

Flash Report

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Financial restructuring mechanism is introduced



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The Ukrainian Parliament passed the law on financial restructuring

On 14 June 2016 the Ukrainian Parliament adopted the Law “On Financial Restructuring” (hereinafter – the “Law”)*, which establishes terms and procedure for financial restructuring of legal entities – debtors of financial institutions (e.g. banks).

According to the Law, financial restructuring is a voluntary out-of-court procedure, which is performed via negotiations between the debtor, its related parties and the creditors. One of the main purposes of financial restructuring is to facilitate restoration of debtors via restructuring of their liabilities and/or commercial activity.

The Law, in particular, determines the procedures, which may be applied to debtors in the course of financial restructuring, e.g.:

- review of the term of debt repayment,
- review of interest rates,
- partial debt forgiveness,
- debt-to equity conversion, etc.

The Law also provides for establishment of a special supervisory board at a national level, responsible for coordination and performance of financial restructuring.

The Law is yet to be signed by the President of Ukraine. It will come into effect 3 months after its official publication and shall be effective for three years.

We will continue to monitor the situation and keep you updated on this issue.

* *Bill No. 3555 dated 30 November 2015*