

Simplified procedure for share transfers in Romanian limited liability companies

As of 5 November 2020, Law 223/2020 on simplifying the share transfer procedure and payment of the share capital contribution and on the amendment of the Companies Law 31/1990 ("**Law 223/2020**") will enter into force.

Overview

According to the explanatory note, Law 223/2020 was adopted to de-bureaucratize and simplify the process of share transfers in limited liability companies ("**LLC**"), given that Romania is the only Member State in the EU which provides a restrictive regime regarding share transfers in LLC. Among other EU Member States, such transfer can be rendered effective even in a single day.

Main amendments introduced by Law 223/2020

- The opposition procedure provided by the Companies Law 31/1990 for share transfers in LLCs is rescinded.
- Shareholders can enshrine in the articles of association a lesser voting majority than $\frac{3}{4}$ for approving share transfers to third parties in LLCs.
- The minimum share capital requirement for registering a LLC, *i.e.* RON 200 (approximately EUR 40), was eliminated.

- It is no longer required for registering LLCs, to submit with the Romanian Trade Registry the proof of payment of the initial share capital contribution.
- The requirement to pre-register the document attesting the right of use of the company's corporate seat with the fiscal authorities, was eliminated.

Background regarding share transfers in limited liability companies

To date, the Companies Law 31/1990 regulated a lengthy and cumbersome two-step procedure which had to be observed whenever shares issued by LLCs were transferred to third parties. Firstly, a resolution pertaining to the transfer of shares was required to be submitted with the Trade Registry in order for it to be then published in the Official Gazette and secondly, wait for a 30-day opposition period to lapse so that the share transfer can be considered effective.

However, in practice the share transfer procedure was implemented in a time span longer than 30 days, due to a delay of at least two weeks in publishing the resolution in the Official Gazette, as from its submission with the Trade Registry.

Naturally, if any creditor of the LLC filed a claim against the share transfer resolution, within the 30-day opposition period, the share transfer would become effective only after a final court decision.

Hopefully, Law 223/2020 will expedite the above-mentioned procedure by repealing the 30-day opposition period and therefore, the share transfer to a third party in a LLC will be effective by execution of the shareholders' resolution.

Expectation

Law 223/2020 will hasten share transfer procedures to third parties in LLCs, thus bringing in line the Romanian legislation with that of other Member States and offering investors a clearer and familiar procedure.

This article does not deal with every topic or cover every matter it deals with. It is not intended to provide and does not represent legal advice.

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