petition for the initiation of an administrative liquidation procedure or its initiation shall result in a moratorium pending a decision by the court to reject such petition or terminate the procedure. Any action to the contrary shall be deemed null and void.
2. The court may, upon the request of the Bankruptcy Committee, order the recovery of any asset disposed of during the moratorium period or take any other action, without prejudice to the rights of bona fide third parties. An aggrieved party may file a claim for compensation.
3. During the moratorium period, the court shall consider the petition of a creditor whose exact property is found in the possession of the debtor, as specified in the Regulations.
4. Notwithstanding paragraph (1) of this Article, the court may, upon the petition of a person with interest, suspend the moratorium period for certain claims which were subject of a procedure prior to its commencement, if the court establishes that such action is in the best interest of the debtor and the majority of creditors.

Article 170 Moratorium

1. An administrative liquidation procedure shall be initiated pursuant to a court order in accordance with Articles 41, 90, 123, 140, or 158 of this Law, or paragraph (2) of this Article.
2. The court shall set a date for considering the petition for the initiation of the procedure filed in accordance with Article 168(1) of this Law, provided that such date be within 40 days from the date of filing. The court shall notify the petitioner and the debtor of the date of the hearing within five days from the date of registration, and shall take any of the following decisions:
 - a) Initiate the procedure if:
 - I. the debtor is distressed or bankrupt;
 - II. it finds, based on information submitted thereto, that the debtor is unlikely to remain in business, and that his assets are insufficient to cover the expenses of the liquidation procedure or the small debtors' liquidation procedure; or
 - III. the petitioner submits the information and documents referred to in Article 168 of this Law.
 - b) Reject the petition if:
 - I. the petition does not satisfy the statutory requirements, or is unjustifiably incomplete;
 - II. it establishes, based on information submitted thereto, that the debtor is likely to remain in business and settle the claims of creditors within a reasonable time;
 - III. the petitioner acts in bad faith, or the petition involves abuse of the procedure; or
 - IV. the debtor's assets are sufficient to cover the expenses of the liquidation procedure or the small debtors' liquidation procedure.If the court rejects the petition, it may order the initiation of another suitable bankruptcy procedure.
 - c) Postpone the hearing for a period not exceeding 21 days to provide any additional information or documents it requests on the set date and prior to the date set for the postponed hearing. The court shall decide to either initiate the procedure or reject the petition in accordance with the provisions of this Article.
3. The court shall notify the debtor who fails to attend the hearing of its decision, within five days from the end of the hearing.

Article 171 Moratorium

1. In its decision to initiate the administrative liquidation procedure, the court shall appoint the Bankruptcy Committee to manage the procedure.
2. The debtor's management of his business shall be suspended immediately after the appointment of the Bankruptcy Committee.
3. The Bankruptcy Committee shall replace the debtor in managing his business and in fulfilling his statutory duties during the procedure. The Bankruptcy Committee shall not be held liable to third parties for its actions.
4. The debtor's disposition of any of his assets after the appointment of the Bankruptcy Committee shall be deemed null and void. The court may, upon the request of the Bankruptcy Committee, order the recovery of said assets or take any other action, without prejudice to the rights of bona fide third parties. An aggrieved party may file a claim for compensation.
5. The Bankruptcy Committee shall notify the debtor of any summons, notice, or order concerning him issued by the court or any other competent authority.

Article 172 Announcing the Administrative Liquidation and the Submission of Claims to the Bankruptcy Committee

1. The Bankruptcy Committee shall announce, through the means specified by the Regulations, the court's decision to initiate the administrative liquidation procedure within five days from the initiation date, and shall invite the creditors to submit their claims within a period not exceeding 60 days from the date of announcement.
2. The Bankruptcy Committee shall, within five days from the date of initiation of the procedure, notify the creditors known to the committee of the decision, and invite them to submit their claims within a period not exceeding 60 days from the notification date.
3. The Bankruptcy Committee shall deposit a copy of the court's decision to initiate the procedure with the Bankruptcy Register.

Article 173 Announcing the Administrative Liquidation and the Submission of Claims to the Bankruptcy Committee

1. The Bankruptcy Committee shall prepare a list of claims as specified in the Regulations.
2. If the administrative liquidation procedure is initiated, pursuant to a court decision to terminate any of the bankruptcy procedures and initiate this procedure, the Bankruptcy Committee shall observe the approved list of creditors, if any; otherwise, paragraph (1) of this Article shall apply.

Article 174 Announcing the Administrative Liquidation and the Submission of Claims to the Bankruptcy Committee

If the Bankruptcy Committee deems it necessary to conduct further investigation due to suspicion of a crime or a violation stipulated in this Law pertaining to any claim or disposition, it shall refer the matter to the relevant agency.

Article 175 Announcing the Administrative Liquidation and the Submission of Claims to the Bankruptcy Committee

The court may, upon the request of the Bankruptcy Committee, terminate the contracts of the debtor's business employees in accordance with relevant laws.

Article 176 Announcing the Administrative Liquidation and the Submission of Claims to the Bankruptcy Committee

Debts that are not due and proven to be owed by the debtor shall be due and payable immediately after the initiation of the administrative liquidation procedure.

Article 177 Announcing the Administrative Liquidation and the Submission of Claims to the Bankruptcy Committee

1. The Bankruptcy Committee may request the court, debtor, creditor, or any other party to provide any information or document relevant to the procedure.
2. The Bankruptcy Committee shall prepare a detailed inventory of bankruptcy assets, if any. The Regulations shall specify the provisions thereof.

Article 178 Sale of Assets

The Bankruptcy Committee shall initiate the sale of bankruptcy assets, if any, from the date of initiation of the administrative liquidation procedure, unless it decides that the sale proceeds are insufficient, as specified in the Regulations.

Article 179 Termination of the Administrative Liquidation Procedure

1. The Bankruptcy Committee shall terminate the administrative liquidation procedure upon completion of the sale of the bankruptcy assets, if any, and conclusion of lawsuits to which the debtor is party within 12 months from the date of initiation of the procedure. However, the Bankruptcy Committee may extend the administrative liquidation procedure for an additional period not exceeding 90 days, if necessary.
2. The procedure shall be deemed terminated upon the Bankruptcy Committee's deposit of its decision to terminate the procedure with the court, along with the balance sheets and final report of the procedure as well as any other requirement specified by the Regulations.
3. Termination of the procedure shall entail dissolution if the debtor is a legal person.
4. The Bankruptcy Committee shall deposit with the Bankruptcy Register and the commercial register a proof of the termination of the procedure, as specified in the Regulations.
5. The debtor's name shall be removed from the Bankruptcy Register 30 days from the date of depositing with the Bankruptcy Register and the commercial register a proof of the termination of the procedure. The debtor's registration, if any, shall be stricken from the commercial register.

Article 180 Termination of the Administrative Liquidation Procedure

The Regulations shall specify the procedures that must be followed if it is established during the administrative liquidation procedure that the sale proceeds of the bankruptcy assets are sufficient to cover the expenses of the liquidation procedure or the small debtors' liquidation procedure.

Article 181 Termination of the Administrative Liquidation Procedure

1. Removal of the name of a natural person debtor from the Bankruptcy Register shall allow him to engage in commercial, professional, or for-profit activities.
2. A natural person debtor shall not be discharged from any outstanding debt unless pursuant to a special or public discharge from creditors.
3. A natural person debtor who is not discharged for an outstanding debt shall be deemed bankrupt vis-a-vis outstanding rights of creditors even after the removal of his name from the Bankruptcy Register, for a period of 24 months from the date of termination of the administrative liquidation procedure. During such period, said creditors may not file a petition with the court for the initiation of any bankruptcy procedures. The Regulations shall set the procedures for the creditors' claims of outstanding debts during such period.

Chapter 10 Financing

Article 182 Scope of Application

1. Secured financing shall not be obtained by the debtor after the initiation of any of the bankruptcy procedures except upon the court's approval, in accordance with this Law.
2. Unsecured financing shall not be obtained after the initiation of a liquidation procedure or a small debtors' liquidation procedure except upon the court's approval, in accordance with this Law.
3. Secured or unsecured financing shall not be obtained after the initiation of the administrative liquidation procedure.
4. Violation of any of the provisions of paragraphs (1), (2), or (3) of this Article shall render any action and effects resulting therefrom null and void.

Article 183 Financing in the Protective Settlement Procedure and Financial Restructuring Procedure

In a protective settlement procedure, small debtors' protective settlement procedure, financial restructuring procedure, and small debtors' financial restructuring procedure, a debtor may, after the initiation of the procedure, file a petition with the court for the approval of the secured financing, provided the petition is supported by an expert report. The court shall approve the petition if it is necessary for the continuation of the debtor's business, or for the protection of the bankruptcy assets during such procedure.

Article 184 Secured Financing Provisions

Financing shall be deemed secured if:

- a) it has priority over unsecured debts at the time of filing the petition for financing;
- b) it is secured by pledging a debtor's asset that is not encumbered by another pledge;
- c) it is secured by pledging a debtor's asset that is encumbered by another pledge of a higher priority;
- d) it is secured by pledging a debtor's asset that is with a higher or equal priority to another pledge if the court establishes that the rights of the pledgee holding the existing pledge are not affected, or if the pledgee consents to the existence of another pledge of a higher or equivalent priority. The debtor must ensure the protection of the pledgee's rights in the existing pledge to ensure the satisfaction of the pledgee's rights from the pledged property, including protection from a decrease in the value of the pledged property, the pledging to others of assets subject of the existing pledge, or the debtor's use, sale, or lease of the pledged asset while pledged; or
- e) it is secured by any other form of secured financing specified by the Regulations.

Article 185 Unsecured Financing in the Protective Settlement Procedure and Financial Restructuring Procedure

The court's approval shall not be required for obtaining unsecured financing in a protective settlement procedure, small debtors' protective settlement procedure, financial restructuring procedure, or small debtors' financial restructuring procedure.

Article 186 Provisions for Secured or Unsecured Financing in the Liquidation Procedure

The court shall, upon the trustee's petition that is filed along with a supporting expert report and after obtaining the creditors' acceptance in accordance with Article 108 of this Law, approve the secured or unsecured financing in the liquidation procedure or the small debtors' liquidation procedure if deemed necessary for the protection of the bankruptcy assets or for the increase of their sale proceeds.

Article 187 Provisions for Secured or Unsecured Financing in the Liquidation Procedure

Any secured financing approved by the court shall be deemed priority financing.

Chapter 11 Set-offs and Reciprocal Debts

Article 188

Subject to the provisions of Chapter 14 of this Law, automatic set-offs shall be prohibited after the initiation of any of the following procedures:

- a) Protective settlement.
- b) Financial restructuring.
- c) Small debtors' protective settlement.
- d) Small debtors' financial restructuring.

As an exception, the proposal may, in any of the procedures, allow set-offs for specific debts if such debts or transactions are reciprocal. Debts and transactions shall be deemed reciprocal if carried out by the same parties having the same capacity and rights vis-a-vis said debts or transactions.

Article 189

The prohibition stipulated in Article 188 of this Law shall not affect the calculation of the value of any creditor's claim for the purpose of voting on the proposal. The

value of the creditor's claim for the purpose of voting shall be the remainder of the claim's value after deducting the debtor's dues.

Article 190

Notwithstanding the moratorium, the creditor may demand the debtor to repay him if requested to do so by the debtor. The creditor shall only repay the debtor the outstanding amount, if any, after deducting the debtor's debts. If the remaining amount is owed by the debtor to the creditor, the creditor shall, in relation to the remaining amount, have the right to vote on the proposal or any decision

Article 191 Automatic Set-off upon Liquidation

1. The initiation of a liquidation procedure, small debtors' liquidation procedure, or administrative liquidation procedure shall result in an automatic set-off procedure for any outstanding debts owed by the creditor to the debtor on the initiation date, in consideration of any debts owed by the debtor to the creditor.
2. Paragraph (1) of this Article shall apply to reciprocal debts and any other reciprocal transaction between the debtor and his creditor in any existing transaction or debt listed as part of the bankruptcy debts. Debts or transactions shall be deemed reciprocal if carried out by the same parties having the same capacity and rights vis-a-vis said debts or transactions.
3. Notwithstanding paragraph (2) of this Article, regulated entities engaged in financial activities may conduct multilateral set-off transactions among themselves, as specified in the Regulations.

Article 192 Excluded Debts

Debts and transactions established subsequent to the initiation of the procedure shall not be deemed reciprocal for the purpose of automatic set-off. However, such debts and transactions shall be deemed valid and effective.

Article 193 Establishing the Debt Balance

1. Claims of creditors submitted to the trustee during the liquidation procedure or small debtors' liquidation procedure shall be equal to any outstanding debt following set-off.
2. If, during the liquidation procedure or small debtors' liquidation procedure, the outstanding debt after set-off is owed to the debtor, it shall be paid to the trustee and included in the bankruptcy assets. If the debt's maturity date is in the future or is conditional, such debt shall be paid to the trustee when it becomes due and payable.

Article 194 Foreign Currency Debts

Estimated or due debts payable in a foreign currency shall be converted to Saudi riyals at the prevailing exchange rate on the date of the initiation of the procedure. It may be agreed that set-off be made in another currency.

Chapter 12 Priority of Debts

Article 195 Priority of Debts

Fees and expenses of the bankruptcy trustee and expert, if any, and the sale expenses of bankruptcy assets shall have priority over other debts during the liquidation procedure and small debtors' liquidation procedure, and must be satisfied prior to the distribution of sale proceeds of bankruptcy assets to creditors.

Article 196 Priority of Debts

Without prejudice to the provisions of Article 195 of this Law, upon initiation of the liquidation procedure or small debtors' liquidation procedure, debts of a higher priority shall be satisfied before debts of a lower priority. The priority of debts shall be as follows:

- a) Debts secured by in-kind securities.
- b) Secured financing in accordance with Article 184(a) of this Law and any other security specified in the Regulations in accordance with Article 184(e).
- c) A 30-day wage for debtor's employees.
- d) Family expenses established pursuant to a statutory provision or a court order.
- e) Expenses necessary for the continuation of the debtor's business during the procedures, as specified in the Regulations.
- f) Outstanding wages of the debtor's employees.
- g) Unsecured debts.
- h) Government fees, subscriptions, taxes, and unsecured entitlements, as specified in the Regulations.

The Regulations shall determine the priority of debts within each of the priorities provided for in this Article.

Article 197 Priority of Debts

If the sale proceeds of a bankruptcy asset, used as a security for a debt, exceed the debt secured by such asset, the bankruptcy trustee shall deposit any surplus in the bank account designated for the bankruptcy assets. However, if the sale proceeds of such asset are insufficient to satisfy the whole debt, the outstanding debt shall be deemed unsecured debt.

Article 198 Priority of Debts

The sale proceeds of a bankruptcy asset shall be distributed to creditors of equal priority, and if the proceeds are insufficient to satisfy the debts of said creditors, the proceeds shall be distributed on a pari passu basis between creditors.

Article 199 Distribution of Priority Debts in other than the Liquidation Procedure

The Regulations shall determine the priority of dues in other than the liquidation procedure, small debtors' liquidation procedure, and administrative liquidation procedure.

Chapter 13 Revocable Transactions and Penalties

Article 200 Scope of Application

Without prejudice to the provisions of relevant laws, any natural person debtor, or any of the debtor's managers, or any member in his board of directors or board of managers, or any of his officials, or any person who participated in the establishment or management thereof, and the like, shall be deemed in violation of this Law, if they commit one or more of the following acts prior to the initiation of any bankruptcy procedure which result in the initiation of the procedure, or commit such acts during the procedure, which are detrimental to third party rights including creditors:

- a) Misusing or seizing the debtor's assets or bankruptcy assets, or abusing power.
- b) Engaging in the debtor's business for the purpose of defrauding his creditors.
- c) Continuing the debtor's business knowing that liquidation is inevitable.
- d) Using arbitrary methods to avoid or delay the initiation of the liquidation procedure, thus undermining the rights of creditors, including the sale of goods at rates below the market price to generate cash.
- e) Concluding transactions for no or unfair consideration.
- f) Paying debts of any creditor in a manner detrimental to the rights of other creditors.
- g) Abusing any of the bankruptcy procedures.

Article 201 Scope of Application

Without prejudice to the provisions of relevant laws, a person shall be deemed in violation of the provisions of this Law if he commits one or more of the following acts prior to the initiation of any bankruptcy procedure which result in the initiation of the procedure, or commits such acts during the procedure, which are detrimental to third party rights including creditors:

- a) Embezzling or concealing any of the debtor's assets or bankruptcy assets.
- b) Concealing, destroying, or altering any of the debtor's books, or failing to properly keep them, or keeping debtor's books with incomplete or irregular data, taking into account the standards adopted for management and maintenance of accounts.
- c) Retaining fictitious accounts, or failing to keep accounts in accordance with approved standards, or removing their documents.
- d) Engaging in fraudulent conduct for the purpose of inflating the debtor's liabilities or reducing the value of his assets.
- e) Submitting misleading or incorrect information in any form to the bankruptcy trustee, the court, or the Bankruptcy Committee, or failing to provide crucial information to the court, the bankruptcy trustee, or the Bankruptcy Committee upon request.
- f) Pledging or disposing of any of the debtor's assets, or paying all or part of any debts in violation of this Law or a judicial ruling.
- g) Settling any creditor rights or disposing of any debtor or bankruptcy assets in violation of the plan, excluding any partial or total discharge of debts by creditors to debtors.
- h) Abusing powers directly or indirectly for personal gain or to obtain unlawful benefit from a third party.

Article 202 Scope of Application

Without prejudice to the provisions of relevant laws, any creditor or any person claiming the capacity of a creditor shall be deemed in violation of the provisions of this Law if he commits one or more of the following acts prior to the initiation of any bankruptcy procedure which result in the initiation of the procedure, or commits such acts during the procedure, which are detrimental to third party rights including creditors:

- a) Fraudulently submitting a claim against the debtor, including overstatement of its value.
- b) Agreeing with the debtor on arrangements he knows to be detrimental to other creditors or giving him preference over them.
- c) Abusing any of the bankruptcy procedures.

Article 203 Scope of Application

1. Without prejudice to any harsher penalty provided for in any other law, any person who commits any of the offenses stipulated in Articles 200, 201, and 202 of this Law shall be subject to imprisonment for a term not exceeding five years and a fine not exceeding five million riyals, or to either penalty.

2. The court may, in addition to the penalties prescribed in paragraph (1) of this Article, impose against a violator for a term not exceeding five years one or more of the following penalties:

- a) Prohibiting him from directly or indirectly managing any for-profit establishment or running its operations in his capacity as director or member of the board of directors, and from participating in any for-profit establishment where his ownership therein entails actual or de-facto management thereof.
- b) Prohibiting him from voting on decisions concerning the nomination or selection of a candidate in any for-profit establishment.
- c) Prohibiting him from owning shares in any for-profit establishment when such ownership entails engaging in any direct or indirect management activities therein.

A person punished under paragraph (2) of this Article may petition the court for approval to engage in any of the activities from which he is prohibited.

Article 204 Scope of Application

1. The court shall notify the Bankruptcy Committee of any decision issued under this Chapter immediately after its issuance.
2. The Bankruptcy Committee shall, as specified in the Regulations, create a register for decisions issued pursuant to Article 203(2) of this Law. The text of the ruling shall be made available to the public.

Article 205 Scope of Application

The court may, when imposing any of the penalties prescribed in Article 203 of this Law and upon the request of a person with interest, decide on one or more of the following:

- a) Invalidation of the disposition or any effect resulting from the commission of any of the acts provided for in Articles 200, 201, and 202 of this Law.
- b) Recovery of any of the debtor's assets and any rights related thereto.
- c) Compensation at the request of a person with interest.

Article 206 Scope of Application

If the bankruptcy trustee suspects that the debtor or any of his creditors have committed any of the offenses stipulated in this Law, he shall bring the matter before the relevant agency.

Article 207 Scope of Application

Without prejudice to the provisions of Article 203 of this Law, a violator of this Law and its Regulations shall be subject to a fine not exceeding 500,000 riyals.

Article 208 Scope of Application

The Public Prosecution shall investigate and prosecute offenses stipulated in this Law, and the court shall impose the penalties prescribed herein.

Article 209 Scope of Application

In case of recidivism, penalties prescribed in this Law shall be doubled. Any person shall be deemed a recidivist if he commits the same crime or offense within three years after serving his sentence.

Article 210 Revocable Transactions

1. Any person with interest may file an objection before the court against any of the following disposition which the debtor takes during the 12 months preceding the initiation of the procedure involving a non-related party, or during the 24 months preceding the initiation of the procedure involving a related party:
 - a) Relinquishing, wholly or partially, any of his assets, rights, or securities provided thereto.
 - b) Concluding a transaction for no or unfair consideration.
 - c) Concluding an agreement for the settlement of debts prior to their maturity dates, or the unfair settlement of such debts.
 - d) Providing securities for unestablished debts.
 - e) Discharging, wholly or partially, the debtor from a debt owed to him.
2. Any objection under paragraph (1) of this Article shall not be considered upon the lapse of 24 months from the date of the initiation of the procedure.

Article 211 Revocable Transactions

The court shall rule on the objection referred to in Article 210 of this Law by invalidating the debtor's disposition and the effects thereof, unless such disposition is in the best interest of the debtor who was, at the time, not distressed or bankrupt. The court may, in addition to the invalidation, decide to:

- a) recover assets and revenues generated therefrom, if any, or pay the fair value of such assets if recovery is infeasible;
- b) recover securities provided by the debtor;
- c) compel any person who received funds from the debtor to return such funds to the bankruptcy trustee; or

d) compel the guarantor who is wholly or partially discharged to reinstate his security, or to submit a new security of a value and priority not less than that of the previous security if it cannot be reinstated.

Article 212 Revocable Transactions

A ruling invoking Article 211 of this Law shall not affect any of the rights acquired by bona fide third parties, unless such party was a party to the disposition made by the debtor.

Article 213 Charges and Expenses

The bankruptcy trustee may recover any charges or expenses pertaining to any procedures filed with the court or the relevant agency under this Chapter from the bankruptcy assets, unless the court compels another party to bear such charges or expenses.

Chapter 14 Security and Set-off Arrangements Relating to Financial Transactions

Article 214

To maintain stability of the financial system, certain contracts and transactions pertaining to arrangements of securities and set-offs relating to financial transactions shall be exempt from this Law, as specified in the Regulations.

Chapter 15 Right to Challenge Judgments and Decisions

Article 215 Right to Challenge

1. Unless otherwise provided for, any person with interest may challenge before the court any action or decision taken by the debtor, creditor, bankruptcy trustee, or competent authority pursuant to this Law within 14 days from the date of such decision or action.
2. Subject to the provisions of Article 217 of this Law, a court decision issued pursuant to this Article shall be deemed final and not subject to any form of appeal.

Article 216 Right to Challenge

1. Unless otherwise provided for, any person with interest may challenge before the court any action or decision taken by the Bankruptcy Committee, except for actions or decisions relating to the licensing of bankruptcy trustees and experts, within 14 days from the date of such decision or action.
2. Subject to the provisions of Article 217 of this Law, a court decision issued pursuant to this Article shall be deemed final and not subject to any form of appeal.

Article 217 Right to Challenge

1. Any person with interest may appeal a court judgment or decision before a court of appeals if the subject matter of such judgment or decision is any of the following:
 - a) Rejection of the initiation of the protective settlement procedure or the financial restructuring procedure.
 - b) Initiation of a liquidation procedure, small debtors' liquidation procedure, or administrative liquidation procedure, or the rejection of the initiation of any of such procedures.
 - c) Termination or non-termination of any bankruptcy procedure.
 - d) Continuation or termination of a contract.
 - e) Taking of any precautionary measure prior to the initiation of the liquidation procedure or small debtors' liquidation procedure.
 - f) Inclusion or exclusion of any claim or part thereof in the list of claims.
 - g) Classification of creditors, and voting on the proposal, its procedures, and outcome.
 - h) Recovery of assets and compensation for persons affected by the disposition thereof.
 - i) Confirmation or non-confirmation of the proposal.
 - j) Appointment and dismissal of trustees and experts, their resignation, their remunerations, the discharge of their duties, and the exercise of their powers.
 - k) Imposition of penalties prescribed in this Law.
 - l) Arrangements of securities and set-offs relating to financial transactions.
 - m) Set-off.
 - n) Sale of assets and distribution of sale proceeds among creditors.
 - o) Modification of any right in the securities provided to creditors.
 - p) A debtor's detainment of what is required to provide him and his dependents with a decent standard of living.
 - q) Implementation or non-implementation of the plan.
 - r) Formation of the creditors' committee.
 - s) Any other matter specified by the Regulations.
2. Unless otherwise provided for, the appellant must submit his appeal within 14 days from the date of the judgment or decision, or announcement thereof, whichever occurs earlier. If the appellant is notified of the judgment or decision subject of the appeal prior to announcement, such appeal must be filed within 14 days from the notification date.

Article 218 Right to Challenge

The court of appeals shall consider the appeal and decide to affirm the judgment or reverse it, and shall, in case of reversal, issue a judgment not subject to any form of appeal.

Chapter 16 Provisions Relating to Deceased Debtors

Article 219

1. If a debtor dies after the initiation of a protective settlement procedure, small debtors' protective settlement procedure, financial restructuring procedure, or small debtors' financial restructuring procedure, and prior to the issuance of a court decision to terminate any of such procedures, the procedure shall continue and the plan shall remain effective. The court shall invite the heirs of the deceased debtor and his creditors for a meeting within a period set by the Regulations to take any of the following:
 - a) A decision to establish a limited liability company or joint stock company by the heirs of the deceased debtor, to which their rights and the rights of creditors in the bankruptcy assets represented by the debtor's estate shall be transferred to constitute company assets. Upon establishment, the company shall be subject to the procedure and shall replace the debtor. The Regulations shall specify the necessary provisions.
 - b) A decision to terminate the procedure and initiate a liquidation procedure or an administrative liquidation procedure, as specified in the Regulations.
2. If a decision pursuant to paragraph (1) of this Article is not possible, the court shall terminate the procedure and initiate the liquidation procedure or the administrative liquidation procedure, as specified in the Regulations.
3. The decision referred to in paragraph (1) of this Article shall be unanimously taken by the heirs of the deceased debtor and the creditors.

Article 220

1. If the debtor dies after filing a petition for the initiation of a protective settlement procedure, financial restructuring procedure, or small debtors' financial restructuring procedure, and prior to a court decision to initiate the procedure or reject the petition, the court shall consider such petition and shall, if the conditions for initiating the procedure are satisfied, invite heirs of the deceased debtor and his creditors for a meeting within a period set by the Regulations to take any of the following:
 - a) A decision to establish a limited liability company or joint stock company by the heirs of the deceased debtor, to which their rights and the rights of creditors in the debtor's assets represented by the debtor's estate shall be transferred to constitute company assets. The company shall replace the deceased debtor in completing the initiation of the procedures. The Regulations shall specify the necessary provisions.
 - b) A decision to initiate the liquidation procedure or the administrative liquidation procedure, as specified in the Regulations.
2. If the court establishes that the conditions for the initiation of the procedure are not satisfied, or if taking a decision in accordance with paragraph (1) of this Article is not possible, it shall initiate the liquidation procedure or the administrative liquidation procedure for the estate of the deceased debtor, as specified in the Regulations.
3. The decision referred to in paragraph (1) of this Article shall be unanimously taken by the heirs of the deceased debtor and the creditors.

Article 221

1. If the debtor dies after filing a petition for the initiation of a liquidation procedure, small debtors' liquidation procedure, or administrative liquidation procedure, and prior to a court decision to initiate the procedure or reject the petition, the court shall consider such petition and shall, if the conditions for initiating a procedure are not satisfied but the conditions for initiating a financial restructuring procedure are satisfied, invite the heirs of the deceased debtor and his creditors for a meeting within a period specified by the Regulations to take any of the following:
 - a) A decision to establish a limited liability company or joint stock company by the heirs of the deceased debtor, to which their rights and the rights of creditors in the debtor's assets represented by the debtor's estate shall be transferred to constitute company assets. The company shall replace the deceased debtor in completing the initiation of the financial restructuring procedure. The Regulations shall specify the necessary provisions.
 - b) A decision to initiate the liquidation procedure, as specified in the Regulations.
2. If the court establishes that the conditions for the initiation of the procedure are satisfied, or if taking a decision in accordance with paragraph (1) of this Article is not possible, it shall initiate the liquidation procedure or the administrative liquidation procedure for the estate of the deceased debtor, as specified in the Regulations.
3. The decision referred to in paragraph (1) of this Article shall be unanimously taken by the heirs of the deceased debtor and the creditors.

Article 222

If the debtor dies after the initiation of a liquidation procedure, small debtors' liquidation procedure, or administrative liquidation procedure, and prior to the court's decision to terminate the same, such procedure shall continue and the trustee or the Bankruptcy Committee shall complete their respective duties in accordance with the provisions of this Law.

Article 223

The Regulations shall determine the procedures relating to the estate of the bankrupt or distressed debtor who dies prior to filing a petition for the initiation of any bankruptcy procedures.

Article 224

The company referred to in Articles 219(1)(a), 220(1)(a) and 221(1)(a) of this Law shall be established in accordance with the provisions of relevant laws.

Article 225

The deceased debtor's burial expenses and related administrative fees shall be paid prior to the payment of priority debts

Article 226

The Regulations shall specify the provisions relating to the property transferred to the estate of the deceased debtor following liquidation of the estate, establishment of a company pursuant to the provisions of this Chapter, or liquidation of such company.

Chapter 17 Concluding Provisions

Article 227 Bankruptcy Register: Creation and Purposes

1 The Bankruptcy Committee shall create a register named the Bankruptcy Register for depositing what is stipulated in this Law. The Regulations shall specify the content of the Bankruptcy Register and information to be included therein, procedures for updating, deleting, and accessing the same, as well as other provisions necessary for the operation of the Register.

2 The content of the Bankruptcy Register shall be made available to the public.

Article 228 Bankruptcy Register: Creation and Purposes

Notifications and announcements provided for in this Law shall be in accordance with the Regulations.

Article 229 Bankruptcy Register: Creation and Purposes

1 The Ministry shall, in coordination with relevant agencies, draft the Regulations which shall be issued pursuant to a resolution by the Council of Ministers.

2 The competent authority shall issue regulations necessary for the regulated entities under its supervision in line with the nature of these entities. Such regulations may include provisions that exempt these entities from being subject to certain provisions of this Law, or add additional provisions, obligations, or requirements to the provisions of this Law.

Article 230 Bankruptcy Register: Creation and Purposes

This Law shall supersede the provisions of Articles 103-137 of the Commercial Court Law issued by Royal Decree No. 32, dated 15/1/1350H, the Bankruptcy Protective Settlement Law issued by Royal Decree No. M/16, dated 4/9/1416H and any provisions conflicting therewith.

Article 231 Bankruptcy Register: Creation and Purposes

This Law shall be published in the Official Gazette, and shall enter into force on the date of issuance of the Regulations provided the Law's entry into force does not exceed 180 days from the date of its publication.

