



**SUMMATIVE (FORMAL) ASSESSMENT: MODULE 1
(INTRODUCTION TO INTERNATIONAL INSOLVENCY LAW)**

This is the **summative (or formal) assessment** for **Module 1** of this course and is compulsory for all registered candidates on the Foundation Certificate. The mark awarded for this assessment will determine your final mark for Module 1. 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: **[studentID.assessment1summative]**. An example would be something along the following lines: 202122-545.assessment1summative. **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 ID 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. The final submission date for this assessment is **15 November 2021**. The assessment submission portal will close at **23:00 (11 pm) GMT on 15 November 2021**. No submissions can be made after the portal has closed and no further uploading of documents will be allowed, no matter the circumstances.
7. Prior to being populated with your answers, this assessment consists of **9 pages**.

ANSWER ALL THE QUESTIONS

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

Unlike (former) continental insolvency rules, the English insolvency laws provided for a rather liberal discharge of debt provision since 1570. Select the **most accurate response** to this statement from (a) – (d) below.

- (a) This statement is correct since the English insolvency system was viewed as a pro-creditor system since its early development.
- (b) This statement is correct since the English insolvency system, unlike continental systems, never provided for imprisonment for debt of insolvents and preferred to treat debtors in a humane way.
- (c) This statement is incorrect since a statutory discharge of debt was only introduced in 1705 in England.**
- (d) This statement is incorrect since most of the continental insolvency rules provided for a liberal discharge of debt even before English law considered the introduction of such a dispensation.

Question 1.2

English insolvency law was not affected by the Covid-19 pandemic to date. Select the **most accurate response** to this statement from (a) – (d) below.

- (a) This statement is correct since the UK decided to merely provide financial aid to financially troubled entities and individuals.
- (b) This statement is correct since the legislative reform process in the UK is too slow to effect amendments to an elaborate piece of legislation such as its Insolvency Act of 1986.
- (c) This statement is correct since the English insolvency law already provided special rules to deal with extreme socio-economic situations like those brought about by global disasters such as the Covid-19 pandemic.
- (d) The statement is incorrect since the UK did review parts of its insolvency rules and amended some, amongst other things, to deal with the negative economic fall out of the pandemic.**

Question 1.3

Since the Dutch insolvency system is rather outdated when compared with English or American insolvency / bankruptcy laws, it does not provide for a modern scheme of arrangement that could be used to reorganise or rescue a company in distress. Select the **most accurate response** to this statement from (a) – (d) below.

- (a) This statement is correct since the Dutch insolvency system does not provide for a discharge of debt and without such a dispensation in place, a scheme of arrangement will not be functional.
- (b) This statement is correct since the Dutch government has not approved such legislation yet.
- (c) This statement is incorrect since the Dutch in fact introduced new legislation in this regard in 2000 already.

(d) This statement is incorrect since the Dutch quite recently adopted legislation in this regard and it became operational on 1 January 2021.

Question 1.4

There is no real need for the reform and establishment of a more uniform set of cross-border insolvency rules since the courts of the various States around the globe are well-equipped to deal with such issues by way of judicial discretion and since the broad rules of local insolvency legal systems are largely the same. Select the **most accurate response** to this statement from (a) – (d) below.

- (a) This statement is correct since courts cooperating across jurisdictional borders are familiar with global insolvency principles.
- (b) This statement is correct since courts across the globe are inclined to apply comity as a principle to assist foreign estate representatives to deal with cross-border insolvency matters in a coherent way.

(c) The statement is not correct since both local insolvency systems as well as cross-border insolvency rules differ quite significantly in many respects.

- (d) This statement is correct since apart from the wide discretion that judges in general have, the UNCITRAL Model Law on Cross-Border Insolvency has been adopted by the majority of UN Member States, hence these rules are well-known to judges across the globe.

Question 1.5

Universalism has become the main approach regarding the application of cross-border insolvency rules around the globe since the majority of States follow a strict adherence to comity. Select the **most accurate response** to this statement from (a) – (d) below.

(a) The statement is not correct because very few States allow insolvent estate representatives to deal with assets of a foreign debtor situated in their own jurisdiction without some form of a (prior) local procedure to recognise the foreign insolvency proceeding.

- (b) The statement is correct because universality has become the norm in the majority of States in cross-border insolvency matters since the introduction of the UNCITRAL Model Law on Cross-Border Insolvency in 1997.
- (c) The statement is correct because the prevalent approach of modified territoriality amounts to a universal embracement of universalism amongst the majority of States around the globe.
- (d) The statement is not correct because important international policy-making bodies such as the International Monetary Fund (IMF), the World Bank Group and the United Nations still support strong territoriality in cases of cross-border insolvency cases.

Question 1.6

A number of initiatives have been pursued in international insolvency in order to stimulate debate and to develop international best practice standards. Which of the following statements is **most accurate** regarding the World Bank's *Principles for Effective Insolvency and Creditor / Debtor Regimes*?

- (a) They were developed in 2000 and are the international best practice standards for insolvency regimes.
- (b) They were recently revised in 2021 and, together with the UNCITRAL Legislative Guide, form the international best practice standard for insolvency regimes.
- (c) They were recently revised in 2020 and, together with the UNCITRAL Model Law on Cross- border Insolvency, form the international best practice standard for insolvency regimes.
- (d) They were initially released in 2011 and are the international best practice standards for insolvency regimes.

Question 1.7

Which of the following **does not** focus on communication among States in international insolvencies?

- (a) ALI - III Global Guidelines for Court-to-Court Communications in International Insolvency Cases.
- (b) The JIN Guidelines.
- (c) The JIN Modalities.
- (d) The Nordic Convention 1933.

Question 1.8

Which of the following **best describes** the fundamental legal issues that arise in an international legal problem?

- (a) Choice of forum, choice of law, and choice of jurisdiction.

(b) Choice of forum, recognition and effect accorded foreign proceedings in the same matter, and choice of law.

(c) Choice of effect, choice of recognition, and choice of law.

(d) Choice of forum, recognition and effect accorded foreign proceedings in the same matter, and choice of parties.

Question 1.9

Which of the following statements **best describes** the *UNCITRAL Practice Guide on Cross-Border Insolvency Cooperation*?

(a) It is not intended to be prescriptive and is intended to provide information for insolvency practitioners and judges on practical aspects of co-operation and communication in cross-border insolvency cases to illustrate how the resolution of issues and conflicts that might arise in cross-border insolvency cases could be facilitated by cross-border co-operation.

(b) It is prescriptive and provides information for insolvency practitioners and judges on practical aspects of co-operation and communication in cross-border insolvency cases to illustrate how the resolution of issues and conflicts that might arise in cross-border insolvency cases must be facilitated by cross-border co-operation.

(c) It is prescriptive and provides information for judges on practical aspects of recognition and enforcement in cross-border insolvency cases.

(d) It is not prescriptive and provides information for judges on practical aspects of recognition and enforcement in cross-border insolvency cases.

Question 1.10

What **best describes** the overriding objective of the ALI - III Global Guidelines for Court-to-Court Communications in International Insolvency Cases?

(a) To interfere with the independent exercise of jurisdiction by the relevant States' courts and ensure an effective outcome.

(b) In urgent situations only, to interfere with the independent exercise of jurisdiction by the relevant States' courts in order to ensure an effective outcome.

(c) To enhance co-ordination and harmonisation of insolvency proceedings that involve more than one State through communications among the States involved.

(d) To enhance co-ordination and harmonisation of insolvency proceedings that involve more than three States through communications among the States involved.

Marks awarded 9 out of 10

QUESTION 2 (direct questions) [10 marks]

Question 2.1 [maximum 3 marks]

Briefly indicate three significant (historical) developments regarding debt collection procedures in English law that shaped the way of thinking concerning modern insolvency law.

- [(1) The 1542 English bankruptcy Act which provided for the proceeding against the fraudulent debtor was one of the significant development which contained two fundamental principles on which modern insolvency laws are based. **What were those fundamental principles? Elaboration is warranted.**
- (2) The 1570 Act provided for the proceeding to be opened by a creditor in case of act of bankruptcy by the debtor. **It would be beneficial to elaborate and clearly state how this shaped the way of thinking concerning modern insolvency law.**
- (3) The Statute of Ann of 1705, which introduced the term “statutory discharge” was a significant development regarding debt collection procedures. **It would be beneficial to elaborate upon modern principles of ‘fresh start’ and explain how they were shaped from this development.**

Thus, above mentioned are the three significant developments regarding debt collection procedures in English law that shaped the way of thinking concerning modern insolvency law.]

1.5

Question 2.2 [maximum 3 marks]

Following the Covid-19 pandemic, States across the globe had to introduce measures to deal with the negative economic fall out of this pandemic. Briefly indicate three insolvency and insolvency-related measures so introduced in the UK.

[Corporate Insolvency and Governance Act 2020 was passed to deal with the negative economic fallout of Covid-19 pandemic. The major three insolvency and insolvency related measures introduced in the UK are listed below.

1. New Restructuring Plan and new moratorium rules
2. Temporary suspension of wrongful trading
3. Suspension of winding-up petitions and statutory demands.]

Further elaboration would improve the mark for this sub-question. While it does say ‘briefly’, the sub-question is for 3 marks.

2.5

Question 2.3 [maximum 4 marks]

Briefly explain the concept of treaties and “soft law” and indicate how these may be used to establish cross-border insolvency rules in States.

[Treaty can be defined as a written agreement between the parties to identify and follow a set of rules. In other words, treaties are public international instruments to which countries become signatories and bind themselves under the same.

Soft law - Soft law is a set of rules or standards conveyed by the international group with the objective that each nation will abide by the rules/standards mentioned into the law.

Since the adoption of this treaties and soft law is voluntary, and viewed as a recommendation, it has been gaining much momentum. With the development of Model Law on cross-border Insolvency, and given the number of states adopting the same, it has been instrumental in establishing cross-border insolvency rules in States.

Further elaboration would improve the mark for this sub-question. While it does say 'briefly', the sub-question is for 4 marks.

3.5

Marks awarded 7.5 out of 10

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

Question 3.1 [maximum 5 marks]

Briefly discuss the various possible different sources of insolvency laws in any State and how they may interact with each other.

[There are diverse sources of insolvency legal guidelines in any nation however it's far important to locate the primary source of insolvency legal guidelines that may be applied. Generally, the primary source of regulation is located in rules or codes however in addition they rely upon ideas of not common law regulation (in case of not common law regulation countries) to fill the gaps and loopholes with inside the current rules and code.

Moreover, the insolvency provisions are present is a unified legislation in some jurisdictions covering all aspects of insolvency and bankruptcy whereas some jurisdictions have multiplicity of legislations which must be studied in conjunction with each other in order to understand the law as a whole, i.e., where the laws for individual bankruptcy is contained in one legislation while the laws related to winding up of companies is mentioned in a different legislation/statute.

Further, the legal principles forming the part of general laws also play a vital role in insolvency laws of any state/jurisdiction apart from the insolvency legislation of that particular jurisdiction. The major reason for the applicability of the legal principles of general law is because of the absence of the same in insolvency laws legislation.

For the purpose of interaction between different sources of insolvency law, they must be studied in conjunction with each other for the purpose of interpreting the law as whole.]

5

Question 3.2 [maximum 5 marks]

A number of difficulties arise in cross-border insolvencies, including as a result of differences in laws between States. Harmonisation of insolvency laws is pursued. In an attempt to bring the "cross-border" aspects and the "insolvency" aspects together, Fletcher asks three very pertinent questions. Discuss these pertinent questions / issues raised by Fletcher.

[Fletcher asks three very pertinent questions in order to bring the "cross-border" aspects and the "insolvency" aspects together.

(1) Insolvency proceedings can be opened in which jurisdictions?

- (2) In respect of different aspects of the case, which country's law should be applied?
- (3) What international effects will be accorded to proceedings conducted at a particular forum?

Fletcher answers the above questions in following way.

In response to the first question, the insolvency proceedings could possibly be opened concurrently in more than one state. **What cooperation difficulties does this raise ?**

In response to the second question, each state would apply its own laws including its choice of law rules.

In response to the third question, no or very limited extraterritorial effects would be granted to foreign proceedings.]

This answer displays a satisfactory understanding. To improve your responses, ensure they are commensurate with the mark allocation – while Q 3.2 asks for a brief note, it is for 5 marks.

3

Question 3.3 [maximum 5 marks]

It is said that “co-ordination agreements are sometimes known as Protocols or Cross-border Insolvency Agreements. Their growing acceptance internationally is evident in the work by the ALI-III in their *Guidelines Applicable to Court-to-Court Communication in Cross-Border Cases*; by UNICTRAL in their *Practice Guide on Cross-border Insolvency Agreements*; and by the Judicial Insolvency Network in their *Guidelines for Communication and Cooperation between Courts in Cross-Border Insolvency Matters...*”

It is also said that “While court approval of such agreements for the purposes of co-ordinating insolvency proceedings is encouraged by the MLCBI, they in fact pre-date the Model Law.”

Briefly discuss a prominent case law example for this last quotation.

[A prominent case law example is the *Maxwell Communications Corporation plc* cross-border insolvency case in 1991, in which concurrent principle insolvency proceedings in the United States (Chapter 11 proceedings) and England (administration proceedings) were co-ordinated through an “Order and Protocol” approved by the courts in the respective states.

The aforementioned case involved two primary insolvency proceedings initiated by Single corporate debtor in the United States and United Kingdom respectively and the appointment of two different and separate insolvency representatives in the two states. It was agreed by judges of both the states that an insolvency agreement could resolve the conflict and facilitate the exchange of information. Thus, under the agreement, two goals were set for guiding the representatives, i.e., maximizing the value of the estate and harmonising the proceeding to minimise the expense, waste and jurisdictional conflict. It was agreed by the parties that the United State courts would defer to the English proceedings, once the presence of certain criteria was determined.

The specifics included:

- Some of existing management would be retained in the interest of maintaining the debtor's going concern value but the English representative with the consent of the US representative would be allowed to select new and independent directors.

- The English representative should only incur debt or file a reorganisation plan with the consent of the US representative or the US Court.
- The English representative should give prior notice to the US representative before undertaking any major transaction on behalf of the debtor, but were pre-authorized to take “lesser” transactions.

Further, many issues were purposely left out of the agreement to be resolved during the course of the proceedings. Some of the issues, such as distribution matters, were later included in an extension of the agreement.]

5
Marks awarded 13 out of 15

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

Rydell Co Ltd (Rydell) is an incorporated company with offices in the UK and throughout Europe. Its centre of main interest (COMI) is in the UK. Rydell supplies engine parts for large vehicles, including airplanes, and has had a downturn in business due to border closures and travel restrictions throughout the Covid-19 pandemic.

Rydell’s main creditor is Fernz Co Ltd (Fernz) which is incorporated in a country in Europe that is a member of the EU. Fernz is considering commencing proceedings or pursuing other options with respect to recovering unpaid debts from Rydell.

There are a number of other creditors owed money by Rydell, who are located throughout different countries in Europe which are all members of the European Union.

If you require additional information to answer the questions that follow, briefly state what information it is you require and why it is relevant.

Question 4.1 [maximum 7 marks]

An insolvency proceeding against Rydell was opened in the UK by a minor creditor on 18 June 2020. A month later, Fernz was considering also opening proceedings in another country in Europe which was a member of the European Union.

Discuss if and how the European Insolvency Regulation Recast would apply. Also note what further information, if any, you might require to fully consider this question.

[The Recast Regulation governs:

- The proper jurisdiction of insolvency. If a debtor's COMI is located in one-member state, insolvency proceedings can only be opened in another member state if the debtor has an establishment there. **It would be beneficial to reference specific articles and elaborate further.**
- The applicable law to be used in those proceedings (subject to exceptions, the law of the state of opening of the proceedings).
- The mandatory automatic recognition of those proceedings in other member states.
- Methods by which coordination and cooperation is to be, or may be, achieved within more than one-member state and for insolvent groups of companies.

The Recast Regulation applies to insolvency proceedings in respect of corporate bodies and individuals, although it does not apply to certain specific types of institution such as:

- Insurance undertakings.
- Credit institutions.

- Investment firms and other firms, institutions and undertakings to the extent that they are covered by the Directive of the European Parliament and of the Council of 4 April 2001 on the reorganisation and winding up of credit institutions.
- Collective investment undertakings.

The Recast Regulation applies only if the debtor has its COMI in a member state.]

Elaboration is warranted, including with respect to the requirements for ‘establishment’ and further information needed. It would also be beneficial to elaborate with respect to the application of the EIR Recast, including in consideration of when it ceased to apply to UK proceedings.

3

Question 4.2 [maximum 3 marks]

How would your answer to 4.1 differ if the proceedings were opened in the UK on 18 June 2021 instead of 18 June 2020? Also note what further information, if any, might become relevant.

[The UK was ceased to be a member of the European Union at 11pm on 31 January 2020. Under UK law, the European Insolvency Regulation Recast no longer applies to post 11pm 31 December 2020 proceedings in the UK. The Recast Insolvency Regulation applies to insolvencies where the main proceedings were opened prior to the expiry of the transitional period being 11pm on 31 December 2020.

Therefore, if the proceedings were opened in the UK on 18 June 2021 instead of 18 June 2020, it would have made no difference.]

This would benefit from reconsideration. Elaboration is also warranted with respect to MLCBI and other law laws and further information that might be relevant.

1

Question 4.3 [maximum 5 marks]

Consider an alternative situation now. What if Rydell were unregistered with its COMI in a country in Europe that was a member of the European Union, instead of the UK, and formal insolvency proceedings were opened in the UK on 18 June 2021? What UK domestic laws would be relevant to consider whether the minor creditor could commence those formal insolvency proceedings in the UK?

[Type your answer here]

Take care to answer each sub-question.

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**Marks awarded 4 out of 15
TOTAL MARKS 33.5 /50**

*** End of Assessment ***