



Impact of COVID-19 on Insolvency Laws:

How Countries Are Revamping Their Insolvency and Restructuring Laws to Combat COVID-19

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Contents

Around the globe, our lawyers are receiving a large number of enquiries about mitigating the impact of the coronavirus disease 2019 (COVID-19) on companies' business operations and finances. Governments in several countries have reacted quickly to try to mitigate COVID-19's impact by changing or amending their insolvency laws. This memorandum is an overview of the key changes in restructuring and insolvency laws that select countries have undertaken and uses the traffic light system below to show the current status of those measures:-

 = Measures are set to expire in 1-2 weeks
 = Ongoing measure

1. Australia	1
2. China	3
3. Czech Republic	5
4. France	6
5. Germany	8
6. Italy	10
7. Japan	12
8. Poland	15
9. Russia	18
10. Slovak Republic	21
11. Spain	24
12. United Kingdom	26
13. United States	28



1. Australia



The Australian government has taken swift action to enact new legislation that significantly changes the insolvency laws relevant to all business as a result of the ongoing developments related to COVID-19.

The Coronavirus Economic Response Package Omnibus Act 2020 (Response Act) became effective on March 25, 2020, and is an effort to provide temporary relief to companies experiencing financial distress as a result of the ongoing and rapidly changing economic slowdown caused by COVID-19.

The COVID-19 Response Act

The amendments of the Response Act are temporary and will apply for six months, until September 23, 2020. However, subject to economic and health developments, the provisions may be expanded in both their application and scope.

Key Aspects of the Response Act

Safe Harbor for Insolvent Trading	<p>The most significant temporary relief relates to directors' duties to prevent insolvent trading. The Response Act adds a new section to the Corporations Act 2001 (Corps Act), providing directors with a new safe harbor during the six-month period, which protects them from incurring personal liability for insolvent trading for debts incurred in the ordinary course of their businesses. The new relief measures protect directors from personal liability, provided that the transactions that the company enters into (i) are in the ordinary course of business after the enactment of the Response Act, and (ii) occur prior to the engagement or appointment of any external administrator.¹</p>	
Increase in Dollar Thresholds and Extension of Deadlines	<ul style="list-style-type: none"> • The minimum dollar threshold to issue a creditors' statutory demand² is raised from AU\$2,000 to AU\$20,000. • The deadline for a company to respond to a creditors' statutory demand is increased from 21 days to six months. • The minimum dollar threshold for a creditor to initiate bankruptcy proceedings against a debtor is raised from AU\$5,000 to AU\$20,000. • The deadline for a company to respond to a creditors' initiation of the bankruptcy proceedings is extended from 21 days to six months. 	

¹ Administrators are similar to trustees and/or receivers in the US.

² Creditors with undisputed debt of a minimum dollar threshold (originally of AU\$2,000; now, temporarily, AU\$20,000) may issue a formal demand for payment of their debt. If the company fails to pay the debt by the deadline (originally of 21 days; now, temporarily, of six months), the company will be deemed insolvent.

	<ul style="list-style-type: none"> The protection under the declaration of intention³ is extended from 21 days to six months. <p>The amendments implemented by the Response Act recognise that, if companies are to survive the challenges posed by the virus and its associated economic slowdown, directors will need to address the financial challenges of their businesses in new and potentially expanded ways, including obtaining new debt, seeking credit, raising equity and moving business operations away from traditional headquarters while retaining and enabling a more mobile workforce.</p> <p>Ordinary Course of Business?</p> <p>It is noteworthy that the relief under the new measures will only be afforded to new debts incurred in the "ordinary course of business". Accordingly, much will depend on the scope and application of that term to different types of businesses. The explanatory memorandum to the Response Act provides that:</p> <p>"A director is taken to incur a debt in the ordinary course of business if it is necessary to facilitate the continuation of the business during the six-month period that begins on commencement of the subparagraph. This could include, for example, a director taking out a loan to move some business operations online. It could also include debts incurred through continuing to pay employees during the coronavirus pandemic."</p> <p>Given the wide-ranging impacts of the virus and consequent economic slowdown, businesses in different sectors may be affected in varying ways and magnitudes. Directors should seek appropriate advice before taking on any significantly new or different types of debt.</p>	
<p>Further Regulations and Guidance</p>	<p>The Response Act will be supplemented by regulations, which have not yet been released. The regulations will likely provide more guidance and clarify the circumstances in which the relief measures apply.</p> <p>Directors should seek appropriate advice on both the newly enacted temporary relief and the regulations before they take action.</p> <p>Further, directors should note that none of the relief measures are intended to, or permit, the delay of debts payments during the relief period. Accordingly, where debts cannot be paid as and when they become due, directors should seek appropriate advice and otherwise engage with their stakeholders and in particular, their priority creditors under the Corps Act.</p>	
<p>Statutory Lodgement⁴ and Reporting Obligations</p>	<p>Traditional safe harbor protections under the Corps Act are predicated on companies' compliance with statutory lodgement and reporting obligations to appropriate authorities, including, but not limited to, the Australian Taxation Office. These prerequisites have not been extended to the new safe harbor protections under the Response Act. However, directors should endeavor to discharge their reporting and priority creditor obligations as appropriate.</p>	

³ A declaration of intention provides the company with a period of time (originally 21 days; now, temporarily, six months), during which the debtor can decide whether it wants to declare bankruptcy. During this time, unsecured creditors cannot take action against the debtor.

⁴ This term is used to refer to the filing of documents with the relevant authority.

2. China



While there have been no changes to the insolvency laws in the People's Republic of China (PRC) in response to the COVID-19 pandemic, numerous government authorities in China have adopted measures and policies to aid businesses in their efforts to reduce operational costs and survive the economic downturn.

In addition, some PRC courts have issued guidance on how bankruptcy cases initiated in response to COVID-19 should be handled. On May 15, the Supreme People's Court consolidated this guidance in the newly issued Guiding Opinions (II) on the Proper Handling of Civil Cases in response to COVID-19 in accordance with Laws, which enforces this guidance across the whole nation.

Governmental Measures and Policies

Bank and Insurance Regulatory Commission	Banks and insurance companies are required to enhance their support for businesses in the areas impacted by the pandemic, including exempting or reducing service charges and commissions, simplifying processes and opening shortcut channels for credit. Financial institutions are also required to increase credit support in the areas of pandemic prevention and control and are prohibited from withdrawing, cutting off or suppressing loans blindly.	
State Administration of Taxation and Ministry of Finance	A series of tax incentives has been granted to businesses affected by the pandemic to be exempted from, reduce or defer tax payments. Such tax incentives will be valid until the end of 2021. It is subject to government's further determination whether to further extend it or not.	

Courts' Guidance for Bankruptcy Cases

Heightened Reluctance to Initiate Bankruptcy Proceedings	<p>Banks and insurance companies are required to enhance their support for businesses in the areas impacted by the pandemic, including exempting or reducing service charges and commissions, simplifying processes and opening shortcut channels for credit. Financial institutions are also required to increase credit support in the areas of pandemic prevention and control and are prohibited from withdrawing, cutting off or suppressing loans blindly.</p> <p>In cases where a creditor initiates bankruptcy proceedings, courts shall actively guide negotiation between creditors and debtors to eliminate the need for bankruptcy proceedings by means of installment payments, extensions of the performance period for liabilities and changes of contract price etc.</p> <p>When a court considers whether a debtor has satisfied the conditions for bankruptcy acceptance, it shall review whether the debtor is in trouble only because of the pandemic. For debtors that were in good operating condition prior to the outbreak of the pandemic but are experiencing operational and capital turnover difficulties due to the pandemic, it is necessary to comprehensively determine in combination with factors such as the ability of</p>	
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	<p>continuous operation, the development prospect for the industry, etc., so as to avoid bankruptcy proceedings for those debtors that could survive simply based on funds flow and assets and liabilities of the debtors in such a specific pandemic time.</p> <p>Suggested alternative: When the courts are determining the eligibility of a debtor for bankruptcy acceptance, it will consider if the pandemic was the root cause of a debtors financial distress. The factors the court will take into account are the ability of the debtor to continuously operate and the viability of the industry in which it operates as a whole (amongst other things). The purpose of this is to avoid bankruptcy proceedings for those debtors that could survive were it not for the impact of the pandemic.</p>	
<p>Support for Businesses Engaged in the Manufacture and Sale of Materials for Pandemic Prevention and Control</p>	<p>According to Article 26 of the PRC Bankruptcy Law, before the first creditors' meeting, a bankruptcy administrator may decide to continue or halt the business of the debtor, subject to the court's approval. In such circumstances, courts are encouraging those debtors engaged in the manufacture, sale or logistics of materials for pandemic prevention and control to continue their businesses, and the courts seem inclined to approve such business continuance when decided by bankruptcy administrators.</p>	
<p>Encouragement of Conversion of Bankruptcy Liquidation to Restructuring/ Reorganisation or Settlement</p>	<p>According to Articles 70 and 95 of the PRC Bankruptcy Law, after a court accepts a bankruptcy application but before the court declares the bankruptcy of the debtor, the debtor may apply to the court to convert the bankruptcy liquidation process to a restructuring or settlement process. In the present circumstances, courts are encouraging such conversions to help the debtors survive. This is particularly true for debtors engaged in the manufacture, sale or logistics of materials for pandemic prevention and control.</p> <p>In case of a bankruptcy restructuring/reorganisation, if no new investors can be found, due diligence was unable to be performed, and negotiation could not be conducted due to the pandemic, courts may extend the timeframe for a restructuring/reorganisation proposal by up to six months, based on the application of debtors or the bankruptcy administrator.</p>	
<p>Procedural Updates</p>	<p>During the pandemic prevention and control period, courts are prioritising an online process for handling bankruptcy matters, such as hearings, creditors' rights declaration and reviews, bankrupt business property investigations and creditors' meetings. Courts are also permitting time extensions for relevant procedures in case of any delay caused by the pandemic to protect the interests of the parties involved, especially the interests of the creditors.</p>	

3. Czech Republic



The Czech Republic does not currently have any approved measures in place.



= Measures are set to expire in 1-2 weeks



= Ongoing measure

4. France



On March 23, 2020, the French government enacted a statute establishing a "state of health emergency" that authorises it to take all measures to combat the effects of the COVID-19 pandemic, including making temporary amendments to the French Commercial Code and insolvency laws.

The state of health emergency came into effect on March 24, 2020, and is currently scheduled to expire on May 24, 2020.

In addition to the financial and social support measures for companies that have been previously announced, an order dated March 27, 2020 ("Order"), put in place several temporary changes to the French insolvency laws. The Order is applicable to all insolvency proceedings pending throughout France, including in the regions of Moselle, Bas-Rhin, Haut-Rhin, Wallis and Futuna, which are usually subject to specific local rules. These measures are summarised below.

Fixing the Date of "Cessation of Payments" to March 12, 2020

Pursuant to French insolvency laws, debtors are generally required to file for bankruptcy within 45 days of cessation of payments, i.e., the inability to pay debts as they become due. In recognition of the impending economic downturn due to COVID-19, Article 1 of the Order fixed the date of cessation of payments to March 12, 2020, for the period of the state of health emergency plus three months (or until August 24, 2020, under the current schedule). In other words, if a company was not deemed to be in cessation of payments on March 12, 2020, it will be protected from filing for bankruptcy at least until August 24, 2020. The measure also protects legal representatives of the distressed companies from legal proceedings and personal sanctions for not declaring insolvency (*dépôt de bilan*) in due course during this period.

However, if a company's distress worsens during the state of health emergency or if the financial operations of the business require it, the company may voluntarily seek bankruptcy protection and initiate restructuring or liquidation proceedings. A company may also request the suspension of legal proceedings or to obtain public funds for the payment of certain employees through the wage-guarantee insurance (AGS).

The Order does not prevent the Commercial Court (*Tribunal de Commerce*) from fixing this date to an earlier date pursuant to article L.631-8 of the Commercial Code.

Other Measures

- Extension of the "conciliation"⁵ period (article L.611-6 of the Commercial Code) for the duration corresponding with the state of health emergency plus three months.
- Extension of the "safeguard"⁶ plans (article L.626-12 of the Commercial Code) and recovery plans (article L.631-19 of the Commercial Code) may be ordered by the President of the Commercial Court, either (i) at the request of the court-appointed official responsible for the safeguard plan's

⁵ "Conciliation" proceeding is a pre-insolvency proceeding in which the company and its main creditors aim to agree to a restructuring agreement. Ordinarily, the conciliation period is limited to four months and can be extended by one month.

⁶ "Safeguard" proceedings are initiated by the debtor to restructure its debt. Generally, the plan must be made available and be put to vote by the creditors within six months of the opening of the safeguard proceedings.

implementation (*commissaire à l'exécution du plan* or the Commissioner) for a duration corresponding to the period of state of health emergency plus three months, or (ii) at the request of the prosecutor, for a maximum duration of one year. An additional plan extension for a maximum duration of one year can also be ordered by the court after the expiration of these first periods at the request of the Commissioner or for six months at the request of the prosecutor.

- Suspension of the two-month deadline for the court to rule on the continuation of the "observation periods,"⁷ as set out by article L631-15 I of the Commercial Code.
- Prioritisation of electronic communications and encouragement of remote work and confinement measures. Article 2 of the Order provides that any claims and submissions to the courts shall be made in writing and communicated "by any means" and that decisions may be rendered without a hearing. The same shall apply to communications between insolvency practitioners with the court.
- Simplification of the claims assessment process by the AGS.
- Extension of certain deadlines.
- The periods of guarantee of the AGS for certain employee claims.
- The deadlines imposed on judicial administrators, judicial agents or liquidators, until the expiry of the state of health emergency plus three months with, however, an analysis on a case-by-case basis, and the durations of observation periods, plans, continuations of activity and simplified judicial liquidation proceedings, for the same period.

⁷ It is the period during which the debtor is continuing operations and developing an exit plan in safeguard and restructuring proceedings.

5. Germany



Germany has made a number of changes to its insolvency and related laws as a result of COVID-19, including suspending the obligation to file for bankruptcy. While the suspension of the obligation to file for bankruptcy has meanwhile expired, some measures still apply.

General Amendments to the German Insolvency laws

German insolvency laws have generally been amended with effect as of 1 January 2021 in various important aspects with implications to the COVID-19 situation:

- The timeline to file for insolvency in case of over indebtedness has been extended to up to six weeks (instead of three weeks as applicable until the end of 2020);
- When assessing over-indebtedness, the timeline for a positive going-concern prognosis will generally be set to 12 months. During 2021, this timeline will be only four months for certain companies in case the over-indebtedness is caused by the COVID-19 pandemic (criteria see above); and
- During 2021, the hurdles to enter protective shield- proceedings and self-administration insolvency proceedings are lowered for certain companies in case of insolvencies triggered by the COVID-19 pandemic.
- A new preventive restructuring framework for enterprises has been introduced (implementation of the European Directive on the Preventive Restructuring Framework)

Ongoing protection of measures which occurred during the suspension period

In order to give affected companies the opportunity to continue their business and eliminate insolvency risks, the suspension of the obligation to file for insolvency was suspended for certain COVID-19 triggered insolvencies as of 1 March 2020. The suspension period has meanwhile expired (at the latest on 30 April 2021). However, the suspension was supported by additional regulations which will also be recognised in future insolvency proceedings:

- Corporate law prohibits certain payments when grounds for insolvency exist – These prohibitions have been relaxed during an applicable suspension period. Transactions made in the ordinary course of business, especially those that serve to maintain business operations or to implement a restructuring, are deemed to be made with the diligence of a prudent manager, and will not trigger any liability for the manager.
- New loans granted during an applicable suspension period by banks and other lenders will be protected as follows: Repayments of such loans made until September 30, 2023 for loans granted during an applicable suspension period, as well as the secured collateral for such loans, cannot

be challenged in a subsequent insolvency. This will only apply to new loans; mere extensions of pre-existing loans will not be protected. Collateral granted for such loans is also protected accordingly.

- Newly granted loans by shareholders during an applicable suspension period also have additional protections – Repayments of such loans made until September 30 2023, will not be considered disadvantageous to creditors, and cannot be challenged. Such loans will also not be subject to subordination in insolvency proceedings pursuant to Section 39(1) no. 5 InsO in case such subsequent insolvency will have been opened until September 30, 2023. However, such protection does not apply to collateral granted for such loans.
- In case a company's creditor agreed to a deferral of payments prior to 28 February 2021 and will receive payment of such deferred liability prior to 1 April 2022, such payment will not be subject to any avoidance claims of the insolvency administrator in case of the company's subsequent insolvency.
- Provisions have also been made to alleviate the concerns of distressed companies' contractual counterparties (such as suppliers, landlords and lessors) – Contractual counterparties' receipt of payment (whether through the settlement of claims or through the furnishing of collateral) while the debtor was insolvent during the suspension period will be protected and cannot be avoided in the event the debtor's restructuring efforts fail and the debtor commences bankruptcy proceedings. The protection will apply to any performance in lieu of or on account of performance, payments made by a third party at the debtor's instruction, the furnishing of collateral other than that which was originally agreed if it is not of greater value, the shortening of time allowed for payment and the relaxation of payment terms. This restriction on avoidance actions also applies to companies that are not obligated to file an application (such as sole traders and limited partnerships with a natural person as the general partner) and debtors who are neither insolvent nor over-indebted. However, the restrictions of avoidance do not apply where the other party was aware that the debtor's efforts to restructure and finance the company were not suited to remedying the insolvency which occurred.

6. Italy



In order to mitigate the negative effects of the COVID-19 emergency on Italian enterprises, the Italian government has adopted a series of measures, providing for derogations from usual procedures.

In particular, law decree 23 of April 8, 2020 (*Decreto Liquidità*), converted by law no. 40 dated June 5, 2020, and Law Decree 118 of August 24, 2021 have provided for a series of measures concerning – *inter alia* – the insolvency of companies.

Measures Concerning Arrangements With Creditors and Restructuring Agreements

Deadlines of arrangements with creditors and restructuring agreements due in the period between February 23, 2020 and December 31, 2021 are extended by six months.

Moreover, in the above proceedings, the debtor can file a request with the court for an extended term of no more than 90 days for the submission of a new plan or restructuring agreement, in which it can take account of economic factors arising from the COVID-19 emergency. However, the request will be inadmissible if it is submitted during a procedure for arrangement with creditors, in which a meeting of creditors has already taken place but the required majorities were not reached.

Until December 31, 2021, debtors that requested admission to an arrangement with creditors without a defined plan, or agreements on debt restructuring, can withdraw their request provided that they have filed a debt recovery plan to the Companies Register, subject to the court's approval. The withdrawal request can be submitted within a deadline set by the court, ranging from 60 to 120 days from the beginning of the proceedings and extendable by 60 days.

Procedures of arrangements with creditors without a defined plan that have been filed on or before December 31, 2020, are not subject to the 60 days time-limit for the presentation of a bankruptcy declaration.

New Insolvency Code

Prior to the emergency situation caused by COVID-19, the Italian government had adopted a new Insolvency Code, through Legislative Decree 14 of January 12, 2019, which was supposed to enter into force in August 2020. However, in order to avoid legal uncertainty, the entry into force of the new Insolvency Code has been postponed to May 16, 2022.

Interim Measures Concerning Capital Reductions

In response to the COVID-19 crisis, new measures have been introduced requiring that, for losses arising during the financial year as at December 31, 2020:

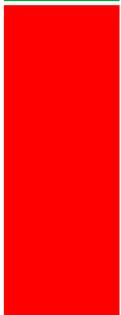
- losses of more than one-third of the share capital must be reduced within the fifth subsequent financial year (instead of the following financial year), otherwise the shareholders' meeting approving the financial statements for that year must reduce the share capital proportionally;



	<p>- if, as a result of losses, the share capital is reduced below the minimum required by law, the usual obligation to resolve upon its reduction to a figure not less than the minimum required by law, or to transform the company, does not apply. As an alternative, the shareholders' meeting may resolve to postpone such operations to the fifth subsequent financial year. Until such date, the reduction or loss of share capital below the minimum required by law, may not be invoked as grounds for the dissolution of a company.</p>	
<p>Interim Measures Concerning Accounting Standards</p>	<p>When preparing the 2020 financial statements of companies affected by the COVID-19 crisis, directors may assess the accounting principles of continuity of the business as a going concern and prudence in light of the situation as at the date of the latest approved financial statements, rather than as at the then current year-end.</p>	

7. Japan

	<p>Unlike many other countries, Japan does not have a specific law governing insolvency, but rather there are various aspects of civil and commercial law that form the basis for insolvency in Japan. Accordingly, there have not been wholesale revisions to existing laws aimed specifically at providing relief from the impacts of COVID-19. Instead, the Japanese government, and to some extent private industry, has taken other steps aimed at mitigating the economic and financial hardship brought about by the COVID-19 pandemic.</p>
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<p>Relief for Payment of Taxes and Utilities</p>	<p>On April 30, 2020, in response to the COVID-19 pandemic, new bills to amend Japan's Act on General Rules for National Taxes and Local Tax Act passed and went into effect. The amended acts grant a one-year grace period for payment of national taxes and local taxes if the taxpayer is experiencing financial hardship due to COVID-19 and its income has been reduced by approximately 20% or more compared with the same period of the previous year. Additionally, no overdue interest will be assessed against the taxpayer, and no security will be required. It is available for individuals or any entities and for any national taxes and local taxes.</p> <p>In addition, on March 19, 2020, the Ministry of Internal Affairs and Communications of Japan requested the local governments managing water, sewer and gas supply businesses to give a moratorium on bill payments for people suffering financially due to the COVID-19 outbreak, informing that, under the current situation, such moratorium will be allowed without local ordinances under the current Local Autonomy Act.</p> <p>On February 2, 2021, the National Tax Agency released an announcement that the filing and payment due dates for individual income tax, individual consumption tax and gift tax for 2020 will be extended to 15 April 2021 due to the COVID-19 pandemic.</p>	
<p>Subsidy Program for Sustaining Businesses</p>	<p>In response to the COVID-19 pandemic, the Ministry of Economy, Trade and Industry of Japan ("METI") has offered a subsidy program targeting businesses facing severe conditions and provided subsidies for any purpose to sustain their businesses. Mid/small sized businesses and individual business operators facing a decrease in sales by 50% or more compared with the previous year due to the COVID-19 pandemic are eligible for the subsidy program. The maximum amount of subsidies is JPY 2 million for a mid/small sized business and JPY 1 million for an individual business operator, capped at the year-on-year loss of sales. Based on the second supplementary budget enacted on June 12 (described in detail below), more businesses have been eligible for the subsidies. The application period will end on January 15, 2021. On October 26, 2020, the Fiscal System Council, an advisory body to the Minister of Finance of Japan, held an expenditure reform meeting and recommended that the subsidy program be ended as planned without extension. On November 2, 2020, METI announced that it will increase the budget by JPY 314 billion due to a higher-than-expected number of applications for the subsidy program. On November 19, 2020, the Japanese government announced that it is considering a new subsidy program for small and medium-sized businesses to incentivize and support development of new markets and new businesses post COVID-19. The current subsidy program for small and medium-sized businesses expires on January 15, 2021. On January 6, 2021, METI announced that it decided not to extend the deadline of the application period of the current subsidy program for small and medium-sized businesses. In response to the</p>	

	<p>outbreak of COVID-19, METI announced on January 15, 2021 that the application period will be extended until February 15, 2021, and further announced on January 19, 2021 that it is considering additional extension until the end of March.</p> <p>The subsidy program expired on February 15, 2021 and its application period has not been extended.</p>	
<p>Rent Reduction</p>	<p>On May 27, 2020, Japan's Cabinet approved a second supplementary budget funding additional COVID-19 relief, including rent subsidies. Under the rent subsidy proposal, mid/small sized businesses and individual business operators facing a decrease in sales may receive a maximum of JPY 1,000,000 per month for mid/small sized businesses for up to 6 months, and a maximum of JPY 500,000 per month for sole proprietors for up to 6 months. On June 12, the Diet passed the second supplementary budget, whereby the rent subsidies have been implemented. The application period of the national government's rent subsidies will end on January 15, 2021. On January 15, 2021, the Japanese government announced that the application period will be extended until February 15, 2021.</p> <p>The rent subsidy program expired on February 15, 2021 and its application period has not been extended.</p>	
	<p>Some prefectural and city level governments in Japan implemented their own measures to minimize the impact on a lessor of rent deferral and rent reduction. For instance, on August 17, 2020, the Tokyo Metropolitan Government has started to provide rent subsidies to mid/small sized businesses that have a head office within or pay corporate enterprise tax or corporate inhabitant tax to Tokyo and individual business operators that have an office or operate business within Tokyo. The application period of Tokyo Metropolitan Government's subsidy program will end on February 15, 2021. On February 18, 2021, Tokyo Metropolitan Government announced the application period will be extended until April 30, 2021.</p>	
	<p>Shinjuku-ku has implemented rent subsidies to lessors, which amount to 50% of the reduced amount of rent for shops in Shinjuku-ku, capped at JPY 50,000 per property per month. The application period of Shinjuku-ku's rent subsidies will end on March 15, 2021.</p> <p>The rent subsidy program expired on March 15, 2021 and its application period has not been extended.</p>	
<p>Subsidy to Support Companies that have Suspended Employees Due to COVID-19</p>	<p>The Ministry of Health, Labour and Welfare of Japan ("MHLW") has expanded the Employment Adjustment Subsidy (Koyo Chosei Jyoseikin) program for companies to encourage and support the continued employment of their employees during the company's temporary suspension of business due to the economic downturn caused by COVID-19. Under Japanese law, a company that suspends their employees from work due to suspension of its business, for a "reason attributable to the employer", is required to compensate the employee for the time absent from work. The Employment Adjustment Subsidy provides subsidies to companies for this compensation and the expansion announced by MHLW expands the eligibility criteria to cover companies affected by COVID-19 and also increases the amount of subsidies for those companies. On May 3, 2020, the Japanese government announced that it was considering further increase of the amount of subsidies. Based on the June 12, 2020 second supplementary budget, the daily limit of the Employment Adjustment Subsidy, which was JPY 8,330, has been nearly doubled to JPY 15,000. On August 4, 2020, MHLW announced that it has been considering an extension of the eligible period of the Employment Adjustment Subsidy. On August 28, 2020 MHLW announced that the eligible period of the Employment Adjustment Subsidy has been extended until the end of December 2020. On October 29, 2020, it was learned that the government is considering including the necessary funding for the Employment Adjustment Subsidy in the third supplementary budget and</p>	

	<p>continuing the expanded Employment Adjustment Subsidy until the end of March 2021. On November 27, 2020, MHLW announced that the government will extend until the end of February 2021 the period of the expanded Employment Adjustment Subsidy. The MHLW also announced, on the other hand, that unless the employment situation worsens significantly, the expanded Employment Adjustment Subsidy will likely be reduced in stages. On January 6, 2021, the Japanese government announced that it is considering a further extension of the period of the expanded Employment Adjustment Subsidy. On January 7, 2021, the Japanese government declared the second state of emergency in Tokyo, Kanagawa, Saitama and Chiba prefectures, under which people in the 4 prefectures are asked to stay at home after 8 p.m. and restaurants are requested to close by 8 p.m. On February 8, 2021, the MHLW announced that the period of the expanded Employment Adjustment Subsidy will be extended until the end of the month immediately after the month in which the state of emergency is lifted. On February 22, 2021, the MHLW announced that the period of the expanded Employment Adjustment Subsidy will be extended until April 30, 2021. Although on April 23, 2021, the Japanese government declared the third state of emergency in Tokyo, Osaka, Hyogo and Kyoto prefectures, which became in effect on April 25, 2021, the period of the expanded Employment Adjustment Subsidy has not been extended.</p>	
<p>Changes in Delisting Criteria for Publicly Traded Companies</p>	<p>Under pre-revision Article 601.1.(5) of the Tokyo Stock Exchange Securities Listing Regulations, a listed company on the Tokyo Stock Exchange (TSE) was delisted when the company was insolvent as of the end of a fiscal year and its insolvency continued for an additional one-year period. In response to the COVID-19 pandemic, since April 21, 2020, the TSE has extended the delisting grace period from one year to two years for listed companies that have fallen into insolvency due to COVID-19.</p> <p>The TSE has clarified that it will not consider delisting a company to which an outside auditor expresses an "adverse opinion" or "no opinion" in the company's quarterly financial statements as long as the company has been impacted by COVID-19.</p>	
<p>Changes in Reassignment Criteria</p>	<p>Relatedly, the TSE has relaxed its reassignment criteria for companies adversely affected by COVID-19. Under the previous rule (Article 311.1.(5)), a company listed on Section 1 of the TSE could be reassigned to Section 2 if the company was insolvent as of the end of a fiscal year. Section 1 companies have been given a one-year grace period before reassignment.</p>	
<p>Are There New Moratoria on Debt Collection?</p>	<p>Financial industry – Sumitomo Mitsui Banking Corporation and Sumitomo Mitsui Trust Bank have offered to negotiate repayment conditions; Hokuriku Bank has waived fees in connection with amendment of repayment conditions.</p>	

8. Poland



Poland has decided to temporarily suspend bankruptcy filing obligations as a result of COVID-19. The Polish government is also planning the implementation of certain measures affecting the process of restructuring businesses.

A draft of the relevant act was submitted to Parliament on March 26, 2020, but has not yet been approved.

Suspension of the Obligation to File for Bankruptcy

According to Polish law, the debtor needs to file for insolvency within 30 days following the occurrence of the premises for insolvency, i.e., (i) it lost the ability to pay its debts when they mature, discharging its debts (there is a presumption that the debtor is insolvent if the delay in payment exceeds three months) or (ii) certain cash liabilities exceed debtor's assets and such state of affairs persist for more than 24 months.

On April 17, 2020, a new law, Act of April 16, 2020 on Specific Support Instruments in Connection With the Spread of the SARS-CoV-2 Virus, was passed. Among other matters, the new law provides a provisional solution for delaying the term for insolvency filing.

The new law provides that during the term of the pandemic emergency or pandemic (as declared in compliance with applicable legislation) announced due to the COVID-19 pandemic, the term for insolvency filing will be suspended and the term already running will be halted (meaning it will need to run again from the beginning). Further, the new legislation provides that, if the bankruptcy occurred during the period of the pandemic emergency or pandemic, it is deemed to be caused by COVID-19.

The above change will also extend the periods provided for by the Bankruptcy Law, the calculation of which is dependent upon the day of the bankruptcy filing.

This solution, once implemented, will release the representatives of the debtor (e.g., the members of the management board of the companies) from liability for a delayed insolvency filing.

This does not release the members of the board from considering and filing the motion for a restructuring proceeding as provided for under the Restructuring Law.

New Proposed Legislation on State Aid in Restructuring

The proposed act provides for three types of states aid for distressed companies, or "enterprises in difficulties," as defined by the "Communication from the Commission – Guidelines on State aid for rescuing and restructuring non-financial undertakings in difficulty" (Guidelines), which has been implemented into the Polish Restructuring Law.

Aid may be granted to reduce social difficulties or to overcome market imperfections.



	The proposed act expressly lists the COVID-19 pandemic as causing the risk of a business failing as one of the "social difficulties or market imperfections."	
Rescue Aid	Rescue aid may be granted for the time necessary to allow continuance of the business for the period needed to work out a restructuring plan or liquidation. It may be granted in the form of a collateralized, interest-bearing loan that may be extended in an amount not higher than what is necessary to maintain basic operational activity, and cannot last longer than six months.	
Temporary Restructuring Aid	Temporary restructuring aid will be made available only to micro, small and medium businesses, as defined of the Guidelines, and would be provided to enable the company to conduct business for the time necessary to implement restructuring measures aimed at restoring its long-term ability to compete in the market. This aid would be provided in the form of a loan. Terms and conditions of this loan will be applicable mutatis mutandis.	
Restructuring Aid	<ul style="list-style-type: none"> Restructuring aid will be made available to all distressed companies, in order to implement a restructuring plan that would allow the restoration of the business so that it can compete in the market on a long-term basis. This aid may take various forms, such as loans, injection of share equity by the state, purchase of bonds, change of loan repayment terms to the entity provided restructuring aid, a debt-to-equity swap, as well as cancellation or postponement of payment of administrative penalties or interest thereon. This aid is subject to implementation of the restructuring plan as defined in the Polish Restructuring Law. All three types of aid would be granted by the Minister of Economy, who may assign all implementation authority to the Industrial Development Agency (<i>Agencja Rozwoju Przemysłu S.A.</i>). The aid will be granted upon the application by the businesses, which will be evaluated for compliance with aid criteria. The proposed act states that the amount of government expenditure under the Act may not exceed PLN120 million (approximately US\$29 million) each year and PLN1.2 billion (approximately US\$290 million) over the period from 2020 to 2029. 	
Simplified restructuring proceedings	<p>The measure, referred to as Shield Law 4.0 (Tarcza 4.0) would:</p> <ul style="list-style-type: none"> Create a "simplified restructuring proceeding" that would permit any debtor to commence this proceeding if they were faced with the risk of insolvency and give rise to a 3-month delay in meeting payment obligations. Any debtor who entered into an agreement with a restructuring advisor, can publish this information in the Official Gazette (Monitor Sądowy i Gospodarczy) on the commencement of the simplified proceeding. From the above date, and until the approval of the arrangement or termination of the proceeding, the debtor's voluntary repayment of debts, to be covered by the arrangement, are prohibited (with certain exceptions applicable to netting and setoff). From such date, a lessee cannot terminate a lease agreement of the real estate or premises where the debtor conducts its business operations, unless the basis for such termination is the failure by the debtor to perform obligations which are not covered by the arrangement or other circumstance set forth in the agreement, if they arose after the opening of proceedings. The same rule applies to loan agreements with respect to funds made available to a borrower prior to the opening of the proceedings, leasing agreements, property insurance agreements, bank account agreements, guarantee agreements and contracts covering the licenses granted to the debtor, as well as guarantees or letters of credit. 	

- From the date of the opening of the proceeding, the debtor's management of its assets is limited to ordinary management, and any actions exceeding such scope require the consent of the restructuring advisor.
- Create an automatic 4-month automatic stay on enforcement actions and executions, simply upon the debtor's announcement, without any judicial action – the current restructuring law has no such automatic provision.
- Permit restructuring of all secured debt, so long as the new payment terms provided that such creditors would receive 100% of their obligations at some (later) future date, with a potential cram down if they object to the revised payment terms.
- Limit the role of the court to hearing motions to lift the automatic moratorium for cause, to approve the arrangement plan following creditors' voting, or to dismiss the proceeding if 4 months have elapsed without a motion to approve the arrangement.
- Have the proceeding run by a licensed restructuring advisor (of which there are approximately 1400 in Poland) who has been contracted by the debtor. This advisor formally acts as an arrangement supervisor, who works with the debtor to prepare a list of creditors, collects and counts votes in favor of a plan, and determines whether it has been accepted.
- Limit the debtor to managing its ordinary business affairs; any decisions out of the ordinary could only be taken with the supervisor's consent. The role of any creditors' committee is effectively eliminated.
- Set a deadline for commencing simplified restructuring proceedings of 30th June 2021.

9. Russia



In connection with the COVID-19 pandemic and to ensure the economic stability in case of an emergency situation, the Russian state authorities adopted the Federal Laws No. 98-FZ dated April 1, 2020, and No. 149 dated April 24, 2020 (Laws), introducing amendments in licensing, healthcare, procurement and bankruptcy legislation.

With respect to the bankruptcy legislation, the Laws supplemented the Federal Law On Insolvency (Bankruptcy) No. 127-FZ (Bankruptcy Law) dated October 26, 2002, with a new provision (Article 9.1) authorizing the Russian government to introduce a moratorium on the initiation of bankruptcy cases (by the creditors) in case of emergencies or a natural disaster.

In accordance with those amendments and in connection with the COVID-19, the government of the Russian Federation introduced the moratorium on the initiation of bankruptcy cases by creditors with respect to certain debtors (the Resolution of the Government of the Russian Federation No. 428 dated April 3, 2020). According to this Resolution, the moratorium is introduced with respect to two groups of debtors:

- Companies acting in the areas of business that are recognized as mainly affected by the COVID-19. The list of these areas is stipulated in the Resolution of the Government of the Russian Federation No. 434 dated April 3, 2020. This list includes, for example, transport, entertainments, sports, cultural events, tourism, hotels, education, health, restaurants, etc., and
- Companies that can be described as those having strategic meaning and included in one of the three governmental lists of such companies.

This moratorium is introduced for the period of six months and is effective since April 6, 2020 through to October 6, 2020. Starting from October 7, 2020 the moratorium has been extended for three months by the Resolution of the Government of the Russian Federation No. 1587 dated October 1, 2020.

The Supreme Court of the Russian Federation issued its clarifications on the application of the new amendments in the Bankruptcy Law in the Legislation Reviews as separate issues of judicial practice related to the application of legislation and measures to counteract the spread of the new coronavirus disease 2019 (COVID-19) No. 1 dated April 21, 2020, and No. 2 dated April 30, 2020 (Legislation Reviews).

Moratorium on Bankruptcy Proceedings

- A moratorium on bankruptcy proceedings is introduced for a period determined by the government. The moratorium may be extended if circumstances that served as the basis for its introduction remain in force. The specific provisions of the moratorium are summarised below.
- During the moratorium, any applications on the initiation of bankruptcy proceedings filed by the creditors with the court, as well as submitted before the date of the moratorium but not considered or resolved by the date of the moratorium, will be returned back to the applicant by the court. As the Supreme Court explains, once the moratorium procedure is lifted, the creditors have to publish a new notification on their intention to initiate the bankruptcy procedure. The creditors have the right to apply for bankruptcy procedure within 15 days after such a publication.

	<ul style="list-style-type: none"> • During the moratorium, creditors are not permitted to levy execution on the pledged property, such as seize property collateral, including through out-of-court procedure. • Enforcement proceedings relating to the execution against a debtor's property are suspended with respect to the claims that arose before the moratorium. As explained by the Supreme Court, the creditors are also deprived of the right to get the execution of the writs through the banks and other credit organisations. • During the moratorium, however, seizure of and other restrictions on debtors' property that have already been imposed through enforcement proceedings are not lifted. The Supreme Court also admits a possibility to get the writ of execution with the court and to establish the restrictions on disposition of debtor's property within the execution procedure. • The composition and size of monetary obligations, claims for severance payments and/or salaries under an employment contract, and mandatory payments arising prior to the date of the moratorium and claimed after the court has accepted the application for declaring the debtor bankrupt, are determined on the date of introduction of the moratorium. The amount of the respective monetary obligations denominated in foreign currency that arose prior to the date of the moratorium is determined in rubles at the lowest rate established on the date of the moratorium or on the date of bankruptcy proceedings. • During the moratorium, accrual of the penalties (fines and penalties) and other financial sanctions for non-fulfillment or improper fulfillment by a debtor of monetary obligations and obligatory payments for claims arising before the introduction of a moratorium ceases. • During the moratorium, meetings of creditors, committees of creditors, former employees of any debtor will be held by the decision of the administrator in absentia. • If, during the moratorium period, the creditor gives its written consent to the amicable agreement, then when counting the votes at the meeting of creditors when deciding on the conclusion of an amicable agreement, the creditor is considered to have voted for such an amicable agreement. • Any person who is subject to a moratorium has the right to refuse of implication of a moratorium procedure by filing the relevant notification in the Unified Federal Register of Bankruptcy Information. After the publication of such a notification, the moratorium does not apply to such a person. • The Supreme Court clarified that the moratorium is aimed at protecting debtors who suffered as a result of respective circumstances, providing them with the opportunity to get out of a difficult situation and return to normal economic activity. In a situation when debtor's owners take a decision on its liquidation, and, thus, it is not expected to continue its normal business activity, creditors are not deprived of the right to file an application for declaring the debtor bankrupt. 	
<p>Additional Regulations</p>	<ul style="list-style-type: none"> • The new Law also cancels any governmental inspections for the period from April 1 to December 31, 2020, inclusively for small- and medium-sized businesses. In addition, in 2020, the Russian government will have the right to establish rules for organising and conducting the federal state control (or supervision) proposed by the Law. • By the governmental acts (the Information letter of the Russian General Prosecutor General dated March 26, 2020, and the Order of the Russian Federal Tax Service dated March 20, 2020, No. ED-7-2/181@) from March 18, 2020 until May 1, 2020, the federal authorities will not start tax 	

audits or customs and prosecutor's inspections. This moratorium has been partially extended until December 31, 2020 (with respect to use of cash register equipment, activity of payment agents and etc.).

- According to the Order of the Government of the Russian Federation dated March 18, 2020, from March 20, 2020 to May 1, 2020, business entities working in tourism, air transportation, physical education, sports, art, culture and cinema will be granted "tax holidays", a deferral of payment of taxes and other contributions.
- The Central Bank of the Russian Federation has also recommended to the credit organisations to consider the restructuring of loans of small and medium-sized businesses, including the provision of deferrals for the repayment of principal and interest, as a priority measure to prevent overdue debt or to resolve.
- Finally, from March 19, 2020 to May 12, 2020, access to all courts was limited. Only cases of an urgent nature, as well as cases of simplified and procedural proceedings, were considered by the courts. Starting from May 12, 2020 access to courts was restored, however, there are certain limitations still effective: wearing masks, not more than one representative from each side, to keep distance of 1.5 metres. Parties of court proceedings are advised to use an option of online hearings (where available).

10. Slovak Republic



Slovakia has made a number of changes to its insolvency law in response to COVID-19, including suspending the obligation to file for bankruptcy or a temporary protection from insolvency.

Suspension of Obligation to File for Bankruptcy

The company is bankrupt (*v úpadku*) if it is either insolvent (*platobne neschopná*) or over-indebted (*predlžená*). A debtor or liquidator must file for a bankruptcy if a company is over-indebted, under a "balance sheet test", i.e., when it has at least one creditor and the value of a company's assets is less than its liabilities – taking into account not only due, but also its "contingent and prospective" liabilities.

Once the company is bankrupt, its directors are obliged to file for company's bankruptcy within 30 days, but this is extended to 60 days if over-indebtedness occurred between March 12 and April 30, 2020, after the date on which they learned about company's over-indebtedness or they ought to have known about it, if exercising professional care.

Temporary Protection

To address negative economic impact of the virus on businesses, the Slovak Ministry of Justice has adopted a new tool of a temporary protection for companies from insolvency that will become effective as of May 12, 2020.

Temporary protection from insolvency can be granted by an insolvency court determined by law at the request of an entrepreneur that was not insolvent as of March 12, 2020. Its duration was extended by the government until December 31, 2020.

The effects of temporary protection for businesses are:

- Protection against creditors' insolvency petitions
- Suspension of pending bankruptcy proceedings initiated by a creditor
- Suspension of enforcement proceedings commenced after March 12, 2020
- Suspension of the debtor's obligation to file for bankruptcy
- Suspension of certain distrains relating to the enterprise
- Temporary ban on the pledge enforcement



- Set-off debtor's receivables arising after the temporary protection has been granted against a receivable of an affiliated person arising prior to the temporary protection is prohibited
- Termination of a contract due to debtor's delay with its performance occurring after March 12, 2020 as a result of COVID-19 measures is ineffective, unless the other party would endanger its own operation by not terminating the contract.
- Periods for raising a claim against a protected company, including periods for raising claims against a debtor under claw-back provisions, are suspended

The company under temporary protection is obliged to:

- Make the maximum efforts in order to satisfy its creditors to the extent it can be reasonably requested from the company
- Prioritize common interest of the creditors; is prohibited to distribute profit or any other equity
- Refrain from any disposal with assets, including assets that could potentially belong to the estate, if such disposal could result in substantial changes in the composition, use or designation of the assets, other than an immaterial decrease; this obligation also applies to the directors

Obligations related to preservation of operation of the business arising after the temporary protection is granted can have priority over earlier due payments.

Loans and similar instruments provided by an affiliated entity during temporary protection and aimed at preservation of operation of the business are not subject to "company in crisis". Security provided for such loans is disregarded in the bankruptcy proceedings.

Temporary protection terminates: (i) as of December 31, 2020; (ii) upon request of the company; and (iii) upon decision of the court on cancellation of the protection.

New draft law that should provide temporary protection to companies that are able to continue as a going concern is currently under discussion and will be adopted by the parliament by the end of 2020.

Temporary Protection II.

To address negative economic impact of the virus on businesses, the Slovak Ministry of Justice has adopted a new tool of a temporary protection for companies from insolvency that will become effective as of January 1, 2021.

In particular, the law is intended to prevent job losses, the loss of know-how of the endangered company and to bring a higher degree of satisfaction of creditors' claims.

An entrepreneur, both a natural and a legal person, with an operation and registered office in the territory of the Slovak Republic, will be able to request for temporary protection.

The effects of temporary protection for businesses are:

Protection against creditors' insolvency petitions



Suspension of the debtor's obligation to file for bankruptcy

The impossibility of penalizing in execution - things, rights or other property values belonging to the enterprise of the entrepreneur under temporary protection, unless it would be the recovery of unjustified state aid,

Temporary ban on the pledge enforcement

Set-off debtor's receivables arising after the temporary protection has been granted against a receivable of an affiliated person arising prior to the temporary protection is prohibited

The inability to terminate the contract, withdraw from the contract or refuse performance under the contract for the delay of the entrepreneur under temporary protection, which arose before its provision

Periods for raising a claim against a protected company, including periods for raising claims against a debtor under claw-back provisions, are suspended

The application may be sent exclusively via the electronic form provided, to the electronic mailbox of the competent court

The applicant should declare in the application that:

- he is not aware of the reasons for its cancellation,
- it shall not have the effects of the opening of insolvency proceedings, the declaration of insolvency, the opening of restructuring proceedings or the authorization of restructuring,
- there is no enforcement proceedings in relation to him,
- the pledge of a lien has not commenced in respect of his business, thing, right or other property belonging to the business,
- has not distributed profits or other own resources or remedied the consequences of such acts in the last 12 months prior to the application,
- has not taken measures to jeopardize its financial stability or remedied its consequences in the last 12 months prior to the application,
- keeps proper accounts and duly imposes separate financial statements and extraordinary financial statements,
- he has not applied for temporary protection under this law in the last 48 months.

Temporary protection will last for 2 months. If such a period was not sufficient for the entrepreneur, he could request its extension for another 4 months.

11. Spain

	<p>The Spanish government has implemented a series of measures after declaring a "state of alert" nationwide in response to COVID-19. Most significantly, the obligation to file for bankruptcy has been suspended.</p>
<p>Suspension of the Obligation to File for Bankruptcy</p>	<p>Generally, a debtor must file for bankruptcy within two months of becoming insolvent. Under the new regulation, this obligation is suspended until December 31 2021.</p> <p>The suspension also applies to debtors who had become insolvent prior to the state of alert, but had not yet filed for insolvency during the statutory two-month period before the state of alert was implemented.</p> <p>While companies may file voluntary bankruptcy applications, courts will not process involuntary bankruptcy applications submitted until March 14, 2021.</p>
<p>Other Rules Affecting Insolvency Proceedings</p>	<ul style="list-style-type: none"> • Modification of the Creditor's agreement: <ul style="list-style-type: none"> ○ Until December 31, 2021 inclusive, the insolvent may submit a proposal to modify the agreement that is in enforcement period. ○ Default applications submitted between 31 October 2020 and 31 January 2021: they will be transferred to the debtor, but will not be admitted for processing until 30 April 2021. During this time the debtor may submit a proposal to amend the agreement or out-of-court settlement agreement, which will be processed as a matter of priority. ○ Applications for non-compliance submitted between 31 January and 13 March 2021 that have been admitted for processing: their processing will be suspended until 31 December 2021. If during the three months prior to the latter date the debtor submits a proposal to amend the agreement or the out-of-court settlement agreement, this will be processed and the application for default will be filed. ○ Applications for default lodged between 31 January and 30 September 2021: these will be transferred to the debtor, but will not be accepted for processing until 31 December 2021. During this period, the debtor may submit a proposal to amend the composition or out-of-court settlement agreement, which will be processed as a priority. • Postponement of the duty to request the opening of the liquidation phase of the insolvency proceedings

	<ul style="list-style-type: none"> ○ Until December 31, 2021 inclusive, the debtor will not have the duty to request the liquidation of the assets when it becomes aware of the impossibility of complying with the promised payments or the obligations contracted after the approval of the creditors' agreement, provided that the Debtor submits a proposal to modify the agreement and it is accepted for processing within said period ○ During the period provided for in the previous section, the judge will not issue an order opening the liquidation phase even if the creditor proves the existence of any of the facts that may support the declaration of insolvency. ○ In the event of non-compliance with the approved or modified agreement within two years from March 14, 2020, the credits derived from liquid assets income from loans, credits or other business of analogous nature that would have been granted to the insolvent or derived from personal or real guarantees constituted in favor of the insolvent by any person, including those who, according to the law, have the status of persons specially related to the insolvent, provided that in the agreement or in the modification of the identity of the obligor and the maximum amount of financing to be granted or of the guarantee to be constituted. ● Refinancing agreements. <ul style="list-style-type: none"> ○ Default applications filed between 31 October 2020 and 31 January 2021: will be transferred to the debtor, but will not be accepted for processing until 28 February 2021. ○ Applications for default lodged between 31 January and 13 March 2021 that have been accepted for processing: processing will be suspended. ○ Applications for default lodged between 31 January and 30 September 2021: shall be transferred to the debtor, but shall not be admitted for processing until 31 October 2021. ● Financing and payments made by persons especially related to the debtor. <ul style="list-style-type: none"> ○ In insolvency proceedings declared up to December 31, 2022 inclusive, credits derived from liquid assets income from loans, credits or other businesses granted to the debtor by those who, according to the law, have the status of persons specially related to him, will be considered as ordinary credits. In insolvency proceedings declared up to March 14, 2022 inclusive, credits they will be considered ordinary credits, without prejudice to the privileges that may correspond to them, those in which those who according to the law have the status of persons have been subrogated especially related to the debtor as a consequence of the payments of ordinary or privileged credits made on his behalf, as of the declaration of that status. 	
<p>Other Measures</p>	<ul style="list-style-type: none"> ● Suspension of the cause of dissolution for losses. <ul style="list-style-type: none"> ○ For the sole purpose of determining the concurrence of the cause of dissolution of companies, losses for the year 2020 will not be taken into consideration. 	

12. United Kingdom



The Corporate Insolvency and Governance Act (the 'Act') received Royal Assent on 25 June 2020 which included a temporary relaxation of the laws around wrongful trading, a temporary ban on winding up petitions and orders where non-payment is COVID-19 related and also permanent changes to the UK's insolvency regime, including a new moratorium, protection of supplies (introducing an ipso facto regime) and a restructuring plan.

<p>Relaxation of Wrongful Trading Provisions</p>	<p>Under current UK law, if a director continues to trade a business while it is technically insolvent, they may be liable for wrongful trading if the business ultimately enters administration or insolvent liquidation, and by continuing to trade the net deficiency to creditors' increases. The offer of financial help from the government placed directors in a very difficult position, because by taking out additional loans in an effort to save the business, they could potentially expose themselves to personal liability if the business ultimately failed.</p> <p>However, the Act temporarily relaxed the wrongful trading provisions so that a court must assume that a director is not responsible for the worsening of the financial position of a company during the relevant period, regardless of whether the financial position has worsened because of COVID-19 reasons. The relevant period was initially March 1, 2020 until September 30, 2020. On November 26, 2020 the temporary provisions were re-introduced and have recently been extended, such that the relevant period runs from November 26 2020 until June 30, 2021 (unless further extended). Note that the temporary provisions do not apply to trading between October 1, 2020 to November 25, 2020.</p>	
<p>Temporary Prohibition on Statutory Demands, Winding up Petitions and Orders</p>	<p>The Act temporarily bans winding up petitions based on statutory demands served between March 1, 2020 and June 30, 2021 and restricts winding up petitions from being presented or winding up orders being made from April 27, 2020 to June 30, 2021 where a company cannot pay a debt for COVID-19 reasons. There are new temporary procedures in place in the UK to deal with these changes.</p>	
<p>New Insolvency Tools and Moratorium</p>	<p>In addition to the temporary changes, the Act implements permanent changes to the UK insolvency laws. These include:</p> <ul style="list-style-type: none"> • New Moratorium for Companies <p>The new moratorium provides a simple way for companies who cannot or are unlikely to be able to pay its debts, to obtain the benefit of a moratorium for an initial 20 business days, with the option to extend that by a further 20 business days. The moratorium can be extended for up to 12 months with court and/or creditor consent. Similar to a Chapter 11 restructuring in the US, the company remains in the directors' control during the period of the moratorium, but instead of decisions being monitored by the court an insolvency practitioner will monitor the position. This is a standalone process and is designed to give companies breathing space from creditor pressure and a payment holiday from some creditors,</p>	

	<p>enabling a company time to consider its rescue options which may include refinancing, administration, CVA, liquidation or proposing a restructuring plan.</p> <ul style="list-style-type: none"> • Protection of Supplies to Enable a Company to Continue Trading During the Moratorium <p>The Act introduces a new provision to the Insolvency Act 1986 that prevents a supplier from terminating a contract because of an insolvency event or because of a pre-existing right to terminate that has not been exercised before the company enters into an insolvency process. The so called 'ipso facto regime' prevents suppliers terminating a contract and jeopardizing the rescue of a business and will apply to existing UK insolvency procedures (including administrations, CVAs and liquidations) as well as the new moratorium. To protect suppliers impacted by this prohibition, any supplies made post insolvency will be paid by the company and if the supplier will suffer hardship as a consequence, the supplier can apply to court for an exemption to this new provision.</p> <ul style="list-style-type: none"> • New Restructuring Plan <p>This new insolvency tool enables companies to propose a plan that (subject to obtaining requisite consent and court approval) will bind all creditors (including secured creditors) whether or not they vote in favour of the plan, through the use of "cross-class cram down". The process is similar to a scheme of arrangements but enables companies to bind dissenting and secured creditors. The plan can be used in conjunction with the new moratorium.</p>	
<p>COVID-19 temporary measures</p>	<p>Other additional temporary measures in place until September 30, 2021 include:</p> <ul style="list-style-type: none"> • a relaxation of the eligibility criteria for the new moratorium, meaning that those companies subject to outstanding winding up petitions or that have been in a previous insolvency process in the last 12 months can apply for a moratorium. • an exclusion for small suppliers from the ipso facto regime such that they can, if they chose, terminate the supply contract if its customer enters an insolvency process. 	
<p>Other Measures</p>	<p>Other key measures to support UK businesses include:</p> <ul style="list-style-type: none"> • Support for employers and employees – There are a number of measures in place to support employment, including refunding up to two weeks of statutory sick pay and a government-backed job retention scheme. The scheme took effect from March 1, 2020, and is available until the end of September 2021. Under the scheme, the UK government will refund 80% of employees' wages, up to a maximum of £2,500, where employees are furloughed although the government backing will be tapered from July 1, 2021 onwards. • Tax – To alleviate cash flow pressures, some industries (largely retail, hospitality and leisure) will benefit from business rates relief and reduced rate VAT. There is a VAT deferral scheme, and businesses can contact HM Revenue and Customs (HMRC) to agree a time to pay agreement in respect of existing tax liabilities. • Protection from eviction – Commercial tenants who cannot pay their rent because of COVID-19 will be protected from eviction and will not automatically forfeit their lease if they miss a payment until June 30 2021. 	

13. United States



The US has not implemented direct changes to its insolvency laws. However, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was signed into law, which presents some businesses with additional financing options to mitigate risks. The CARES Act includes a roughly US\$2 trillion stimulus package – the biggest economic stimulus in recent US history. This economic relief provides expanded protections for American families, workers and businesses affected by the public health and economic crisis.

Key Measures Included in the Package

Bailouts for Distressed Companies	A US\$500 billion fund controlled by the Federal Reserve was made available for a government lending program directed at distressed companies. Of this total amount, US\$46 billion was set aside for industry-specific loans, including US\$25 billion for passenger airlines, US\$4 billion for cargo air carriers and US\$17 billion for businesses critical to national security.	
Small Business Protection	A total of an approximately US\$670 billion fund was made available to support small businesses, through the Small Business Administration (SBA) loan program: the Paycheck Protection Program (PPP). Significantly, in the bankruptcy arena, under the CARES Act, the threshold allowing businesses to take advantage of the streamlined bankruptcy protections available to small businesses will be raised from approximately US\$2,725,625 to US\$7,500,000. Although neither the CARES Act nor the Small Business Act preclude Chapter 11 debtors from receiving the PPP, SBA has promulgated loan applications and policies requiring PPP applicants to not be currently involved in bankruptcies. Courts are divided on whether SBA had the authority to create this bankruptcy-related requirement for PPP applicants.	
Direct Payments to Taxpayers	Taxpayers with incomes up to US\$75,000 per year received US\$1,200 in direct payment, before phasing out for those earning more than US\$99,000 per year. Qualifying families will receive an additional US\$500 per child. These payments are excluded from the definition of "income" in the Bankruptcy Code for Chapters 7 and 13.	
Expansion of Unemployment Benefits	Jobless insurance was extended by 13 weeks and include a four-month enhancement of benefits. Individuals who are typically excluded from unemployment benefits (such as independent contractors) may be eligible for benefits.	

Grants for Healthcare Providers

A new grant program of US\$100 billion will be created in support of healthcare providers.

The stimulus package presents businesses with new avenues for obtaining capital and seeking remedies in the current unprecedented climate. However, it is important to plan in order to secure the full benefits of the new stimulus. Thoughtful restructuring strategies are essential to implement deployment of the funds in the most impactful way. At a minimum, in order to fully take advantage of the benefits of the stimulus and to minimize loss and volatility, companies need to enter this crisis with a plan on how they can integrate the stimulus relief into a long-term strategy that will help them navigate this crisis and emerge in the best possible financial condition.



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