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**SUMMATIVE (FORMAL) ASSESSMENT: MODULE 2A**

**THE UNCITRAL MODEL LAWS RELATING TO INSOLVENCY**

This is the **summative (formal) assessment** for **Module 2A** of this course and is compulsory for all candidates who **selected this module as one of their compulsory modules from Module 2**. Please read instruction 6.1 on the next page very carefully.

If you selected this module as **one of your elective modules**, please read instruction 6.2 on the next page very carefully.

**The mark awarded for this assessment will determine your final mark for Module 2A**. In order to pass this module, you need to obtain a mark of 50% or more for this assessment.

**INSTRUCTIONS FOR COMPLETION AND SUBMISSION OF ASSESSMENT**

**Please read the following instructions very carefully before submitting / uploading your assessment on the Foundation Certificate web pages.**

1. You must use this document for the answering of the assessment for this module. The answers to each question must be completed using this document with the answers populated under each question.

2. All assessments must be submitted electronically in MS Word format, using a standard A4 size page and a 11-point Arial font. This document has been set up with these parameters – **please do not change the document settings in any way**. **DO NOT** submit your assessment in PDF format as it will be returned to you unmarked.

3. No limit has been set for the length of your answers to the questions. However, please be guided by the mark allocation for each question. More often than not, one fact / statement will earn one mark (unless it is obvious from the question that this is not the case).

4. You must save this document using the following format: **[student ID.assessment2A]**. An example would be something along the following lines: 202223-336.assessment2A. **Please also include the filename as a footer to each page of the assessment** (this has been pre-populated for you, merely replace the words “studentID” with the student number allocated to you). Do not include your name or any other identifying words in your file name. **Assessments that do not comply with this instruction will be returned to candidates unmarked**.

5. Before you will be allowed to upload / submit your assessment via the portal on the Foundation Certificate web pages, you will be required to confirm / certify that you are the person who completed the assessment and that the work submitted is your own, original work. Please see the part of the Course Handbook that deals with plagiarism and dishonesty in the submission of assessments. **Please note that copying and pasting from the Guidance Text into your answer is prohibited and constitutes plagiarism. You must write the answers to the questions in your own words**.

6.1If you selected Module 2A as one of your **compulsory modules** (see the e-mail that was sent to you when your place on the course was confirmed), the final time and date for the submission of this assessment is **23:00 (11 pm) GMT on 1 March 2023**. The assessment submission portal will close at 23:00 (11 pm) GMT on 1 March 2023. No submissions can be made after the portal has closed and no further uploading of documents will be allowed, no matter the circumstances.

6.2 If you selected Module 2A as one of your **elective modules** (see the e-mail that was sent to you when your place on the course was confirmed), you have a **choice** as to when you may submit this assessment. You may either submit the assessment by **23:00 (11 pm) GMT on 1 March 2023** or by **23:00 (11 pm) BST (GMT +1) on 31 July 2023**. If you elect to submit by 1 March 2023, you **may not** submit the assessment again by 31 July 2023 (for example, in order to achieve a higher mark).

7. Prior to being populated with your answers, this assessment consists of **14 pages**.

**ANSWER ALL THE QUESTIONS**

**Please note that all references to the “MLCBI” or “Model Law” in this assessment are references to the Model Law on Cross-Border Insolvency.**

**QUESTION 1 (multiple-choice questions) [10 marks in total]**

Questions 1.1. – 1.10. are multiple-choice questions designed to assess your ability to think critically about the subject. Please read each question carefully before reading the answer options. Be aware that some questions may seem to have more than one right answer, but you are to look for the one that makes the most sense and is the most correct. When you have a clear idea of the question, find your answer and mark your selection on the answer sheet by highlighting the relevant paragraph **in yellow**. Select only **ONE** answer. Candidates who select more than one answer will receive no mark for that specific question.

**Question 1.1**

Which of the following statements **does not** reflect the purpose of the Model Law?

1. The purpose of the Model Law is to provide greater legal certainly for trade and investment.
2. The purpose of the Model Law is to provide protection and maximization of the value of the debtor’s assets.
3. The purpose of the Model Law is to facilitate the rescue of a financially troubled business, by providing a substantive unification of insolvency law.
4. The purpose of the Model Law is to provide a fair and efficient administration of cross-border insolvencies that protects all creditors and the debtor

**Question 1.2**

Which of the following statements are reasons for the development of the Model Law?

1. The increased risk of fraud due to the interconnected world.
2. The difficulty of agreeing multilateral treaties dealing with insolvency law.
3. The practical problems caused by the disharmony among national laws governing cross-border insolvencies, despite the success of protocols in practice.
4. All of the above.

**Question 1.3**

Which of the following challenges to a recognition application under the Model Law **is most likely to be successful**?

1. The registered office of the debtor is not in the jurisdiction where the foreign proceedings were opened, but the debtor has an establishment in the jurisdiction of the enacting State.
2. The registered office of the debtor is in the jurisdiction of the enacting State, but the debtor has an establishment in the jurisdiction where the foreign proceedings were opened.
3. The debtor has neither its COMI nor an establishment in the jurisdiction where the foreign proceedings were opened.
4. The debtor has neither its COMI nor an establishment in the jurisdiction of the enacting State.

**Question 1.4**

Which of the following rules or concepts set forth in the Model Law ensures that fundamental principles of law are upheld?

1. The *locus standi* access rules.
2. The public policy exception.
3. The safe conduct rule.
4. The “hotchpot” rule.

**Question 1.5**

For a debtor with its COMI in South Africa and an establishment in Argentina, foreign main proceedings are opened in South Africa and foreign non-main proceedings are opened in Argentina. Both the South African foreign representative and the Argentinian foreign representative have applied for recognition before the relevant court in the UK. Please note that South Africa has implemented the Model Law subject to the so-called principle of reciprocity (based on country designation), Argentina has not implemented the Model Law and the UK has implemented the Model Law without any so-called principle of reciprocity. In this scenario, **which of the following statements is the most correct one**?

1. The foreign main proceedings in South Africa will not be recognised in the UK because the UK is not a designated country under South Africa’s principle of reciprocity, but the foreign non-main proceedings in Argentina will be recognised in the UK despite Argentina not having implemented the Model Law.
2. Both the foreign main proceedings in South Africa and the foreign non-main proceedings in Argentina will not be recognised in the UK because the UK has no principle of reciprocity and Argentina has not implemented the Model Law.
3. Both the foreign main proceedings in South Africa and the foreign non-main proceedings in Argentina will be recognised in the UK.
4. None of the statements in (a), (b) or (c) are correct.

**Question 1.6**

Which of the following statements regarding concurrent proceedings under the Model Law **is true**?

1. No interim relief based on Article 19 of the Model Law is available if concurrent domestic insolvency proceedings and foreign proceedings exist at the time of the application of the foreign proceedings in the enacting State.
2. In the case of a foreign main proceeding, automatic relief under Article 20 of the Model Law applies if concurrent domestic insolvency proceedings and foreign proceedings exist at the time of the application of the foreign proceedings in the enacting State.
3. The commencement of domestic insolvency proceedings prevents or terminates the recognition of a foreign proceeding.
4. If only after recognition of the foreign proceedings concurrent domestic insolvency proceedings are opened, then any post-recognition relief granted based on Article 21 of the Model Law will not be either adjusted or terminated if consistent with the domestic insolvency proceedings.

**Question 1.7**

When using its discretionary power to grant post-recognition relief pursuant to Article 21 of the Model Law, what should the court in the enacting State primarily consider?

1. The court must be satisfied that the interests of the creditors and other interested parties, excluding the debtor, are adequately protected.
2. The court should consider whether the relief requested is necessary for the protection of the assets of the debtor or the interests of the creditors and strike an appropriate balance between the relief that may be granted and the persons that may be affected.
3. The court should be satisfied that the foreign proceeding is a main proceeding.
4. All of the above.

**Question 1.8**

Which of the statements below regarding the Centre of Main Interest (COMI) and the Model Law **is correct**?

1. COMI is not a defined term in the Model Law.
2. For a corporate debtor, the Model Law does contain a rebuttable presumption that the debtor’s registered office is its COMI.
3. For an individual debtor, the Model Law does contain a rebuttable presumption that the debtor’s habitual residence is its COMI.
4. All of the above.

**Question 1.9**

An automatic stay of execution according to article 20 in the Model Law covers:

1. Court proceedings.
2. Arbitral Tribunals.
3. Both (a) and (b).
4. Neither (a) nor (b).

**Question 1.10**

Article 13 grants access to the creditors in a foreign proceeding. Which of the following statements correctly describes the protection granted in Article 13?

1. A foreign creditor has the same rights regarding the commencement of, and participation in, a proceeding as creditors in this State.
2. A foreign creditor has the same rights as it has in its home state.
3. All foreign creditors’ claims are, as a minimum, considered to be unsecured claims.
4. Article 13 contains a uniform ranking system to avoid discrimination.

**QUESTION 2 (direct questions) [10 marks in total]**

**Question 2.1 [maximum 3 marks]**

Under the MLCBI, **explain and discuss** what the appropriate date is for determining the COMI of a debtor?

Answer to 2.1:

The concept of COMI, although fundamental to the operation of the Model Law, contains no definition There are two key factors for determining COMI under the Model Law which are

1. the location where the central administration of the deter takes place; and
2. ii) which is readily ascertainable a such by creditors of the debtor.

There are a number of other factors a court can take into consideration when determining the debtor’s COMI. The appropriate date determining the COMI, is the date of commencement of the foreign proceedings. Although the concept of COMI is similar in the EIR and Model Law, they serve different purposes. The determination of COMI in the EIR relates to the jurisdiction in which main proceedings should be commenced and in the Model Law it relates to the effect of recognition.

**Question 2.2 [maximum 3 marks]**

The following **three (3) statements** relate to particular provisions / concepts to be found in the Model Law. Indicate the name of the provision / concept (as well as the relevant Model Law article), addressed in each statement.

**Statement 1** “*This Article lays down the requirements of notification of creditors.*”

**Statement 2** *“This Article is referred to as the ‘Safe Conduct Rule’”.*

**Statement 3** “*This Article contains a rebuttable presumption in respect of an undefined key concept in the MLCBI.*”

Answer to 2.2:

Statement 1 Timely Notice – Article 14 of the Model Law.

Statement 2 Safe conduct Rule – Article 10

Statement 3 Presumption of insolvency – Article 31

**Question 2.3 [2 marks]**

In the *IBA* case appeal, the English Court of Appeal upheld the decision that the court should not exercise its power to grant the indefinite Moratorium Continuation. **Please explain**.

In terms of the Court of Appeal the case at hand did not involve an issue of jurisdiction per say. The issue at hand was whether, as a matter of settled practice, the court should not exercise its power to grant the indefinite Moratorium Continuation because, if the court decided to do so, it would

substantively prevent English creditors from enforcing their English law rights provided for in the Gibbs Rule, and prolong the stay unnecessarily. The Appeal Court held that it could only grant the indefinite Moratorium Continuation if it were satisfied that, the stay would have to be necessary to protect creditors; and the stay would be an appropriate way to achieve such protection.

**Question 2.4 [2 marks]**

In terms of relief, what should the court in an enacting State, where a domestic proceeding has already been opened in respect of the debtor, do after recognition of a foreign main proceeding? In your answer you should **mention the most relevant article of the MLCBI**. What (ongoing) duty of information does the foreign representative in the foreign main proceeding have towards the court in the enacting State? Here too you are required to **mention the most relevant article of the MLCBI**.

In terms of Article 22 it is a matter of striking an appropriate balance between the relief granted by the court in the enacting State to a foreign representative and the effect of the relief. The court must in terms of article 22(1) be satisfied, at all times, that the interest of creditors, debtors and interested persons are adequately protected. The relief granted by the court in terms of article 19 or 21 may be subjected to conditions the court considers appropriate. In terms of article 22 (3) the court may, at the request of a foreign representative or an interested person affected by the relief granted under article 19 or 21, or on its own motion, modify or terminate such relief.

**QUESTION 3 (essay-type questions) [15 marks in total]**

A foreign representative of a foreign proceeding opened in State B in respect of a corporate debtor (the Debtor) is considering whether or not to make a recognition application under the implemented Model Law of State A (which does not contain any reciprocity provision). In addition, the foreign representative is also considering what (if any) relief may be appropriate to request from the court in State A.

Write a brief essay in which you address the three questions below.

**Question 3.1 [maximum 4 marks]**

The foreign representative is considering his options to secure the value of the debtor’s assets located in State A. With reference to the Model Law’s provisions on access and co-operation, explain how these rights in State A can benefit the foreign representative.

Answer to 3.1:

Article 25 states that a foreign representative applying in the enacting State has the right to direct access to courts (article 9); to apply to commence a local proceeding in the enacting State on the conditions applicable in that State (article 11); to apply to the court for recognition of the foreign proceedings in which the foreign representative has been appointed” Article 15, it also means that when recognised, a foreign representative can participate in insolvency-related proceedings in the enacting State under the law of that State (article12); to initiate action to avoid or otherwise render ineffective acts detrimental to creditors (article23) and also to intervene in any local proceedings in which the debtor is a party (article(24). It is important to note that foreign creditors have the same rights as local creditors to commence and participate in proceedings in the enacting state (article 13)

**Question 3.2 [maximum 5 marks]**

For a recognition application in State A to be successful, the foreign proceeding opened in State B must qualify as a “foreign proceeding” within the meaning of article 2(a) of the MLCBI and the “foreign representative” must qualify as a foreign representative within the meaning of article 2(d) of the MLCBI. Assuming that both qualify as such, list and briefly explain (with reference to the relevant MLCBI articles) any other evidence, restrictions, exclusions and limitations that must be considered, as well as the judicial scrutiny that must be overcome for a recognition application to be successful.

In no particular order, the following list shows the additional issues relevant to recognizing foreign proceedings and granting forms of relief:

1. Article 6. provides that the Court may refuse recognise a foreign proceeding or grant certain forms of relief if to do so would offend public policy in the enabling State.
2. Article 7. provides that a court may use its powers to assist the foreign representative by granting relief permitting her to perform acts outside the forms of relief specifically mentioned in the MODEL LAW.
3. Article 10. protects the foreign representative by shielding her from being sued or brought to court in respect to matters unrelated to the application for recognition and forms of relief granted pursuant thereto.
4. Article 15. Provides for the level of judicial scrutiny required when considering the application for recognition of a foreign proceeding brought by a foreign representative. In particular, the application must be accompanied by the following: a certified copy of the decision commencing the foreign proceeding and appointing the foreign representative; or a certificate from the foreign court affirming the existence of the foreign proceeding and of the appointment of the foreign representative; or In the absence of such evidence, any other evidence acceptable to the court proving the existence of the foreign proceeding and of the appointment of the foreign representative. Additionally, the application must be accompanied by a statement identifying all foreign proceedings in respect of the debtor that are known to the foreign representative. Lastly, the court may require a translation of documents supplied in support of the application for recognition into an official language of the enabling State.

Lastly, the provisions of articles 15, 16, 17 and 18 do not prevent a Judge of the enabling State to amend or terminate if it is shown that the grounds for granting the application were not met in whole or in part or no longer exist.

**Question 3.3 [maximum 5 marks]**

As far as relief is concerned, briefly explain (with reference to the relevant MLCBI articles) what pre- and post-recognition relief can be considered in the context of the MLCBI. Also address which restrictions, limitations or conditions should be considered in this context. For the purposes of this question, it can be assumed that there is no concurrence of proceedings.

Answer to 3.3:

Pre-recognition relief is granted in terms of Article 19 and entails:

1. automatic stay of individual actions and proceedings;
2. stay of execution angst the debtor’s assets;
3. entrusting the administration of all parts of debtor’s asses to the foreign representative or person appointed by the Court;
4. any post-recognition relief available in terms of Article 21, being
   1. suspending rights to transfer or encumber ant assets of the debtor;
   2. provide for the examination of witnesses;
   3. grant any relief available to a domestic liquidator / officer bearer.
5. If granting interim relief will interfere with the administration of a foreign main proceeding, the Court may – base don Article (19)(4) refuse to grant such interim relief.
6. Interim relief is not without limits. For example, the UK Courts have refused certain forms of interim relief in the cases of Rabin v Erofinance; Fibria Celulose S/A v Pan Ocean Co Ltd; and the IBA case (concerning the “Gibbs rule")
7. Under Article 22, a Court is bound to balance the interests of the foreign representative with the interests of creditors, the debtor and interested parties when deciding whether and what interim relief to grant.

Post recognition relief is granted in terms of Article 21

1. Staying individual actions against assets of the debtor (if not automatically styed under Article 20(1)(2);
2. Stay execution against the debtor’s assets (to extent not already automatically stayed under Article 20(1(b)
3. Suspend the right to transfer, encumber and dispose of the debtor’s assets (unless already automatically stayed under Article 20(1) ( c);
4. Examine witnesses;
5. Entrust administration of the assets to the foreign representative;
6. Extend any interim relief granted under Article 19 (1);
7. Grant additional relief available to domestic liquidators.
8. Under Article 22, a Court is bound to balance the interests of the foreign representative with the interests of creditors, the debtor and interested parties when deciding whether and what post-recognition relief to grant,

**Question 3.4 [maximum 1 mark]**

Briefly explain – with reference to case law - why a worldwide freezing order granted as pre-recognition interim relief *ex* article 19 MLCBI, is unlikely to continue post-recognition *ex* article 21 MLCBI?

Answer to 3.4:

An underlying principle of the Model Law is to place a foreign representative in a cross-border insolvency in a similar position to that of a domestic liquidator by according her the same powers as far as possible and allowing the foreign representative access to all the powers and mechanisms afforded a domestic liquidator under the domestic insolvency regime.

When requested to extend a worldwide freezing order in the case of Igor Vitalievich Protasov and Khadz-Murat Derev, an English Judge declined. The Judge reasoned that, based on the considerations I have set out above, that the foreign representative should not be afforded greater powers and more extensive relief than that which is afforded a domestic liquidator. The Judge however left open the possibility that in exceptional circumstances a worldwide freezing order may be granted post-recognition. However, worldwide freezing order post recognition will not be granted as a matter of course.

**QUESTION 4 (fact-based application-type question) [15 marks in total]**

**Read the following facts very carefully before answering the questions that follow.**

**(1) Background**

The Commercial Bank for Business Corporation (the Bank) has operated since 1991. The Bank’s registered office is situated in Country A, which **has not** adopted the MLCBI. As of 13 August 2015, the Bank’s majority ultimate beneficial owner was Mr Z, who held approximately 95% of the Bank’s shares through various corporate entities (including some registered in England).

The Bank entered provisional administration on 17 September 2015 and liquidation on 17 December 2015. Investigations into the Bank have revealed that it appears to have been potentially involved in a multi-million-dollar fraud resulting in monies being sent to many overseas companies, including entities incorporated and registered in England.

Proceedings were commenced in the High Court of England and Wales (Chancery Division) against various defendants on 11 February 2021 (the English Proceedings).

An affidavit (the Affidavit) sets out a detailed summary of the legislation of Country A’s specific insolvency procedure for Banks. The procedure involves initial input from the National Bank (the NB) and at the time that the Bank entered liquidation, followed by a number of stages:

***Classification of the bank as troubled***

The NB may classify a bank as “troubled” if it meets at least one of the criteria set down by article 75 of the Law of Country A on Banks and Banking Activity (LBBA) or for any of the reasons specified in its regulations.

Once declared “troubled”, the relevant bank has 180 days within which to bring its activities in line with the NB’s requirements. At the end of that period, the NB must either recognise the Bank as compliant, or must classify it as insolvent.

***Classification of the bank as insolvent***

The NB is obliged to classify a bank as insolvent if it meets the criteria set out in article 76 of the LBBA, which includes:

1. the bank’s regulatory capital amount or standard capital ratios have reduced to one-third of the minimum level specified by law;
2. within five consecutive working days, the bank has failed to meet 2% or more of its obligations to depositors or creditors; and
3. the bank, having been declared as troubled, then fails to comply with an order or decision of the NB and / or a request by the NB to remedy violations of the banking law.

The NB has the ability to classify a bank as insolvent without necessarily needing to first go through the troubled stage. Article 77 of the LBBA accordingly provides that a bank can be liquidated by the NB directly, revoking its licence.

***Provisional administration***

The Deposit Guarantee Fund (DGF) is a governmental body of Country A tasked principally with providing deposit insurance to bank depositors in Country A. However, the Affidavit explained that the DGF is also responsible for the process of withdrawing insolvent banks from the market and winding down their operations via liquidation. Its powers include those related to early detection and intervention, and the power to act in a bank’s interim or provisional administration and its ultimate liquidation.

Pursuant to article 34 of the DGF Law, once a bank has been classified as insolvent, the DGF will begin the process of removing it from the market. This is often achieved with an initial period of provisional administration. During this period:

1. the DGF (acting via an authorised officer) begins the process of directly administering the bank’s affairs. Articles 35(5) and 36(1) of the DGF Law provide that during provisional administration, the DGF shall have full and exclusive rights to manage the bank and all powers of the bank’s management.
2. Article 36(5) establishes a moratorium which prevents, *inter alia*: the claims of depositors or creditors being satisfied; execution or enforcement against the bank’s assets; encumbrances and restrictions being created over the bank’s property; and interest being charged.

***Liquidation***

Liquidation follows provisional administration. The DGF is obliged to commence liquidation proceedings against a bank on or before the next working day after the NB’s decision to revoke the bank’s licence.

Article 77 of the LBBA provides that the DGF automatically becomes liquidator of a bank on the date it receives confirmation of the NB’s decision to revoke the bank’s licence. At that point, the DGF acquires the full powers of a liquidator under the law of Country A.

When the bank enters liquidation, all powers of the bank’s management and control bodies are terminated (as are the provisional administrators’ powers if the bank is first in provisional administration); all banking activities are terminated; all money liabilities due to the bank are deemed to become due; and, among other things, the DGF alienates the bank’s property and funds. Public encumbrances and restrictions on disposal of bank property are terminated and offsetting of counter-claims is prohibited.

As liquidator, the DGF has extensive powers, including the power to investigate the bank’s history and bring claims against parties believed to have caused its downfall. Those powers include:

1. the power to exercise management powers and take over management of the property (including the money) of the bank;
2. the power to compile a register of creditor claims and to seek to satisfy those claims;
3. the power to take steps to find, identify and recover property belonging to the bank;
4. the power to dismiss employees and withdraw from/terminate contracts;
5. the power to dispose of the bank’s assets; and
6. the power to exercise “such other powers as are necessary to complete the liquidation of a bank”.

The DGF also has powers of sale, distribution and the power to bring claims for compensation against persons for harm inflicted on the insolvent bank.

However, article 48(3) of the DGF Law empowers the DGF to delegate its powers to an “authorised officer” or “authorised person”. The “Fund’s authorised person” is defined by article 2(1)(17) of the DGF Law as: *“an employee of the Fund, who on behalf of the Fund and within the powers provided for by this Law and / or delegated by the Fund, performs actions to ensure the bank’s withdrawal from the market during provisional administration of the insolvent bank and/or bank liquidation”*.

Article 35(1) of the DGF Law specifies that an authorised person, must have: “*…high professional and moral qualities, impeccable business reputation, complete higher education in the field of economics, finance or law…and professional experience necessary.*” An authorised person may not be a creditor of the relevant bank, have a criminal record, have any obligations to the relevant bank, or have any conflict of interest with the bank. Once appointed, the authorised officer is accountable to the DGF for their actions and may exercise the powers delegated to them by the DGF in pursuance of the bank’s liquidation.

The DGF’s independence is addressed at articles 3(3) and 3(7) of the DGF Law which confirm that it is an economically independent institution with separate balance sheet and accounts from the NB and that neither public authorities nor the NB have any right to interfere in the exercise of its functions and powers.

Article 37 establishes that the DGF (or its authorised person, insofar as such powers are delegated) has extensive powers, including powers to exercise managerial and supervisory powers, to enter into contracts, to restrict or terminate the bank’s transactions, and to file property and non-property claims with a court.

**(2) The Bank’s liquidation**

The Bank was formally classified by the NB as “troubled” on 19 January 2015. The translated NB resolution records:

“The statistical reports-based analysis of the Bank’s compliance with the banking law requirements has found that the Bank has been engaged in risky operations.”

Those operations included:

1. a breach, for eight consecutive reporting periods, of the NB’s minimum capital requirements;
2. 10 months of loss-making activities;
3. a reduction in its holding of highly liquid assets;
4. a critically low balance of funds held with the NB; and
5. 48% of the Bank’s liabilities being dependent on individuals and a significant increase in “adversely classified assets” which are understood to be loans, whose full repayment has become questionable.

Despite initially appearing to improve, by September 2015 the Bank’s financial position had deteriorated further with increased losses, a further reduction in regulatory capital and numerous complaints to the NB. On 17 September 2015, the NB classified the Bank as insolvent pursuant to article 76 of the LBBA. On the same day, the DGF passed a resolution commencing the process of withdrawing the Bank from the market and appointing Ms C as interim administrator.

Three months later, on 17 December 2015, the NB formally revoked the Bank’s banking licence and resolved that it be liquidated. The following day, the DGF initiated the liquidation procedure and appointed Ms C as the first of the DGF’s authorised persons to whom powers of the liquidator were delegated. Ms C was replaced as authorised officer with effect from 17 August 2020 by Ms G.

Ms G’s appointment was pursuant to a Decision of the Executive Board of the Directors of the DGF, No 1513 (Resolution 1513). Resolution 1513 notes that Ms G is a “leading bank liquidation professional”. It delegates to her all liquidation powers in respect of the Bank set out in the DGF Law and in particular articles 37, 38, 47-52, 521 and 53 of the DGF Law, including the authority to sign all agreements related to the sale of the bank’s assets in the manner prescribed by the DGF Law. Resolution 1513 expressly excludes from Ms G’s authority the power to claim damages from a related party of the Bank, the power to make a claim against a non-banking financial institution that raised money as loans or deposits from individuals, and the power to arrange for the sale of the Bank’s assets. Each of the excluded powers remains vested in the DGF as the Bank’s formally appointed liquidator.

On 14 December 2020, the Bank’s liquidation was extended to an indefinite date, described as arising when circumstances rendered the sale of the Bank’s assets and satisfaction of creditor’s claims, no longer possible.

On 7 September 2020, the DGF resolved to approve an amended list of creditors’ claims totalling approximately USD 1.113 billion. The Affidavit states that the Bank’s current, estimated deficiency exceeds USD 823 million.

**QUESTION 4.1 [maximum 15 marks]**

Prior to any determination made in the English Proceedings, Ms G, in her capacity as authorised officer of the Deposit Guarantee Fund (or DGF) of Country A in respect of the liquidation of the Commercial Bank for Business Corporation (the Bank), together with the DGF (the Applicants), applied for recognition of the liquidation of the Bank before the English court based on the Cross-Border Insolvency Regulations 2006 (CBIR), the English adopted version of the MLCBI.

Assuming you are the judge in the English court considering this recognition application, you are required to discuss:

4.1.1 whether the Bank’s liquidation comprises a “foreign proceeding” within the meaning of article 2(a) of the MLCBI **[maximum 10 marks]**; and

4.1.2 whether the Applicants fall within the description of “foreign representatives” as defined by article 2(d) of the MLCBI **[maximum 5 marks]**.

**While not all facts provided in the fact pattern given for this Question 4 are immediately relevant for your answer, please do use, where appropriate, those relevant facts that directly support your answer.**

For the purpose of this question, you may further assume that the Bank is **not excluded** from the scope of the MLCBI by article 1(2) of the MLCBI.

Answer to 4:

There are two issues to be determined, which will be considered separately below. Before doing so, I note that the facts in this matter are remarkably similar to those in the matter of Ms Svitlana Vasylivna Groshova (in her capacity as authorised officer of the Deposit Guarantee Fund of Ukraine in respect of the liquidation of PJSC Bank Finance and Creditwhich was heard by Judge C Burton in the English Chancery Division in April 2021.

Answer to 4.1.1

The first is whether the proceedings in Country A are foreign proceedings as defined in the Model Law. Article 2 (a) provides that:

1. “Foreign proceeding” means a collective judicial or administrative proceeding in a foreign State, including an interim proceeding, pursuant to a law relating to insolvency in which proceeding the assets and affairs of the debtor are subject to control or supervision by a foreign court, for the purpose of reorganization or liquidation”

There are several elements to this definition and these elements must be shown to be present in this application.

Under the Model Law, the proceedings in which NB and DGF have been involved must be “judicial or administrative proceedings in a foreign State. It has been adequately shown that the proceedings are taking place “in a foreign Sate” and no more need be said of that. As to the requirement that the proceedings be “judicial or administrative”, on the facts, it appears that the proceedings are administrative in nature arising from the application of the provisions of a statute known as the LBBA and the DGF (which appointed the person purporting to be the foreign representative). It is not judicial proceedings as no mention is made in the facts a court assisted process or that a judicial body oversees the liquidation proceedings. Nonetheless, the existence of administrative proceedings suffice.

As to the proceeding being collective in nature, the English courts have held that “collective” should be given a wide meaning. The facts establish that the proceedings apply to the debtor and all its creditors given that the appointed liquidator is afforded the right to create a list of all creditors and realise the assets of the insolvent Bank. Thus, the proceedings are collective as it concerns the debtor and all creditors having claims. See too paragraphs 69 – 7-0 of the UNCITRAL Guide to Enactment.

As to requirement that the proceedings be pursuant to a law relating to insolvency, the facts show that the LBBA and the DGF process is a law relating to insolvency, under which the NB declared the Bank insolvent following which the DGF appointed the liquidator who is tasked with winding up the affairs of the Bank.

As to the requirement that the assets and affairs of the debtor are to be subject to control or supervision by a foreign court, the English courts have followed paragraphs 74 t0 76 of the INCITRAL Guide To Enactment which notes that the level or timing of the control or supervision by a foreign court is not specified. I find that this requirement has not been met as nowhere in the facts is it stated that a Court shall at any time play a role – controlling or supervisory in the liquidation process.

As to the requirement that the proceedings be for the purpose of reorganization or liquidation, the facts establish that this is the case, not least the fact that the process is designed to remove “troubled” banks from the banking sector and create stability and confidence in Country A’s banking system. As a result, the LBBA allows such banks to be removed through a process of winding up, thus clearly an insolvency law.

Answer to 4.1.2

Article 2 (d) states that a foreign representative (“f/r”) means “a person or body, including one appointed on an interim basis, authorized in a foreign proceeding to administer the reorganization or the liquidation of the debtor’s assets or affairs or to act as a representative of the foreign proceeding”.

As to these requirements, Mrs G meets those requirements in that she was “a person” appointed or “authorised in a foreign proceeding” to “administer the reorganization or the liquidation of the debtor’s (i.e. the Bank’s) assets or affairs”

Mrs G replaced Mrs C, who had been appointed as liquidator on an interim basis, with effect from 17 August 2020. Her appointment was pursuant to a Decision of the Executive Board of the Directors of the DGF, No 1513 (Resolution 1513). Ms G is described as a “leading bank liquidation professional”. The Decision delegates to Mrs G all liquidation powers in respect of the Bank set out in the DGF Law and, in particular, articles 37, 38, 47-52, 521 and 53 of the DGF Law, including the authority to sign all agreements related to the sale of the bank’s assets in the manner prescribed by the DGF Law.

Mrs G as the authorised officer of the Deposit Guarantee Fund (or DGF) of Country A therefore meets this requirement and is a foreign representative as defined in Article 2 (d) of the Model Law on CBI.

**\* End of Assessment \***