1 Who may insolvency proceedings be brought against?

In Slovakia, all the different types of insolvency proceedings may be brought against the debtor.

2 What are the conditions for opening insolvency proceedings?

Conditions for opening the individual types of insolvency proceedings:

Conditions for **declaring bankruptcy or receivership**:

Bankruptcy and receivership proceedings ('bankruptcy proceedings') are divided into two parts. The first part is initiated by filing a bankruptcy petition and continues until a bankruptcy order is made. The second part begins when a bankruptcy order is made and continues until the closure of bankruptcy proceedings.

The conditions for the first part are that there is a person who is eligible to file a petition for bankruptcy proceedings to begin (if proceedings are initiated by a petition), on the basis of which it is reasonable to assume that the debtor is insolvent, and that an advance payment is made to the court.

The conditions for the second part (the making of a bankruptcy order) are that there are multiple creditors, that the debtor has excessive debt or is cash-flow insolvent, and that there are sufficient assets to cover the costs of the bankruptcy proceedings.

The person eligible to file a petition: proceedings may be commenced with or without a petition. A bankruptcy petition may be filed by the debtor, a creditor, a liquidator or another person specified by the legislation. Bankruptcy proceedings are primarily initiated without a petition if reorganisation has been unsuccessful, in which case the court decides to commence bankruptcy proceedings and declare bankruptcy, both decisions in a single order.

The petition must satisfy the general and certain particular formalities, the latter depending on who files the petition. If this is a creditor, the petition must include evidence of the debtor's cash-flow insolvency. If the petition is filed by the debtor (cash-flow insolvency or excessive debt is assumed), it must include a list of the debtor's assets, liabilities, related parties and the most recent financial statements, if available.

The petitioner must remit the advance payment to the court's bank account before filing the petition.

Insolvency means that the debtor has excessive debt or is cash-flow insolvent. A debtor has excessive debt if the debtor is obliged to keep accounts in accordance with the applicable legislation (Act No 431/2002 on accountancy), has more than one creditor, and the value of the debtor's liabilities is greater than the value of the debtor's assets. A legal person is cash-flow insolvent if it is more than 30 days overdue with the payment of two or more financial liabilities to more than one creditor. A natural person is cash-flow insolvent if he or she is unable to pay at least one financial liability 180 days after payment was due.

Sufficient assets – if it is questionable whether there are sufficient assets to cover the costs of the bankruptcy proceedings, the court appoints an interim trustee or an interim receiver ('practitioner' or 'insolvency practitioner') to review the matter.

Conditions for **initiating reorganisation**:

Like bankruptcy proceedings, reorganisation is divided into two parts. In the first part (when reorganisation is initiated) the court examines whether the conditions for reorganisation are satisfied. This begins when an eligible person (the debtor or a creditor) files a petition together with a recommendation by the insolvency practitioner that the debtor be reorganised. The second part begins when reorganisation is permitted, and the debtor, supervised by the insolvency practitioner and the court and cooperating with the creditors, draws up, discusses, and has approved a reorganisation plan and has it confirmed by the court.

- The debtor may file a petition for reorganisation if the debtor asked for the insolvency practitioner's opinion and the latter, in an opinion that may not be more than 30 days old, recommended the reorganisation of the debtor.
- A creditor may file a petition for reorganisation if the creditor asked for the insolvency practitioner's opinion and the latter, in an opinion that may not be more than 30 days old, recommended the reorganisation of the debtor and the debtor has consented to the filing of the petition.

Conditions for **initiating debt relief**:

Conditions for initiating debt relief: the debtor is a natural person (an entrepreneur or a consumer), bankruptcy proceedings have been closed, the debtor has filed a petition and the debtor has satisfied his or her obligations during the bankruptcy proceedings. However, the debtor does not have the right to seek the discharge of debts if bankruptcy proceedings were closed because the debtor's assets were insufficient even for claims against the estate. Other conditions are that the debtor must be cash-flow insolvent and must have declared cash-flow insolvency, ten years must have elapsed since the most recent debt relief, there must be distraint (i.e. taking control of goods) or analogous proceedings against the debtor, and the debtor may not be serving a custodial sentence.

- The petition may be filed together with a petition for bankruptcy, or during bankruptcy proceedings until their closure. It is filed by the debtor, who must, however, be represented by the Centre for Legal Aid (*Centrum právnej pomoci*), and the petition may only be filed electronically.
- The debtor is relieved from debt when the court makes a bankruptcy order (debt relief through bankruptcy) or orders a payment schedule (debt relief through a payment schedule). No other rulings are required for debt relief.
- Discharge of obligations: the court permits debt relief if it finds that the debtor has discharged the obligations set out by the applicable law during bankruptcy proceedings; otherwise it rejects the petition. Honest intent – there is a presumption of the debtor's honest intent, which creditors may contest in "classic" civil proceedings, but not in the course of debt relief proceedings.

3 Which assets form part of the insolvency estate? How are the assets treated which are acquired by or which devolve on the debtor after the opening of the insolvency proceedings?

Bankruptcy proceedings apply to:

(a) assets that belonged to the debtor when the bankruptcy order was made,

(b) assets that the debtor acquired during bankruptcy proceedings,

(c) assets securing the debtor's liabilities,

(d) other assets if laid down by the legislation.

Assets subject to bankruptcy proceedings comprise the bankruptcy estate, which is divided into the general estate and separate estates for secured creditors.

The following are excluded from bankruptcy proceedings: assets that are not attachable in judicial enforcement or distraint proceedings, customs bonds up to the amount of the customs debt, a tax guarantee, and assets excluded from bankruptcy proceedings under separate legislation. The debtor's income is subject to bankruptcy proceedings to the extent to which it is attachable in enforcement or distraint proceedings. That part of net wages that could otherwise be deducted to settle priority claims is only subject to bankruptcy proceedings to the extent to which a claim against the estate is being satisfied.

4 What powers do the debtor and the insolvency practitioner have, respectively?

The parties' roles in the various types of proceedings:

- The debtor's general obligations:

o The debtor is obliged to prevent insolvency. If insolvency is imminent, the debtor is obliged to take appropriate and proportionate measures without undue delay to avert it. Filing a petition for reorganisation does not relieve the debtor of the obligation to also file for bankruptcy (bankruptcy proceedings will be discontinued if reorganisation is permitted).

The parties' roles in **bankruptcy**:

- Insolvency practitioner:

o During bankruptcy proceedings the insolvency practitioner primarily manages the assets subject to bankruptcy proceedings, realises them and uses the proceeds to pay the debtor's creditors.

o When the bankruptcy order is made, the debtor's right to dispose of assets subject to bankruptcy proceedings and the right to act on the debtor's behalf in matters concerning these assets pass to the insolvency practitioner, who now acts in the name and for the account of the debtor.

The parties' roles in **reorganisation**:

- Insolvency practitioner:

o The insolvency practitioner's main role is to draft the reorganisation plan in collaboration with the debtor and the creditors.

o The insolvency practitioner examines the claims lodged and establishes or denies them.

o The insolvency practitioner supervises the debtor. One of the forms this takes is approving the debtor's legal acts that were specified in the court order permitting reorganisation.

- Debtor:
- The debtor performs the tasks set out in the reorganisation plan.
- The debtor is also entitled to file a suggestion with the insolvency practitioner to deny a lodged claim.
- The debtor acts in their own name and for their own account.

The parties' roles in **debt relief (both kinds):**

- Debtor:

o Permission for debt relief opens a three-year trial period, during which the debtor is obliged to give the insolvency practitioner, at the end of each year, the amount of money specified by the court, but at most 70% of the debtor's total net income for the elapsed trial year. After deducting his or her remuneration, the insolvency practitioner proportionally distributes the money among the debtor's creditors in accordance with the final distribution schedule.

o During this trial period the debtor is obliged to make reasonable efforts to find employment as a source of income, or suitable self-employment to the same end, and to provide all the information the insolvency practitioner requires, including information on income, expenditure and any change of residential address, employment or place of employment.

o The debtor's legal acts during the trial period are subject to the insolvency practitioner's written consent within the scope defined by the court order permitting debt relief.

o The debtor, represented by the Centre for Legal Aid, files a petition that includes the debtor's CV, a list of related parties, present and past assets and a list of creditors. The debtor declares their cash-flow insolvency and documents the existence of distraint proceedings.

o During these proceedings the debtor must accept that the right to dispose of the debtor's assets passes to the insolvency practitioner.

- Insolvency practitioner:

o The insolvency practitioner produces a list of assets in the bankruptcy estate and disposes of them (i.e. the assets subject to the bankruptcy proceedings).

o The insolvency practitioner terminates certain contracts.

o The insolvency practitioner realises the assets from the estate, pays the costs of the bankruptcy proceedings, proposes the distribution schedule for the proceeds, and subsequently implements it.

o If the bankruptcy proceedings use a payment schedule, the insolvency practitioner drafts the payment schedule and submits it to the court for approval.

5 Under which conditions may set-offs be invoked?

Bankruptcy: A claim that was due from the debtor before bankruptcy was declared cannot be set off against a claim due to the debtor after bankruptcy was declared; this also holds for contingent claims lodged in bankruptcy proceedings. Claims that have not been lodged in the way laid down in the legislation, lodged claims acquired by assignment or transfer after bankruptcy was declared, and claims acquired on the basis of contestable legal acts cannot be set off against any of the debtor's claims. No claims may be set off against a claim arising from the liability for failing to file a petition for bankruptcy on the debtor's behalf. This does not preclude the setting-off of other claims.

Reorganisation: The civil-law regulations apply unaltered.

Debt relief through bankruptcy: A claim arising after bankruptcy was declared cannot be set off against a counterclaim of the debtor that arose before bankruptcy was declared. A claim that arose before bankruptcy was declared cannot be set off against a counterclaim of the debtor arising after bankruptcy was declared. This does not preclude the setting-off of other claims

Debt relief through payment schedule: The civil-law regulations apply unaltered.

6 What effect do insolvency proceedings have on current contracts the debtor is a party to?

Bankruptcy: **If the debtor had** concluded a mutual performance contract **before bankruptcy was declared** and had performed it, but the counterparty had not performed or only partially performed the contract when bankruptcy was declared, the insolvency practitioner may request that the contract be performed, or alternatively withdraw from it. If the counterparty has now partially performed the contract, the insolvency practitioner may only withdraw from those obligations in the contract that the counterparty has yet to satisfy.

If the debtor had concluded a mutual performance contract before bankruptcy was declared, and the counterparty has now performed it, but the debtor had not performed or only partially performed the contract when bankruptcy was declared, the counterparty may withdraw from those obligations in the contract that the debtor has yet to satisfy; however, the counterparty's claims arising from withdrawing from the contract can only be included in the bankruptcy proceedings by lodging them as a contingent claim.

If the debtor had concluded a mutual performance contract before bankruptcy was declared, and neither the debtor nor the counterparty had performed it or had only partially performed it when bankruptcy was declared, the insolvency practitioner and the counterparty may withdraw from those obligations in the

contract that have yet to be satisfied; however, the counterparty's claims arising from withdrawing from the contract can only be included in the bankruptcy proceedings by lodging them as a contingent claim.
If before bankruptcy was declared the debtor had concluded a contract whose object is a commitment to a continuous or repeated activity, or a commitment to refrain from a certain activity or tolerate a certain activity, the insolvency practitioner may terminate the contract with two months' notice, unless the law or the contract provide for a shorter time for terminating the contract; the insolvency practitioner may also terminate the contract even if it was agreed for a fixed term. The insolvency practitioner may only terminate a lease agreement under the conditions set out in the Civil Code (*Občiansky zákonník*). This provision does not apply to contracts concluded under the Labour Code (*Zákonník práce*).
If the counterparty is obliged to perform in advance a contract that was concluded with the debtor before bankruptcy was declared, the counterparty may refuse to perform the contract until mutual performance has been provided or secured.
Under a contract concluded with the debtor before bankruptcy was declared, the counterparty's claims concerning performance provided by the counterparty to the insolvency practitioner after bankruptcy was declared are a claim against the estate. Unless the legislation provides otherwise, under a contract concluded with the debtor before bankruptcy was declared any other of the counterparty's claims arising after bankruptcy was declared can only be included in the bankruptcy proceedings by lodging them as a contingent claim.
If before bankruptcy was declared the debtor sold an item with reservation of title and handed it over to the buyer, the buyer may return the item or insist on the performance of the contract.
If before bankruptcy was declared the debtor bought and took delivery of an item with reservation of title without acquiring ownership of the item, the seller cannot demand the return of the item if the insolvency practitioner satisfies the obligations under the contract without undue delay after being requested to do so by the seller. The insolvency practitioner may satisfy the obligations under such an agreement on the purchase of an item with reservation of title if the item is in the debtor's possession and the insolvency practitioner determines, applying professional diligence, that satisfying the obligations is more advantageous for the estate. If the item is not in the debtor's possession, any claims can only be included in the bankruptcy proceedings by lodging them.
These provisions apply *mutatis mutandis* to a contract whose object is the lease of an item at an agreed rent for a fixed term, with the aim of taking ownership of the leased item.
Reorganisation: **The counterparty cannot terminate or withdraw from a contract concluded with the debtor for reason of the debtor's delay in performance to which the** counterparty was entitled before the start of reorganisation proceedings, and any terminating of or withdrawing from the contract for this reason has no effect. Contractual arrangements allowing the counterparty to terminate or withdraw from a contract concluded with the debtor for reason of reorganisation or bankruptcy proceedings have no effect.
Debt relief through bankruptcy: **After bankruptcy is declared it is possible to terminate a contract whose object is** a commitment to a continuous or repeated activity, or a commitment to refrain from or tolerate a certain activity, provided it was concluded before bankruptcy was declared. If the contract concerns assets subject to bankruptcy proceedings, the insolvency practitioner may terminate the contract; in other cases the debtor may do so. Termination comes into effect when notice is served on the counterparty. A contract can also be terminated even if it was agreed for a fixed term. An agreement on leasing an apartment in relation to a third party who is the lessee can only be terminated under the conditions set out in the Civil Code and separate legislation.
The debtor, insolvency practitioner or counterparty may withdraw from another contract if it was concluded before bankruptcy was declared and has yet to be fully performed. Such withdrawal may only be to the extent of those obligations that have yet to be satisfied between the parties mutually.
Provisions on the sale of an item with reservation of title, and on a contract whose object is the lease of an item at an agreed rent for a fixed term, with the aim of taking ownership of the leased item, apply as they do in bankruptcy proceedings.
The provisions set out above do not apply to contracts and agreements concluded under the Labour Code.
Debt relief through payment schedule: **There are no special provisions on the debtor's contractual relations, and the "classic" regulations under civil and commercial law** apply.

7 What effect does an insolvency proceeding have on proceedings brought by individual creditors (with the exception of pending lawsuits)?

Effects of declaring bankruptcy:
Enforcement or distraint proceedings cannot be opened on assets subject to bankruptcy proceedings during the bankruptcy proceedings; enforcement or distraint proceedings already opened are discontinued when bankruptcy is declared.
The enforcement of a security interest cannot be started or continued for assets belonging to the debtor for the debtor's liability secured by a security interest; this effect does not apply to:
the enforcement of a security interest relating to money or claims from an account at a bank or a branch of a foreign bank;
government bonds;
transferable securities.
If before bankruptcy was declared the object of an auction was awarded under separate legislation, and such item is subject to the bankruptcy proceedings, and the bidder has paid the auctioneer the price set at the auction, the ownership or other right to the object of the auction passes to the bidder. The proceeds from the auction become part of the relevant estate and the costs of the auction are a claim against that estate; if the auction was requested by a creditor with a secured claim, the proceeds are paid to the creditor up to the amount of the secured claim, as though bankruptcy had not been declared.
Effects of reorganisation:
- Enforcement or distraint proceedings cannot be opened on assets belonging to the debtor for a claim that is lodged in the reorganisation process; enforcement or distraint proceedings already opened are stayed when bankruptcy is declared and later in the proceedings they are discontinued. If assets have already been realised in these proceedings, but the proceeds have yet to be paid to the entitled party, the proceeds are returned to the debtor less the costs of the proceedings.

It is not possible to open or continue the enforcement of a security interest on assets belonging to the debtor for a secured claim that is lodged in the reorganisation process.

8 What effect does an insolvency proceeding have on the continuation of lawsuits pending at the moment of the opening of the insolvency proceeding?

Bankruptcy:
When bankruptcy is declared, all judicial and other proceedings are stayed and time limits are paused.
Proceedings may be continued at the proposal of the insolvency practitioner, who by filing a petition for proceedings to continue becomes a party to the proceedings in place of the debtor.
The following proceedings are not stayed:
proceedings to resolve financial market crises within the meaning of Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014,
tax proceedings,
customs proceedings,
expropriation proceedings,

maintenance proceedings,
criminal proceedings (but there cannot be rulings on damages),
even in the above proceedings, the time limit for the insolvency practitioner to file a remedy will not elapse any sooner than 30 days from the first creditors' meeting.

Reorganisation:

When reorganisation is permitted, any judicial and arbitration proceedings concerning claims that are lodged in the reorganisation process are stayed.
Claims can only be made by lodging them (the denying and establishing of claims).

Debt relief through bankruptcy:

Judicial proceedings on a claim that can only be satisfied in bankruptcy proceedings are discontinued; however, the limitation period will not elapse any sooner than 60 days after bankruptcy is declared.
If bankruptcy is later discontinued on the grounds that there were no preconditions for bankruptcy proceedings, the discontinuation of proceedings is disregarded.
If another creditor has denied a claim not affected by debt relief, the denial of the claim gives this creditor the right to intervene in the proceedings.

Debt relief through payment schedule:

This has no effects on judicial and other proceedings.

9 What are the main features of the participation of the creditors in the insolvency proceeding?

Bankruptcy:

Creditors:
Creditors autonomously exercise their will concerning the conducting of the bankruptcy proceedings, either independently or through creditors' bodies. In this way they can influence the bankruptcy proceedings and oversee the administration and realisation of assets. They can instruct the insolvency practitioner on how to proceed; they can also deny claims, etc.
During bankruptcy proceedings the court supervises the work of the insolvency practitioner.

Reorganisation:

Creditors:
The creditors' role is to contribute, through creditors' bodies, to drafting and approving the reorganisation plan.
A creditor who lodges a claim with the insolvency practitioner is entitled to file a suggestion with the insolvency practitioner to deny (another) lodged claim.

Debt relief through bankruptcy:

Creditors:
Creditors must lodge their claims.
Secured creditors can consider lodging their claims; however, they may also enforce their security interests.
A creditor can deny other creditors' claims.
A creditor can act as the creditors' representative.
A creditor can subsequently (after proceedings have ended) bring an action against the debtor to cancel debt relief due to dishonest intent.

Debt relief through payment schedule:

Creditors:
The payment schedule only concerns unsecured creditors; secured creditors are not affected by debt relief with a payment schedule.
Creditors must accept the protection against creditors that the court provides.
A creditor who is affected by the payment schedule can object to the payment schedule once the insolvency practitioner has announced the drafting of the payment schedule and to the proposed percentage for satisfying unsecured creditors.
A creditor can subsequently (after proceedings have ended) bring an action against the debtor to cancel debt relief due to dishonest intent.

10 In which manner may the insolvency practitioner use or dispose of assets of the estate?

Bankruptcy

When the bankruptcy order is issued, the debtor's right to dispose of assets subject to bankruptcy proceedings and the right to act on the debtor's behalf in matters concerning these assets pass to the insolvency practitioner, who now acts in the name and for the account of the debtor.
If legal acts by the debtor during bankruptcy proceedings are to the detriment of the assets that are subject to the bankruptcy proceedings, they are ineffective in relation to the creditors; this does not prejudice their validity.
In bankruptcy proceedings, those owing debts subject to the bankruptcy proceedings are obliged to pay them to the insolvency practitioner; this obligation still applies if they pay them to another party, unless the insolvency practitioner receives such payments.
During the bankruptcy proceedings the debtor may only refuse a gift or inheritance with the insolvency practitioner's consent; otherwise the refusal of the gift or inheritance is ineffective in relation to the creditors.
If a bankruptcy order is made for a legal person in liquidation, liquidation is interrupted until the bankruptcy proceedings are cancelled.
The competent body (creditors' committee, secured creditor, or in special cases the court) instructs and makes recommendations to the insolvency practitioner concerning managing the assets, running the debtor's enterprise or a part thereof, and realising the assets. This also includes hiring out the assets or a substantial part thereof (with restrictions when the enterprise is in operation).
The competent body also issues instructions for:
concluding an agreement on the temporary provision of funds in connection with running the debtor's enterprise;
continuing the running of the enterprise if the debtor is a particular type of financial institution;
establishing a lien on the debtor's assets;
concluding an agreement in connection with running the debtor's enterprise, in which the insolvency practitioner undertakes to continue performance beyond a particular time period or a particular percentage of turnover;
The insolvency practitioner must request instruction before making the initial legal act in this matter, and must wait for the instruction. If the competent body does not respond, the practitioner asks the court to decide how to proceed, and the court order is binding on the practitioner. The practitioner's request must include all relevant information.
In other matters the competent body may recommend how the insolvency practitioner should proceed, and if the practitioner refuses to comply with this recommendation, the body may ask the court to decide how to proceed, and the court order is binding on the practitioner.
If the competent body instructs the insolvency practitioner to act in a way that is contrary to the interests of the other creditors or the rules for asset realisation, the insolvency practitioner refuses to act on the instruction and asks the body to amend it. If it does not do so, the practitioner asks the court to decide how to proceed, and the court order is binding on the practitioner.

The insolvency practitioner manages the assets subject to the bankruptcy proceedings with professional diligence to ensure they are adequately protected from loss, damage, destruction or other impairment, and that expenses incurred for managing the assets are only at a level that is essential, after assessing the expediency and economy of these expenses.
When managing assets subject to the bankruptcy proceedings, the insolvency practitioner may not favour any of the creditors, nor prioritise personal interests or the interests of others over the common interest of all creditors.
The insolvency practitioner may hire out assets belonging to the debtor that are subject to the bankruptcy proceedings. The practitioner is obliged to agree a lease contract in which the rent is at least at the level for which such an item is usually hired in the given place and time, and must ensure that the lease contract does not establish any obligations for the debtor other than statutory ones, and that the lessee's obligations under the lease contract are appropriately secured, and must also ensure that the lease contract can be terminated with one month's notice. If these conditions are not met, the practitioner can only conclude a lease contract with the competent body's consent. Income from this lease is treated as proceeds from realising the assets subject to the bankruptcy proceedings.
After the bankruptcy is declared, the insolvency practitioner can continue some of the activities related to the debtor's business activities if doing so increases the value of the assets subject to the bankruptcy proceedings, or prevents their value from diminishing. If the costs of these activities are greater than the revenues from them, the practitioner discontinues these activities without delay.

Asset realisation

The purpose of realising assets subject to bankruptcy proceedings is to obtain the greatest possible proceeds in the shortest possible time and at the least possible expense. When realising these assets, the insolvency practitioner chooses with professional diligence a method that will best satisfy the purpose of realisation and comply with the rules for realisation set out in the legislation.
The insolvency practitioner appointed when bankruptcy was declared realises without delay any assets in immediate danger of ruin, destruction or other substantial impairment; this does not require any instructions from the competent body nor a court ruling. The practitioner may start realising the other assets after the first creditors' meeting.
The insolvency practitioner keeps transparent records of the realisation of assets subject to the bankruptcy proceedings, with separate records for the general estate and each separate estate. After realising each asset, the practitioner allocates the proceeds to that part of the list that was the object of realisation. If the practitioner jointly realises several parts and the individual proceeds cannot be determined, the practitioner divides the joint proceeds proportionally between the parts concerned in accordance with their relative values according to the values stated in the list.
The insolvency practitioner deposits the proceeds from realising assets subject to the bankruptcy proceedings on an account at a bank or a branch of a foreign bank; interest paid by the bank or the branch of a foreign bank on the balance on the account is treated as proceeds from realising the assets subject to the bankruptcy proceedings.
For the purposes of realising assets, the insolvency practitioner may:
(a) announce a competitive public tender,
(b) entrust the sale of assets to an auctioneer,
(c) entrust the sale of assets to a securities trader,
(d) hold an auction, tender or other competitive process leading to the sale of the assets,
(e) sell the assets in another appropriate way.
When realising an enterprise, the insolvency practitioner uses a contract to transfer to the buyer all items, rights and other assets belonging to the enterprise. Of the liabilities related to the enterprise, the only liabilities passed to the buyer are those arising in connection with the operation of the debtor's enterprise after bankruptcy was declared, together with non-monetary liabilities from the employment relations listed in the contract (the principle of *nemo plus iuris* does not apply).
If the insolvency practitioner realises the assets subject to the bankruptcy proceedings other than by selling the enterprise, a part of the enterprise or a substantial part of the assets belonging to the enterprise, the practitioner may only realise real estate subject to the bankruptcy proceedings through auction; the practitioner announces the auction in the Commercial Bulletin (*Obchodný vestník*).
When realising the assets, the insolvency practitioner is not bound by the right to accede to the transfer of shares, the right to request the transfer of shares, the right to request the acquisition of shares or any contractual pre-emptive rights. If realising assets to which there is a statutory pre-emptive right, or a pre-emptive right established as a right *in rem*, the insolvency practitioner writes to offer the object of the pre-emptive right to whoever is entitled under the pre-emptive right; the insolvency practitioner is not bound by this preemptive right if the entitled party does not exercise it within 60 days of the receipt of the written offer.
With the realisation of the assets, all security interests lapse, other than lien established by the insolvency practitioner after bankruptcy was declared in response to an instruction by the competent body, or a security interest in the assets of a third party that is ranked more senior than the security interest securing the debtor's liability.
In the transfer of an item for a consideration, the buyer acquires ownership even if the debtor was not the item's owner, unless the buyer knew or must have known that the debtor, or a third party whose assets secured the debtor's liability, was not the item's owner. The insolvency practitioner is liable to the item's original owner for any damage thereby suffered, unless the practitioner can demonstrate that he or she acted with professional diligence.

Debt relief through bankruptcy

When the bankruptcy order is issued, the debtor's right to dispose of assets subject to insolvency proceedings and the right to act on the debtor's behalf in matters concerning these assets pass to the insolvency practitioner, who now acts in the name and for the account of the debtor.
If legal acts by the debtor during bankruptcy proceedings are to the detriment of the assets that are subject to the bankruptcy proceedings, they are ineffective in relation to the creditors; this does not prejudice their validity.
The debtor, and with the debtor's consent a person close to the debtor, are allowed to use an item subject to the bankruptcy proceedings as usual, but they are obliged to protect it from loss, damage or destruction, and refrain from anything that would diminish its value beyond ordinary wear and tear. Everyone who uses an item that is part of the bankruptcy estate is obliged to allow the insolvency practitioner to examine it at any time. If someone other than the debtor or a close person has the use of this item, this party may only use it with the practitioner's permission. All income from such use of the item by a third party is part of the bankruptcy estate.
The insolvency practitioner realises higher-value real estate subject to the bankruptcy proceedings by auction, and realises lower-value real estate subject to the bankruptcy proceedings as movable property.
The lowest bid when realising real estate by auction is the amount specified by a lodged secured creditor whose security interest in the item auctioned is ranked the most senior, or by the creditors' representative if there is no security interest in the item auctioned.

Realising the debtor's home

The insolvency practitioner can only realise the debtor's home by auction.

The debtor's home cannot be realised if after deducting the exempt value of the home (EUR 10 000) the proceeds would not cover the costs of realising the home plus at least part of the registered creditors' claims. The insolvency practitioner estimates the value of the debtor's home; however, if any of the creditors submits an expert opinion and pays an advance payment towards the notary's fee for verifying the progress of the auction, the decision is based on the expert opinion. If the item is not then realised, this creditor is obliged to pay the costs of realisation.
If the debtor's home is realised, the insolvency practitioner remits an amount corresponding to the exempt value of the debtor's home (outside the distribution schedule) to a special bank account that the practitioner has opened for this purpose on the debtor's behalf and for the debtor's account, and advises the debtor of this without undue delay. Only the practitioner is authorised to deposit funds on the debtor's special account or transfer funds to it.
Funds on the debtor's special account are not subject to bankruptcy proceedings, distraint proceedings or similar enforcement proceedings for 36 months after the account is opened.
During these 36 months, the debtor is not allowed to dispose of this special account, but has the right to request from the bank or the branch of a foreign bank the withdrawal of cash from the account, with the maximum monthly amount specified by the Slovak government in a regulation (EUR 250).
If the debtor's home is realised and it is the spouses' community property, the insolvency practitioner also opens a special debtor account for the former community co-owner.
Realising movables
The insolvency practitioner realises movables subject to the bankruptcy proceedings as one or more pools of assets in a tender. To this end the practitioner publishes in the Commercial Bulletin the pool of assets for tender and the deadline for bidding, which may not be less than ten calendar days following the publishing of the tender in the Commercial Bulletin. Only bids where the interested party has deposited on the practitioner's account the full advance payment towards the purchase price bid are taken into account. The highest purchase price bid decides the sale. If several interested parties make the same bid, the practitioner decides by lot. The purchaser is obliged to arrange for the removal of the items at the purchaser's expense.
If movables subject to the bankruptcy proceedings cannot be realised even in the third tender, they are no longer subject to the bankruptcy proceedings. If a creditor with a lodged claim expresses interest in this pool of movables, the insolvency practitioner transfers it to the creditor with a lodged claim who makes the highest bid within ten days of the end of the third tender. If several creditors with lodged claims make the same bid, the practitioner decides by lot. The creditor is obliged to arrange for the removal of the items at the creditor's expense.
In response to a written instruction from the creditors' representative or the secured creditor concerned, the insolvency practitioner can realise movables in another way. If several secured creditors are concerned, the written instruction may only be issued by the creditor whose security interest is ranked the most senior.
Realising receivables and other assets
If the debtor's receivables are part of the bankruptcy estate, the insolvency practitioner seeks to recover them, but does not file with a court or another competent authority for their payment. If the practitioner has not succeeded six months after bankruptcy was declared, the receivables are realised by assigning them as movables. The practitioner is not bound by any arrangements that prohibit or restrict the assignment of a receivable. These restrictions cease to apply when the receivable is assigned.
If a receivable is part of the bankruptcy estate, the limitation period is suspended and only continues once the receivable ceases to be subject to the bankruptcy proceedings. A court or another authority stays any proceedings involving a receivable subject to the bankruptcy proceedings until such time as the receivable ceases to be subject to the bankruptcy proceedings.
The insolvency practitioner realises other assets similarly to movables or receivables.
Right to buy back assets from the bankruptcy estate
With the debtor's consent, an entitled person (defined below) has the right to buy back at any time any part of the assets from the bankruptcy estate at the price established by an expert opinion. In this case the provisions on the rules for realisation do not apply.
With the debtor's consent, an entitled person has the right to buy back assets from the bankruptcy estate for the price achieved in an auction or tender, or for the price bid by a creditor, provided the entitled person remits this price to the insolvency practitioner within ten days of the end of the auction or tender, or of the making of a bid by the creditor.
If with the debtor's consent his or her lineal relative, sibling or spouse exercises the right to buy back the debtor's home from the bankruptcy estate, the exempt value of the debtor's home is set off against the purchase price.
For the purposes of invoking the right to buy back assets from the bankruptcy estate, an entitled person is understood as the debtor's lineal relative, sibling, spouse, or the municipality in which the real estate is located.
If an entitled person's right to buy back assets from the bankruptcy estate is violated, the entitled person has the right to demand that the acquirer offers to sell the item to this person. This right lapses if it is not exercised within three months of the realisation of the item.

11 Which claims are to be lodged against the debtor's insolvency estate and how are claims arising after the opening of insolvency proceedings treated?

Bankruptcy

A creditor may lodge all claims against the debtor, including claims that are not yet due for payment.
A secured claim (with a security interest in the debtor's assets) can also be lodged.
A secured claim a creditor has against a person other than the debtor can be lodged if the security interest concerns the debtor's assets (there are certain restrictions on satisfaction in such cases); if such a claim is not lodged, it is treated as a weaker claim against the estate.
Future claims and contingent claims can also be lodged.
Claims that are not lodged by means of an application are called claims against the estate.
They are divided into claims against the general estate and claims against a separate estate (secured with a security interest).
This concerns e.g.:
the costs of realising the estate, the distribution schedule, the insolvency practitioner's fee and the interim practitioner's fee and expenses;
the right to a refund of the advance payment towards the costs of bankruptcy proceedings;
the reimbursement of the insolvency practitioner's necessary expenses for managing the bankruptcy proceedings;
child maintenance that became due after bankruptcy was declared and for the calendar month in which bankruptcy was declared;
costs associated with managing the estate and claims arising in connection with the running of the enterprise during bankruptcy proceedings, including claims from contracts concluded by the insolvency practitioner;
the fee for the liquidator and the responsible representative and the reimbursement of their necessary expenses after bankruptcy was declared;
an employee's wages and other entitlements under an employment contract or a contract for work performed outside employment ("labour entitlements") arising after bankruptcy was declared and for the calendar month in which bankruptcy was declared, at an amount set by the insolvency practitioner or agreed between the insolvency practitioner and the employee to whom the practitioner assigned work relating to managing the estate;

an employee’s labour entitlements arising after bankruptcy was declared and for the calendar month in which bankruptcy was declared, at an amount set by the insolvency practitioner or agreed between the insolvency practitioner and the employee to whom the practitioner assigned work relating to the running of the enterprise during the bankruptcy proceedings;
claims for taxes, charges, custom duties, health insurance contributions, social security contributions, contributions to old-age pension schemes and to supplementary pension schemes arising after bankruptcy was declared if they are related to the running of the enterprise during the bankruptcy proceedings;
labour entitlements arising after bankruptcy was declared and for the calendar month in which bankruptcy was declared, at a maximum of four times the monthly subsistence minimum for each calendar month in which the employment relationship has continued since bankruptcy was declared, including the calendar month in which bankruptcy was declared and the calendar month in which employment was terminated;
claims for taxes, charges, custom duties, health insurance contributions, social security contributions, contributions to old-age pension schemes and supplementary pension schemes arising after bankruptcy was declared if they are related to managing and realising assets;
claims for refunds from the guarantee fund if they concern a benefit paid to an employee for the employee’s labour entitlements, which are a claim against the estate.
The insolvency practitioner satisfies claims against the general estate on an ongoing basis; if claims of the same ranking against the general estate cannot be fully satisfied, they are satisfied proportionally.
Claims against a separate estate relate to the separate estate.
The insolvency practitioner satisfies claims against the separate estate on an ongoing basis; if claims of the same ranking against the separate estate cannot be fully satisfied they are satisfied proportionally.
Claims against the estate are lodged with the insolvency practitioner. On request the insolvency practitioner notifies the creditor if the practitioner accepts the legal basis and amount of the creditor’s claim against the estate, including its ranking.
If the insolvency practitioner does not accept a claim against the estate, the creditor is invited to bring an action against the insolvency practitioner, requesting the court to determine the legal basis or the amount of the claim against the estate. If the creditor does not bring this action in time, the claim against the estate, to the extent to which the insolvency practitioner did not recognise it, is disregarded in the bankruptcy proceedings.
The insolvency practitioner is liable to the creditors and other persons for any damage they suffer due to the practitioner’s unreasonable or uneconomical expenses for managing or realising the assets, or for running the enterprise, unless the insolvency practitioner can establish that he or she proceeded with professional diligence.
The insolvency practitioner keeps transparent records of claims against the estate, and is obliged to submit a printout from these records to the court.

Debt relief through bankruptcy

Three groups of claims are recognised in debt relief:
Claims that can only be satisfied in bankruptcy proceedings or with a payment schedule. These are in essence claims that arose before bankruptcy was declared or protection from creditors was provided, as well as accessory claims and claims relating to terminating or withdrawing from a contract concluded before bankruptcy.
Claims that are excluded from satisfaction, i.e. under debt relief they cannot be recovered from the debtor. This concerns the incidentals to claims (a certain part of them), claims from a bill of exchange or promissory note, contractual penalties, other financial penalties, related parties’ claims and the costs of the participants in debt relief.
Claims that are not affected by debt relief (the creditor can choose whether to lodge them):
claims not lodged in bankruptcy proceedings for debt relief because the insolvency practitioner did not write to inform the creditor that bankruptcy had been declared for debt relief;
claims against the Centre for Legal Aid;
secured claims within the scope in which they are covered by the object of the security interest;
a claim for liability for personal injury caused intentionally, including incidentals;
a claim for child maintenance, including incidentals;
labour entitlements due from the debtor;
a financial penalty under criminal law;
a non-monetary claim.
If a secured claim in bankruptcy proceedings for debt relief is not lodged, the secured creditor only has the right to seek satisfaction from the object of security interest.
The institution of claims against the estate does not exist in bankruptcy proceedings for debt relief. After realising the estate and ending all disputes that may affect the distribution schedule for the proceeds, the insolvency practitioner draws up the distribution schedule for the proceeds, without undue delay and 60 days at the latest after bankruptcy was declared. The insolvency practitioner announces the intention to compile this distribution schedule in the Commercial Bulletin.
From the proceeds, the insolvency practitioner first deducts the costs of the bankruptcy proceedings, followed by the exempt value of the debtor’s home, if any, then satisfies claims lodged for maintenance for the debtor’s children, and then distributes the balance proportionally among all registered creditors in accordance with the level of their established claims. Each creditor bears the costs of satisfaction.
The costs of the bankruptcy proceedings are:
the insolvency practitioner’s fee and the costs of realising the assets and producing the distribution schedule;
the insolvency practitioner’s necessary expenses for managing the bankruptcy proceedings;
costs related to managing the assets subject to the bankruptcy proceedings;
an advance payment towards the costs of an expert opinion;
the costs of investigations undertaken by the insolvency practitioner at the request of a creditor, in the amount approved by the creditors’ representative or a creditors’ meeting.

12 What are the rules governing the lodging, verification and admission of claims?

Lodging claims in bankruptcy proceedings

A claim that is not a claim against the estate is lodged in bankruptcy proceedings by means of an application.
A copy of the application is lodged with the insolvency practitioner and must be sent to the practitioner within the standard deadline for lodging claims of 45 days after bankruptcy was declared; the creditor also sends a copy of the application to the court.
If a creditor sends the application to the insolvency practitioner later it is taken into account, but the creditor cannot exercise any voting rights or other rights attaching to the lodged claim. This does not prejudice the creditor’s right to proportional satisfaction; however, the creditor may only be paid from the proceeds assigned to the distribution schedule of proceeds from the general estate, where the plan to draw up the distribution schedule was announced in

the Commercial Bulletin after the insolvency practitioner received the application. The insolvency practitioner publishes in the Commercial Bulletin the registering of this claim in the list of claims, with the creditor's name and the amount of money.
For a secured claim, the security interest must be invoked in a due and timely manner in an application sent to the insolvency practitioner within the standard deadline for lodging claims of 45 days after bankruptcy was declared; otherwise it will lapse. An application can also be used for a future claim or a claim that depends on a certain condition being met ("contingent claim"); however, the creditor may only exercise the rights related to a contingent claim once the creditor has proved to the insolvency practitioner that the contingent claim has arisen.
Sending an application to the insolvency practitioner has the same legal effects for the limitation period and the lapse of the right as the exercising of the right in court.
In bankruptcy proceedings, a creditor who has a claim due from a person other than the debtor also lodges this claim if it is secured by a security interest in the debtor's assets.
If such creditor does not lodge this secured claim within the standard deadline, the bankruptcy proceedings disregard the creditor's security interest; however, the creditor has the right against the relevant estate to the surrender of what has thereby enriched the relevant estate, and may exercise this right against the relevant estate as a claim against the estate, but this claim is only satisfied after all other claims against this estate have been satisfied.
Details for an application in bankruptcy proceedings
The application must be lodged using the prescribed form, and must include the essential details. If not, the application is disregarded. These essential details are:
(a) the creditor's first name, surname and residential address, or the creditor's name and registered office;
(b) the debtor's first name, surname and residential address, or the debtor's name and registered office;
(c) the legal basis for the claim to arise;
(d) the ranking in which the claim is to be satisfied from the general estate;
(e) the total amount of the claim;
(f) the creditor's signature.
A separate application must be lodged for each secured claim, stating the amount secured, and the type, ranking, object and legal basis for the security interest.
An application for a contingent claim must also specify the situation in which the claim should arise, or the contingency on which the claim depends.
In the application the total amount of the claim is divided into the principal and incidentals, and incidentals are divided according to the legal basis for them to arise.
Claims are made in euro. If not, the insolvency practitioner calculates the amount of the claim by converting it using the reference exchange rate set and announced by the European Central Bank or the National Bank of Slovakia (*Národná banka Slovenska*) on the day bankruptcy was declared. If the claim is made in a currency whose reference exchange rate neither the European Central Bank nor the National Bank of Slovakia sets or announces, the insolvency practitioner determines the amount of the claim with professional diligence.
Documents are attached to the application to prove the facts stated therein. In the application a creditor who is an accounting entity must include a statement on whether the creditor has included the claim in the creditor's accounts, and to what extent, or give the reasons for not doing so.
An application for a non-monetary claim must include an expert opinion determining the value of the non-monetary claim; if not, the application is disregarded.
A creditor who does not have a residential address or registered office or an organisational unit of the creditor's enterprise in Slovakia is obliged to appoint a representative for the service of documents with a residential address or registered office in Slovakia, and to inform the insolvency practitioner in writing of the appointing of such representative; otherwise documents will only be served on the creditor by publishing them in the Commercial Bulletin.
Defective applications in bankruptcy proceedings
After the standard deadline for lodging claims has elapsed, the insolvency practitioner submits to the court without undue delay a list of submissions that the practitioner believes are not considered applications, stating the practitioner's opinion, and the court decides without undue delay whether these submissions are to be considered applications. The court sends its order to the insolvency practitioner, who informs the parties concerned.
An application to lodge a claim in bankruptcy proceedings can be neither corrected nor amended.
List of claims in bankruptcy proceedings
The insolvency practitioner enters claims lodged in the list of claims. If a creditor so requests, the practitioner promptly issues confirmation of whether the creditor's claim has been entered in the list of claims.
In bankruptcy proceedings the list of claims is the basis for exercising the rights attaching to a lodged claim.
Denying and establishing claims in bankruptcy proceedings
Slovak law does not speak of "admitting" or "not admitting" claims, but of "denying" or "establishing" claims.
The insolvency practitioner compares each claim lodged with the debtor's accounts and other documentation, and with the list of liabilities, while taking into account statements by the debtor and other parties. The practitioner also carries out his or her own investigations, and if a claim is found to be questionable, the practitioner is obliged to deny the questionable parts of the claim.
The insolvency practitioner or a creditor who has lodged a claim may deny a claim (the latter by sending the prescribed form to the practitioner) for reason of its legal basis, enforceability, amount, ranking, or its securing with a security interest, or the ranking of the security interest. If the claim is made by a body, institution or agency of the European Union, the legal basis and the amount stated by the body, institution or agency of the European Union cannot be denied.
A claim can be denied:
within 30 days following the elapse of the standard deadline for lodging claims,
within 30 days following the registering of the claim in the list of claims in the Commercial Bulletin, if the claim was lodged at a later date.
If there is a large number of applications, or another important reason applies, the court may repeatedly, whether in response to a petition by the insolvency practitioner or without a petition, extend the time limit for the insolvency practitioner to deny claims, each time by 30 days at most.
Anyone who denies a claim must always give grounds for doing so, and if denying a certain amount this person must state the amount denied, and if denying the ranking must give the ranking this person accepts, and if denying the security interest must state the scope denied; otherwise denial has no effect. If a denied claim was at least partly confirmed by the court, the person who denied the claim is liable to the creditor in question for any damage caused by denying the claim, unless this person can demonstrate that he or she did so with professional diligence.
The insolvency practitioner records the denial of a claim in the list of claims without undue delay, and notifies in writing the creditor whose claim has been denied.
The denial of a claim by the creditor is effective if:
it was lodged using the prescribed form, and

a deposit of EUR 350 was remitted to the insolvency practitioner's bank account, with the number of the claim in the list of claims as the 'variable symbol'; to this end the insolvency practitioner publishes in the Commercial Bulletin the bank account to which deposits may be made; a deposit may only be made within the time limit for denying a claim, and a separate deposit must be made for each denial of a claim that was lodged in a separate application; the deposit comprises part of the general estate; if there are full or partial grounds for denying the claim, the creditor denying the claim has the right to the refund of the deposit, which can be applied as a claim against the estate.
The debtor is entitled to object to a claim lodged, and must do so within the time limit set for creditors to deny claims. The objection is recorded in the list of claims, but it has no bearing on the establishing of the claim.
A creditor has the right to bring an action seeking the determining of a denied claim in court, and the action must be brought against everyone who denied the claim. This right must be exercised in court against all of these persons within 30 days of the delivery of the insolvency practitioner's written notification of the denial of the claim to the creditor, otherwise it lapses. This action may be brought before the court conducting the bankruptcy proceedings. The right to the determining of a denied claim is also exercised in good time if an action is brought within this time limit before a court that is not competent. The proceedings themselves are governed by the general procedural regulations.
If the creditor of a claim whose ranking is denied does not bring an action, the lowest accepted ranking applies.
If a claim by a creditor is denied, but a body other than the court was competent to decide on the claim, the court that was competent to review the lawfulness of this decision is also competent for proceedings for the determination of this claim; this also applies if a body other than the court did not make such decision.
In the action the creditor can seek a determination of the legal basis, enforceability, ranking and amount of the claim, or its securing with a security interest or the ranking of the security interest. In the action the creditor can at most seek what the creditor stated in the application.
A ruling on the determining of a denied claim is effective for all parties in the bankruptcy proceedings.
On the elapse of the time limit for denying a claim, the claim is considered established to the extent to which it was not denied.
A claim only denied by the insolvency practitioner and a claim denied by a creditor may be admitted by the insolvency practitioner with this creditor's consent, if the court has yet to decide on its determination. Admitting a denied claim means that it is considered established in the scope allowed.
A claim determined by a final decision by a court or another public authority is considered established in the scope allowed.
At the request of the denied creditor, the insolvency practitioner without undue delay submits to the court the application for the claim that was effectively denied by another creditor, together with the documents submitted by the lodging (denied) creditor and the denying creditor, and a statement by the insolvency practitioner on whether and to what extent the claim is recorded in the accounts, whether and to what extent it is disputed by the debtor, and whether and to what extent the insolvency practitioner accepts it or not, and on what grounds. On the basis of these documents the court rules without undue delay on whether and to what extent it awards the creditor voting rights and other rights attaching to the denied claim. The court serves its ruling on the insolvency practitioner and the creditor on whose rights attaching to the denied claim it ruled; this ruling is not published in the Commercial Bulletin. The creditor on whose rights attaching to the denied claim the court ruled may appeal against the ruling.

Lodging claims in reorganisation proceedings

An application is submitted to the insolvency practitioner within 30 days after reorganisation is permitted. An application sent after this time limit is disregarded.
Details for an application in reorganisation proceedings
The provisions on the details for an application in bankruptcy proceedings are used *mutatis mutandis*. For a secured claim, the security interest must be invoked in a due and timely manner in the application; otherwise the claim is considered an unsecured claim.
A claim may only be corrected or amended by replacing the original application with a new application delivered to the practitioner, and this is only possible within the deadline for lodging claims.
On request the insolvency practitioner issues confirmation that the creditor's claim has been registered in the list of claims.
If there is any doubt, the insolvency practitioner may at any time during the reorganisation proceedings submit an application to the court to decide whether to take the application into account.
List of claims in reorganisation proceedings
The insolvency practitioner enters claims lodged and the information presented in the applications in the list of claims so that the list is compiled within ten days of the deadline for lodging claims.
At the same time as compiling the list of claims, the insolvency practitioner invites the debtor to comment on the claims entered within a time limit set by the insolvency practitioner that is no shorter than five working days and no longer than ten working days.
Within three days of the time limit for denying claims, the insolvency practitioner sends a copy of the list of claims, with an indication of the claims denied, to the court; for an assessment of to what extent the claims lodged have been denied, the information recorded in the list of claims sent to the court is decisive.
If there is a change in the information recorded in the list of claims in the course of reorganisation, upon learning of such change the insolvency practitioner promptly records the change in the list of claims, and also promptly writes to notify the court of the amendment of the list of claims.
The list of claims is part of the insolvency practitioner's file.
Denying and establishing claims in reorganisation proceedings
With professional diligence, the insolvency practitioner compares each claim lodged with the debtor's accounts and other documentation, and with the list of the debtor's liabilities, while taking into account statements by the debtor and other parties. The practitioner also carries out his or her own investigations, and if a claim is found to be questionable with regard to its legal basis, enforceability, amount, ranking, or its securing with a security interest, or the ranking of the security interest, the insolvency practitioner is obliged to deny the questionable parts of the claim.
The insolvency practitioner may only deny a claim within 30 days of the deadline for lodging claims. The practitioner denies a claim by recording the denial of the claim and the grounds and extent of this denial in the list of claims; if the practitioner denies the amount of a claim, the established amount of the claim is also recorded in the list of claims. On the elapse of the time limit for denying a claim, the claim is considered established in the scope in which it was not denied. For the purposes of exercising the rights associated with a claim lodged, a claim that has been lodged is considered established also when only its amount is denied.
The debtor or a creditor who delivered a claim to the insolvency practitioner is entitled to file a suggestion with the insolvency practitioner to deny a lodged claim. The insolvency practitioner is obliged to evaluate each suggestion with professional diligence, and to write to inform whoever filed the suggestion of how it has been dealt with. The insolvency practitioner records the suggestion concerning the denial of the claim and how it was dealt with in the list of claims.
Within 30 days of the elapse of the time limit for denying claims, a creditor with a denied claim may bring an action against the debtor, seeking for the court to determine the legal basis, enforceability, amount, securing with a security interest or the ranking of the security interest of the denied claim; in the action the creditor can at most seek what the creditor stated in the application. This action is brought before the court conducting the reorganisation proceedings.

If a creditor with a denied claim does not bring an action for the determining of the denied claim within the statutory deadline, or withdraws the petition for the determining of the denied claim, the claim lodged by the creditor is disregarded to the denied extent in the reorganisation proceedings, and if the court confirms the reorganisation plan the claim cannot be enforced against the debtor to the extent denied.
The court's ruling determining a denied claim is effective for everyone. When the court's ruling on the determining of a denied claim becomes final, the claim is considered established in the scope determined by the court; the claim cannot be enforced against the debtor beyond that scope.
Until the time limit for bringing an action to determine a claim has expired, or until the court has made a final ruling on the determining of a claim, the debtor may accept a denied claim in writing in respect of the creditor; in consequence the denied claim is considered established in the scope accepted. If the insolvency practitioner denied a claim at the request of a creditor, the debtor can only accept the denied claim with this creditor's consent.
During reorganisation, the establishing of a claim is recorded in the list of claims. The insolvency practitioner is obliged to record the establishing of a claim in the list of claims without delay once the claim is considered established, or once the debtor has accepted the claim.
If during proceedings to determine a denied claim, the court declares bankruptcy of the debtor, the court discontinues in its order the proceedings for the determining of the denied claim.

Lodging claims in debt relief proceedings

Debt relief through bankruptcy

The debtor is obliged to attach to the petition for debt relief through bankruptcy a list of creditors, on the basis of which the insolvency practitioner writes to inform each creditor on the list that bankruptcy has been declared.
A creditor can lodge a claim within 45 days after bankruptcy is declared, or later, until such time as the insolvency practitioner announces that he or she is about to compile a distribution schedule.
If a creditor sends an application to the insolvency practitioner after the 45-day deadline, it is taken into account, but the creditor cannot exercise any voting rights.
The provisions on bankruptcy apply to the application *mutatis mutandis* (the form, the content of the application, the currency and annexes); the provisions for defective applications and the list of claims also apply *mutatis mutandis*.
Only another registered creditor can deny a lodged claim. The provisions on denying and lodging claims in bankruptcy apply *mutatis mutandis*. However, to establish a denied claim the acceptance of the creditor who denied the claim is sufficient; the insolvency practitioner's consent is not required.
In debt relief through bankruptcy, all claims against the debtor are discharged (not only lodged claims).
However, this can be reversed by bringing an action to cancel debt relief due to the debtor's dishonest intent, where the legislation explicitly gives as an example of dishonest intent the failure to include a creditor (natural person) in the list of creditors, even when requested to do so by the insolvency practitioner.

Debt relief through payment schedule

The debtor is obliged to attach a list of their liabilities to the petition for debt relief.
In this type of proceedings, creditors do not lodge claims; instead the insolvency practitioner investigates the debtor's circumstances.
When a payment schedule is set, the debtor is relieved from debt; however, this can be reversed by bringing an action to cancel debt relief due to the debtor' s dishonest intent, where the legislation explicitly gives as an example of dishonest intent the failure to include a creditor (natural person) in the list of creditors, even when requested to do so by the insolvency practitioner.

13 What are the rules governing the distribution of proceeds? How are claims and the rights of creditors ranked?

Distributing proceeds in bankruptcy

In bankruptcy proceedings, the distribution of the proceeds varies according to the type of creditor (secured creditors, unsecured creditors, creditors with subordinated claims, contractual penalties and claims from creditors related to the debtor):
A secured creditor's secured claim is satisfied (to the extent it has been established) from the proceeds raised by realising the assets comprising the secured creditor's separate estate, after deducting claims against the estate allocated to the listed asset items comprising the separate estate. If a secured creditor's secured claim cannot be satisfied in full, it is satisfied as an unsecured claim to the remaining extent.
Unsecured claims are satisfied (to the extent they have been established) from the proceeds raised by realising the assets comprising the general estate, after deducting claims against the estate allocated to the listed asset item comprising the general estate. If unsecured claims cannot be satisfied in full, they are satisfied proportionally according to their relative levels.
Subordinated claims are satisfied (to the extent they have been established) from the proceeds raised by realising the assets comprising the general estate and remaining in the general estate after the other unsecured claims have been satisfied in full. If subordinated claims cannot be satisfied in full, they are satisfied proportionally according to their relative levels. Contractual penalties and claims from creditors related to the debtor are satisfied in the same way.
The distribution of proceeds in bankruptcy proceedings is based on the distribution schedule. Before drawing up the schedule, the insolvency practitioner compiles a list of claims against the estate which are to be satisfied from the proceeds assigned to the relevant estate (either a separate estate for secured assets or the general estate). The insolvency practitioner publishes this list and announces the plan to draw up the distribution schedule in the Commercial Bulletin. The persons specified by the law, primarily creditors' bodies and the creditors, may examine the list and file objections against it within a set time limit. These objections may concern the ranking of a claim, the failure to assign a claim, the exclusion of a claim and the extent of a claim. After the lime limit has elapsed the insolvency practitioner produces the distribution schedule and submits it to the creditors' committee for approval (if the committee is not active, the distribution schedule is submitted to the court). Once the schedule has been approved the insolvency practitioner pays the undisputed part of the proceeds to the relevant creditor, and retains the disputed part until the court decides.
In general the distribution schedule (whether from a separate estate or the general estate) is drawn up immediately after the relevant part of the assets has been realised. If the nature of the case permits, the insolvency practitioner also compiles a partial distribution schedule, but in the great majority of bankruptcies there is only a single (final) distribution schedule.
The distribution schedule also includes contingent and denied claims. Denied claims are only satisfied if the court rules to establish them. Contingent claims are only satisfied as and when they arise.
After fully realising the assets listed and concluding all related disputes, the insolvency practitioner produces a final distribution schedule for proceeds for unsecured creditors. This final distribution schedule also includes all preceding distribution schedules.

Proceeds are not distributed in reorganisation and debt relief through a payment schedule.

In debt relief through bankruptcy:

After realising the estate and ending all disputes that may affect the distribution schedule for the proceeds, the insolvency practitioner draws up the distribution schedule for the proceeds, without undue delay and 60 days at the latest after bankruptcy was declared. The insolvency practitioner announces the intention to compile this distribution schedule in the Commercial Bulletin.

From the proceeds, the insolvency practitioner first deducts the costs of the bankruptcy proceedings, followed by the exempt value of the debtor's home, if any, then pays proportionally the claims lodged for maintenance for the debtor's children, and then distributes the balance proportionally among all registered creditors in accordance with the level of their established claims. Each creditor bears the costs of satisfaction.
Payments for which the insolvency practitioner has been unable to determine the creditor's bank account or address three months after compiling the distribution schedule accrue to the state. The insolvency practitioner remits these payments to the bank account of the court that declared bankruptcy.
The insolvency practitioner is liable to creditors for any damage they suffer because the distribution schedule for the proceeds was implemented at variance with the rules set out in the legislation, unless the insolvency practitioner can establish that he or she proceeded with professional diligence.
The costs of the bankruptcy proceedings are satisfied from the proceeds assigned to unsecured creditors, in the following ranking:
the insolvency practitioner's fee and the costs of realising the assets and producing the distribution schedule;
the insolvency practitioner's necessary expenses for managing the bankruptcy proceedings;
costs related to managing the assets subject to the bankruptcy proceedings;
an advance payment towards the costs of an expert opinion;
the costs of investigations undertaken by the insolvency practitioner at the request of a creditor, in the amount approved by the creditors' representative or a creditors' meeting.

14 What are the conditions for, and the effects of closure of insolvency proceedings (in particular by composition)?

Bankruptcy

The court rules, with or without a petition, to close bankruptcy proceedings if it finds that the debtor has insufficient assets to pay even claims against the estate; in its order the court also rules on the insolvency practitioner's fee and expenses, which are paid from the debtor's assets, the advance payment towards the interim practitioner's fee and expenses, and the advance payment towards the cost of the bankruptcy proceedings.
The court also rules, with or without a petition, to close bankruptcy proceedings if it finds the preconditions for bankruptcy have not been met; it rules on the insolvency practitioner's fee and expenses as when closing bankruptcy proceedings for insufficient assets.
In response to a petition by the insolvency practitioner, the court rules to close bankruptcy proceedings after the final distribution schedule for the proceeds has been implemented.
The court promptly publishes its order to close bankruptcy proceedings in the Commercial Bulletin, and also serves it on the debtor and the insolvency practitioner. The insolvency practitioner and a creditor whose established claim has not been satisfied in full or even in part are entitled to appeal against the order.
The court announces the finality of its order to close bankruptcy proceedings in the Commercial Bulletin. On the publishing of this announcement, several effects and the function of the creditors' committee, if established, end. The validity and effect of the acts performed during the bankruptcy proceedings are not affected thereby.
On the day bankruptcy proceedings are closed, the insolvency practitioner closes the accounts and compiles an individual set of financial statements in accordance with the specific legislation. The insolvency practitioner also surrenders all necessary documents and the remaining assets to the debtor or the liquidator, and makes the necessary arrangements relating to the closing of bankruptcy proceedings. Once the insolvency practitioner has performed these duties, the court removes the practitioner from his or her office.
Bankruptcy proceedings can also be closed by an order in which the appeal court overturns the ruling by the court of first instance, or amends the part concerning the declaration of bankruptcy. The court serves this order on the debtor and the insolvency practitioner. It also promptly publishes the order in the Commercial Bulletin, whereupon the effects of bankruptcy proceedings lapse and the security interests that lapsed are restored, and the office of the insolvency practitioner and of the creditors' committee, if established, ends.
In the order referred to in the above paragraph, the court rules on the insolvency practitioner's fee, which is to be paid under the court's order by whoever filed the petition for bankruptcy.
If the debtor is a natural person who dies during the bankruptcy proceedings, the debtor's heirs take his or her place to the extent of the assets subject to the bankruptcy proceedings, or the state, if there are no heirs or if they have refused their inheritance.
On the basis of an excerpt from the list of claims, after bankruptcy proceedings have closed a petition may be filed for enforcement or distraint proceedings for an established claim that the debtor did not explicitly object to within the time limit set by the insolvency practitioner. The insolvency practitioner deposits the list of claims with the court after bankruptcy proceedings have been closed.

Reorganisation

The court decides on a petition filed by the plan's originator seeking confirmation of the plan adopted by the approval meeting. The originator is obliged to file this petition within ten days of the approval meeting, and it must include the minutes of the approval meeting and the plan adopted.
A petition for the confirmation of the plan can be filed even if the plan was not adopted by the approval meeting or agreed by the debtor.
If the plan's originator does not file a petition within the statutory deadline for the confirmation of the plan, the insolvency practitioner promptly asks the court to declare bankruptcy.
If one of the groups did not have the majority of votes required to adopt the plan, in the petition for the confirmation of the plan the plan's originator can request the court to substitute for the adopting of the plan in the group with the court's ruling, provided:
the plan does not mean that the parties who were assigned to the group that voted against adopting it will not clearly be in a worse position than if the plan were not adopted; the court bases its decision on their likely satisfaction in bankruptcy proceedings on the day the reorganisation proceedings begin, working with the data presented in the plan, unless proved otherwise;
the majority of the groups set up in accordance with the plan had the majority of votes necessary to adopt the plan; and
the creditors present voted in favour of adopting the plan with an absolute majority of votes, which are counted in line with the amount of their established claims.
The court rules on substituting for consent in its order to confirm or reject the plan.
If there is no reason to reject the plan, the court decides to confirm it within 15 days of the receipt of the petition for the confirmation of the plan; the plan confirmed by the court comprises an annex to this order. In its order on the confirmation of the plan, the court also decides on closing the reorganisation proceedings.
The court publishes its order in the Commercial Bulletin without delay. The plan confirmed by the court is not published; this does not apply to the provisions on a new loan.
The plan confirmed by the court is part of the case file. The parties to the plan and their representatives have the right to examine the case file and the plan confirmed by the court, and to take excerpts from it and make duplicates and photocopies, or to ask the court to make photocopies in return for paying the costs.
The court decides to **reject the plan** if:

there was a substantial violation of the legislation on the details of the plan, the procedure for producing the plan, voting on the plan or other provisions concerning the plan, if this had negative impacts on any of the parties to the plan;
the adopting of the plan was achieved by fraudulent conduct, or by offering special privileges to any of the parties to the plan;
the plan was not adopted by an approval meeting; this does not apply if the court's ruling has substituted for the meeting's consent;
if under the plan shares or other equity participations in the debtor or the acquiring entity are not to be issued in return for new cash investments or by exchanging the claims of creditors in the group for unsecured claims, with the exception of creditors in the group for employees' unsecured claims, and this at least at the amount of profit distributed for the last two years;
the plan is inequitable for groups of creditors insofar as it also anticipates that a right or the obligations contained in the plan may arise, change or lapse such that creditors in the groups for unsecured claims will receive satisfaction later than secured creditors, with no fair reason warranting this;
the plan is substantially contrary to the creditors' common interest;
the satisfaction of any of the unsecured claims is less than 50% of the claim; this does not apply if the creditor in question consents in writing to this lower satisfaction;
according to the key part of the plan, payments for settling any of the unsecured claims are to be provided over a period of more than five years; this does not apply if the creditor in question consents in writing to this longer period for payments to settle the creditor's claims.
The court publishes its order to reject the plan in the Commercial Bulletin without delay. The plan's originator may appeal against the order within 15 days after it is published in the Commercial Bulletin. The appeal court rules on the appeal within 30 days of its filing.
Once the order rejecting the plan becomes final, the court makes a single order to discontinue the reorganisation proceedings, opens bankruptcy proceedings and declares bankruptcy on the debtor's assets. In its order the court also appoints an insolvency practitioner, who is selected at random. The court publishes this order in the Commercial Bulletin without delay, whereupon the effects of the opening of the reorganisation proceedings are extinguished, and the function of the creditors' committee and the office of the insolvency practitioner end. The court serves the order on the debtor and the insolvency practitioner appointed by the order.

Debt relief through bankruptcy

Proceedings are closed in three cases:
if the insolvency practitioner discovers that the bankruptcy estate will not cover the costs of the bankruptcy proceedings (the debtor remains relieved from debt);
if no creditor registers for the bankruptcy proceedings (the debtor remains relieved from debt);
if the insolvency practitioner implements the distribution schedule for the proceedings (i.e. after realising the assets, the practitioner distributes the money among the creditors), the debtor remains relieved from debt;
if the preconditions for bankruptcy proceedings were not satisfied, the court also cancels the debt relief.
In both cases the insolvency practitioner publicly announces that bankruptcy proceedings have been closed. On the closure of the bankruptcy proceedings:
the office of the insolvency practitioner ends;
the office of the creditors' representative ends;
the insolvency practitioner's authorisation to manage the debtor's assets and act in matters concerning these assets lapses;
the debtor's obligation to pay claims in the bankruptcy proceedings to the insolvency practitioner lapses;
the inadmissibility of setting off claims lapses;
the restrictions on terminating and withdrawing from contracts lapse;
the proceedings to determine a denied claim close.

Debt relief through a payment schedule – closure

proceedings close if the court finds that after a petition has been filed to set a payment schedule the conditions for providing protection against creditors have not been met;
proceedings close if in the order on providing protection against creditors the court instructed the debtor to deposit an advance payment for the insolvency practitioner and the debtor did not do so within seven days of the insolvency practitioner's request;
proceedings close if the insolvency practitioner publicly announces that the debtor's circumstances do not permit a payment schedule to be set;
proceedings close if the court decides that the debtor's circumstances do not permit a payment schedule to be set;
proceedings close when the court sets a payment schedule (only in this case is the debtor relieved from debt).

15 What are the creditors' rights after the closure of insolvency proceedings?

Bankruptcy

On the basis of an excerpt from the list of claims, after bankruptcy proceedings have been closed a petition may be filed for enforcement or distraint proceedings for an established claim that the debtor did not explicitly object to within the time limit set by the insolvency practitioner. The insolvency practitioner deposits the list of claims with the court after bankruptcy proceedings have been closed.

Reorganisation

A petition to declare the plan ineffective in relation to a creditor may be filed on the basis of the following factors:
This must be a creditor who voted against the adopting of the plan and entered a warranted objection in the minutes of the approval meeting,
or a party to the plan who can be a provider of state aid.
Under the plan, claims assigned to the same group as the creditor's established claim are to be satisfied at a different level or in another way, meaning that creditors with these claims are privileged over the creditor; or
the property rights of shareholders assigned to the same group as the creditor's property right as a shareholder are to be satisfied under the plan at a different level or in another way, meaning that the shareholders with these property rights are privileged over the creditor; or
the plan's originator did not assign the creditor's established claim to a group as the creditor requested, which put the creditor in a worse position than if the plan were not adopted; the court bases its decision on the likely satisfaction for the creditor in bankruptcy proceedings; or
the plan's originator did not assign the creditor's established claim to the group for secured claims to the extent the creditor requested, which put the creditor in a worse position than if the plan were not adopted; the court bases its decision on the likely satisfaction for the creditor in bankruptcy proceedings; or
the implementation of the confirmed plan will result in the providing of unauthorised state aid.
In addition, the following reasons for ineffectiveness can be put forward (by any creditor):
If the debtor or the acquiring entity does not satisfy a claim or another of their obligations under the plan to a party to the plan in a due and timely manner within 30 days of receiving notice, the plan becomes ineffective with regard to the party's claim.

After the closure of reorganisation, the debtor or the acquiring entity cannot distribute profit or other equity funds among its members before the satisfaction of the claims of creditors in the group for unsecured claims up to the level of their established claims under the plan (in bankruptcy proceedings the distribution of profit or other equity funds can be contested). The petition for ineffectiveness is filed by an unsecured creditor.
If the debtor or the acquiring entity generates a profit that is disclosed in the financial statements, and does not need this profit to keep the enterprise or a substantial part of it in operation, as envisaged by the plan, an unsecured creditor has the right to seek in the court that confirmed the plan the satisfaction of the creditor's original claim from this profit, at the difference between the amount required to satisfy the claim and the payment made to this creditor under the plan; however, the court cannot award the creditor any more of this profit than the proportion due vis-à-vis the other creditors in the same group.
If the plan is ineffective against a creditor, the debtor and the acquiring entity are jointly and severally obliged to settle the creditor's original claim to the extent the claim was lodged and established, together with interest calculated on the established part of the claim since the start of reorganisation. The debtor and the acquiring entity are obliged to settle the creditor's claim within the original time limit for payment.
If the plan is ineffective against a shareholder of the debtor, the debtor and the acquiring entity are jointly and severally obliged to pay the shareholder an amount that would correspond to the shareholder's proportion of the debtor's liquidation proceeds at the time the court confirmed the plan. Unless the shareholder can prove otherwise, the value of the liquidation proceeds is deemed to be zero.
If the plan is ineffective in respect of the debtor or the acquiring entity, enforcement or distraint proceedings for the creditor's original claim can be conducted.

Debt relief through bankruptcy

Honest intent – there is a presumption of the debtor's honest intent in filing the petition, which creditors may contest in "classic" civil proceedings. They may not contest it during the debt relief proceedings themselves, but only after they have closed.

Debt relief through payment schedule

Honest intent – there is a presumption of the debtor's honest intent in filing the petition, which creditors may contest in "classic" civil proceedings. They may not contest it during the debt relief proceedings themselves, but only after they have closed.
The debtor does not have honest intent if:
the debtor did not state part of his or her assets in the list of assets, even when asked to do so by the insolvency practitioner, even though the debtor knew or must have known of such assets given the circumstances; negligible-value assets are disregarded;
the debtor did not name a creditor (natural person) in the list of creditors, even when asked to do so by the insolvency practitioner, and in consequence the creditor did not lodge his or claim, even though the debtor knew or must have known of such person given the circumstances; small creditors are disregarded;
the debtor provided important information that was untrue, or failed to provide important information, in the petition or in an annex to the petition or when asked to do so by the insolvency practitioner, even though the debtor knew that this information was important or must have known given the circumstances;
the debtor did not cooperate with the insolvency practitioner as necessary, for no good reason, and such cooperation could have been reasonably required of the debtor;
from the debtor's conduct before filing the petition it can be judged that the debtor had deliberately gone into cash-flow insolvency to allow him or her to file the petition;
the debtor was not cash-flow insolvent at the time of filing the petition and knew of this or must have known given the circumstances;
from the debtor's conduct before filing the petition it can be judged that in assuming liabilities the debtor was counting on being able to resolve his or her debts through bankruptcy or a payment schedule;
from the debtor's conduct before filing the petition it can be judged that the debtor was seeking to harm his or her creditor or privilege one of the creditors;
the debtor is not implementing the payment schedule set by the court in a due and timely manner, for no good reason;
the debtor is not paying child maintenance that became due after the relevant date in a due and timely manner, for no good reason; this reason may only be invoked by the child or the child's legal guardian;
the debtor did not comply with the obligation to refund the Centre for Legal Aid's advance payment towards the insolvency practitioner's flat fee in a due and timely manner, for no good reason; this reason may only be invoked by the Centre for Legal Aid;
the debtor sought to be discharged from debts despite the fact that at the time of filing the petition the debtor's principal interests were not centred in Slovakia.
The court will take a stricter view of factors affecting the debtor's honest intent if the debtor has or has had considerable assets and business experience, and works or has worked as a senior manager, or serves or has served on a legal person's governing bodies, or has other relevant experience.
The court will take more lenient view of factors affecting the debtor's honest intent if the debtor has only basic education, is of or close to pensionable age, has serious health problems, is temporarily or permanently homeless, or has suffered another misfortune that has made it difficult for the debtor to function in society.
The court will only examine the debtor's honest intent in proceedings on a petition to cancel debt relief due to dishonest intent. The court will not examine the debtor's honest intent in bankruptcy proceedings or proceedings to set a payment schedule.

16 Who is to bear the costs and expenses incurred in the insolvency proceedings?

Bankruptcy

In principle the costs of convening and holding a creditors' meeting comprise a claim against the estate. The following are exemptions from this principle:
If a creditors' meeting was held at the initiative of a creditor, the creditor who requested the meeting is obliged to pay the costs of convening and holding the meeting, unless the creditors' meeting decides otherwise.
A condition for filing a petition to determine a denied claim, if the claim is only denied by a creditor, is the depositing of an advance payment towards the expenses in a due and timely manner. If the petitioner does not document the depositing of the advance payment, the court discontinues the proceedings.
For performing his or her office, a member of the creditors' committee is entitled to the reimbursement of expenses that the member conclusively incurred in performing this duty; these expenses are a claim against the general estate, for an amount approved by the creditors' committee.
If assets subject to bankruptcy proceedings have been realised in enforcement or distraint proceedings, but the proceeds have yet to be paid to the party entitled to them, the proceeds become part of the relevant estate and the costs of the proceedings are a claim against this estate.
The costs of an expert opinion requested by the creditors' committee comprise a claim against the general estate. The costs of an expert opinion requested by a secured creditor are a claim against this creditor's separate estate (the object of the security interest).
Depending on how the court rules, the costs of proceedings on excluding assets from the list comprise a claim against the estate concerned.
Costs incurred by parties to the bankruptcy proceedings and related proceedings are excluded from satisfaction in bankruptcy proceedings (however, a specific regulation may lay down otherwise, e.g. the amount for determining a denied claim and for expert opinions).

Reorganisation

In principle the debtor pays the costs. The debtor covers:
the opinion on reorganisation,
the insolvency practitioner's fee (flat fee and fee for exercising his or her office) and expenses,

the costs of convening and holding a creditors' meeting,
the expenses that a member of the creditors' committee conclusively incurred in performing this function; the debtor pays these expenses at the amount approved by the creditors' committee.

Debt relief through bankruptcy

In debt relief through bankruptcy it is assumed that the debtor has very limited assets, and costs are therefore reduced to the minimum and are borne by the creditors. If the creditors know of certain assets, they must do what is necessary to transfer them to the bankruptcy estate at their own expense.
The costs that parties to the proceedings have incurred in connection with their involvement in the bankruptcy proceedings or proceedings to set a payment schedule cannot, when debt relief is realised, be recovered from the debtor.
When investigating the debtor's situation, the insolvency practitioner works with a list of assets, a list of creditors and the information provided by the debtor, creditors and other persons. The insolvency practitioner conducts this investigation of assets and liabilities with professional diligence, and likewise any other investigations that require little time and can be undertaken at modest expense.
The insolvency practitioner conducts other investigations at a creditor's request if the creditor makes an advance payment towards the costs of these investigations. The insolvency practitioner conducts such an investigation at the creditor's expense. In bankruptcy proceedings the creditor is entitled to the reimbursement of these expenses, as a cost of the bankruptcy proceedings, at an amount approved by the creditors' representative, or by a creditors' meeting if no creditors' representative has been appointed.
There are separate rules for a secured creditor's costs, which is due to the fact that a secured creditor can choose whether or not to be party to the proceedings.
The encumbered assets only become part of the bankruptcy estate if the priority secured creditor registers.
If only a later secured creditor registers, the encumbered assets are only subject to the bankruptcy proceedings if it can be presumed that there will be satisfaction for the secured creditor with a later security interest. For the purposes of assessing whether the encumbered assets are subject to the bankruptcy proceedings, their value is estimated according to an expert opinion produced on the insolvency practitioner's instructions at the request and expense of this later secured creditor. If the later secured creditor does not deposit the advance payment towards the costs of the expert opinion within the time limit set by the insolvency practitioner, it is presumed that the encumbered assets are not subject to the bankruptcy proceedings.
The insolvency practitioner may (but need not) convene a creditors' meeting if the practitioner considers it necessary. The practitioner convenes such a meeting at the request of any registered creditor who deposits an advance payment towards the costs of holding the meeting, and pays the insolvency practitioner's flat fee for holding it.

Debt relief through payment schedule

The costs of these proceedings are primarily paid by the debtor.
The system is designed so that proceedings only begin (besides the part concerning a formal petition) after the depositing of an advance payment towards the insolvency practitioner's fee and the necessary costs of the proceedings.
The costs that parties to the proceedings have incurred in connection with their involvement in the bankruptcy proceedings or proceedings to set a payment schedule cannot, when debt relief is realised, be recovered from the debtor.
If a creditor does not agree with the proposed payment schedule, the creditor may file an objection with the insolvency practitioner. The insolvency practitioner will comment on the objection and it will be decided by the court.

17 What are the rules relating to the voidness, voidability or unenforceability of legal acts detrimental to the general body of creditors?

The Bankruptcy Act (*Zákon č. 7/2005 Z.z. o konkurze a reštrukturalizácii*) legislates for acts detrimental to the creditor by making them ineffective under certain conditions. Ineffectiveness only has consequences if the debtor's acts are contested. The insolvency practitioner and the creditors have the right to contest them, but a creditor only has this right if the insolvency practitioner does not act on the creditor's request to contest a legal act within a reasonable time. The right to contest a legal act lapses if it is not exercised in respect of the debtor or in court within a year of bankruptcy being declared; the right to contest a legal act is only considered to have been exercised in respect of the debtor if the debtor acknowledges the right in writing. Under the legislation, legal acts from which entitlements are enforceable, or have already been satisfied, can also be contested.
If before bankruptcy was declared there were reorganisation proceedings, and bankruptcy was declared during these proceedings, to determine the period in which a legal act was made that can be contested under the Bankruptcy Act, the start of the reorganisation proceedings is determinative.
Legal acts must be made by the debtor, and must be made without remuneration or preference or prejudice to the satisfaction of a lodged claim for any of the debtor's creditors. These must be legal acts concerning the debtor's assets.
The Bankruptcy Act defines other detailed rules concerning the proving of the intention to prejudice a creditor. In some cases intent does not have to be proved at all, while in others it is a refutable presumption. The Act also sets out the legal consequences of voidability applied in court, which are the returning of the assets acquired by the party against which the right was exercised.
In reorganisation, acts detrimental to a creditor are important for testing creditors' best interests: when comparing the outcome of the reorganisation plan and possible bankruptcy, the insolvency practitioner must also take voidable legal acts into account.
This aside, legal acts are not contested under reorganisation.
However, in some cases the Act covers the presumptions for any moving from reorganisation to bankruptcy proceedings, and if this happens, certain legal acts are voidable.
The insolvency practitioner can only approve legal acts by the debtor if they increase the value of the debtor's assets or are necessary to achieve the objective of reorganisation. If the debtor makes a legal act that is subject to the insolvency practitioner's consent without this consent, the validity of the legal act is not prejudiced thereby, but the legal act can be contested in bankruptcy proceedings if bankruptcy was declared for the debtor's assets within two years of the start of reorganisation proceedings.
After the closure of reorganisation, the debtor or the acquiring entity cannot distribute profit or other equity funds among its members before the satisfaction of the claims of creditors in the group for unsecured claims up to the level of their established claims under the plan; in bankruptcy proceedings the distribution of profit or other equity funds can be contested and is also a reason for the ineffectiveness of the plan.
In addition, any legal acts made by the debtor or the insolvency practitioner during reorganisation proceedings that give a party to the plan an advantage not envisaged by the plan are null and void.
In debt relief the creditors' rights to seek satisfaction under civil law from anything excluded from the debtor's assets by a voidable legal act remain unaffected. In addition, any subsequent proceedings on honest intent take into account the debtor's conduct, from which it can be judged that the debtor had deliberately gone into cashflow insolvency, or from which it can be judged that the debtor was seeking to harm or privilege any of the creditors.

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