

The legal regulation approved by the National Council of the Slovak Republic at the end of 2012 brought about important changes in the regulation of performance of commercial obligations, as well as news in commercial law. The changes resulting from the European legislation may represent significant interferences with certain elements of contractual freedom in the business environment, and in certain cases can even lead to partial invalidity of contracts. Squire Sanders therefore decided to prepare a summary of the most important changes brought about by the amendment to the Commercial Code (the “Amendment”) which came into force on **1 February 2013**.

1. Time Period After Which Commercial Obligations Mature

- The maximum period for performance of financial obligations (maturity) ***if specified in the contract*** is **60 days**;
- For debtors who are entities governed by public law **this maturity period has been reduced to 30 days**;
- This period is counted as of the day of delivery of the document (invoice) or the day the creditor provides the performance, whichever is the latter;
- The maturity period **can be extended by agreement** but cannot be extended by a period that is grossly disproportionate to the rights and obligations that arise for the creditor under the contractual relationship;
- If the debtor is an **entity governed by public law**, the period can be extended to a **maximum of 60 days** but this must result from the nature of the performance;
- If the maturity date is ***not specified in the contract*** then the debtor is **in delay with** financial performance **if it fails to fulfill** its obligation duly and not later than within **30 days** from the day the day of delivery of the document (invoice) or from the day the creditor provides the performance, whichever is the latter;
- The amount of **default interest** is laid down in a governmental order however the parties may agree a different level of default interest contractually;
- The amount of default interest laid down by this order is the minimum if the debtor is an entity governed by public law;
- When entities governed by public law default on their obligations they **are obliged to pay default interest**;
- A new term has been introduced of “lump-sum compensation for expenses”. This relates to expenses that are connected with enforcement of a receivable in the event of default on the part of a debtor;

- If contractual arrangement relating to [1] maturity of financial obligations, [2] default interest rates, [3] lump-sum compensation for expenses relating to enforcement of receivable, is **grossly disproportionate to rights and obligations** resulting from the contractual relationship for the creditor, and there are no legitimate grounds for such contractual arrangement, then it is considered **invalid**; and
- If business practice relating to [1] maturity of financial obligations, [2] default interest rates, [3] lump-sum compensation for expenses relating to enforcement of a receivable, is **grossly disproportionate to rights and obligations** arising under the contractual relationship for the creditor, and there are no legitimate grounds for such practice, then it is considered **prohibited**.

2. New Unfair Competition Delict

- *An unfair competition delict* consisting in **danger of causing confusion** has been extended to include situations when a trade name or designation of an enterprise may cause a business to be confused **with a public registry or other registry maintained by law**.

3. Formal Essentials of Certain Decisions

- The obligation has been introduced to **authenticate the signature** of the chair of a general meeting of a limited liability company in the minutes of the general meeting or the signature of the sole shareholder in a limited liability company in a decision of the sole shareholder, if the agenda of the general meeting includes decision-making regarding:
 - a. Increase or reduction of the registered capital and decision-making regarding in-kind contributions;
 - b. Appointment, recall and remuneration of executives;
 - c. Dissolution of company or change of legal form, if permitted by the memorandum of association;
 - d. Approval of a contract on sale of a business enterprise or contract selling part of a business enterprise; and
 - e. Appointment and recall of a procurist if such decision-making falls within the powers of the general meeting.

Should you be interested in receiving more detailed information regarding these latest changes, please contact us for an analysis tailored to suit your needs.

The contents of this update are not intended to serve as legal advice related to individual situations or as legal opinions concerning such situations nor should they be considered a substitute for taking legal advice.

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