

# Greek company law reform

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54

**T**he Greek Law 2190 on Societes Anonymes enacted back in 1920 has been the most important piece of Greek corporate legislation for over 87 years.

Since Greece's EU accession, this law has been amended several times throughout the years due to the need of harmonisation with relevant EU legislation. However, most of the amendments effected so far were fragmental and did not succeed in adequately adapting Greek company law to the modern environment.

The necessary reform was finally entrusted in 2005 to an Experts Committee formed under the auspices of the Ministry of Development presided by Professor E Perakis, with the participation of eminent corporate law experts, including KGDI's Senior Partner Leonidas Georgopoulos.

Two years after, Law 3604/2007 was enacted, which, besides incorporating European directives (Directive 2006/68/EU and Directive 2003/58/EU), attempts a structural reform of the legislation on Sociétés Anonymes through the introduction of provisions which have not yet been the object of European harmonisation but were necessary in order to render Greek company law an effective tool to cope with modern market trends and global competition.

The main features of said reform are: flexibility in the incorporation and operation of the company, limitation of regulatory intervention, reduction of bureaucratic obstacles and delays and enhancement of minority rights.

Below are presented the

most important innovations introduced by the new law:

**1) Incorporation:** Societes Anonymes can be incorporated by only one shareholder; The Articles of Association may take a simpler and shorter form, since it is not necessary for provisions already included in the law to be repeated.

**2) Share Capital:** A General Meeting resolving a capital increase has the option to authorise the Board of Directors to determine the price of the new shares to be issued, thus facilitating the 'book building' process; The valuation of contributions in kind can be effected either by chartered accountants or by the special committee of the Ministry of Development.

**3) Shares – Stock Options:** The Articles of Association may impose restrictions on the transfer of registered shares; A wide range of preferred, convertible and redeemable shares (with or without voting rights) may be issued; The reformed stock options regime clearly defines the conditions under which eligible persons may participate therein and introduces the possibility for a stock option to be exercised up to four times per year (once per quarter).

**4) Board of Directors:** Liability is based on the 'business judgment rule' test. Each board member's liability (including the managing director) depends on his position and assigned duties; A legal entity may also become a Board member; The Articles of Association may include provisions allowing convocation of the Board in various flexible ways, including videoconference; The Chairman may have a casting vote.

**5) General Meeting:** Non-listed

companies' general meetings can be convened anywhere within Greece or abroad as well as by teleconference; Non-listed Companies with registered shares may avoid the need to publish an invitation for the General Meeting, provided that all shareholders are notified in time either by a court bailiff or via registered post or e-mail.

**6) Minority Shareholders' Rights – Squeeze-out & Sell-out rights:** Minority rights are even more enhanced, since the applicable thresholds have been decreased to 1/20 or less of the share capital; Minority shareholders of non-listed companies have the option to request the purchase of their stake from the company if the

General Meeting takes several decisions regarded as detrimental to the minority; In case a shareholder acquires, after the incorporation of the company, 95% of its shares: He has the right to squeeze-out the minority's shares and; The minorities have the right to sell out their shares to him.

**7) Corporate Transformations:** Detailed provisions are introduced regarding the transformation of a Société Anonyme into a general or limited partnership; The merger process is accelerated, since the two-month waiting period from the publication of the merger draft until the date of the general meeting is no longer required. ■



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