

## Modernizing corporate bond governance: New legal framework for bondholder decisions on listed instruments

The Greek Ministry of National Economy and Finance has introduced a comprehensive law about Capital Market Enhancement, aiming to modernize and simplify key aspects of financial regulation in Greece.

A significant provision is **Article 23**, which establishes a dedicated legal framework for the decision-making process of bondholders in listed corporate bonds. This initiative comes in response to longstanding inefficiencies and legal uncertainties surrounding the amendment of bond terms, particularly in situations requiring flexibility and investor coordination, introducing structured rules for quorums and voting thresholds and replacing the general provisions of Law 4548/2018 for listed debt securities.

### New rules on bondholder decision-making for listed corporate bonds

Article 23 sets forth a distinct regime for **corporate bond loans with listed securities**, e.g. bonds admitted to trading on a regulated market or a multilateral trading facility. The article explicitly exempts the application of paragraphs 7 and 8 of Article 60 of Law

4548/2018 in relation to such listed securities.

Under this provision, the law defines a category of “**significant decisions**” that materially affect the financial and contractual profile of the bond. These include amendments to the interest rate or the terms of interest payments, deferrals of principal repayment, early repayment (acceleration), conversion of bonds into equity, changes to the currency of denomination, and waivers of bondholders’ rights. For the adoption of such decisions, the law introduces mandatory thresholds that apply uniformly to all listed corporate bonds unless otherwise specified by the program.

Specifically, the quorum required for the initial bondholders' meeting is set at **50% of the outstanding nominal value** of the bond loan. In the event of a repeat meeting, the quorum requirement is lowered to 20%. Decisions are then passed by a simple majority, defined as 50.01% of the votes represented at the meeting, not of the total bond issuance. These thresholds aim to facilitate bondholder coordination without compromising decision legitimacy. Notably, bond programs may still impose stricter thresholds, with the exception of acceleration decisions, for which the statutory minimums apply mandatorily.

In addition, the provision allows for **existing listed bonds** to transition to

the new governance framework through a bondholders' meeting decision adopted within twelve months of the law's entry into force, subject to the same quorum and majority requirements.

### **Previous legal framework**

Prior to the introduction of Article 23, the legal basis for bondholder decision-making in Greece was governed by Article 60 of **Law 4548/2018**, specifically paragraphs 7 and 8. This framework applied uniformly to all corporate bonds regardless of their trading status. There was no differentiation between listed and unlisted bonds, and the enforceability of decisions relied heavily on the specific contractual provisions set out in the bond terms.

Most importantly, for amendments to the terms of a bond loan, the law required the approval of the bondholders' meeting with a qualified majority of **two-thirds (2/3) of the total nominal value** of the outstanding bonds. This threshold applied regardless of attendance or participation and frequently proved unattainable, especially for bonds with a dispersed or inactive investor base. The rigidity of this requirement made the practical amendment of terms, even in urgent restructuring scenarios, highly cumbersome or outright impossible.

### **Impact for issuers and investors**

This new legal framework significantly bolsters corporate financing **versatility** while upholding strong investor protections. For issuers, these provisions offer a streamlined and reliable avenue for restructuring critical debt terms, particularly under market volatility, liquidity constraints, or broader economic shocks. Lowering the previously strict two-thirds majority to more practical thresholds significantly boosts issuers' capacity to involve bondholders and obtain timely approvals. Greater clarity on quorum and majority requirements grants issuers a more assured pathway to negotiate with bondholders, reducing the procedural uncertainty that once hindered past restructuring efforts.

For investors, particularly institutional bondholders, the new rules introduce a minimum level of procedural protection and ensure that critical decisions cannot be taken without meaningful representation. By requiring specific participation and approval thresholds, the law limits the possibility of minority control and strengthens the legal enforceability of collective decisions. However, it should be noted that the lower quorum in repeat meetings may raise concerns about the effective participation of the bondholder base, particularly in fragmented ownership structures or when investors fail to engage in the process.

These reforms bolster legal certainty for bondholder resolutions while retaining essential **flexibility**. While statutory thresholds serve as a foundational benchmark, issuers can still opt for stricter criteria within their program terms, particularly for more intricate debt frameworks or high-yield offerings. In addition these reforms are expected to have heightened influence on secondary market trading behavior, as investors may view new quorum requirements as an opportunity or risk, thus affecting pricing and liquidity. These revisions may also prompt issuers to adopt more proactive stakeholder engagement strategies to ensure efficient approval processes, fostering better alignment between issuers and investors over the long term. Moreover, clarifying collective action procedures could influence credit rating discussions, as rating agencies may interpret a streamlined restructuring path as a mitigating factor in default scenarios.

### **Addressing structural gaps and investor needs**

Stakeholders across the capital market ecosystem had consistently advocated for such a framework. The reform reflects these demands and brings Greek law in line with well-established European standards. By fostering greater legal certainty, operational efficiency, and institutional flexibility, it is expected to improve the **attractiveness of Greek corporate**

**bonds**, facilitate more active secondary markets, and encourage new issuances, particularly among mid-cap issuers seeking market-based financing alternatives.

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