Submitted: October 11th, 2023
Reviews completed: December 28th, 2023
Published: June 1st

Financial Law Review

No. 33 (1)/2024

UNIVERSITY OF GDAŃSK • MASARYK UNIVERSITY • PAVEL JOZEF ŠAFÁRIK UNIVERSITY
http://www.ejournals.eu/FLR

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THE NEW REGIME OF BOND LOANS IN GREECE

Abstract

Corporate financing through bond loans has witnessed a significant surge in popularity within Greek capital markets over recent decades. In response to this evolving landscape, Greek Law 4548/2018 was enacted with the aim of establishing an appealing legal framework for financing Greek companies, superseding the provisions outlined in Greek Laws 2190/1920 and 3156/2003. This study delves into the exploration of the novel legal framework introduced by Greek Law 4548/2018, specifically focusing on private placement bond loans.

The primary hypothesis guiding this investigation revolves around the notion that the new legal framework, as delineated by Greek Law 4548/2018, has reshaped the landscape of bond loan financing in Greece. The study aims to uncover the key objectives behind the legislative changes and assess the impact of these changes on the financial landscape for Greek companies.

After providing a succinct overview of the most noteworthy innovations introduced by Greek Law 4548/2018 and elucidating the advantages associated with bond loan financing, the study scrutinizes the fundamental features inherent to bond loans. Within this context, the legal nature of bonds is analyzed, considering the contemporary trend steering away from the traditional legal function of securities tied to physical possession. The research further delves into the key stakeholders involved in the bond loan process, including the issuing company, bondholder, and bondholder agent. The study seeks to explore the objectives and outcomes associated with these structures, contributing to the originality of the article.

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The novelty of this article lies in its comprehensive exploration of the transformed legal landscape for private placement bond loans in Greece following the enactment of Greek Law 4548/2018. By delving into the objectives, outcomes, and organizational structures associated with bond loans, this study aims to contribute valuable insights to the evolving field of corporate financing in Greek capital markets.

Key words: Bond loans, bonds, corporate finance, Greek business law, bondholder, bondholder agent, bondholders' meeting, subscription agreement.

JEL Classification: K12, K2, K20, K22.

1. The new legal framework for bond loans in Greece

Alongside the traditional sources of corporate financing, i.e., bank lending and share capital increase, the dissemination and utilization of bond loans as an alternative instrument of external financing of companies (and in particular Greek companies limited by shares, usually referred to, by the French term "Sociétés Anonymes", hereinafter "SAs") has been rapid in Greece over recent decades[1]. This trend was further reinforced during the Greek financial crisis of the last decade, due to the tightening of bank lending and the consequent forced turn of many companies in search of alternative forms of financing [Metallinos 2019: 195-196] documenting the strengthening of bonds' role in a crisis environment, when banks enter a deleveraging phase.

In the increasingly competitive European and global business environment, the need to attract capital from Greek companies requires the formulation of a legal framework that is as attractive as possible for financiers. In this context, initially Greek Law 3156/2003 (already repealed -almost in its entirety- by the most recent Greek Law 4548/2018 on SAs, which incorporated the provisions related to bond loans) established efficient and harmonized with the European acquis provisions for the regulation of bond loans. With the provisions of said law the Greek legislator sought to create a flexible and effective financing framework for solvent Greek companies, which could encourage them to seek capital and

[1] In economics, corporate financing is divided into internal and external, based on the origin of the funds. **Internal financing** refers to the self-financing of the company mainly through profits generated by its activity, whereas when the funds come from sources outside the company, it is referred to as **external financing**. External financing may further refer to equity capital, i.e. money contributed to the company as share capital (either initially, when the company is set up, or as an increase in share capital), or debt capital, i.e. borrowing by the company. However, the inclusion of certain hybrid forms (e.g. convertible bonds) in one or the other category is not always straightforward, depending on the extent to which the claim of the financier is affected by the financial results of the financed company and on the classification of the claim in relation to the claims of other creditors of the company [see, in detail, Tountopoulos 2009: 70-72].

create investment opportunities within the Greek capital market, thus contributing to the general public interest by developing the overall national economy and preventing a further rise in unemployment[2].

From the entry into force (with effect from 1.1.2019) of Law 4548/2018 on the reform of the law of SAs, new rules have been set for bond loans [articles 59 et seqq. of said law] and the corresponding provisions of Laws 2190/1920 and 3156/2003 have been repealed[3]. The purpose of the new provisions is to make the Greek market friendlier and more compatible to foreign investment. The legislator sought to allow even greater flexibility in the structure of bond loans, in order to adapt to market needs and practices. It was deliberately chosen, for systematic reasons, to incorporate the provisions on bond loans into the new law on SAs, since the issuance of bond loans is a financing option reserved solely for this type of company.

In addition to specific technical improvements, Law 4548/2018 introduced important innovations in the field of bond loans, expanding the scope of transactional freedom: First of all, it transferred the authority to issue a common bond loan from the general meeting of shareholders to the board of directors, given that the issuance of a common bond loan is no different (in terms of consequences against shareholders) from taking out a common loan, for which the general management authority of the board of directors applies [see Article 86 § 1 of Law 4548/2018][4]. The general meeting retained, of course, the power to issue convertible bonds [Article 71 of Law 4548/2018] and participating bonds [Article 72 of Law 4548/2018]. In addition, the new provisions explicitly regulated certain types of bond loans that had been formed through international financing practice, such as bond loans with

[2] Law 3156/2003 has been widely implemented, mainly by credit institutions. Since the introduction of the law (in 2003), almost all medium- to long-term lending by banks to relatively large or medium-sized enterprises has been made through the issuance of bond loans [Metallinos 2019: 198]. The attractiveness of bond instruments should be mainly attributed to the full stamp duty exemption and other incentives pursuant to Article 14 of Law 3156/2003, but also to the facilitation of collateralization through the bondholder agent.

[3] As stated in the Explanatory Report of Law 4548/2018, the former Law 3156/2003 has been widely used by Greek companies during the 15 years of its implementation and should therefore be considered successful. However, for reasons of legislative technique, it was preferred to incorporate bond loan provisions into the new law on SAs, as well as to revise certain provisions, so that the new regulations, on the one hand, facilitate corporate financing and, on the other hand, further harmonize them to the international financial practice. As the Explanatory Report points out, this becomes even more crucial in the context of an economic crisis and lack of liquidity, where facilitating corporate financing must be a legislative priority.

[4] A contrary statutory provision is of course not excluded. In other words, the articles of association may restrict the power of the board of directors to issue bond loans or even to enter into loan agreements in general.

payment-in-kind bonds ("PIK bonds"[5]), bond loans without maturity date ("perpetual bonds"[6]), "catastrophe bonds"[7], subordinated bonds[8] etc.[9] The legislative improvements to the institution of the bondholder agent were also significant, with the widening of the circle of persons who can be appointed as bondholder agents and the provision of the possibility for the sole bondholder to be appointed as the agent, regardless of his/her status. At the same time, an explicit legislative provision resolved the disagreement that had been created under the regime of the previous Law 3156/2003 regarding the possibility of providing security even before the issuance of the bond loan [Article 73 § 1 of Law 4548/2018[10]].

Although the legislative intention underlying both Laws 3156/2003 and 4548/2018 was primarily intended to advance the Greek capital market, the vast majority of bond loans are subscribed through private placement. The financier may be a hedge fund or have the status of an "institutional investor" falling within the concept of an Alternative Investment Fund[11]. However, in most cases bond loans are used by credit institutions for loan agreements concluded with SAs, which, however, are sometimes treated by case law as ordinary loan agreements, covered by the provisions of Greek Civil Code [CC] Articles 806 et seqq.[12] The

[5] These bonds provide that, instead of paying interest, other bonds issued by the issuer for this purpose will be assigned to the bondholders [Article 60 § 2(a) of Law 4548/2018]. In the absence of this specific provision, the issuance of such bonds would not be permitted in view of Article 296 of the Greek Civil Code (CC).

[6] In this case the issuer may, depending on the specific terms of the loan, repay the loan at the time of its choice; if it does not do so, the bonds do not expire and continue to pay interest in perpetuity (article 60 § 2 b of Law 4548/2018).

[7] As stated in the Explanatory Report of Law 4548/2018 (under Article 60), these bond loans provide that no interest or principal is paid if a risk, usually a natural disaster, occurs that is not covered by the insurance market. These bonds allow the risk involved to be spread over a large number of bondholders.

[8] A characteristic of these bonds is that they are repaid **after the satisfaction of all other creditors** (or, depending on the contractual configuration, **some** of the other creditors), but before the distribution of any liquidation proceeds to the shareholders.

[9] Regardless of the above, the four basic types of bond loans provided for by the previous Law 3156/2003 are still in place: Common bond loans, convertible bond loans, exchangeable bond loans and participating bond loans (see infra 3.1).

[10] According to this provision, **"claims arising from bond loans under this law may be secured, in terms of capital, interest and expenses, by any kind of security in rem or guarantee. Such security may be obtained before, during or after the issuance of the bond loan**".

[11] Directive (EU) 2011/61 of 8 June 2011 (Alternative Investment Fund Managers Directive, known by its acronym "AIFMD") introduced a regulatory and supervisory framework for Alternative Investment Fund Managers (AIFMs). The adaptation of the Greek legislation to this Directive took place with Greek Law 4209/2013, which introduced the institution of the "Alternative Investment Fund Management Company", an AIFM having the legal form of an SA incorporated in Greece and licensed by the Hellenic Capital Market Commission.

[12] See i.e. Decision of Athens Court of Appeal 3607/2019 (published in "Nomos" law database), which, however, does not treat such declarations as simulated, concealing a standard term loan agreement (cf. CC 138 § 2). The reason why banks choose the form of a bond loan for the provision of credit to SAs is the favorable tax treatment and the structural privileges that the legislator reserves for bond

study, thus, focuses on examining private placement bond loans[13]. On the contrary, public bonds will not be the subject of investigation[14].

2. Advantages of corporate financing through bond loans

2.1. Structural advantages

Bond loans are used as medium- to long-term corporate financing tools, covering capital needs of a more permanent nature, aiming to implement medium- to long-term business and investment plans. Besides specific economic reasons that may dictate the preference of this type of financing in each case, the structural advantages associated with the legal nature of the bond loan are also of major importance. In this context, the incorporation of the debt in bond debentures ensures higher transferability of the loan claims through the transfer of the bond debentures[15] and allows for a sharing of the credit risk amongst more creditors. This is why bond loans are widely used in syndicated loans.

In addition, bond loans are an ideal financing tool for SMEs[16] and start-ups, as they provide particular flexibility in the contractual relations between the parties [Metallinos 2019: 197]. This flexibility is particularly achieved through the use of certain hybrid types of bonds, such as participating bonds or convertible bonds, which are attractive alternatives to investing in growing companies instead of obtaining an equity stake in them. By use of such hybrid forms, the increased risk linked to the shareholder status is avoided, without at the same time

loans (for the relevant stamp duty etc. privileges see the provisions of Article 14 of Law 3156/2003, which remained in force even after Law 4548/2018; see also **infra** 2.3).

[13] A private placement is defined as an issue that is not addressed to the general public but to a limited circle, usually institutional investors or credit institutions [cf. Psychomanis 2009: 370; Papanikolaou 1998: 147-150; Chouliara 2019: 60; Decision of Athens Multi-member Court of First Instance 971/2018 published in "SakkoulasOnline" law database]. Numerical criteria are sometimes used to delimit private placement, as for example in Article 10 § 1 of Law 3156/2003 in relation to the securitisation of claims (for the purposes of this Act, the placement of bonds to a limited circle of persons not exceeding one hundred and fifty is considered "private placement").

[14] Perhaps the main practical consequence of the distinction between private placement and public offer is that in the latter case a **prospectus** is required, which is published after approval by the Hellenic Capital Market Commission [see Article 13 of Law 3401/2005 as well as Article 20 of Regulation (EU) 2017/1129]. It should be noted that the use of specifically tailored covenants is clearly more limited in public bond loans than in private placement bond loans [Bratton 2006: 44; Whitehead 2009: 651].

[15] Cf. the "document of title" function under the common [see. Lickbarrow v Mason [1787] 2 TR 63, 100 ER 35].

[16] Small and medium-sized enterprises (SMEs) are defined in the EU recommendation 2003/361.

preventing the financier from participating in the future surplus value of the financed company.

2.2. Interest rate

It is sometimes pointed out as an advantage of bond loans over traditional bank lending the lower interest rate that usually accompanies the former [Koulourianos 2013: 19]. However, this is not always the case, since the interest rate is determined differently for each transaction and depends on a variety of factors, such as the credit rating of the financed company [for the relationship between the interest rate and the issuer's credit rating see Pratt 2000: 1055], the duration of the loan, its collateralization, the general economic situation and the difficulty in raising funds, etc. It also depends on the type of bonds issued and any special rights they confer on the bondholder. Thus, in the case of convertible and exchangeable bonds, the right to convert or exchange the bonds, granted to the bondholder, may compensate for a lower interest rate, while in the case of perpetual bonds, the (usually variable) interest rate is fixed by adding a large margin to make the bonds attractive to potential investors[17]. Moreover, the interest rate may be influenced not only by the collateral provided but also by the overall formulation of the loan terms, such as the use of highly restrictive covenants[18] as a counterweight to a relatively low interest rate [Bratton 2016: 485 points out that the use of highly restrictive covenants is sometimes 'exchanged' during the negotiation of the bond for lower interest rates. See, however, Nash, Netter, Poulsen 2003: 201, who question this hypothesis on the basis of empirical data showing that lower interest rates occur in bond loans with looser or no restrictive covenants, issued by companies with a high credit rating, while interest rates are correspondingly higher in loan agreements with a strict covenant grid, issued by companies with a lower solvency ratio].

In fact, the new Law 4548/2018 liberalized the interest rates for bond loans, explicitly stipulating that the existing provisions on the maximum legal interest rate do not apply to bond loans [Article 60 § 2 c]. This gives the parties the possibility to negotiate high yields, without them being bound by the maximum level of non-banking interest rates. However,

[17] Because of the fact that perpetual bonds are highly sophisticated investment products, it is accepted in case law that companies providing investment services have a particularly increased obligation to inform each of their client investors, given that the use and circulation of perpetual bonds may mislead even experienced investment experts as to their legal nature and function [AP 244/2016 published in “Elliniki Dikaiosini” 2016, 1065 commented by Vervesos].

[18] For the concept, function and effects of covenants see [Saitakis 2021: 49 et seq.; Heinrich 2009: 121-122; Bochmann 2012: 9 et. seq.; Servatius 2008: 3 et. Seq].

as noted in the Explanatory Report of Law 4548/2018 [on Article 60], interest rate agreements are, in any case, subject to judicial review on the basis of Articles 178, 179 and 281 CC, the application of which is of course reserved for extreme cases.

2.3. Tax and other benefits

One of the main reasons of the popularity of bond loans as a form of corporate financing in Greece during the last two decades is undoubtedly the favorable tax treatment and the stamp duty exemptions reserved for bonds by the legislator [see Article 14 of Law 3156/2003, which continues to apply to bond loans after Law 4548/2018 according to Article 189 of Law 4548/2018]. In particular, Article 14 § 1 of Law 3156/2003 [as amended by Article 41 of Law 4745/2020] provides that the issuance of a bond loan, the provision of any kind of security, all accompanying contracts as well as any related or ancillary contract or act and the registration thereof in public registers (if required), the temporary and definitive bond debentures, their disposal and circulation, the repayment of the principal or interest from bonds and, in general, the exercise of rights deriving from bonds, the transfer of bonds within or outside a regulated market or stock exchange shall be exempt from any direct or indirect tax, including capital gains tax, stamp duty, levy, levy under Law 128/1975, commission, rights or other charges in favour of the State or third parties, without prejudice to the provisions relating to the Central Securities Depository.

In the next paragraph [§ 2] of the same article it is expressly provided that for each registration of creation or transfer or removal or deletion of liens or notes in any public registry or cadastre only a fixed fee of one hundred euros (100 €) shall be paid, excluding any other charge or fee[19]. It has been held that the above provisions of Article 14 of Law 3156/2003 introduce a constitutionally permissible restriction of the economic and professional freedom of mortgage officers, necessary and appropriate for the realization of the purpose of the law, which is the creation of a favourable and effective framework for the financing of solvent Greek enterprises, which will encourage these enterprises to seek

[19] According to the most correct and prevailing opinion, the exemptions of Article 14 of Law No. 3156/2003 are subject not only to the registration of a mortgage, but also to the registration of a prenotation note, securing bond claims [Full Court of AP 6/2020 published in "Qualex" law database; AP 1430/2017 published in "Chronika Idiotikou Dikaiou" (Greek Law Review) 2018, 268 commented by [Saitakis; AP 512/2016 published in "Qualex" law database; AP 436/2015 published in "Qualex" law database].

capital and to create investments within the Greek capital market, thus contributing to the development of the national economy[20].

3. Conceptual features of the bond loan

3.1. Loan

The bond loan is a special case of a money loan within the meaning of Article 806 CC. By virtue of the statutory definition in Article 59 § 1 of Law 4548/2018, "a bond loan is the loan issued by a Société Anonyme (issuer) and shall be divided into bonds, which represent one or more bondholders' claims against the issuer under the terms of the loan". A common bond loan agreement is concluded between the issuer and the lenders - usually more than one -, thus creating a joint multi-personal obligation, and not several separate agreements. Depending on the special rights granted to the bondholders (in addition to the right to repayment of principal and interest), four main types of bond loans are standardized, which can be also combined:

a) Common bond loan [Article 69 of Law 4548/2018]: This type of bond loan provides bondholders only with the right to receive interest (i.e., also repayment of the principal, unless perpetual bonds are issued pursuant to Article 60 § 2 b of Law 4548/2018), either during the term of the loan or at maturity[21]. In view of the explicit statutory reference to "interest", the prevailing opinion is that the issuance of an interest-free common bond loan is not permissible [Vervesos, in: Perakis' Law of SAs, Art. 6 of Law 3156/2003 mn. 1; Koulourianos 2013: 51; Psaroudakis, in: Sotiropoulos' Law of SAs, Art. 69 mn. 3, with critical de lege ferenda arguments]. On the contrary, it is generally accepted that the issuance of an interest-free convertible or exchangeable bond loan, as well as the issuance of an interest-free bond loan with a right to participate in the issuer's profits, is entirely permissible. However, it is also possible to issue a loan with zero coupon bonds but with a provision for a yield to maturity resulting from the difference between the initial offering price of the bonds and their nominal value (i.e., in the case of a bond issue below par or redemption

[20] See. AP 2252/2013 published in "Nomos" law database; Decision of Athens Court of Appeal 516/2013 published in "Nomos" law database.

[21] The yield to maturity resulting from the redemption "above par", i.e., at a price higher than the nominal value of each bond, is also a form of interest. If, for example, the issue price and the nominal value of each bond is €1 and the terms of the programme stipulate that for each bond the bondholder will receive €1.2 at maturity, the difference between the redemption price and the issue price/nominal value (€0.2 for each bond) is effectively interest paid in a single payment at maturity.

above par). From an economic point of view, this yield works just like interest paid at maturity, with the only difference usually being the exercise of a call option by the issuer: On early redemption of the bonds, the issuer has usually the right to deduct the unearned interest, whereas this is not common in the case of a bond issue below par, where the full nominal value of the bonds would normally have to be paid even on early redemption. The above, however, ultimately depend on the specific terms of the bond loan, which may provide, for example, for a penalty or premium, in case of early redemption of the bonds.

b) Exchangeable bond loan [Article 70 of Law 4548/2018]: A bond loan with exchangeable bonds grants bondholders the right to request the redemption of their bonds in whole or in part -according to the specific terms of the loan- by transferring to them other bonds or shares or other securities of the issuer or other issuers (e.g. shares of a parent company or a subsidiary of the issuing company). The terms of the loan may provide that the exchange is mandatory or conditional or that it is effected by way of a statement of the issuer to the bondholders [Article 70 § 1 of Law 4548/2018]. In any case, the issuer or the third owner of the bonds or shares or other securities, who grants the right of exchange, undertakes, at the latest by the time of payment of the loan, to already own the underlying securities (with which the exchangeable bonds may be exchanged), free of all encumbrances (without prejudice to any encumbrance in favor of the debtors) and ensures that they shall be maintained throughout the term of the bond loan, until the fulfilment of all obligations arising from them. Otherwise, the person providing the exchange right is required to have concluded an agreement ensuring the timely delivery of the underlying securities in order to comply with its respective obligation.

c) Convertible bond loan [Article 71 of Law 4548/2018]: The specificity of convertible bonds is that they provide bondholders with the right to convert them into shares of the issuer, thus constituting a hybrid form of security combining elements of debt and equity. The terms of the bond loan may also provide for the mandatory conversion of the bonds into shares, subject to the conditions set out in the programme (these are the so-called "mandatory convertible bonds"). Unlike exchangeable bonds, convertible bonds are always converted into newly issued (and not existing) shares of the issuer, which are created by and through the exercise of the conversion right and are originally acquired by the bondholder.

Thus, the issue of convertible bonds constitutes a conditional[22] increase in share capital. This is why the authority to issue such bonds belongs in principle to the general meeting of the issuer's shareholders and not to the board of directors. The general meeting of shareholders decides with an increased quorum and majority, just as for the increase in share capital [Article 71 § 1 of Law 4548/2018]. The exercise of the conversion right by a bondholder (or the fulfilment of the condition provided for in the terms of the loan in case of mandatory convertible bonds) results in an increase of the share capital by the amount provided for in the terms of the bond loan. No general meeting resolution is required for this increase, since the general meeting of shareholders has already approved the issuance of the convertible bonds. The issuer's board of directors must then verify the increase by the end of the month following the date of exercise of the conversion right and amend the relative provisions on share capital of the Articles of Association, with due regard to applicable publication formalities [Article 71 § 4 of Law 4548/2018][23].

d) Participating bond loan [Article 72 of Law 4548/2018]: Participating bonds grant bondholders the right to receive, beyond interest, a certain percentage of the issuer's profits or other benefits dependent on the issuer's economic results. Contrary to the previous law [Article 3b of Law 2190/1920], the percentage of profits can be paid to the bondholder either before or after receipt of the minimum dividend provided for in Article 161 of Law 4548/2018. It may also be provided in lieu of interest. Since the right of the issuer's shareholders to the distributable profits is affected by the issuance of participating bonds, the authority to issue such a bond loan belongs to the general meeting of shareholders, but -contrary to convertible bond loans- without the requirement of an increased quorum and majority.

3.2. Incorporation of the loan claims in bond debentures

The most distinctive feature of the bond loan contrary to ordinary loans lies in the incorporation of bond loan claims in bond debentures: The establishment of the bond loan

[22] In case of **mandatory convertible bonds**, whose conversion depends on a future **certain** event, conversion is not conditional. The issue of mandatory convertible bonds should now be considered permissible, in view of the provision of subsection b' of Article 71 § 1 of Law 4548/2018.

[23] Since the issue of a convertible bond loan constitutes a conditional increase in share capital, the shareholders of the issuer are granted preemptive rights at this stage in accordance with the general provisions pertaining to share capital increase [Article 26 § 1 of Law 4548/2018]. On the other hand, at the stage of the **conversion** of the bonds into shares, the provisions on shareholders' pre-emptive rights do not apply [subsection b of Article 71 § 4 of Law 4548/2018].

requires, by rule, the issuance of such securities[24], which embody/represent[25] the monetary claims of the bond lender (bondholder) against the issuing company for repayment of the loan along with any interest and/or other anticipated monetary returns, in accordance with the terms of the loan.

In any case, however, the above specificity does not affect the legal nature of the claims incorporated in the bonds as obligations under a loan agreement. In fact, despite the division into individual bonds, the bond loan is treated as a single loan. Thus, each bond corresponds to a part of the outstanding capital represented by the total of the bonds.

3.3. Legal nature and content of the bonds

A bond is a security (specifically a monetary security) issued by a Société Anonyme that incorporates a monetary claim against the issuer deriving from the bond loan. Each bond represents an equal portion of the bond loan and therefore, if the amount of the bond loan is divided by the total number of bonds, the nominal value of each bond arises. Bonds may be registered or bearer bonds[26]. By way of exception, convertible bonds are mandatorily registered. This also applies for exchangeable bonds that can be traded in for bonds or other securities which are registered by law.

It is noted that under the new regime of Law 4548/2018, bonds may be issued and kept in book-entry form ("intangible bonds"), following the dematerialization or immobilization of all or part of the bonds of a bond loan by the issuer or bondholder, in accordance with Regulation (EU) 909/2014 of the European Parliament and of the Council and the specific applicable provisions [Article 59 § 6 of Law 4548/2018][27]. Intangible bonds are electronic securities. Bonds listed on a regulated market are mandatorily intangible [Article 39 of Law

[24] It should be noted that under the new regime of Law 4548/2018, bonds may be issued and held in **book-entry form** [Article 59 § 6 of Law 4548/2018], whereas bond debentures may not be issued at all [see also infra 5.2]. In view of the abolishment of the mandatory incorporation of bond claims in bond certificates [introduced by the provision of Article 59 § 5(d) of Law 4548/2018] and the provision of Article 60 § 4 of said law allowing the bondholder to prove his capacity as such even without submission of the bond certificates, it seems apt to observe that this characteristic of the bond loan, although present in its primal concept, ultimately recedes and falls under the accidentalia negotii of the bond loan agreement.

[25] For reasons mentioned in the above footnote, the term "represent" is preferred over the terms "incorporate" or “embody” in the provisions of Law 4548/2018 (as well as in the repealed provisions of Law 3156/2003).

[26] In case of bearer bonds, the provisions of CC 888 et seqq. (regarding bearer instruments) apply.

[27] In this case, bondholders, with respect to the issuing company and the bondholder agent, shall be the persons registered in the central securities depository or identified as such through the registered intermediaries.

2396/1996 in conjunction with Article 58 § 2 of Law 2533/1997, as in force after its amendment by Article 16 of Law 2954/2001]. On the other hand, for registered bonds not listed on a regulated market, the terms of the bond loan may provide that no bond certificates are issued. In this case, the terms of the bond loan may determine how the bondholder can prove its capacity as such (such as the keeping of a book of bondholders by the issuer or the bondholder agent), so that the rights deriving from the bonds can be exercised [see the provisions of Article 60 § 4 of Law 4548/2018].

The content of the bonds is not predetermined by law, but can vary according to the specific terms of the bond programme. In case bond certificates are issued, it is not necessary that all terms of the bond loan be indicated on the certificates. The minimum necessary content of bonds is specified in subsection (c) of Article 59 § 5 of Law 4548/2018 and includes the company name of the issuer, the amount of the bond, the nominal value of the bond, the interest rate, the maturity of the bond, any collateral, the date of issuance and, in case more tranches are issued as part of the same bond loan, the specific tranche of the bond. The strict principle governing securities' law, according to which any provision non-documented in the certificate produces no legal effect, does not apply herein [for this principle see AP 1138/2019 published in "Epitheorisi Emporikou Dikaiou" (Greek Law Review) 2020, 97 commented by Papastathis; Decision of Patras Court of Appeal 111/2006 published in "Episkopisi Emporikou Dikaiou" (Greek Law Review) 2006, 776, commented by Bechlivanis]. Even when bond certificates are issued, the above elements suffice and not all rights and provisions of the bond loan have to be mentioned in the title. In practice, it is common for bond certificates to include a reference to the bond loan programme. By this reference, all terms of the bond loan programme become part of the bonds.

All bonds of each tranche must have the same nominal value. However, it is a common practice to issue bonds in several tranches. In this case, the nominal value of the bonds of different tranches may also differ (for example, 'Series A' bonds may have a nominal value of EUR 1, whereas 'Series B' bonds may have a nominal value of EUR 2). Bonds of different tranches may also provide bondholders with different rights (e.g., different interest rates), whereas this is not possible for bonds of the same tranche.

Bonds are generally freely transferable, unless otherwise specified in the terms of the loan [Article 61 § 1(a) of Law 4548/2018][28]. For example, the transfer may be subject to a

[28] Pursuant to the provision of Article 43 § 5 of Law 4548/2018, the body deciding on the issue of a bond loan through registered, convertible or exchangeable bonds may also decide to impose limitations with regard to the transfer of shares on the bonds issued. In this case, any transfers of

person's consent. Registered bonds are transferred in the same way as registered shares, with the analogous application of Articles 41 and 42 of Law 4548/2018, while bearer bonds are transferred by delivery, in accordance with the provisions governing the transfer of movable property [CC 1034 et seqq.]. Similarly to what is generally accepted for the transfer of registered shares [Rokas 2019: 405][29], registration of transfer of registered bonds in any existing register or book of bondholders (which is not necessary to exist) is not a prerequisite for the validity of the transfer between the parties. This registration, however, serves an important function for the new bondholder, as it proves its capacity as bondholder against the issuer, so that it can collect interest and capital and exercise, in general, the rights deriving from the bonds.

4. Bond issuance procedure

4.1. Issuing authority

Based on the current legal framework [Articles 59 et seqq. of Law 4548/2018, but also according to the previous provisions of Laws 2190/1920 and 3156/2003], the procedure for concluding a bond loan is initiated by the borrowing company, which issues a programme containing the terms of the bond loan. However, the issuance of the programme is not enough for the conclusion of a bond loan agreement. The acceptance of the terms of the programme by the prospective bondholder through subscription to the bond loan is also required (see infra 4.3).

The statutory authority to issue a common bond loan programme is conferred on the board of directors, given that the issuance of such a loan is no different (in terms of consequences for shareholders) from taking out a common loan, which in principle falls within the general management competence of the board of directors, pursuant to Article 86 § 1 of Law

bonds in breach of these restrictions shall be null and void. This possibility is particularly useful for convertible bonds and bonds exchangeable for shares, as it can be utilized by the issuer as a means of controlling its shareholder composition and preventing the entry of personae non-gratae into the company.

[29] Since the new provisions of Article 41 § 2(a) of Law 4548/2018 bear a strong resemblance to the previous provisions of Law 2190/1920, the relevant case law findings remain in force [see, indicatively, AP 153/2013 published in "Chronika Idiotikou Dikaiou" 2014, 376; AP 1261/2003 published in "Epitheorisi Emporikou Dikaiou" 2004, 68; AP 631/1995 published in "Episkopisi Emporikou Dikaiou" 1995, 792, commented by Pamboukis; Decision of Patras Court of Appeal 107/2019 published in "Elliniki Dikaiosyni" 2020, 145; Decision of Thessaloniki Court of Appeal 40/2017 published in "Episkopisi Emporikou Dikaiou" 2018, 67 commented by Bechlivanis; Decision of Athens Court of Appeal 6621/2014 published in "Nomos" law database].

4548/2018. The Articles of Association may, however, place restrictions on the power of the board of directors to issue common bond loans or even transfer this power to the general meeting of shareholders. The latter has the exclusive power to issue convertible bonds [Article 71 of Law 4548/2018] and participating bonds [Article 72 of Law 4548/2018].

4.2. The bond loan programme

According to Article 60 § 1 of Law 4548/201, the terms of the bond loan and especially those relating to the maximum loan amount, the form, the nominal value or the number of bonds, the method for covering the bond loan, the interest rate, the method by which it is set, the benefits and the collateral provided to bondholders, the appointment of a payments proxy, if any, the calling of a bondholders' meeting, the applicable law, the competent courts, any arbitration agreement, the maturity date, the termination procedure and the subscription period shall be freely determined by the issuer. However, as will be pointed out below (infra 4.3), the rule that the issuer freely determines the terms of the programme is contradicted in practice. The empirical findings from financing practice show that the terms of the programme are usually agreed in advance between the issuer and the prospective bondholder. The law's reference to a "free" determination of the terms by the issuer is obviously not intended to overturn the balance of power between the negotiating parties, but merely indicates the lack of specific statutory restrictions to the formulation of the content of the programme, referring to the general contractual freedom [CC 361].

A written form is required for the issuance of the bond loan programme: According to Article 60 § 3 of Law 4548/2018, the issuer "shall issue a programme of the bond loan, which shall contain the terms of the loan". Furthermore, the establishment of the bond loan requires, in principle, the issue of bonds which are documents of the debtor company incorporating the monetary claim of the bondholder against the debtor company for the repayment of the loan, the agreed interest and any other agreed rights [see, however, supra 3.3, regarding the possibility of issuing bonds in book-entry form.

4.3. Execution of the bond loan agreement

The bond loan programme binds every person subscribing to bonds (bondholder) and their successors or assignees, as well as any third-party deriving rights from the above persons [Article 60 § 3 of Law 4548/2018]. Therefore, execution of the bond loan agreement

requires subscription to the bond loan. Subscription is followed by the drawdown of the relevant amount of funds from the subscribing financier to the issuer. The issuance and service of the bond loan programme to the financier constitutes a proposal to enter into a bond loan agreement and not just a mere invitation to submit a proposal. The acceptance of this proposal, through the financier's subscription to the bond loan, leads to the conclusion of the bond loan agreement[30].

It thus appears to be a pre-formulated agreement, since the terms accepted by the financier seem to have been unilaterally formulated by the issuer in the bond loan programme[31]. However, in the case of private placement bond loans, financing practice proves the opposite: The terms of the programme are usually formulated from the outset upon negotiation with the financier who wishes to subscribe to the bond loan, in order for terms safeguarding his interests to be included in the programme See. William [Bratton 2006: 63; Simpson 1973: 1162]. In such cases, the subscription agreement may simply contain the financier's declaration of underwriting of all or part of the bonds, in accordance with the terms of the programme, without including any specific arrangements (since the latter shall already be a part of the programme)[32]. In rare cases, the programme simply contains the usual representations and warranties on the part of the issuer, while the issuer (and, sometimes, its main shareholders also) assumes specific undertakings towards the lender through the subscription agreement. Since in both cases the result is no different, the term "bond loan agreement" is used in this study to describe the two main legal documents of the financial transaction in question, namely the bond loan programme and the related subscription agreement, which govern and regulate the relationship between the issuer and the financier.

It is common in bond loan transactions to subscribe to bonds issued in tranches. Apart from the first tranche, for which the financier shall draw down the relevant amount upon meeting of the general conditions precedent usually agreed in financing practice [for these conditions

[30] The contract by which the financier assumes the obligation to acquire all or part of the issued bonds is called a **subscription agreement.**

[31] Jurisprudence sometimes refers to the bond loan agreements as pre-formulated contracts [see i.e. Decision of Athens Court of Appeal 3607/2019 and Decision of Athens Court of First Instance 2153/2017 both published in “Nomos” law database].

[32] However, the subscription agreement may repeat the covenants and other arrangements contained in the programme, in case shareholders of the issuing company are also contracting parties to it. It may also contain additional special agreements not included in the programme, in particular when it pertains to a convertible bond loan and serves the purpose of regulating the relationship between the financier and the issuing company and/or its shareholders for the period **after** repayment of the bond loan during which the financier will be an equity holder of the issuing company. In such cases the subscription agreement shall also play the role of a **shareholders agreement**.

precedent in Greek contract law see [Kornilakis 2009: 45-46], it is usually provided that subsequent tranches will be disbursed either at the discretion of the financier or only under the condition that the issuing company has in the meantime achieved certain goals set out in the contract[33].

5. Subjects participating in a bond loan

5.1. Issuing company (Borrower)

According to the statutory definition of a bond loan in Article 59 § 1 of Law 4548/2018, such a loan may only be issued by a Société Anonyme, irrespective of its purpose and object of activity. No other condition is set by the law, i.e., a minimum amount of share capital or profitable results. On the contrary, other types of companies cannot be financed through the issuance of a bond loan, having the characteristics provided for by Law 4548/2018 and the tax and other privileges accompanying it [see Article 14 of Law 3156/2003][34]. Of course, in view of the freedom of contracts, the issuance by another company type of a loan which, at the option of the parties, bears the main characteristics of a bond loan (incorporation of the loan claims into debt securities[35], multiplicity of lenders and their collective representation, etc.) is not excluded see [Psaroudakis in: Sotiropoulos' Law of SAs, Art. 59 mn. 20 et seqq.], who refers in this regard to a "quasi-bond loan", which can be contractually

[33] See e.g. AP 442/2018 published in "Qualex" law database: In this case the subscription agreement provided for the issuance of the bond loan in three tranches, of which only the first tranche would be issued and delivered to the original bondholder on the specified starting date of the loan (as was the case). With respect to the issuance of the next two tranches, it was agreed that bondholders would not be required to subscribe to the bonds of each tranche if the following conditions had not previously been met: For Series B, if the Series A bonds had been previously issued and the loan was being regularly serviced; also if the bondholder agent had previously been provided with a certification from the issuer's engineer regarding the completion of approximately 50% of the construction work on the buildings indicated as the purpose of the loan (financing part of the construction costs of building facilities - shops). For tranche C, if the Series B bonds had been previously issued and the loan was regularly serviced, also if the bondholder agent had previously been provided with a certification from the issuer's engineer regarding the full completion of the construction of the buildings listed as the purpose of the loan.

[34] In my view, this provision does not unduly restrict contractual freedom. First of all, other company types are not deprived of the possibility of concluding other forms of financing agreements with a wide freedom of contractual formulation, so as to meet their specific needs. Moreover, all types of commercial companies have the option of transforming into a Société Anonyme [see Articles 104 et seqq. of the new Law 4601/2019 on corporate transformations].

[35] Given that only the debt instrument issued by a Société Anonyme, in the context of a bond loan, is called a "bond" by law [see Articles 33 § 1 in conjunction with 59 § 1 of Law 4548/2018], any debt instruments issued by another type of company (e.g. a limited liability company), incorporating claims for principal and interest on a loan taken out by the company, cannot be considered as "bonds".

subjected by the parties to the provisions of Articles 59 et seqq. of Law 4548/2018, with the variations mentioned therein with regard to individual provisions].

5.2. Bondholder

A bondholder is the person who subscribes to bonds and thus becomes the beneficiary of such bonds and bearer of the bond certificates incorporating them. However, according to the new provisions of Article 60 § 4 of Law 4548/2018, proof of bondholder capacity for the collection of interest and principal and generally for the exercise of rights deriving from the bonds can be otherwise set out in the programme. It may thus be provided, for example, that the exercise of the bondholder's rights vis-à-vis the issuer shall not require the possession and presentation of the bond title, but rather the registration of the bondholder in a bondholders' register.

The above constitutes an important innovation of the new Law 4548/2018, which is part of the general trend of contemporary securities' law, ensuring greater flexibility to the parties compared to the previous regime. If, however, the programme does not contain specific provisions to this effect, in the case of materialized bonds, the submission of the certificates and indication of the exercise of the right thereon shall be required[36].

a) Sole bondholder and single bond issue: In Opinion No. 514/2006, the State Legal Council expressed the view that a bond loan subscribed by a single bondholder and/or incorporated in a single bond contradicted the legal nature of the bond loan, as the latter was determined by the provisions of the previous Law 3156/2003 and therefore the tax-exemption provisions of Article 14 of said law could not be applied in such cases. On the contrary, according to the case-law of the Supreme Court, the fact that a single lender had subscribed to all the bonds did not result in an exclusion of application of the above provisions [see AP 404/2016 published in "Qualex" law database; AP 1206/2015 published in "Qualex" law database]. However, in view of the above opinion of the State Legal Council, the practice of issuing several bonds and having at least one bond or even a small number of bonds subscribed to by a second bondholder (usually a person or entity related to the main

[36] In the case of bonds in book-entry form, proof of the capacity of bondholder shall be based on information from the central securities depository, if it provides registry services or through the participating persons and the registered intermediaries in the central securities depository in any other case [Article 60 § 4 of Law 4548/2018].

bondholder) had developed in financing transactions before Law 4548/2018 entered into force[37].

In terms of resolving the above, previously contestable, matters, the new Law 4548/2018 explicitly states [Article 59 § 1 subsection (b) of Law 4548/2018] that a bond loan subscribed by a single bondholder and/or incorporated in a single bond shall qualify as a bond loan and therefore the favourable tax-exemption provisions (e.g. exemption from stamp duty, registration fees etc.) under Article 14 of Law 3156/2003 (which remain in force) are applicable. In the practice of private placement bond loans, such cases are not rare at all [Metallinos 2008: 117]. However, the case of a single bond issue, although legally permissible, deprives the parties of the easy circulation of the securities issued, the spreading the credit risk (even ex post, through a partial transfer of the loan), ultimately nullifying many of the advantages of this type of lending against the standard loan.

b) The equal-treatment principle: The principle of equal treatment applies between bondholders, governing both the bondholders' relationship with the issuer and the relationship between them (in particular in the context of the bondholders' meeting[38]). First of all, this principle implies that all bonds of each tranche must have the same nominal value and provide equal rights to their holders. As already mentioned (see supra 3.3), an exclusion to this rule is only possible in the case of bond issues in tranches, in which both the nominal value and the rights granted to bondholders (e.g. interest rate) may differ between bonds of different tranches.

[37] In its newer Opinion No. 43/2018, the State Legal Council finally adopted the view that the number of bondholders is not a substantial element of the legal nature of a bond loan. As rightly pointed out in the above opinion, the use of the plural in the definition of the bond loan contained in the provision of the (now repealed) Article 1 § 1 of Law 3156/2003 did not imply the opposite. By using the plural, the legislature described what was usually the case, without laying down a binding rule on the question of the number of bondholders and the relationship between them and the issuing company, bearing in mind that the singular is also used in other provisions of the same law (such as Article 1 § 4). As to the issue of whether it was possible to issue a single bond for the entire bond loan, the above State Legal Council's Opinion No. 43/2018 adopted the contrary version. It accepted (by a majority) that the issuance of a single bond loan was not consistent with the statutory concept of a bond loan and, therefore, in this case the favourable provisions of Article 14 of Law 3156/2003 should not be applied. In view of the above, it was widely accepted that the division of the bond loan into several bonds was a sine-qua-non element of its legal nature, as determined by the provisions of the previous Law 3156/2003 and therefore the issue of a single bond loan was not considered permissible.

[38] The principle of equal treatment between bondholders in the context of the bondholders' meeting is explicitly established in the provision of Article 63 § 2(a) of Law 4548/2018. According to this provision, the bondholders shall make decisions in meetings, as provided for in the terms of the bond loan programme, but **may not treat bondholders unequally** unless the bondholder being subject to unequal treatment against consents.

The above principle applies not only at the stage of formulating the terms of the bond loan but also during its lifetime, requiring the issuer to treat bondholders equally and to avoid actions that favour some of them to the detriment of others. In the absence of an explicit provision[39], the sedes materiae of this principle is the general clause of good faith [CC 200, 281 and 288], as illuminated by reference to the constitutional principle of equality (equal treatment in similar conditions and circumstances), envisaged in Article 4 of the Greek Constitution[40]. In this respect, good faith requires that arbitrary and unjustifiable discrimination against a bondholder be avoided, allowing such discrimination only if it is reasonable in the circumstances or with the consent of the bondholder being discriminated against [See. Koulourianos 2013: 25-26, who mentions as an example of the application of the principle of equal treatment of bondholders the exercise of the right (if any) to redeem part of the loan by the issuer ("call option"), a case in which the pro rata redemption of bonds by all bondholders would be imposed under the above principle and not the option of redeeming some of them in full and not redeeming others].

c) Bondholders' meeting: Former Law 3156/2003 introduced the legal concept of the bondholders' group for the first time in Greek law. The need for collective action of the bondholders arises due to the special legal nature of the bond loan, which is linked to the incorporation of the claims arising from it into the bonds and (at least in the most typical case) the subscription to it by more than one bondholder[41]. Thus, whereas in the common loan contract a bilateral legal relationship is created between a lender and a debtor, in the bond loan (at least in its traditional conception), there are more than one lenders, so the need

[39] The above-mentioned provision of Article 63 § 2(a) of Law 4548/2018 is rather limited to the (horizontal) relations between the bondholders in the context of the internal functioning of the bondholders' meetings. In the case of bonds listed on a regulated market, however, the principle of equal treatment of bondholders is expressly established in Article 17 § 1 of Law 3556/2007.

[40] The fundamental principles, which are reflected in the constitutional provisions on individual and social rights constitute a system with a "radiating effect" ("Ausstrahlungswirkung"), directly affecting the field of private law (quotation by the Federal Constitutional Court of Karlsruhe, BVerfGE 7, 198). One of the most typical manifestations of the normative effect of the constitutional principles in this field is the provision of evaluative criteria, which the interpreter of the law must take into account when specifying general clauses and vague legal concepts, such as the general clause of good faith contained in CC 200, 281 and 288 [see in this regard Canaris, "Grundrechte und Privatrecht" (in German), Archiv für die civilistische Praxis 1984, 201, especially 210 et seqq.; Larenz, Methodenlehre der Rechtswissenschaft (in German), 6th ed. 1991, pp. 89 et seqq.].

[41] However, in the case of a single-bond issue, no such need arises. On the contrary, in the case of a single bondholder taking up all the (multiple) bonds, organization in a group is not pointless, since it is possible that several bondholders may subsequently emerge (through a partial transfer of the loan). In this case, the sole bondholder may even be appointed as the bondholder agent, even if it does not meet the requirements of the first subsection of Article 64 § 2 of Law 4548/2018.

arises to regulate the relations between them and the way in which they collectively exercise their rights [Guhl 2000: 860].

The organization of bondholders into a group is in principle optional. Bondholders are required to meet only in one of the following cases [Article 63 § 1 of Law 4548/2018][42]: a) in the event of any type of loan being admitted to a regulated market or Multilateral Trading Facility (MTF), unless it has a maturity of less than one year; b) in case of issuance of a bond loan referred to in Articles 10 and 11 of Law 3156/2003 (securitization of business claims or real estate claims) and c) in any case of issuance of a bond loan secured in rem.

The bondholders' meeting has no legal status. It is an ex lege special-purpose group (in German: “Zweckgemeinschaft”). It shall make decisions in meetings, in accordance with the specific provisions of the bond loan programme, but may not treat the bondholders unequally (e.g., by making a decision on the forgiveness of interest in respect of certain bonds only), unless the bondholder being subjected to unequal treatment consents. The bondholders' meeting cannot be regarded as a corporate body of the issuing company, since the bondholders have no equity rights vis-à-vis the issuer.

Each bond shall grant one vote to its holder at the bondholders' meeting [see Article 63 § 3 of Law 4548/2018, in line with Article 38 § 1 of the same law, regarding shares][43]. A bondholders’ meeting may be called any time by the bondholder agent (at his discretion or at the request of bondholders representing a minimum percentage of the total outstanding balance of the bond loan) or the issuer’s board of directors, liquidator or bankruptcy trustee. The terms of the bond loan shall provide for a minimum percentage of the total outstanding balance of the bond loan that one or more bondholders must have so that they can request the bondholder agent to call a bondholders' meeting[44]. In any case, the notice shall be published or sent by the means provided for in the terms of the loan to all bondholders by the person calling the meeting and shall indicate the items on the agenda.

Unless otherwise provided for in Law 4548/2018 or in the terms of the loan, the provisions on general meetings of shareholders shall apply mutatis mutandis (after appropriate

[42] Dematerialization of bonds does not fall within these cases, since Law 4548/2018 abolished the relevant provision of Article 3 of former Law 3156/2003.
[43] When bond certificates incorporating more than one bonds are issued, their holder shall have as many votes as the number of bonds incorporated in the certificates it holds.
[44] Since there are no explicit provisions on how the bondholders can force the bondholder agent to call the meeting, one solution is the analogous application of the provisions of Article 141 § 1(c)-(e), providing for a court order under the interim measures’ procedure.

adaptation)[45] to the calling, operation and decision-making of the bondholders' meeting, as well as for any defectiveness thereof[46]. Finally, it is expressly stated that, unless otherwise agreed, in case of usufruct or pledge on bonds, the right to vote at the bondholders' meeting shall be exercised by the usufructuary or pledgee [Article 63 § 3 of Law 4548/2018].

5.3. Bondholder agent

If a bondholders' meeting is called, the issuer must appoint a bondholder agent by means of a written contract [Article 64 § 1 of Law 4548/2018][47]. The bondholder agent is an ex lege representative of the bondholders' group[48] with wide-ranging powers: On behalf of the bondholders, it shall enter into agreements with the providers of collateral (issuing company or third parties) to secure the claims arising from the bond loan, implement the decisions of the bondholders' meeting, and generally act to defend the interests of the bondholders, representing them before the issuing company and third parties in and out of court, in accordance with the provisions of the terms of the bond loan programme and the decisions of the bondholders' meeting. In so far as the representative power of the bondholder agent applies, bondholders are deprived of the power to pursue their rights in and out of court in their own name.

In particular, according to Article 65 § 3 of Law 4548/2018, where the relevant provisions require the registration of the bondholder's name, the name of the bondholder agent shall be registered together with a precise reference to the bond loan, without prejudice to the provisions on the registration of beneficiaries of intangible bonds or bonds subject to

[45] On the question whether and to what extent may the bond loan programme provide for deviations from the mandatory provisions contained in the seventh section [Articles 116 et seqq.] of Law 4548/2018 on general meetings of shareholders, see, in detail, [Psaroudakis in: Sotiropoulos' Law of SAs, Art. 63 mn. 21 et seqq].

[46] However, a six-month deadline is provided for raising an assertion of invalidity of a decision of the bondholders' meeting, which is shorter than the corresponding deadline for the decisions of the general meeting of shareholders (one year, according to Article 138 § 4 of Law 4548/2018).

[47] While the initial appointment of the agent is made by the issuer, its replacement is subject to a decision of the bondholders' meeting (see the more specific provisions of Article 67 of Law 4548/2018 on the replacement of the bondholder agent).

[48] The peculiarity hereon is that the power of the bondholder agent is by law **exclusive**, in the sense that it deprives the bondholders of the possibility of parallel action as regards the matters falling within his duties. In this respect, the bondholder agent's role is different from that of a civil law's representative, who's appointment does not deprive the represented person of the possibility of taking actions for which he has granted power of attorney to his representative. When executing his duties, the bondholder agent is subject to the decisions of the bondholders' meeting and may therefore act contrary to the individual will of a particular bondholder (who voted in the minority), which is not the case with proxy voting.

immobilization. The bondholder agent shall exercise in its name, with reference to its capacity and the fact that it is acting on behalf of the bondholders' group, without requiring special authorization by the bondholders' meeting (unless such special authorization is required under the terms of the bond loan or the agreement appointing the agent), all types of judicial remedies or aids, ordinary and extraordinary, which aim at providing final or provisional judicial protection, all types of procedural acts during the procedure of enforcement, including seizure, announcement and verification of the bondholders' claims in auctions, bankruptcies, special or judicial liquidations and proceedings pertaining to the enforcement or bankruptcy or any other procedure of compulsory or collective enforcement.

The introduction of the bondholder agent in the Greek legal system[49] was imposed by practical needs, ensuring the necessary flexibility in the relationship between the issuer and the bondholders. Through the bondholder agent, the decisions of the bondholders' meeting are implemented, which bind all bondholders and thus the consent of each bondholder individually is not required for legal actions to be taken during the lifetime of the bond loan (such as the exercise of the right to terminate the loan, the provision of waivers, the amendment of the loan terms, etc.). At the same time, in the case of in rem secured bond loans, the representation of the bondholders' group by the agent simplifies the procedures for perfecting the collateral and the relevant publicity formalities, ensuring, at the same time, that the ultimate beneficiary of any collateral can easily change in the event of a transfer of the bonds. The collective representation of the bondholders' group by the bondholder agent also works to the benefit of the issuer, since it reduces the burden and monitoring cost for the issuer. Any matter arising during the lifetime of the bond loan can be dealt with the bondholder agent instead of having to acquire each bondholder's separate consent. However, the bondholder agent, although appointed by the issuer, acts "in the interests of the bondholders" [Article 65 § 1 of Law 4548/2018], who have the power to replace it. In this context, it is understood that the agent's actions should be aimed at defending the interests of the bondholders as a group and certainly not the interests of one or more specific bondholders.

According to Article 64 § 2 of Law 4548/2018, only a credit institution or affiliated company within the meaning of Article 32 of Law 4308/2014 [Greek Accounting Standards] of a credit institution or a "servicer" within the meaning of Article 1 § 1(a) of Law 4354/2015 or an

[49] The institution of the bondholder agent was introduced for the first time in the Greek legal system by Law 3156/2003.

investment firm or a central securities depository or an alternative investment fund (AIFM) within the meaning of Article 4 § 1(b)(aa) of Law 4209/2013 or a venture capital fund manager within the meaning of Article 3(c) of Regulation (EU) 345/2013 of the European Parliament and of the Council or a multilateral development bank as referred to in Article 117 of Regulation (EU) 575/2013 of the European Parliament and of the Council may be appointed as bondholder agent. However, if there is only one bondholder, it may be appointed as bondholder agent, even if it does not fulfil the above conditions. On the other hand, the following may not be designated as bondholder agents: (a) the issuer or an affiliated company, within the meaning of Article 32 of Law 4308/2014; (b) a company that has provided any kind of collateral or security to secure obligations arising from the bond loan and (c) a company that has issued shares, bonds or other securities that are exchangeable under the bond loan[50] [Article 64 § 3 of Law 4548/2018].

Actions of the bondholder agent, even in abuse of its powers, shall be binding for the bondholders and their assigns and successors vis-à-vis the issuer and third parties, unless the issuer or the third party were aware of the abuse [Article 65 § 6 of Law 4548/2018]. This provision establishes the protection of bona-fide third parties who have dealt with the agent, unaware (even in case of gross negligence[51]) that he has exceeded his authority. In this case, of course, the contractual liability of the agent towards the bondholders for any damage suffered by the latter is not excluded.

The bondholder agent shall be liable to the bondholders for any fault. However, the terms of the bond loan may provide that the agent is not liable for slight negligence [Article 66 § 1 of Law 4548/2018][52]. This last provision, following the trend in international markets, where bondholder agents are not usually liable for all negligence[53], introduces a deviation from the rule of Article 332 § 2 CC, which prohibits the limitation of liability for slight negligence if the relevant term was not a result of individual negotiation. However, since the agent's

[50] However, this prohibition shall not apply if the aggregate value of the shares, bonds and other securities issued by the company to be appointed as a bondholder agent does not exceed five per cent (5%) of the total value of the shares, bonds and other securities offered in the exchange.
[51] It will clearly be easier for the issuer to prove positive knowledge, as it will de facto follow the development of the loan more closely.
[52] The same paragraph further provides that a bondholder agent who was invalidly appointed and accepted his appointment while he was aware of the invalidity, as well as one who failed to seek replacement, shall be liable, in accordance with the provisions on negotiorum gestio, without further tortious liability being excluded.
[53] See. Explanatory Report of Law 4548/2018 (on Article 65). In contrast, Article 4 § 9 of former Law 3156/2003 did not allow limiting the liability of the agent even for slight negligence. This provision acted as a disincentive to assume the role of bondholder agent, given the disproportion between the risk assumed by it and its remuneration [Metallinos 2019: 208].

liability against the bondholders is of contractual and not tortious nature and, thus, its fault is presumed, it will bear the burden of proving its lack of fault[54].

Finally, the bondholder agent's powers and duties cease at the bond loan's maturity date. Thus, from this point in time, each bondholder exercises its rights individually, unless otherwise provided for in the terms of the bond loan [Article 60 § 6 of Law 4548/2018]. The same does not apply however in the event of termination of the bond loan due to the issuer's bankruptcy, since in this case Article 65 § 3 confers on the bondholder agent legal capacity to act as the bondholders' representative in bankruptcy proceedings.

6. Termination, amendment and collateralization

6.1. Termination

The bond loan is a fixed-term contract[55]. Thus, the bondholder's claims against the issuer for repayment of the loan becomes due on the agreed maturity date, which constitutes a "fixed date" within the meaning of CC 341. On that date, the issuer is required to repay in full to the bondholder the outstanding principal of the matured bonds, the accrued interest and any other amounts payable under the terms of the programme (e.g., the yield to maturity resulting from the redemption "above par"). However, it is possible for each tranche of bonds to have a different maturity date, in which case the maturity of the bond loan will not occur uniformly but gradually.

a) Cases: Apart from the expiry of the agreed maturity period, the bond loan may also be terminated by exercising the termination right, according to the terms of the bond loan programme or - in the absence of such provisions – in case of serious cause. In this context, it is usually expressly provided in the bond loan programme that a breach of any term of the programme or the subscription agreement (all of which are contractually defined as "material") entitles the bondholder (or the bondholder agent, following a decision of the bondholders' meeting) to terminate the bond loan immediately. The terms of the loan may of course provide the issuer with a specific cure period as a last-minute means of complying with the breached covenant in order to prevent surprise terminations. However, even where the bond loan agreement does not expressly provide for the breach of the bond loan

[54] This (dis)proof is facilitated by the application in this case of the "**business judgment rule**" expressed in Art. 102 § 4 of Law 4548/2018.
[55] With the exception of **perpetual** bonds.

agreement's terms as an event giving rise to default, this breach could also be regarded as serious cause for termination [Psychomanis 2009: 380-381][56].

Finally, termination of the bond loan also results from the exercise of an early-redemption right (if any) by the bondholder or the issuer (for which see immediately below), a subsequent agreement of consensual termination of the bond loan or the conversion or exchange of the bonds, in the case of convertible or exchangeable bonds, respectively. It should be of course noted that the above classification is based on empirical findings and does not prevent the parties from making more specific arrangements pertaining to the maturity of the bond loan, within the framework of freedom of contract [CC 361].

b) Call option and put option: An early-redemption right may be reserved under the terms of the bond loan to the bondholder, the issuer or both parties. Under the most common formulation, the bondholder's right to request early redemption of its bonds (which in financing transactions has come to be called a "put option"[57]) is triggered under certain conditions, for example, in the event of a public takeover bid or if certain events occur that constitute negative covenants undertaken by the issuing company and included in the bond loan agreement, such as a change of control or the issuer's participation in a corporate transformation (e.g. a merger or a spin-off). In such cases, the bondholder may therefore be given the right to resell the bonds prematurely to the issuer and receive their nominal value (or a higher percentage thereof, e.g. 101% of the nominal value), plus the interest accrued up to that time [Bratton 2006: 484; Hornuf, Reps, Schäferling 2015: 358; Kahan, Klausner 1993: 931].

Quite common in private placement bond loan agreements is the granting of an early-redemption right to the issuer, which in international financing practice has come to be called a "call option" [58]. Granting of such a right serves the reasonable interests of the issuer wishing to reserve the option of early release from a credit agreement which may, in the

[56] Despite the absence of a general provision allowing the termination of permanent contracts for serious cause and the absence of specific provisions for the extraordinary termination of fixed-term credits, such as bond loans, a termination right **for serious cause** is generally accepted in every permanent contractual relationship, provided that this is dictated in the specific case by the general clause of good faith [CC 288], by analogous application of the expressly provided cases of extraordinary termination of an employment contract [CC 672] and a civil partnership [CC 766]; see [Georgakopoulos 1979: 166; Karampatzos 2006: 47, 122, 654]; AP 1317/2018 published in "Qualex" law database; specifically for the termination of bond loans for serious cause see [Saitakis 2021: 101-104].

[57] A put option (or "put") is a contractual term giving the option buyer the right, but not the obligation, to sell -or sell short- a specified amount of an underlying security at a predetermined price.

[58] In the case of **perpetual bonds,** the issuer is always granted the right to unilaterally recall the bonds.

light of subsequent events (such as, in particular, a significant fall in borrowing rates), no longer appear to be viable. Moreover, an improvement of the issuer's financial state and creditworthiness during the lifetime of the bond loan may pave the way for the issuer to find cheaper borrowing, without collateral or with looser covenants and less onerous terms in general [Klein, Anderson, McGuiness 1993: 682-683]. Nevertheless, since such a right may affect the interests of the bondholders, strict restrictions and conditions are usually set for its exercise, sometimes followed by a "penalty" for early redemption ("call premium"), which acts as a deterrent for the exercise of the call option by the issuer [Klein, Anderson, McGuiness 1993: 660, 687; Kraus 1983: 46; Katzin 1969: 359-360].

If the terms of the bond loan agreement do not expressly grant the issuer a call option, the recognition of a relevant ex lege right based on the provisions of Article 324 CC is questioned, with the prevailing view responding negatively [Koulourianos 2013: 219-220; cf. more generally Vouzikas, in: “ErmAK” CC Commentary, Article 807 mn. 48, according to whom in the case of fixed-term interest-bearing loans we should accept as implicitly agreed by the parties the condition that the debtor is not entitled to make an early repayment of the loan]. This view should be accepted irrefutably in the case of bond loans with convertible, exchangeable or participating bonds, since an early redemption of the bonds by the issuer deprives the bondholder of the possibility of exercising the special rights attached to these bonds (conversion or exchange or taking part of the issuer's profits in subsequent years). What is debatable, on the contrary, is the recognition, pursuant to CC 324(b), of an issuer's call option in common bond loans, provided that the total accrued and non-accrued interest until the contractual maturity is paid to the bondholder on the early-redemption date along with the nominal value of the bonds.

6.2. Amendment

During the -usually long- term of a bond loan, circumstances may arise that make it imperative to modify the terms of the loan. In addition to the interest rate, the maturity date etc., the amendment may also concern some of the covenants contained in the bond loan agreement, which may now be considered too restrictive in view of the current market circumstances [Kahan, Tuckman 1993: 501-502].

In case bondholders are not organized as a group, the amendment of the bond loan agreement requires the cooperation of the issuer with all existing bondholders. When a bondholders’ group is formed, the mandatory provision of Article 60 § 7 of Law 4548/2018

provides that the loan may not be amended subject to conditions that are less favourable to the bondholders than the original ones, unless the bondholders' meeting has given its approval by the majority provided for in the loan terms and which may not be less than two-thirds (2/3) of the total nominal value of the bonds[59], whose holders are entitled to vote. This approval shall be published in the General Commercial Registry ("GEMI"). In this case, the publication of the relevant decision of the bondholders' meeting is sufficient for the conclusion of the amendment, without necessarily requiring a formal declaration of acceptance of the amendment proposed by the issuer[60].

In any case, the issuer is prohibited from unilaterally amending the terms of the bond loan programme, whether it restricts the rights of the bondholders or not. This results from the contractual nature of the bond loan [CC 361], which may be unilaterally issued by the issuer, but should be accepted by the financier subscribing to the bonds, thus concluding the relevant bond loan agreement. Moreover, any provision of the programme that would reserve to the issuer the right to unilaterally amend the bond loan agreement with terms less favourable to the bondholders would also be null and void, since it would fall foul of the mandatory provision of Article 60 § 7 of Law 4548/2018.

6.3. Collateralization

As medium- to long-term financing instruments with a high capital commitment, bond loans are subject to an increased credit risk, highlighting the need for collateralization. According to the provision of Article 73 § 1 of Law 4548/2018, bond claims may be secured, in terms of capital, interest and expenses[61], by any kind of security in rem[62] or guarantee. The same provision resolved the disagreement that had arisen under the regime of former Law 3156/2003 regarding the possibility of providing security before the issuance of the bond loan. It is now expressly provided that security may be obtained before, during or after the

[59] This does not rule out the possibility that the bond loan agreement may provide for an even higher majority (e.g. 3/4) or even unanimity in decision-making.
[60] Thus, as regards the amendment of the bond loan contract, a special contractual form arises, in which the declaration of one party (the bondholders) is a multiparty legal transaction. This provision introduces a specific legislative derogation from the principle established by CC 361, that any contractual amendment requires the agreement of all parties to the contract.
[61] It is noted [Lekkas 2005: 48] that the bond loan expenses are usually higher than for ordinary loans, as they include the bondholder agent's fees, publication and disclosure costs, expenses of the bondholders' meetings, etc.
[62] In addition to the collateral provided for in the Greek Civil Code, the bond loan may also be secured with the collateral provided for in Law 2844/2000 (registered pledge and floating charge), in Legislative Decree of 17.7/13.8.1923, in Law 4112/1929, etc.

issuance of the bond loan. In addition, the bondholder agent is granted the right to execute collateral agreement not only on behalf of the bondholders but also for other persons who have claims against the issuer associated with the bond loan [Article 73 § 2 of Law 4548/2018][63].

In case of in rem secured bond loans bondholders shall be secured as a group, which makes decisions at meetings held for this purpose and is represented by the bondholder agent[64]. The latter, acting as an ex lege representative of the bondholders [see Lekkas 2005: 49, 74, who proposes the additional application in this regard of the provisions of the Greek Civil Code on mandate [CC 713 et seqq.] and on power of attorney [CC 211 et seqq.], in order to fill any legal gaps], shall enter into agreements on behalf of the bondholders in which collateral securities are established, shall exercise all claims of the bondholders' group arising from any collateral security and shall represent the bondholders' group in and out of court to defend their interests. Where registration of any document or the collateral contract with any authority or registry or cadastral office is required for establishing a security in rem, such registration shall be made in the name of the bondholder agent, expressly stating that the security is granted to secure claims from a bond loan [Article 73 § 3 of Law 4548/2018].

In the event that the bondholder agent accelerates enforcement on the object of the collateral security, if the bidding price is not sufficient for the full satisfaction of the bondholders, they will be partly satisfied on a pro rata basis, in view of the principle of equal treatment of the bondholders. This solution is also ensured by the fact that the secured claims of each bondholder have the same ranking, since they were created and registered uniformly in the name of the bondholder agent.

Lastly, Law 4548/2018 extends the scope of application of the special provisions of the Greek Legislative Decree dated 17.7/13.8/1923 to the mortgage and pledge securing bond loans, regardless of the status of the bondholder. The contract by which the security is provided shall constitute an enforceable title. Thus, bondholders who are effectively insured enjoy, on the one hand, the procedural facilities provided for by the above legislative decree as regards the enforcement procedure and, on the other hand, the special privilege of being

[63] As claims associated with the bond loan, the law indicatively lists, claims from interest rate hedging agreements, as well as claims from credit and other agreements governed by a framework agreement, which by the terms of the bond loan also governs the bond loan. Such contracts may include, for example, so-called “common terms agreements” and intercreditor agreements.

[64] Despite the absence of an explicit prohibition, the validity of a security provided in favour of only a certain bondholder through private title is questionable, in view of the conflict with the principle of equal treatment of bondholders (see supra 5.2.b).

satisfied from the auction before any other creditor, as an exception to the provisions of Articles 977-977A of the Greek Code of Civil Procedure [see Article 45 of the above legislative decree and AP 409/2010 published in “Nomos” law database].

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