

Table of Contents

List of Abbreviations	19
A. Introduction	21
I. Introduction to the Topic	21
II. Research Problem	22
III. Definitions and Limitations	25
IV. Structure of the Research	26
B. Introduction to Cross-Border Restructuring	29
I. Legal Nature of Restructuring Proceedings	29
1. Restructuring Proceedings in a Domestic Setting	31
a) The Insolvency Approach	31
b) The Contractual Approach	33
2. Restructuring Proceedings in a Cross-Border Setting	34
a) The Insolvency Approach	35
b) The Contractual Approach	36
3. Position on the Legal Nature of Restructuring Proceedings	37
a) Domestic Context	37
b) Cross-Border Effects	39
II. Principles of Cross-Border Insolvency Law	40
1. Comity	40
2. Unity Versus Plurality	43
3. Universality (Universalism) Versus Territoriality (Territorialism)	43
a) Advantages of Universalism	44
b) Main Features of Universalism	45
c) Implementation of Universalism: A Need for a Global Consensus	45
4. Modified Universalism	46
5. Mutual Trust	47

Table of Contents

III. Modern Instruments of Cross-Border Insolvency	48
1. The EIR	48
a) Objectives and Scope	48
b) Choice-of-Forum and Choice-of-Law	49
c) Cross-Border Effects Within the EU	50
2. The MLCBI	51
a) Objectives and Scope	51
b) Choice-of-Forum	52
c) Recognition and Its Effects	52
d) Modified Universalism and the MLCBI	53
3. The MLIJ	54
a) Objectives and Scope	54
b) Recognition and Enforcement	55
c) Safeguards and Their Relevance for the Research	56
IV. Summary	56
C. Recognition of Restructuring Plans under the MLCBI: A Comparative Analysis and Preliminary Findings	59
I. The IBA Restructuring Proceedings	60
1. Applicable Azerbaijani Law	60
a) Nature of Proceedings	60
b) Plan Content, Voting, and Confirmation	62
c) Effects of Confirmation	63
d) Creditor Rights	63
2. Facts	64
3. Recognition Abroad	65
a) Recognition in England	65
b) Recognition in the US	67
II. Interpretation of the MLCBI in England and in the US with Respect to the Recognition of Restructuring Plans	69
1. England	69
a) Introduction to the CBIR	69
b) The Gibbs Rule	70
aa) <i>Antony Gibbs</i>	70
(1) Facts	70
(2) Reasoning	71

bb) English Private International Law Rule on the Recognition of a Foreign Bankruptcy Discharge	72
(1) Recognition of a Foreign Bankruptcy Discharge of an English Law-Governed Debt	73
(2) Recognition of a Foreign Bankruptcy Discharge of a Debt Governed by That Foreign Law	73
(3) Recognition of a Foreign Bankruptcy Discharge of a Debt Governed by Another Foreign Law	74
(4) English Bankruptcy Discharge of a Foreign Law-Governed Debt	74
cc) The Gibbs Rule and the CBIR	76
dd) Academic Reception	77
(1) Arguments Against the Gibbs Rule	78
(2) Arguments in Favour of the Gibbs Rule	81
c) <i>Rubin and New Cap</i>	83
aa) Background: <i>Cambridge Gas</i>	83
bb) Legal Issues	84
(1) Disapproval of <i>Cambridge Gas</i> and Adherence to the Traditional Rule	84
(2) Enforcement of Foreign Insolvency-Related Judgments under the CBIR	85
(3) Submission to Foreign Proceedings	85
cc) Reception	86
2. The US	87
a) Introduction to Chapter 15	87
b) Historical Background: <i>Gebhard</i>	87
c) Recognition Requirements	88
aa) General Requirements for Recognising Foreign Judgments	88
bb) Recognition Requirements under Chapter 15	89
(1) Recognition of Foreign Proceedings	89
(2) Post-Recognition Relief	89
d) Case Law under Chapter 15	90
aa) <i>Metcalfe</i>	90
bb) <i>Avanti</i>	92
cc) <i>Agrokor</i>	92
dd) <i>Vitro</i>	93

Table of Contents

ee) <i>Bakrie</i>	94
ff) Summary	96
3. Comparative Summary	96
III. Assessment of the Approaches Adopted in England and in the US	97
1. The English Approach	98
a) Advantages	98
b) Disadvantages	99
2. The American Approach	100
a) Advantages	100
b) Disadvantages	101
IV. Towards a Balanced Model	102
V. Summary	103
D. Traditional Safeguards in the Recognition of Foreign Judgments: Public Policy and Procedural Fairness	105
I. Public Policy	105
1. Introduction to the Public Policy Doctrine	105
2. International Public Policy	107
a) Introduction to International Public Policy	107
aa) Role of Public Policy	107
bb) Public Policy and Overriding Mandatory Provisions	108
cc) Public Policy and Procedural Fairness	109
b) Problematic Aspects of Public Policy	110
c) Limited Application of Public Policy: Key Dimensions	112
aa) Limited Application	112
bb) Dimensions	113
(1) Proximity to the Forum	113
(2) Worthiness of Protection	114
(3) Seriousness of the Breach	114
3. The Public Policy Exception under the MLCBI	115
a) The Public Policy Exception under Chapter 15	116
aa) <i>Toft</i>	117
bb) <i>Qimonda</i>	118
cc) <i>Vitro II</i>	119

b) The Public Policy Exception in Other Jurisdictions Implementing the MLCBI	120
c) Analysis of the Main Issues	121
aa) Limited Application	121
bb) Premature Consideration and Misinterpretation of the Purpose	123
II. Procedural Fairness	124
1. Right to Be Heard	126
a) Due Notice	126
aa) Means of Notice	127
bb) Adequacy of Notice	128
b) Participation in Proceedings	129
aa) Lodging Claims	129
bb) Right to Information	129
cc) Participation and Voting in Creditors' Meeting	130
dd) Illustrative Example: <i>Bakrie</i>	130
c) Right to Contest	130
2. Right of Appeal	132
3. Non-Discrimination of Foreign Creditors	134
4. Absence of Arbitrariness	135
5. Absence of Fraud	135
III. Summary	137
E. Restructuring Proceedings and Substantive Fairness	139
I. Importance and Complexity of Ensuring Substantive Fairness in Restructuring Proceedings	139
1. Substantive Fairness in Insolvency Proceedings	140
2. Substantive Fairness in Restructuring Proceedings	141
a) Value Available for Distribution	142
b) Restructuring Measures	143
c) Non-Consensual Alteration of Substantive Rights	144
d) Post-Restructuring Contributions	144
e) Classification	145
3. Summary	145

Table of Contents

II. Substantive Fairness Frameworks	146
1. The US (Chapter 11)	147
a) Impairment, Class Composition, and Voting Thresholds	147
b) Fairness Assessment with Respect to Dissenting Creditors	148
aa) Dissenting Individual Creditors	149
bb) Dissenting Classes of Creditors	149
(1) The <i>Fair and Equitable</i> Requirement	150
(a) Class of Secured Claims	150
(b) Class of Unsecured Claims: The Absolute Priority Rule	150
(aa) Historical Background	151
(bb) Consensual Deviations from the APR: Valuation of the Debtor	152
(cc) The New Value Exception to the APR	153
(dd) Attempts at Non-Consensual Deviations from the APR	154
(2) The <i>Unfair Discrimination</i> Requirement	155
(a) Forms and Rationales of Discrimination	156
(b) Unfairness of Discrimination: Different Approaches and Tests	156
c) Summary	158
2. England	158
a) CVA	159
aa) Voting Thresholds and Effects of Approval	159
bb) The <i>Unfair Prejudice</i> Challenge	160
b) Scheme	161
aa) Class Composition, Voting Thresholds, and Effects of Confirmation	161
bb) Fairness Assessment	162
c) Part 26A Plan	163
aa) Class Composition, Voting Thresholds, and Effects of Confirmation	164
bb) Fairness Assessment	164
(1) Jurisdictional Requirement	165
(a) Condition A	165
(b) Condition B	166

(2) Judicial Discretion	167
(a) Early-Stage Academic Discussion	167
(b) <i>Adler</i>	168
(aa) Fairness Framework with Respect to Dissenting Classes of Creditors	168
(bb) Retention of Equity by Old Shareholders	170
(c) Developments in the Literature and Case Law Following <i>Adler</i>	171
d) Summary	172
3. The PRD	173
a) Dissenting Individual Creditors	174
b) Dissenting Classes of Creditors	174
c) Academic Reception	175
aa) Arguments in Favour of the RPR	175
bb) Arguments Against the RPR	177
4. Comparative Summary	179
III. Summary	180
F. Ensuring Substantive Fairness in the Recognition of Restructuring Plans under the MLCBI	183
I. Normative and Legal Foundations	183
1. Normative Justification	183
a) A Substantive Fairness Review under Universalism	184
aa) A Single International Court and a Single International Law	184
bb) A Uniform Set of Choice-of-Forum and Choice-of- Law Rules	185
b) A Substantive Fairness Review under Modified Universalism	187
aa) Difference from Universalism	187
bb) Case for a Substantive Fairness Review under Modified Universalism	188
(1) Practical Feasibility	188
(2) Necessity	188
(a) Challenges in a Purely Domestic Context	188
(aa) Examples from the US and England	189

Table of Contents

(bb) Jurisdictions with Less Developed Restructuring Frameworks	190
(cc) Interim Conclusion	190
(b) Incorporating Cross-Border Elements	190
(aa) Risk of a Bias Towards Foreign Parties	191
(bb) Potentially Unfamiliar Foreign Legal Concepts	192
(c) Ensuring Substantive Fairness Through the Entire Process	192
(d) Summary	193
c) Substantive Fairness and Public Policy	193
aa) Difference in the Purpose	194
bb) Narrow Application of the Public Policy Exception	194
cc) Proximity to the Forum	194
2. Legal Basis under the MLCBI	195
a) Distinctive Approach to Restructuring Proceedings under the MLCBI	195
b) The <i>Adequate Protection</i> Safeguard under Article 22 (1) of the MLCBI	196
aa) Language of Article 22 (1) of the MLCBI	197
bb) Article 22 (1) in the Broader Context and Structure of the MLCBI	198
cc) Chapter 15 Case Law	199
dd) Existing Literature	200
3. Summary	200
II. Essential Aspects of the Substantive Fairness Framework under the MLCBI	201
1. Limited Scope and Application	202
a) Reasons for the Limited Scope and Application	202
aa) Private International Law Context	202
bb) Modified Universalism	202
b) Factors Ensuring the Limited Scope and Application	203
aa) Effect on Substantive Rights	203
bb) Opposition at the Recognition Stage	204
cc) Exclusion of Local Creditors of Foreign Proceedings	204
dd) Exhaustion of All Remedies in Foreign Proceedings	204

ee) Focusing on the Treatment of the Opposing Creditor	205
ff) Burden of Proof	206
gg) Costs	206
2. Benchmark Law	207
a) Case for a Benchmark Law	207
aa) Difference Between a Full Révision au Fond and a Substantive Fairness Review	207
bb) Relative Nature of Substantive Fairness	208
cc) Comparison with Another Jurisdiction	209
dd) Chapter 15 Case Law	210
b) Governing Law of the Contract as a Benchmark Law	211
aa) Justification	212
(1) Non-Discrimination of Creditors	212
(2) Purpose of Article 22 (1)	212
(3) Debt-Oriented Nature of Restructuring Proceedings	213
bb) Consideration of a Potential Counter-Argument	213
(1) Potential COMI Shift	214
(2) Recent Proposals for Flexible Choice-of-Forum Rules	215
cc) Reconciling the Gibbs Rule and Modified Universalism	215
dd) Support in the Literature	216
ee) Difference from Virtual Territoriality	217
(1) Overview	217
(2) Distinction and Critical Analysis	218
(a) Doctrinal Aspect	218
(b) Practical Difficulties	218
(3) Advantages of the Substantive Fairness Framework under the MLCBI Compared to Virtual Territoriality	220
(a) Benchmark Function of the Governing Law of the Contract	220
(b) Intervention at the Recognition Stage	220
3. Comparison with the Benchmark Law	222
a) General Restructuring Framework of the Governing Law of the Contract as a Benchmark	222

Table of Contents

b) Overriding Mandatory Provisions of the Governing Law of the Contract as a Benchmark	223
c) Hypothetical Proceedings under the Governing Law of the Contract as a Benchmark	224
4. Establishment of Unfairness	225
a) Material Difference	225
b) Flexible Approach	226
5. Summary	228
III. Application of the Substantive Fairness Framework under the MLCBI to the IBA Plan	228
1. England	229
2. The US	229
IV. Advantages of the Substantive Fairness Framework under the MLCBI	230
1. Certainty	231
2. Forum Shopping	231
3. Fraud	232
4. Fairness in Domestic Proceedings	232
V. Summary	234
G. Conclusion	235
Bibliography	237