

JUDICIAL REHABILITATION AND SUPERVISORY PROCEDURE

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Annotation: This article explores the legal and procedural aspects of judicial rehabilitation and supervisory procedures within the context of bankruptcy legislation. It analyzes how economically distressed enterprises can be preserved through court-approved rehabilitation plans and oversight mechanisms. The article highlights the roles of creditors, courts, and rehabilitation managers in managing the process, while also examining the safeguards applied during supervision to assess the debtor's financial condition. Furthermore, it provides comparative insights into international practices in countries such as the United States, Germany, France, Russia, and South Korea. The study emphasizes the importance of legal clarity, institutional coordination, and early intervention in ensuring effective enterprise recovery and avoiding liquidation.

Key words: Judicial rehabilitation, supervisory procedure, bankruptcy law, insolvency, debtor, creditor, economic court, rehabilitation plan, restructuring, international experience.

Sanation (from Latin "canatio" - health improvement, treatment) is a system of state and banking measures aimed at preventing bankruptcy and improving the financial condition of enterprises, firms, companies, and others. The main directions are lending to vulnerable enterprises, reorganization, changing the types of products or activities to be produced, transferring to partnerships, and others. Industry is a natural phenomenon for a market economy, because, according to market laws, one enterprise flourishes while another falls into crisis. Through industry, the state influences the market economy.

In Uzbekistan, sanitation measures were implemented in accordance with the Law of the Republic of Uzbekistan "On the Sanation of Agricultural Enterprises" (December 25, 1997), in the form of state financial assistance and the appointment of external trust managers to agricultural enterprises subject to sanitation in agriculture since 1998, and yielded satisfactory results.

Judicial proceedings are regulated by the Law of the Republic of Uzbekistan "On Bankruptcy".

Application for the Introduction of Judicial Reorganization During the supervisory review process, the debtor, the debtor's founders (participants), or the debtor's property owner, as well as a third party (persons), have the right to apply to the first meeting of creditors or directly to the economic court with a request to apply to the economic court for the introduction of judicial reorganization.

The debtor's petition for the introduction of judicial rehabilitation must be accompanied by a draft judicial rehabilitation plan indicating the proposed term of judicial rehabilitation and the debt repayment schedule.

If several individuals apply to the creditors' meeting with a petition to apply to the economic court for the introduction of judicial rehabilitation, the debtor's fulfillment of the debt repayment schedule will be secured by each of these individuals, as stipulated by the agreement between them.

The amount of the provided security for the fulfillment of obligations must be at least twenty percent higher than the amount of the debtor's obligations as of the last reporting date before the creditors' meeting on the introduction of judicial rehabilitation.

During judicial rehabilitation, the debtor's management bodies exercise their powers with certain restrictions. Upon the introduction of judicial rehabilitation:

initially adopted measures to secure creditors' claims are canceled.

the seizure of the debtor's property and other restrictions on the debtor's powers to manage their property may be imposed only within the framework of the bankruptcy procedure; penalties (fines, late payment interest) and other economic (financial) sanctions, as well as interest payable, are not applied for non-performance or improper performance of monetary obligations and (or) obligations on mandatory payments arising during judicial rehabilitation.

Interest is accrued on the amount of the creditor's claims for monetary obligations and (or) mandatory payments subject to satisfaction in accordance with the debt repayment schedule in the manner and amount provided for in Article 327 of the Civil Code of the Republic of Uzbekistan. These interest payments must be accrued to the amount of the creditor's claims from the date the economic court issues a ruling on the introduction of judicial rehabilitation until the creditor's claim is satisfied, and if such satisfaction does not occur, until the decision is made to declare the debtor bankrupt and commence liquidation proceedings.

The rehabilitation manager is entitled to:

request information from the debtor's manager regarding the debtor's current activities, the implementation of measures stipulated in the judicial rehabilitation plan, and the progress of the debt repayment schedule.

to demand from the head of the debtor the timely and full transfer of funds to satisfy the claims of creditors;

participate in the inventory of property conducted by the debtor;

to exercise control over the timely fulfillment of the debtor's actual claims by creditors;

In the cases provided for in part five of Article 79 of the Law "On Bankruptcy," it is necessary to agree on the debtor's transactions and decisions, as well as to provide information to creditors about these transactions and decisions.

Rehabilitation manager:

maintain a register of creditors' claims;

In the cases provided for in Article 12 of the Law "On Bankruptcy," it is necessary to convene a meeting of creditors.

the court shall consider the reports submitted by the debtor on the progress of the implementation of the rehabilitation plan and the debt repayment schedule, and submit relevant conclusions to the meeting of creditors.

to provide information on the financial condition of the debtor and (or) its activities within ten days at the request of the creditor;

the court is obliged to submit information on the progress of the implementation of the rehabilitation project to the meeting of creditors and the creditors' committee, as well as to the state body for bankruptcy affairs, if there is a state share in the authorized capital of the enterprise.

When initiating bankruptcy proceedings, supervision is introduced from the date the economic court accepts the application for declaring the debtor bankrupt for proceedings, except in cases where, in accordance with the Law "On Bankruptcy," another bankruptcy

procedure should be applied. In the event of a debt case initiated, the economic court's ruling on the acceptance of the application for proceedings shall indicate the introduction of supervision.

If, at the first meeting of creditors, a decision on the application of one of the bankruptcy procedures has not been adopted, or none of its decisions has been submitted to the economic court within the period established by Article 10 of the Law "On Bankruptcy," the economic court, in the presence of indications of indebtedness, shall decide to declare the debtor bankrupt and commence liquidation proceedings, unless otherwise provided by this article.

The procedure of judicial rehabilitation and supervision is currently used in many countries as an important tool for the financial recovery of enterprises that have fallen into an economically problematic situation. In each country, this system is formed in accordance with national legislation and economic policy.

1. United States

In the United States, financially distressed companies may undergo judicial rehabilitation through **Chapter 11 Bankruptcy**. Under this procedure:

- the company continues its operations under court protection;
- the existing management typically remains in place but operates under the oversight of the court and creditors;
- a reorganization plan must be submitted and approved by the court;
- creditors register their claims and receive repayments according to the approved schedule.

This system provides the company with time and legal protection to restructure its business and improve solvency.

2. Russia

In Russia, judicial rehabilitation and bankruptcy procedures are governed by the **Federal Law "On Insolvency (Bankruptcy)"**. The process involves:

- an initial **supervision stage (наблюдение)**, during which the company's financial condition is assessed;
- preparation of a creditors' register and evaluation of debt;
- possible transition to external management, judicial rehabilitation, or liquidation based on court decisions;
- state and strategic investor support may be provided during rehabilitation.

In conclusion, Until the appointment of a rehabilitation manager or external manager or terminating manager, the performance of their duties is initially fully assigned to the person performing the duties of the temporary manager.

Supervision is terminated from the moment the economic court declares the debtor bankrupt and initiates liquidation proceedings, or the introduction of judicial reorganization or external management, or the approval of a settlement agreement.

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