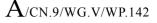
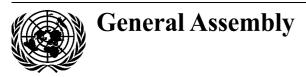
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# Facilitating the cross-border insolvency of multinational enterprise groups: draft legislative provisions

### Note by the Secretariat

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### I. Introduction

1. At its forty-fourth session in December 2013, following a three-day colloquium, the Working Group agreed to continue its work on the cross-border insolvency of multinational enterprise groups<sup>1</sup> by developing provisions on a number of issues that would extend the existing articles of the UNCITRAL Model Law on Cross-Border Insolvency (UNCITRAL Model Law) and part three of the UNCITRAL Legislative Guide on Insolvency Law (UNCITRAL Legislative Guide), as well as involving reference to the UNCITRAL Practice Guide on Cross-Border Insolvency Cooperation. While the Working Group considered that those provisions might, for example, form a set of model provisions or a supplement to the existing UNCITRAL Model Law, it noted that the precise form they might take could be decided as the work progressed.

2. At its forty-fifth (April 2014), forty-sixth (December 2014) and forty-seventh (May 2014) sessions, the Working Group considered the goals of a text that might be developed to facilitate the cross-border insolvency of multinational enterprise groups; the key elements of such a text, including those that might be based upon part three of the UNCITRAL Legislative Guide on Insolvency Law (the Legislative Guide) and on the UNCITRAL Model Law on Cross-Border Insolvency (the Model Law); and the form that the text might take, noting that some of the key elements lent themselves to being developed as a model law, while others were perhaps more in the nature of provisions that might be included in a legislative guide.

3. At its forty-eighth session, the Working Group agreed a set of key principles for a regime to address cross-border insolvency in the context of enterprise groups and considered a number of draft provisions addressing three main areas: (a) coordination and cooperation of insolvency proceedings relating to an enterprise group; (b) elements needed for the development and approval of a group insolvency solution involving multiple entities; and (c) the use of so-called "synthetic proceedings" in lieu of commencing non-main proceedings. Two additional supplemental areas were also considered. These might include (d) the use of so-called "synthetic proceedings" in lieu of commencing main proceedings, and (e) approval of a group insolvency solution on a more streamlined basis by reference to the adequate protection of the interests of creditors of affected group members.

4. At its forty-ninth session, the Working Group considered a consolidated draft legislative text incorporating the agreed key principles and draft provisions addressing the five areas indicated in paragraph 3.

5. The draft text below reflects the discussion and decisions taken at the forty-ninth session and the revisions the Secretariat was requested to make, together with various suggestions and proposals arising from the Secretariat's work on the draft text. Notes and commentary to this draft text, indicated by a reference number in square brackets, are contained in A/CN.9/WG.V/WP.142/Add.1.

<sup>&</sup>lt;sup>1</sup> Official Records of the General Assembly, Sixty-fifth Session, Supplement No. 17 (A/65/17), para. 259 (a); A/CN.9/763, paras. 13-14; Official Records of the General Assembly, Sixty-eighth Session, Supplement No. 17 (A/68/17), para. 326.

# II. Draft legislative provisions on facilitating the cross-border insolvency of multinational enterprise groups

[Part A]

#### **Chapter 1. General Provisions**

[Preamble [1]

The purpose of this Law is to provide effective mechanisms to address cases of cross-border insolvency affecting the members of an enterprise group, so as to promote the objectives of:

(a) Cooperation between courts and other competent authorities of this State and foreign States involved in cases of cross-border insolvency affecting members of an enterprise group;

(b) Cooperation between insolvency representatives appointed in this State and foreign States in cases of cross-border insolvency affecting members of an enterprise group;

(c) Development of a group insolvency solution for the whole or part of an enterprise group and cross-border recognition and implementation of that solution in multiple States;

(d) Fair and efficient administration of cross-border insolvencies concerning enterprise group members that protects the interests of all creditors and other interested persons, including the debtors;

(e) Protection and maximization of the overall combined value of the operations and assets of enterprise group members affected by insolvency and of the enterprise group as a whole;

(f) Facilitation of the rescue of financially troubled enterprise groups, thereby protecting investment and preserving employment.]

#### [Article 1. Scope [2]

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1. This Law applies where:

(a) Assistance is sought in this State by a foreign court, a foreign representative or a group representative in connection with one or more foreign proceedings relating to members of an enterprise group;

(b) Assistance is sought in a foreign State in connection with one or more proceedings under [*identify laws of the enacting State relating to insolvency*] relating to members of an enterprise group;

(c) Assistance is sought in this State by a foreign court, a foreign representative or a group representative in connection with a group insolvency solution for one or more enterprise group members being developed in a planning proceeding in a foreign State;

(d) Assistance is sought in a foreign State in connection with a group insolvency solution for one or more enterprise group members being developed in

this State in a planning proceeding under [*identify laws of the enacting State relating to insolvency*];

(e) A foreign proceeding and a proceeding under [*identify laws of the enacting State relating to insolvency*] are taking place concurrently in respect of the same enterprise group member; or

(f) [Foreign] creditors [or other interested persons] have an interest in requesting the commencement of, or participating in, a proceeding under [*identify laws of the enacting State relating to insolvency*] in respect of an enterprise group member [2.3].

2. Where the centre of main interests of an enterprise group member is located in this State, nothing in this Law is intended to [2.5]:

(a) Limit the jurisdiction of the courts of this State with respect to that enterprise group member; or

(b) Limit any process or procedure (including any permission, consent or approval) required in this State in respect of that enterprise group member's participation [to any extent] in a group insolvency solution being developed in a foreign State; or

(c) Limit the commencement of insolvency proceedings in this State under [*identify laws of the enacting State relating to insolvency*], if required or requested to address the insolvency of an enterprise group member. When proceedings are not required or requested in this State, there is no obligation to commence such proceedings.]

#### **Article 2. Definitions**

For the purposes of these provisions

(a) "Enterprise" means any entity, regardless of its legal form, that is engaged in economic activities and may be governed by the insolvency law [3];

(b) "Enterprise group" means two or more enterprises that are interconnected by control or significant ownership;

(c) "Control" means the capacity to determine, directly or indirectly, the operating and financial policies of an enterprise;

(d) "Enterprise group member" means an enterprise referred to in subparagraph (a), which forms part of an enterprise group as defined in paragraph (b) [4];

(e) "Group Representative" means a person or body, including one appointed on an interim basis, authorized to act as a representative of a planning proceeding in which one or more group members are participating for the purpose of developing [and implementing] a group insolvency solution [5];

(f) "Group insolvency solution" means a set of proposals developed in a planning proceeding [6]:

(i) For the reorganization, sale, or liquidation of some or all of the operations or assets of one or more group members;

(ii) That would be likely to add to the overall combined value of the group members involved; and

(iii) That must be approved, insofar as the proposals relate to a particular group member, in the jurisdiction in which that group member has its centre of main interests;

(g) "Planning proceeding" means a main proceeding commenced in respect of an enterprise group member that is a necessary and integral part of a group insolvency solution, in which one or more additional group members are participating for the purpose of developing [and implementing] a group insolvency solution and in which a group representative has been appointed [7].

#### Chapter 2. Cooperation and coordination

### Article 3. Cooperation and direct communication between a court of this State and foreign courts, foreign representatives and a group representative [8]

#### Variant 1

1. [In the matters referred to in article 1,] the court shall cooperate to the maximum extent possible with foreign courts, foreign representatives and a group representative, either directly or through a [insert the title of a person or body administering a reorganization or liquidation under the law of the enacting State] or other person appointed to act at the direction of the court to facilitate the development and implementation of a group insolvency solution [9].

2. The court is entitled to communicate directly with, or to request information or assistance directly from, foreign courts, foreign representatives or a group representative concerning members of the same enterprise group participating in a planning proceeding, and in particular with respect to the development and implementation of a group insolvency solution, including the roles of the different courts with respect to implementation.

#### Variant 2

1. In the matters referred to in article 1, the court shall cooperate to the maximum extent possible with foreign courts, foreign representatives and a group representative, where appointed, either directly or through a [*insert the title of a person or body administering a reorganization or liquidation under the law of the enacting State*] or other person appointed to act at the direction of the court.

2. The court is entitled to communicate directly with, or to request information or assistance directly from, foreign courts, foreign representatives or a group representative, where appointed.

#### Article 4. Cooperation to the maximum extent possible under article 3

Cooperation to the maximum extent possible for the purposes of article 3 may be implemented by any appropriate means, including:

(a) Communication of information by any means considered appropriate by the court;

(b) Participation in communication with the foreign court, a foreign representative or a group representative[, where appointed];

(c) Coordination of the administration and supervision of the affairs of the enterprise group members;

(d) Coordination of concurrent foreign proceedings commenced with respect to enterprise group members;

(e) Appointment of a person or body to act at the direction of the court;

[(f) Approval of the treatment in a foreign proceeding of the claims of creditors of the enacting State] [10];

(g) Variant 1 Approval of agreements concerning the coordination of proceedings [to facilitate the development and implementation of a group insolvency solution] [11];

(g) Variant 2 Approval and implementation of agreements concerning the coordination of proceedings relating to two or more enterprise group members located in different States, including where a group insolvency solution is being developed;

(h) Cooperation among courts as to how to allocate and provide for the costs associated with cross-border cooperation and communication; and

(i) [The enacting State may wish to list additional forms or examples of cooperation].

#### Article 5. Effect of communication under article 3 [12]

Participation by a court in communication pursuant to article 3, paragraph 2, does not imply:

(a) A waiver or compromise by the court of any powers, responsibilities or authority [13];

(b) A substantive determination of any matter before the court;

(c) A waiver by any of the parties of any of their substantive or procedural rights;

(d) A diminution of the effect of any of the orders made by the court;

(e) Submission to the jurisdiction of other courts participating in the communication; or

(f) Any limitation, extension or enlargement of the jurisdiction of the participating courts. Each court is entitled at all times to exercise its independent jurisdiction and authority with respect to matters presented to it and the conduct of the parties appearing before it.

#### Article 6. Coordination of hearings [14]

1. The court may conduct a hearing in coordination with a foreign court.

2. The substantive and procedural rights of parties and the jurisdiction of each court may be safeguarded by reaching agreement on the conditions to govern the coordinated hearings.

3. Notwithstanding the coordination of hearings, each court remains responsible for reaching its own decision on the matters before it.

### Article 7. Cooperation and direct communication between a group representative, foreign representatives and foreign courts [15]

1. [In the matters referred to in article 1,] a group representative shall, in the exercise of its functions and subject to the supervision of the court, cooperate to the maximum extent possible with foreign courts and foreign representatives of other enterprise group members to facilitate the development and implementation of a group insolvency solution.

2. A group representative is entitled, in the exercise of its functions and subject to the supervision of the court, to communicate directly with or to request information or assistance directly from foreign courts and foreign representatives.

[Article 7 bis. Cooperation and direct communication between a [insert the title of a person or body administering a reorganization or liquidation with respect to an enterprise group member under the law of the enacting State], foreign courts, foreign representatives and a group representative

[1. In the matters referred to in article 1,] a [insert the title of a person or body administering a reorganization or liquidation with respect to an enterprise group member under the law of the enacting State] shall, in the exercise of its functions and subject to the supervision of the court, cooperate to the maximum extent possible with foreign courts, foreign representatives of other enterprise group members and a group representative, where appointed.

[2. A [insert the title of a person or body administering a reorganization or liquidation with respect to an enterprise group member under the law of the enacting State] is entitled, in the exercise of its functions and subject to the supervision of the court, to communicate directly with or to request information or assistance directly from foreign courts, foreign representatives of other group members and a group representative, where appointed.]

#### Article 8. Cooperation to the maximum extent possible under articles 7 [and 7 bis]

For the purposes of article 7 [and article 7 bis], cooperation to the maximum extent possible may be implemented by any appropriate means, including:

(a) Sharing and disclosure of information concerning enterprise group members, provided appropriate arrangements are made to protect confidential information;

(b) *Variant 1* Negotiation of agreements concerning the coordination of proceedings [to facilitate the development and implementation of a group insolvency solution] [16];

(b) *Variant 2* Negotiation of agreements concerning the coordination of proceedings relating to two or more enterprise group members located in different States, including where a group insolvency solution is being developed;

(c) Allocation of responsibilities between a [[insert the title of a person or body administering a reorganization or liquidation with respect to an enterprise group member under the law of the enacting State],] a group representative[, where appointed] and a foreign representative [17];

(d) Coordination of the administration and supervision of the affairs of the enterprise group members; and

(e) Coordination with respect to the development and implementation of a group insolvency solution, [where applicable] [18].

### Article 9. Authority to enter into agreements concerning the coordination of proceedings [19]

*Variant 1* Agreements concerning the coordination of proceedings may be entered into to facilitate the development and implementation of a group insolvency solution.

*Variant 2* Agreements concerning the coordination of proceedings involving two or more enterprise group members located in different States may be entered into, including where a group insolvency solution is being developed.

#### Article 10. Appointment of a single [or the same] insolvency representative [20]

1. The court may coordinate with foreign courts with respect to the appointment and recognition of a single [or the same] insolvency representative to administer and coordinate insolvency proceedings concerning members of the same enterprise group in different States where a group insolvency solution is being developed, provided the insolvency representative is qualified for appointment in each of the relevant States.

2. To the extent required by applicable law, the insolvency representative is subject to the supervision of each appointing court.

#### Chapter 3. Conduct and recognition of a planning proceeding

## Article 11. Participation by enterprise group members in a proceeding under *[identify laws of the enacting State relating to insolvency]*

1. Subject to paragraph 2, if a proceeding under [*identify laws of the enacting State relating to insolvency*] with respect to an enterprise group member whose centre of main interests is located in this State has commenced, any other group member [(whether solvent or insolvent)] [21] may participate in that proceeding for the purpose of attempting to develop a group insolvency solution.

2. Variant 1 [22]

[For the purposes of paragraph 1 of this article, participation by a group member does not subject the group member to the [jurisdiction of the courts of this State] [insolvency law of this State], but the group member has a right to appear and be heard in the proceedings on any issue that affects its rights, obligations or interests and to participate in the development and implementation of a group insolvency solution.]

#### Variant 2

[For the purposes of paragraph 1 of this article, participation by a group member does not affect whether it is otherwise subject to the insolvency law of this State, but merely implies that it would have the right to appear and be heard in the proceedings and to participate in the development and implementation of a group insolvency solution.]

3. An [insolvent] enterprise group member whose centre of main interests is located in another State may not participate in a proceeding under paragraph 1 if a court in that other State precludes it from so doing.

#### Article 12. Appointment of a group representative [23]

*Variant 1* If one or more enterprise group members participate in a proceeding under article 11, the court may appoint a group representative, who may then seek recognition from foreign courts and may seek to participate in any foreign proceeding related to a participating group member.

*Variant 2* If one or more enterprise group members participate in a proceeding referred to in article 11, the court may appoint a group representative. The group representative is authorized to act in a foreign State on behalf of that planning proceeding and to participate in any foreign proceeding relating to a group member participating in the planning proceeding, as permitted by the applicable foreign law [24].

#### Article 13. Relief available to a planning proceeding [25]

1. To the extent needed to [preserve the possibility of developing a group insolvency solution] [protect the assets of the enterprise group member subject to a planning proceeding or the interests of the creditors], the court may, at the request of the group representative, grant the following relief with respect to the assets or operations located in this State of any [insolvent] [26] enterprise group member [other than a solvent group member] participating in the planning proceeding:

(a) Staying execution against the enterprise group member's assets;

(b) Suspending the right to transfer, encumber, or otherwise dispose of any assets of the enterprise group member;

(c) Suspending [the] [any] proceedings [27] [in this State] temporarily to allow for the development [and implementation] of a group insolvency solution;

(d) Staying the commencement or continuation of individual actions or individual proceedings concerning the enterprise group member's assets, rights, obligations, or liabilities;

(e) Entrusting the administration or realization of all or part of the enterprise group member's assets located in this State to the group representative or another person designated by the court, in order to protect and preserve the value of assets that, by their nature or because of other circumstances, are perishable, susceptible to devaluation, or otherwise in jeopardy; (f) Providing for the examination of witnesses, the taking of evidence, or the delivery of information concerning the enterprise group member's assets, affairs, rights, obligations, or liabilities;

[(g) [28] Recognizing existing arrangements concerning the funding of enterprise group members participating in the planning proceeding where the funding entity is located in this State and authorizing the continued provision of finance under those funding arrangements, subject to any appropriate safeguards the court may apply]; and

(h) Granting any additional relief that may be available to [*insert the title of a person or body administering a reorganization or liquidation under the law of the enacting State*] under the laws of this State.

2. With respect to the assets or operations located in this State of an enterprise group member that has its centre of main interests in another State, relief under this article may only be granted if that relief is not incompatible [with the laws of that State] [with relief granted in insolvency proceedings taking place in that State] [29].

#### Article 14. Recognition of a planning proceeding

1. A group representative appointed in a planning proceeding may apply for recognition of that proceeding [in this State] [30].

2. An application for recognition shall be accompanied by:

(a) A certified copy of the decision commencing the [planning] proceeding [designated as a planning proceeding] [31] and appointing the group representative; or

(b) A certificate from the foreign court affirming the existence of the planning proceeding and of the appointment of the group representative; or

(c) In the absence of evidence referred to in subparagraphs (a) and (b), any other evidence acceptable to the court of the existence of the planning proceeding and of the appointment of the group representative.

3. An application for recognition shall also be accompanied by:

(a) Evidence that each group member sought to be represented in a planning proceeding has agreed to participate in that proceeding. Where such a group member is subject to insolvency proceedings in the court of its centre of main interests, evidence shall be procured that any approval which may be required under the domestic law of the State of the commencement of proceedings for participation in the planning proceeding has been obtained [32];

[(b) A statement identifying all members of the enterprise group and all proceedings commenced in respect of enterprise group members participating in the planning proceeding that are known to the group representative] [33];

(c) A statement to the effect that a group member [subject to the planning proceeding] has its centre of main interests in the jurisdiction where the planning proceeding is taking place and that that proceeding is likely to result in added overall combined value for the enterprise group [members involved] [34].

4. The court may require a translation of documents supplied in support of the application for recognition into an official language of this State.

## Article 15. Interim relief that may be granted upon application for recognition of a planning proceeding [35]

1. From the time of filing an application for recognition until the application is decided upon, the court may, at the request of the group representative, where relief is urgently needed to [preserve the possibility of developing and implementing a group insolvency solution] [protect the assets of the enterprise group member subject to a planning proceeding or the interests of the creditors] [36], grant appropriate relief of a provisional nature, including the relief specified in article 13, subparagraphs 1 [...] [37].

2. [Insert provisions of the enacting State relating to notice.]

3. Unless extended under article 17, subparagraph 1 (a), the relief granted under this article terminates when the application for recognition is decided upon.

4. The court may refuse to grant relief under this article if such relief would interfere with the administration of a [planning proceeding] [proceeding located in the centre of main interests of an enterprise group member participating in the planning proceeding] [38].

#### Article 16. Decision to recognize a planning proceeding

1. [Subject to any applicable public policy exception] [39], a planning proceeding shall be recognized if:

(a) The application meets the requirements of article 14, paragraphs 2 and 3;

(b) The proceeding is a planning proceeding within the meaning of article 2, subparagraph (g); and

(b) The application has been submitted to the court referred to in article [...] [40];

2. An application for recognition of a planning proceeding shall be decided upon at the earliest possible time.

3. Recognition may be modified or terminated if it is shown that the grounds for granting it were fully or partially lacking or have ceased to exist.

4. For the purposes of paragraph 3, the group representative shall inform the court of changes in the status of the planning proceeding or in the status of their own appointment occurring after the application for recognition is made.

## Article 17. Relief that may be granted upon recognition of a planning proceeding [41]

1. Upon recognition of a planning proceeding, where necessary to [preserve the possibility of developing and implementing a group insolvency solution] [protect the assets of the enterprise group member or the interests of creditors] [42] the court, at the request of the group representative and in addition to any relief specified in article 13, subparagraphs 1 [...], may grant any appropriate relief including:

(a) Extending of any relief granted under article 13, paragraph 1;

[(b) Subject to article 19, approving of treatment in the foreign proceeding of the claims of creditors located in this State] [43].

2. Upon recognition of a planning proceeding the court may, at the request of the group representative, entrust the distribution of all or part of the enterprise group member's assets located in this State to the group representative or another person designated by the court, provided that the court is satisfied that the interests of creditors in this State are adequately protected. [44]

### **Article 18.** Participation of a group representative in a proceeding [under [identify laws of the enacting State relating to insolvency]] [in this State]

1. Upon recognition of a planning proceeding, the group representative may participate in any proceeding [45] [under [*identify laws of the enacting State relating to insolvency*]] [in this State] concerning enterprise group members that are participating in the planning proceeding.

#### Article 19. Protection of creditors and other interested persons [46]

1. In granting or denying relief under article 15 or 17, or in modifying or terminating relief under paragraph 3 of this article, the court must be satisfied that the interests of the creditors and other interested persons, including the debtor, are adequately protected.

2. The court may subject relief granted under article 15 or 17 to conditions it considers appropriate.

3. The court may, at the request of the group representative or a person affected by relief granted under article 15 or 17, or at its own motion, modify or terminate such relief.

#### Article 20. Approval of local elements of a group insolvency solution [47]

1. Where a group solution affects a group member [48] that has its centre of main interests [or establishment] [49] in this State and a proceeding under [*identify the laws of the enacting State relating to insolvency*] has commenced [in this State], the group insolvency solution shall be submitted to the court [in this State] for approval.

2. The court shall refer the portion of the group solution affecting the group member referred to in paragraph 1 for approval in accordance with [*identify the laws of the enacting State relating to insolvency*].

3. If the approval process referred to in paragraph 2 results in approval of the relevant portion of the group insolvency solution, the court shall [confirm and implement those elements relating to assets or operations in this State] [specify the role to be played by the court in accordance with the law of the enacting State with respect to approval of a reorganization plan] [50].

4. Where a group solution affects a group member [participating in the planning proceeding] that has its centre of main interests [or establishment] in this State and no proceeding under [*identify the laws of the enacting State relating to insolvency*] has commenced in this State or article 21 applies, [*specify how, in that situation, the group insolvency solution will be approved and by whom*].

5. The group representative appointed in the planning proceeding is entitled to apply directly to a court in this State to be heard on issues related to [approval and] implementation of the group insolvency solution [51].

#### Chapter 4. Treatment of foreign claims in accordance with applicable law [52]

## Article 21. Commitment to and approval of the treatment of foreign claims in accordance with applicable law: non-main proceedings [53]

1. To facilitate the treatment of claims that could otherwise be brought by creditors in a non-main proceeding in another State, a foreign representative or group representative appointed in this State may commit to, and the court in this State may approve, providing those creditors with the treatment [54] in this State that they would have received in a non-main proceeding in that other State.

2. A court in this State may stay or decline to open a non-main proceeding if a foreign representative or group representative from another State in which a main proceeding is pending has made a commitment under paragraph 1.

#### [Part B]

#### **Supplemental provisions** [55]

### Article 22. Commitment to and approval of the treatment of foreign claims in accordance with applicable law: main proceedings

1. To facilitate the treatment of claims that would otherwise be brought by creditors in a proceeding in another State, a foreign representative or group representative appointed in this State may commit to, and the court in this State may approve, providing those creditors with the treatment in this State that they would have received in a proceeding in that other State.

2. A court in this State may stay or decline to open a main proceeding if a foreign representative or group representative from another State in which a proceeding is pending has made a commitment under paragraph 1.

#### Article 23. Additional relief [56]

1. If, upon recognition of a planning proceeding, the court is satisfied that the interests of creditors of affected enterprise group members would be adequately protected in the planning proceeding, the court, in addition to granting any relief described in article 13, may stay or decline to open insolvency proceedings in this State relating to enterprise group members participating in the planning proceeding.

2. Notwithstanding article 20[, paragraph 1,] [57] if, upon submission of a proposed group insolvency solution by the group representative, the court is satisfied that the interests of creditors of the affected enterprise group member are adequately protected in the planning proceeding, the court may approve the relevant portion of the group insolvency solution and grant any relief described in article 13 that is necessary for implementation of the group insolvency solution.

#### **Additional issues**

#### Principle 4, paragraph 1 [58]

The court located in the centre of main interests of an enterprise group member participating in a planning proceeding can authorize the insolvency representative appointed in insolvency proceedings taking place in the centre of main interests to seek:

(i) To participate and be heard in a planning proceeding taking place in another jurisdiction; and

(ii) Recognition by the planning court of the proceeding in the centre of main interests jurisdiction.

#### Principle 4, paragraph 2 [59]

The court can receive a request for recognition of the type referred to in paragraph 1 of this principle.

#### Principle 5, sentence 2 [60]

For those group members whose centre of main interests is located in the same jurisdiction as the planning proceeding, the recommendations of part three of the Legislative Guide on Insolvency Law with respect to joint application and procedural coordination could apply.

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