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The review “Russian Economy. Trends and Outlooks” has been published by the Gaidar Institute since 1991. This is the 42th issue. This publication provides a detailed analysis of main trends in Russian economy, global trends in social and economic development. The paper contains 6 big sections that highlight different aspects of Russia’s economic development, which allow to monitor all angles of ongoing events over a prolonged period: global economic and political challenges and national responses, economic growth and economic crisis; the monetary and budget spheres; financial markets and institutions; the real sector; social sphere; institutional changes. The paper employs a huge mass of statistical data that forms the basis of original computation and numerous charts confirming the conclusions.

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## 6.2. Coronavirus crisis and company bankruptcies

### 6.2.1. Coronavirus crisis and company bankruptcies worldwide: legal aspect

The coronavirus crisis and the measures taken by national governments to combat the pandemic have led to an acute situation in the field of insolvency of companies. Assessments of the situation vary, and there are many reasons for this: the continuation of the pandemic, the introduction of lockdowns, and the adoption of measures to curb the wave of bankruptcies.

For example, according to the Euler Hermes estimates, the world leader in the field of credit insurance and receivables management, the global insolvency index is likely to reach in 2021 a record level of **+35%** for 2020-2021. That said, half of the countries will record a new high after the financial crisis of 2009.<sup>2</sup> Consequently, the largest increase is expected in North America (+57% compared to 2019), followed by Central and Eastern Europe, Europe (+34%), Latin America (+33%), Western Europe (+32%), and Asia (+31%).

An early termination of emergency government intervention or a longer-than-expected global economic rebound could significantly worsen the situation. For comparison, the projected average number of bankruptcies before the pandemic stood at +6% per year. At the same time, an early rejection of supportive measures can aggravate the situation, increasing the growth of insolvency by 5-10%.<sup>3</sup>

During 2020, only the first reactions of countries to the coronavirus crisis were noted in terms of resolving the issues of preventing the business insolvency, which included such measures as financial support, tax breaks, credit holidays, changes in bankruptcy legislation, etc. The main goal of changing the regulation in the field of bankruptcy in the countries most affected by the coronavirus was *to contain the mass bankruptcy of companies*. The leading mechanisms of such deterrence today are both operational<sup>4</sup> and systemic measures of legal regulation of bankruptcies. Among the operational measures, first of all, we can highlight:

1) ban (extension of timeline, suspension of timeline) on filing applications for insolvency within a certain period of time (moratorium on bankruptcy). Such measures have been taken by many countries, including Russia, Great Britain,

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2 *Maxime Lemerle*. Calm before the storm: Covid-19 and the business insolvency time bomb. URL: [https://www.eulerhermes.com/en\\_global/news-insights/economic-insights/Calm-before-the-storm-Covid19-and-the-business-insolvency-time-bomb.html#:~:text=Our%20global%20insolvency%20index%20is,since%20the%202009%20financial%20crisis.16.07.20](https://www.eulerhermes.com/en_global/news-insights/economic-insights/Calm-before-the-storm-Covid19-and-the-business-insolvency-time-bomb.html#:~:text=Our%20global%20insolvency%20index%20is,since%20the%202009%20financial%20crisis.16.07.20)

3 *Luca Ventura*. COVID-19 Bankruptcies: A Global Snapshot. URL: <https://www.gfmag.com/topics/blogs/covid-19-bankruptcies-global-country>. August 12.2020

4 See in detail: Coronavirus (COVID-19) Tracker of insolvency reforms globally (as at 2 July 2020). URL: <https://www.insol-europe.org/technical-content/covid19>; Squire pattonboggs. Impact of COVID-19 on Insolvency Laws: How Countries Are Revamping Their Insolvency and Restructuring Laws to Combat COVID-19. – Squire pattonboggs.com, 29.04.20

France, Germany, Italy, Spain, the Czech Republic, India, Argentina, Singapore, and Australia;

2) extension of procedures and deadlines (France, Singapore) in case of bankruptcy of companies (Italy, Argentina, China, Japan, Australia), including for debt restructuring (the Czech Republic);

3) suspension of enforcement of court decisions (Belgium) and/or suspension of certain enforcement actions (Russia, Singapore, Australia);

4) setting a higher threshold for initiating insolvency proceedings (India, Australia, Singapore);

5) postponement of the adoption of new insolvency laws (Italy);

6) providing temporary protection to directors of insolvent companies - debtors of companies (Germany, Singapore, Australia);

7) extension of the debtor's response period to the creditor's claims: the debtor's response period to the creditor's statutory claim has been extended to 3 weeks in the case of legal entities (Singapore, Australia);

8) ban on termination of lease agreements for non-residential premises due to non-performance by the lessee. The duration of such measures is 6 months and can be extended for up to 1 year (Singapore);<sup>1</sup>

9) protection of the borrower who is unable to pay rent (Japan);

10) negotiations under the supervision of the court between the debtor and creditors before the opening of bankruptcy proceedings, in the even the cause of the insolvency was a coronavirus infection or measures to combat it (China). As a result of such negotiations, a new agreement can be reached, such as an installment payment, an extension of the debt repayment period, a change in the contract price, etc.;

11) introduction of provisions on virtual (absentee) meetings (meetings of shareholders, meetings of creditors) and electronic signature (Australia).

*Japan* demonstrates an interesting approach.<sup>2</sup> Thus, one of the key mechanisms in regulating problems related to COVID-19 is the obligation for listed companies to disclose information about the impact of events related to COVID-19 on the results of their performance.

As of April 16, the number of listed companies that disclosed such information came to 1,389 or 36.7% of all listed companies. The downward revision of the performance of these companies amounted to \$1,801.3 bn in sales and \$1,048.2 bn in profit.

Given that many listed companies were approaching the deadline to announce their financial performance for the fiscal year that ended in March 2020, the Tokyo Stock Exchange recommended disclosing information about bankruptcy risks earlier, stating that financial results can be clarified after the deadline, and this "delay" in meeting the disclosure deadline should only be explained if the delay is significant. In addition, companies can specify their revenue forecasts as "unfixed"

<sup>1</sup> Coronavirus (COVID-19) Singapore insolvency reforms COVID-19 (Temporary Measures) Bill. URL: <https://www.insol-europe.org/technical-content/covid19national-reports>. 14.04. 2020

<sup>2</sup> Henceforth: Coronavirus (COVID-19) – Tweaks to ground operations for bankruptcy proceedings in Japan in light of COVID-19 24/04/2020. URL: <https://www.insol-europe.org/technical-content/covid19national-reports>.

and provide appropriate updates upon completion. In addition, the Financial Services Agency (Japan's financial regulator) has indicated that the deadline for the disclosure of securities reports on the financial performance of companies ending in March will be extended until the end of September this year, i.e. about 3 months later than usual, even if the application for an extension is not submitted.

As of April 17, 2020, the number of companies that became insolvent as a result of events related to COVID-19 was 66 nationwide (41 were bankrupt and 25 were in the process of preparing for bankruptcy), most of which were in the manufacturing industry, retail sales related to personal consumption, and the service sector. In March 2020 alone, there were 740 bankruptcies, which is about 11.7% more than in March 2019. The total debt of bankrupt companies in Japan in March 2020 amounted to \$105.49 bn, which is approximately 9.0% more than in March 2019. In this regard, despite the lack of changes in the law, the Tokyo District Court decided to postpone all meetings of creditors in bankruptcy cases, which were scheduled from April 8 to May 8, 2020, i.e., until the date that will come in 12 weeks.

As an example of taking *systemic measures* in the field of corporate bankruptcy, we can consider the *United Kingdom*, which declared a moratorium on bankruptcy in April 2020, and in June adopted the Corporate Governance and Insolvency Act 2020 (The Corporate Governance and Insolvency Act 2020 is in force from June 26, 2020), which made the most serious changes to the UK's insolvency law in 20 years. This law introduces new tools to restore the business solvency, such as:

1) *a moratorium* that gives companies a temporary exemption (no more than 40 work days) from the creditors' claims, while they are looking for opportunities to save or restructure the business. The moratorium will allow insolvent businesses, or companies that can become insolvent, 20 work days when they can try to restructure or attract investment without action from creditors. This period can be extended for another 20 days. During the period of the moratorium, the company's performance must be monitored by a qualified bankruptcy specialist;

2) *the company's supply chain* protection provides that companies can continue trading during the moratorium. Provisions ipso facto (provisions that allow termination of an agreement on the grounds that a party has entered into insolvency proceedings) are currently unenforceable in a wide range of supplier contracts;<sup>1</sup>

3) *a new restructuring plan* binding creditors to this plan;

4) *temporary changes to the trading regime* applied retrospectively from March 1 to September 30, 2020, which envisage that directors can continue to conduct business without fear of worsening the financial situation of companies in the wake of the pandemic and being held accountable for it;

5) *easing the requirements of corporate governance* in relation to certain commitments for the execution and submission of documents.

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<sup>1</sup> Henceforth: Corporate Insolvency and Governance Act 2020: A New Era for Restructuring. – The National law review. URL: <https://www.natlawreview.com/article/corporate-insolvency-and-governance-act-2020-new-era-restructuring>, June 29, 2020

The situation with the bankruptcy of companies in the United States is of particular interest. This is due to two factors: the choice by the United States a different strategy from the Russian one, and the provision of the largest economic stimulus package in recent history, worth about \$2.9 trillion, to overcome the crisis fallout.

For example, on March 27, 2020, the Coronavirus Aid, Relief, and Economic Security Act CARES Act was signed into law, which contains the following key measures to help companies:

- financial relief to companies experiencing difficulties - a fund of \$500 bn has been allocated for the program of state lending to distressed companies. Of this amount, \$46 billion is intended for sectoral loans (for example, \$25 bn for passenger airlines);
- small business protection to the tune of \$350 bn, including new Small Business Administration loan programs. However, companies with a debt of more than \$7.5 mn will not be eligible for the funds under the new legislation;
- grants to healthcare providers to tune of \$100 bn.

Among the costs of businesses support in the second stimulus package to overcome the pandemic fallout (Additional Law on Appropriations, on the response to Coronavirus and Burden Relief of December 27, 2020, Coronavirus Response and Relief Supplemental Appropriations Act, CRRSA Act), one can name the assistance:<sup>1</sup>

- small businesses – \$325 bn, including \$284 bn for forgivable loans through the Paycheck Protection Program; \$20 bn for businesses in low-income communities; and \$15 bn for concert venues, movie theaters, and museums;
- the US Postal Service – \$10 bn in the form of write-offs of previous federal loans;
- health care providers - \$13.5 bn (excluding funds allocated for vaccines and testing);
- agriculture and animal husbandry (both corporations and individual farmers) - \$13 bn.

Nevertheless, despite considerable investments of federal funds, the number of applications for bankruptcy recognition by businesses (commercial and non-commercial) shows an upward trend. Compared to 2019, in 2020, the number of business applications increased by 43% to 32,506. The number of commercial applications increased to 7,829 applications, i.e. almost 1.5 times.<sup>2</sup> The areas most affected were retail sales and restaurants, which rely heavily on face-to-face services, as well as tourism, housing, leisure and energy companies.

There are three main factors that affect the situation with bankruptcies in the United States:

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<sup>1</sup> The Associated Press. Highlights of \$900 billion COVID-19 relief, wrapup bills (December 22, 2020). URL: <https://apnews.com/article/health-care-reform-health-legislation-coronavirus-pandemic-762f84e4da11d350d8b5be5680ab01c4>

<sup>2</sup> American Bankruptcy Institute. URL: <https://www.abi.org/newsroom/bankruptcy-statistics> (дата обращения: 12.01.2021)

1) the unpredictability of the pandemic development, which became the catalyst for the 2020 crisis, in contrast to the previous crises of the 2000s, the causes of which were mainly financial in nature. Predicting the course and end of the 2020 crisis is much more difficult. Today, the United States is at the top of the list regarding the number of cases and deaths from COVID-19, the vaccines distribution is not fast enough. When the main issue is the health and life of citizens, the country's leadership cannot throw all its efforts at supporting business. The situation is aggravated by protests and mass riots, including those related to the outcome of presidential election;

2) the existing problems of businesses exposed by the COVID-19 crisis: from the inability to meet the rapidly changing needs of consumers to unsustainable debts, an unprecedented amount of which at the pandemic outbreak totaled \$15.5 trillion.;

3) the problems of the American bankruptcy system, which have worsened in the context of the pandemic: the system is more effective for large companies, but not for small and medium-sized businesses; the system does not work well enough when the bankruptcy courts are overloaded; the efficacy of the system depends on the availability of the debtor's financing in the event of bankruptcy. Despite the known shortcomings, no direct changes were made to the US bankruptcy law.

Please note that the statistics on applications for declaration of bankruptcy demonstrate that the relationship between economic crises and bankruptcy registration is not always direct. The number of applications is always growing, but not always notably.<sup>1</sup> Even now, experts are cautiously noting that the wave of bankruptcies by the end of 2020 was not as large as expected, but it has not yet reached its peak, and the number of applications for declaration of bankruptcy can exceed the number of any of the previous crises.

For more information on changes in bankruptcy law in connection with the coronavirus pandemic worldwide, see *Appendix*.

### 6.2.2. Russia awaiting bankruptcy law reform

Russia was one of many countries that responded to the coronavirus crisis by declaring a six-month moratorium on bankruptcy, namely, the filing of bankruptcy applications by creditors of companies and individual entrepreneurs most affected by the coronavirus crisis in April 2020. Later, in early October 2020, the moratorium was extended until January 7, 2021.

By the end of the moratorium, according to the United Federal Register of Bankruptcy Data (Fedresurs), 14.6% of all companies registered in the Russian Federation and about 40% of individual entrepreneurs were in the "moratorium" lists totaling around 2.13 million. From January 8, 2021 all of them can claim previously collected debts in the framework of enforcement proceedings, charge penalties and forfeits for debts incurred before the moratorium was declared, as

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<sup>1</sup> After the .com bubble in early 2000s, the number of business applications went up slightly, from 37,884 in 1999 to 40,099 in 2001. After the global financial crisis of 2007-2009, this number increased by 2-fold – from 28,322 in 2007 to 60,837 in 2009; separately, the number of commercial applications for declaration of bankruptcy increased from 6,245 in 2007 to 15,240 in 2009, i.e. by 2.5-fold.

well as use such a tool of pressure on debtors as initiating bankruptcy proceedings for their debtors.<sup>1</sup>

The severity of the problem was already evident at the end of May 2020. By this time, more than half of small and medium-sized businesses (53%), according to monitoring data,<sup>2</sup> described their situation as a “disaster” or “crisis”. More than half of the respondents (62.2%) estimated the chance of survival of their business at 50% or lower. 13.4% of respondents said that they were fully confident that their business will continue to operate.

Among the main issues faced by small and medium-sized businesses, more than half (52.4%) of the research participants named the inability to pay wages and taxes on wages. In second place were difficulties with paying rent – 42.8%, and 39.1% reported systematic non-payments by business partners.

Since mid-March 2020, the government has put in place anti-crisis measures to support entrepreneurs totaling Rb3.3 trillion.<sup>3</sup> The list of industries most affected by the coronavirus pandemic crisis has been repeatedly edited, as a result, at the end of August, according to the Federal Tax Service, it embraced 15 industries.<sup>4</sup> It is still difficult to assess how effective this assistance was and what percentage of bankruptcies it prevented.

Critics of the government’s actions, which include 90% of large companies surveyed by KPMG,<sup>5</sup> argue that the government’s proposed anti-crisis tax measures to support businesses were insufficient.<sup>6</sup> KPMG in its research points out that 62% of large companies were unable to take advantage of tax support measures due to non-compliance with the criteria, with the exception of the postponement of the reporting deadline. The reasons for this situation, along with the complexity of the procedure, were the requirements for the disclosure of the final beneficiaries and information representing a commercial secret.

The most popular measure was the use of reduced insurance premium rates (18% of respondents). Five percent of businesses paid up-front income tax payments based on actual profits and received preferential loans for employees salary payments.<sup>7</sup>

1 REVIEW: Moratorium on bankruptcy froze in the dark. URL: <https://fedresurs.ru/news/5b26d11e-64dc-4c9b-a909-b4cd54504161>. 30.12.20

2 *Poliakova V., Galcheva A.* Half of small and medium-sized businesses called their situation a disaster. URL: [https://www.rbc.ru/business/22/05/2020/5ec742969a79470ab2d31eb9?utm\\_source=yxnews&utm\\_medium=desktop&utm\\_referrer=https%3A%2F%2Fyandex.ru%2Fnews.22.05.20](https://www.rbc.ru/business/22/05/2020/5ec742969a79470ab2d31eb9?utm_source=yxnews&utm_medium=desktop&utm_referrer=https%3A%2F%2Fyandex.ru%2Fnews.22.05.20)

3 *Shuvalova M.* Business support measures in the context of the pandemic: interim results of implementation during restrictions and new solutions for economic stabilization. URL: <https://www.garant.ru/news/1376927/>. 28.05.20

4 Plan to overcome the economic fallout of the new coronavirus infection. URL: [https://www.economy.gov.ru/material/dokumenty/plan\\_preodoleniya\\_ekonomicheskikh\\_posledstviy\\_novoy\\_koronavirusnoy\\_infekcii.html](https://www.economy.gov.ru/material/dokumenty/plan_preodoleniya_ekonomicheskikh_posledstviy_novoy_koronavirusnoy_infekcii.html).25.11.20

See in detail: The list of the hardest hit industries due to the spread of the coronavirus infection was approved by a Government Decree dated April 3.04, 2020, No. 434.

5 KPMG – one of the world’s largest professional services networks and one of the Big Four audit firms along with Deloitte, Ernst & Young, and PwC.

6 KPMG. Anti-crisis measures 2020: tax aspects. URL: <https://home.kpmg/ru/home/insights/2020/07/anti-crisis-measures-2020-tax-aspects.html> p. 10

7 *Fedorova N.* Only 2% of large companies took advantage of the tax holidays during the crisis. URL: [https://www.rbc.ru/economics/03/08/2020/5f22e8209a794771ae3dcb78?from=from\\_main\\_1](https://www.rbc.ru/economics/03/08/2020/5f22e8209a794771ae3dcb78?from=from_main_1)



In mid-August 2020, it became known that more than 1/3 of Russian companies suffered losses in March-May 2020, losing Rb1.65 trillion (Fin Expertiza estimate).<sup>1</sup> Total profit (excluding small businesses) for the same period decreased year-on-year by 67%, such a drop in profit as was the steepest for the spring months over the entire period of observations, i.e. for at least 16 years. Until now, the 2017 index was considered to be worst, when the Russian companies profits fell by 28%.<sup>2</sup>

As of July 1, 2020, the external debt of the corporate sector of the Russian economy amounted to *\$17.25 billion*. This figure was the largest over the last 6 years.<sup>3</sup>

In early September 2020, business ombudsman Boris Titov reported that more than 40% of entrepreneurs believed that they would be unable to fulfill their deferred tax obligations. The greatest difficulties are the need to pay taxes for 2020. In the interests of entrepreneurs, they were asked, in addition to extending the moratorium on bankruptcy, to extend the anti-crisis measures to support businesses: tax deferral for small and medium-sized businesses and also credit holidays.<sup>4</sup>

In early October 2020, the statistics of business bankruptcies for Q3 2020 was released, which showed a decrease in the number of bankruptcies by 19% in January-September 2020 compared to the same period in 2019, which was the result of the moratorium on bankruptcy. The number of reports about the intention to go to court with corporate bankruptcy petition has also decreased. In January-September 2020, the number of such reports from creditors decreased by 11.1% to 19,225 compared to the same period in 2019, and from debtors - by 1.4% to 1,496.

The structure of insolvency petitions exhibits a slight uptick in petitions from debtors from 8.8% to 9.2%, as well as the Federal Tax Service of Russia – from 11.8% to 14.6%. While the petitions from other bankruptcy creditors and employees demonstrate a decrease:

- from 78.8% in January-September 2019 to 75.8% in January-September 2020 (for corporate activities);
- from 0.6% in January-September 2019 to 0.5% in January-September 2020 (for employees).

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1 *Kalyukov E., Tkachev I.* Experts have announced the steepest drop in business profits in Russia in 16 years. URL: [https://www.rbc.ru/economics/12/08/2020/5f32bc849a79475a2d8faf68?utm\\_source=yxnews&utm\\_medium=mobile](https://www.rbc.ru/economics/12/08/2020/5f32bc849a79475a2d8faf68?utm_source=yxnews&utm_medium=mobile)

2 The debts of Russians have reached a record level in the XXI century. URL: <https://dolgi.ru/news/6806.12.08.20>

3 Russia's external debt in the corporate sector has exceeded \$17 billion. URL: [https://finance.rambler.ru/realty/44516053/?utm\\_content=finance\\_media&utm\\_medium=read\\_more&utm\\_source=copylink.16.07.20](https://finance.rambler.ru/realty/44516053/?utm_content=finance_media&utm_medium=read_more&utm_source=copylink.16.07.20)

4 In addition, Boris Titov proposed the following measures:

- 1) extending tax deferral to businesses that are not included in the list of affected industries if their revenue fell by 30% for Q2 and Q3 2020 compared to revenue for Q4 2019 and H1 2020;
- 2) the creation of a “bad debt bank”, which will actually allow you to write off obligations that have arisen as a result of force majeure, without worsening your credit history. Boris Titov asked to extend the vacations for business because of “the end of the year” issue. URL: [https://www.rbc.ru/economics/03/09/2020/5f4fa7959a79470349463f2e?utm\\_source=yxnews&utm\\_medium=desktop.03.09.20](https://www.rbc.ru/economics/03/09/2020/5f4fa7959a79470349463f2e?utm_source=yxnews&utm_medium=desktop.03.09.20)

Companies operating in construction, wholesale trade, real estate, services, and agriculture remained at the top of the list of bankruptcies by August 2020 as it was in 2019 (with almost unchanged indexes).<sup>1</sup>

At end-2020, according to the Center for Strategic Research (CSR) “Business Climate in Russia. Year’s results”, 28% of Russian businesses are exposed to the risk of bankruptcy. At the same time, 1/10 of the companies assess this risk as high and plan to stop their activities in the coming months. In the meantime, 65% of companies note that the situation in their business has improved compared to the summer of 2020, but every fifth company note that it has deteriorated. At the end of December 2020, most companies expect their business to recover by 2022, rather than by mid-2021, as was previously the case. By the end of December 2020, 84% of companies say that they need help from the state.<sup>2</sup>

As for the corporate insolvency statistics for 2020, it was not unexpected and also displayed a decrease in the number of corporate bankruptcies. 9931 organizations were declared insolvent – by 19.9% less than in 2019.

Against this backdrop, the development of *general issues of legal regulation of the activities of the institution of insolvency continued*. So in October 2020, the Ministry of Economic Development of the Russian Federation announced the completion of the preparation of *a new version of the draft law*, conceptually changing the bankruptcy framework, in terms of the corporate bankruptcy. The coronacrisis, the minimal support of businesses by the state and the need to minimize the social implications of such a decision left the government with almost no choice but to change the “rules of the game” in the field of bankruptcy.

The long required measures have been brought forward that according to the developers can ensure an increase in the efficacy of the bankruptcy framework in terms of increasing the number of companies that have restored their solvency in the bankruptcy process. To date, only the mechanisms for declaring the debtor bankrupt and opening bankruptcy proceedings, as well as the introduction of surveillance, are really working. The procedures for the introduction of bankruptcy administration and financial recovery are isolated. The number of rehabilitation procedures carried out in the field of insolvency does not exceed 2% of all bankruptcy cases considered by the court.

Current legal regulation of insolvency framework in Russia formally has a pro-creditor orientation, since the debtor’s ability to avoid bankruptcy is minimal. However, in fact it is even more unprofitable for creditors – the average amount of satisfaction of creditors’ claims in the bankruptcy process ranges from 2 to 5%. Therefore, the legislation protects the interests of debtors very poorly.

The most significant innovations of the draft law laid out by the Ministry of Economic Development are the abolition of supervision, financial rehabilitation

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1 Presentation by A. Yukhnin. “Count bankruptcies in the fall: how non-working days, the moratorium and the Covid affected statistics” at the VI annual conference of the journal ‘Vedomosti’ Institute of Bankruptcy in Russia. URL: <https://events.vedomosti.ru/events/bankruptcy2020/materials.11.09.20>

2 CSR stated results of the business environment monitoring in Russia in 2020. URL: <https://www.csr.ru/ru/news/tssr-sformuliroval-itogi-monitoringa-delovoy-sredy-rossii-v-2020-godu/.25.12.2020>

and bankruptcy administration and the introduction of a new rehabilitation procedure – debt restructuring. The restructuring plan is expected to be flexible and will include various management options. It will be valid for 4 years with a possible extension.<sup>1</sup>

Presenting the previous version of the draft law on the introduction of debt restructuring, representatives of the Ministry of Economic Development said that, according to preliminary calculations, as a result of the implementation of the envisaged restructuring, the solvency of about 10% of businesses against which an insolvency case was initiated will be restored. This level of recovery of the corporate solvency, of course, will not fundamentally change the most pro-lender orientation in the regulation of the insolvency framework, but it will be the first step in the right direction, which will give impetus to the further development of the institution.

The next course of changes is *to raise the efficacy of the activities of arbitration managers*. It is assumed that it will ensure the introduction of the register of arbitration managers and the granting of the self-regulatory organization (SRO) of arbitration managers along with other rights the right to include and exclude its members.

As for the register of arbitration managers, it will become the basis for the score assessment of managers, SROs and the formation of the overall rating of SROs. The manager will be awarded points depending on the effectiveness of the restructuring or bankruptcy proceedings. The SRO score will be equal to the average score of its members. In addition, it is proposed to introduce an obligation for arbitration managers to take an exam every 3 years to confirm their status, etc.

The idea of confirming the level of qualification is not bad in theory, but this mechanism will be quite easy to use, for example, for representatives of the state as a mechanism for influencing arbitration managers.

As for granting SROs the rights to include and exclude its members, there is a high risk that the already established and existing bureaucratic and managerial stratum of SROs will acquire an additional instrument of influence on arbitration managers, which can be used to lobby for the necessary decisions in the field of insolvency.

The modernization of the bankruptcy liquidation procedure and the exclusion of the possibility of control over the debtor by unscrupulous owners or beneficiaries should be another key area of the bankruptcy reform.

The mechanism that should ensure the implementation of this task is the creation of an information system for the disclosure of data on the bankruptcy assets (market place), which will allow to post information about the property, inventory, and sale in advance – for at least 30 days before the auction.

With regard to the exclusion of the possibility of control over the debtor, it puts in place measures to prevent knowingly unprofitable activities of the debtor,

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<sup>1</sup> Henceforth: “Ilya Torosov: The global bankruptcy reform project will change the entire architecture of this institution in Russia” URL: [https://www.economy.gov.ru/material/news/ilya\\_torosov\\_globalnyy\\_proekt\\_po\\_reforme\\_bankrotstva\\_izmenit\\_vsyu\\_arhitekturu\\_etogo\\_instituta\\_v\\_rossii.html](https://www.economy.gov.ru/material/news/ilya_torosov_globalnyy_proekt_po_reforme_bankrotstva_izmenit_vsyu_arhitekturu_etogo_instituta_v_rossii.html).09.10.20; Presentation by Deputy Minister of Economic Development of Russia I. Tarasov at the II Annual Conference of Fedresurs “Bankruptcy 2020: at the crossroads”, October 8, 2020

in particular, the obligation of the arbitration manager after the introduction of bankruptcy proceedings to put to the vote the question of termination of the organization's activities and termination of activities after 9 months, if there is no such decision. Losses if they are within 9 months can be imposed on creditors who voted to extend the supervision. Thus, the choice of arbitration managers and creditors is to go into the restructuring procedure or to liquidate the enterprise as soon as possible.

Furthermore, it is envisaged to abandon the operators of electronic platforms in favor of the sale of property in accordance with the procedure provided for by Federal Law No. 44-FZ of April 5, 2013 "On the Contract System in the Field of Procurement of Goods, Works, and Services for State and Municipal Needs."

Further, it is supposed to *authorize creditors to negotiate with the debtor before the court on a discount on debts*. This will increase the chances for pre-trial settlement of insolvency issues.

In practice, it is important to create transparent mechanisms for implementing the possibility of reducing the level of debt, primarily on the part of tax, customs and other state bodies acting as creditors in most cases.

Another innovation proposed by the Ministry of Economic Development is *the introduction of the institution of collective arbitration managers*. They will manage, for example, strategic enterprises, enterprises of agro-industrial complex. Rostec, Roscosmos, and the Federal Security Service of Russia can act as collective arbitration managers.

Such provisions of the law create a high risk of abuse, for example, by officials and security forces, unjustified and uncontrolled withdrawal of enterprises from the sphere of market interaction to the sphere of administrative regulation, and a decrease in the level of efficiency of such enterprises.

In mid-November 2020, it became known that the specified draft law of the Ministry of Economic Development was sent by the Main Legal Department of the Presidential Administration for re-revision. According to its conclusion:

- the idea to introduce a point rating system for arbitration managers has not been worked;
- it is premature to abandon the procedures of external management and financial recovery;
- authorization of giving state corporations for functions of arbitration managers in cases of insolvency of strategic enterprises contradicts the idea of the independence of the arbitration manager, and can also lead to a conflict of interests.<sup>1</sup>

In addition, at the end of September 2020, draft laws were adopted in the first reading, giving the Bank of Russia the authority to maintain on a permanent basis lists of persons controlling banks, insurance organizations and non-state pension funds. According to the developers, the bill will allow to establish the persons controlling the banks, and possibly the beneficiaries, their assets and bring them

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<sup>1</sup> General conclusion: Presidential State-Legal Directorate criticized the draft law of the Ministry of Economic Development on reforming bankruptcy institution. URL: <https://fedresurs.ru/news/3918103-c9ad-439b-a81d-607ab52ed6e8?attempt=1.12.11.20>.

to subsidiary liability for the obligations of bankrupt financial organizations. To do this, the bank will also have the right to request from Rosfinmonitoring an opinion on the compliance of a person with the distinctive features of the controlling person, as well as information confirming the compliance of this person with these distinctive features.

According to the draft law, the Bank of Russia will form a list of controlling entities in accordance with International Financial Reporting Standards (IFRS). Until proven otherwise, a person included in the relevant list by the Bank of Russia will be recognized as a controlling credit institution. The person will have the right to challenge the inclusion in the list of controlling persons.

The bill also authorizes the Bank of Russia to send an application for bringing the beneficiaries of financial organizations to subsidiary liability. At the same time, until such an application is submitted, the regulator will have the right to seize funds, securities and real estate of beneficiaries of financial organizations where it has identified negative capital through the court.<sup>1</sup>

The proposed legislative changes demonstrate two opposite vectors (which have not yet received their legislative consolidation): the first is a proposal to resolve the economic and social issues associated with insolvency by changing the legal regulation of the institution of bankruptcy towards greater protection of the debtor's rights); the second is the strengthening of government institutions not only in the field of control and supervisory activities, but also in the redistribution and use of large property, which, most likely, will occur at least during 2021-2022.

To a certain extent, these two trends reflect the presence of two different corporate segments in the country with different needs. On the one hand, this is the state-owned government-resource (let's call it so) segment, whose priorities, since 2007, have been put at the forefront, and on the other hand – the private business that has emerged in Russia over the last 30 years. It is the latter that is now particularly in need of flexible mechanisms to resolve the problem of debts and save the business.

Such *flexible mechanisms aimed at preventing mass bankruptcies* could be:

1. A significant (many-fold) increase in the amount of debt, starting from where it is possible to initiate the bankruptcy procedure of the company in court. This measure was implemented in Australia (4 times), Singapore (10 times), and India (100 times). If this is done within reasonable limits, it is possible without spending on the part of the state, which is important in terms of budget deficits, to qualitatively change the situation with the upcoming wave of bankruptcies and social tension in this respect.

2. The introduction of a rule on the payment of taxes and contributions to funds by companies that have incurred losses from COVID-19 from 2021, based on the current monthly income, and the deferral of 2020 debt for 5 years. Or, as an alternative, authorizing the tax service to grant a deferred payment of taxes for 2020. In order for this mechanism to work effectively, in addition to the introduction of competent legal regulation of this issue, we need:

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<sup>1</sup> Deputies approve in the first reading the bill that tears off “corporate veil” from financiers. URL: <https://fedresurs.ru/news/9da42530-0afd-47be-9eb5-aaa45c186ef3>. 30.09.20

- efficiently operating situation tracking system (weekly monitoring);
- operational correction of ongoing processes;
- the right to appeal against the refusal of the tax service.

3. Absolution of the debtor for a year (in the meaning of the Federal Law “On Insolvency”) to apply to the arbitration court with an application for its insolvency granting signs of bankruptcy, if it is induced by COVID-19.

4. Ban on termination of lease agreements for non-residential premises occupied by companies for, say, 2-3 years, with renewal option.

This is able to provide the same basic conditions for the existence of companies for a period sufficient to prevent bankruptcy and reduce costs in the near future. This is especially important for Moscow and St. Petersburg. The adoption of these measures will allow:

- resolve the problems of both creditors and debtors and, where possible, save the business;
- unload the courts;
- reduce social tension.

The obvious advantage of applying the proposed operational measures is the absence of significant material costs with a relatively high degree of efficacy.

*Annex*

### COVID-19 crisis and changes in bankruptcy law<sup>1</sup>

Countries	Changes in the bankruptcy law
<b>Belgium</b>	<i>Moratorium</i> on bankruptcy of companies affected by the COVID-19 crisis and its consequences (effective from 24.04.20): <i>protection against forced bankruptcy</i> (exl. - by the decision of the prosecutor or the President of the court, or with the consent of the debtor); <i>protection from liquidation; protection from preventive (interim) and enforcement arrest and the petition of other enforcement measures</i> . For enterprises that are subject to a plan approved as part of the judicial reorganization procedure, the payment terms are extended for the duration of the moratorium. Moreover, <i>the parties cannot terminate agreements</i> (unilaterally or judicially), with the exception of employment agreements, as a result of a breach of payment obligations by the affected business. However, any person can <i>challenge the applicability of the moratorium</i> by petitioning to the President of the Enterprise Court if there are reasons justifying the lifting of the moratorium in whole or in part with respect to the business (i.e. if the company is not affected by the current COVID-19 crisis). Royal Decree No. 15 is in force from 24 April 2020 up to and including 17 May 2020.
<b>Czech Republic</b>	<i>Cancellation of the obligation to file a petition for the debtor’s insolvency</i> . Effective from the date of entry into force of the Law on the Mitigation of the Consequences of the Epidemic and up to 6 months after the termination of emergency measures (however, no later than <i>December 31, 2020</i> ), if the insolvency occurred as a result of such a situation. <i>The possibility of applying for a temporary suspension of the reorganization plan</i> (if the plan was approved no later than March 12, 2020 and has not yet been fully implemented). In the case of authorization, the reorganization cannot be turned into bankruptcy proceedings during this period (x) excluding the duration of the emergency measures and a further six months from their termination to the relevant period with regards to

<sup>1</sup> This analysis is based on data from the following sources: Coronavirus (COVID-19) Tracker of insolvency reforms globally (as at 2 July 2020). URL: <https://www.insol-europe.org/technical-content/covid19>; Squire pattonboggs. Impact of COVID-19 on Insolvency Laws: How Countries Are Revamping Their Insolvency and Restructuring Laws to Combat COVID-19. – Squire pattonboggs.com, 29.04.20

Countries	Changes in the bankruptcy law
<b>Czech Republic</b>	actions for the relative ineffectiveness of an act (Actio Pauliana) and (xi) the debtor-business operator who is not insolvent as of March 12, 2020, will have the opportunity to file a proposal for an extraordinary moratorium, which can last (if extended) up to six months (hereinafter the «extraordinary moratorium»); the extraordinary moratorium will be newly introduced directly in Act No. 182/2006 on insolvency proceedings. The Act on the Mitigation of the Impact of an Epidemic is effective as of 24 April 2020.
<b>Great Britain</b>	The Corporate Insolvency and Governance Act 2020 <i>reforms the UK's insolvency framework to add new restructuring tools including: (i) a moratorium for companies</i> giving them breathing space from creditors enforcing their debts for a period of time while they seek a rescue or restructure. The moratorium will allow insolvent companies, or companies that can become insolvent, 20 working days in which they can try to restructure or raise investment without action from creditors. This period can be extended for another 20 days. During the period of the moratorium, the company's affairs must be monitored by a qualified bankruptcy specialist; (ii) <i>protection of their supplies</i> to enable them to continue trading during the moratorium; (iii) <i>a new restructuring plan</i> , binding creditors to that plan. The reforms also include temporary changes the wrongful trading regime applying retrospectively from March 1 until September 30, 2020. Directors can trade without fear of a deterioration in the financial situation of companies due to the pandemic. The Corporate Governance and Insolvency Act 2020 is in force from 26 June 2020.
<b>USA</b>	<i>Suspending enforcement actions:</i> The Governor of the State of New York signed an Executive Order on March 21, 2020. In part, this order provides that “it shall be deemed an unsafe and unsound business practice if, in response to the COVID-19 pandemic, any bank which is subject to the jurisdiction of the Department shall not grant a forbearance to any person or business who has a financial hardship as a result of the COVID-19 pandemic for a period of ninety days.” <i>Expanded the range of enterprises classified as small businesses.</i> Under the CARES Act, a debtor with aggregate debts up to US\$7,500,000 can qualify as a small business debtor—up from US\$2,725,625. (they are covered by the Small Business Loan Program). The CARES Act adds “payments made under Federal law relating to the national emergency declared by the President under the National Emergencies Act” with respect to coronavirus to the exclusions from the definition of disposable income. This amendment applies to all cases initiated before or after the entry into force of the CARES Act and lasts for one year. The CARES Act also provides that the debtor can modify plan after confirmation if “the debtor is experiencing or has experienced a material financial hardship due, directly or indirectly, to the coronavirus disease.” The CARES Act further provides that the modification can include extending the repayment period for up to seven years after the first payment under the original confirmed plan was due. President signed the CARES Act into law on 27 March 2020.
<b>France</b>	The ordinance No. 2020-341 of March 27, 2020 provides that <i>the insolvency test</i> which would ordinarily be performed for a company as at March 12, 2020 will now be <i>extended for three months after the state of health emergency ends</i> on May 24, 2020 (i.e. until August 24, 2020). <i>Adaptation of the Wage Guarantee Scheme:</i> the debtor may want to request the opening a restructuring procedure (even though not being under an obligation to do so due to the Insolvency Ordinance), in order to benefit from the wage guarantee scheme of the Association for the Management of Employee Claims. <i>Extension of the Duration of Procedures and Deadlines:</i> e.g. conciliation period extended by the duration of the emergency period. Ordinance (ordonnance) No. 2020-341 of March 27, 2020 ‘Adapting the Rules relating to Difficulties of Companies and Farms in the Health Emergency’ (the ‘Insolvency Ordinance’) entered into force on 29 March 2020.
<b>Germany</b>	<i>Temporarily suspension</i> (until 30 September 2020 with the option to extend until 31 March 2021) <i>directors' duties to file for insolvency</i> without undue delay and at the latest within three weeks (21 days) after becoming illiquid or over-indebted. For the suspension to apply, it must be proved that the company's insolvency is caused by the coronavirus pandemic and that the company has requested state aid or is engaged in serious financing or restructuring negotiations with reasonable prospects of restructuring. The COVID-19 Insolvency Suspension Act (COVInsAG) was published on 27 March in the Federal Gazette and has retrospective force from 1 March 2020 onwards.

Countries	Changes in the bankruptcy law
<b>Italy</b>	<p><i>Hearings and procedural terms suspended:</i> between March 9 and May 11, 2020. Such suspension has an impact also on terms concerning pending insolvency proceedings, Insolvency Practitioners' reports' filing and the fulfilment of their duties.</p> <p><i>The recapitalize-or-liquidate rule suspended:</i> for companies with a deficit calculated at accounting values has been suspended by the said Decree No. 23 until December 31, 2020. Therefore, in case of a deficit exceeding the amount of its share capital, directors' duty to liquidate a company is suspended.</p> <p><i>New insolvency laws postponed:</i> from August 15, 2019 to September 1, 2021 the entering into force of the new Code of enterprises' crisis and insolvency (approved with Legislative Decree No. 14 of January 12, 2019).</p> <p><i>Preventive Composition and Restructuring Agreements extended:</i> those approved by creditors and ratified by the courts; terms for the fulfilment of the plan expiring between February 23, 2020 and December 31, 2021 have been extended by six months; those approved by creditors but not yet ratified by the courts as on February 23, 2020: the debtor is entitled to apply to the court for obtaining a time-term to file a new plan or proposal for an agreement to creditors, or the extension of the term of fulfilment of the already approved plan.</p> <p><i>Bankruptcy and extraordinary administration suspended:</i> all petitions for bankruptcy (or Administrative Winding-Up (Liquidazione Coatta Amministrativa) or Extraordinary Administration (Amministrazione Straordinaria) filed between March 9 and June 30, 2020 – either filed by creditors or by the debtor itself - shall be declared inadmissible.</p> <p><i>Tax claims suspended:</i> recovery, precautionary and enforcement of tax claims are suspended until May 31, 2020.</p> <p><i>Bank and other loans: e.g. overdraft facilities cannot be revoked before</i> September 30, 2020. Mortgages and loans with contractual maturity before September 30, 2020 shall be extended, together with the respective ancillary elements (such as collateral) and without any formalities, until September 30, 2020.</p> <p>Law Decree 17th March 2020 No. 18 converted into law from 24 April 2020; No. 27 and Law Decree 8th April 2020 No. 23 will be converted into law 60 days from its publication on 8 April 2020.</p>
<b>Spain</b>	<p><i>Change directors' deadline to file for insolvency.</i> Spain has relaxed its strict deadline which previously required directors to file for insolvency within two months of the company becoming insolvent.</p> <p><i>Stay in procedural timings:</i> if parties need a homologation court ruling to cram down dissenting lenders, they can still file the writ with the competent court, but note that it will not be resolved until the stay in procedural timings has been lifted. General stay: The measures around COVID-19 include a general stay on the time frames of court proceedings, including in this case insolvency proceedings.</p> <p>During the one year period since the State of Alarm started: borrowers who had previously reached a refinancing agreement may launch a new refinancing process, borrowers with a CVA reached within an insolvency may renegotiate the CVA, upon the borrower becoming aware of a breach to an existing CVA, it will not be required to file for liquidation within the insolvency, provided that it submits a CVA amendment proposal and in any insolvencies declared within this period, any auction of assets (aside from the process in the liquidation plan if any) must be made out of court. Further, in any insolvencies declared within two years after the State of Alarm started, any funding provided by specially connected persons to the borrower (or resulting from payments made by those specially connected persons to third parties on behalf of the borrower) and rather be treated as an ordinary claim.</p> <p>Now in force up to 31 December 2020.</p>
<b>Argentina</b>	<p><i>Relaxation of various deadlines:</i> the court resolution that decrees the opening of the re-organization proceeding must set various procedural dates until (or on) which certain relevant legal acts in the insolvency proceeding must take place, such as the date by which creditors must present their claims for verification of credits, the opportunity for the presentation of the individual and general report, and the expiration of the exclusivity period. The determination of the bankruptcy schedule means, in practice, adapting to each specific case the deadlines generically determined in the LCQ.</p> <p>Pursuant to Article 14 of the Argentine Bankruptcy Law number 24522 as amended ('LCQ').</p>



Countries	Changes in the bankruptcy law
<b>India</b>	<p><i>Higher threshold to initiate formal insolvency:</i> The Ministry of Corporate Affairs, Government of India, increased the threshold for the determination of default in insolvency matters from INR One Lakh (100 Thousand) to INR One Crore (10 Million) through the amendment of section 4 of the Code (Notification dated 24 March 2020).</p> <p><i>Special insolvency resolution framework for MSMEs:</i> The Government has decided to notify a special insolvency resolution framework for the MSMEs. This will be in addition to the earlier announced measures regarding the increase in the threshold for the determination of ‘default’ under the Code. The measures would contribute to ensuring the continuity of business operations and ensure liquidity. <i>Exclusion of period of lockdown from timelines.</i></p> <p>In effect, amendments have been under taken in the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations 2016 and the IBBI (Liquidation Process) Regulations 2016.</p>
<b>Singapore</b>	<p><i>Raising the threshold for bankruptcy and insolvency.</i> The monetary threshold for insolvency for companies and partnerships will be raised from SGD 10,000 to SGD 100,000, a ten-fold jump.</p> <p><i>Extending the response period to demands:</i> the period for a debtor to respond to a creditor’s statutory demand will be extended to three weeks (in the case of businesses).</p> <p>Additional provisions suspend certain enforcement actions against non-performing parties and provides a temporary defense to directors against insolvent trading.</p> <p><i>Prohibition from initiating the following legal actions against a non-performing party:</i> (1) filing court and insolvency proceedings, including, among others, those for schemes of arrangement, judicial management and winding-up (2) enforcing security over immovable property as well as movable property used for the purposes of business or trade (3) calling on a performance bond given under a construction contract, and (4) terminating the leases of non-residential premises. The validity period of these measures is 6 months and can be extended for up to 1 year.<sup>1</sup></p> <p>Certificate of Urgency the coronavirus (COVID-19) (Temporary Measures) Bill (Bill) On 7 April 2020.</p>
<b>China</b>	<p><i>Court-supervised negotiation between the debtor and those creditors before the opening of bankruptcy proceeding:</i> If the debtor is not eligible to meet its obligation to pay the debt due because of the negative influence of coronavirus (COVID-19) or the epidemic prevention and control measures, although creditors may apply to open bankruptcy proceedings, the court shall direct negotiation between the debtor and those creditors aiming to achieve new agreement such as payment by instalment, extension of the debt performance period, change of contract price, etc.</p> <p><i>Distinguishing real causes of insolvency when examining bankruptcy criteria:</i> When checking the bankruptcy criteria after the submission of a bankruptcy application, and before formally ordering the opening of bankruptcy proceedings, the court is obliged to find the real reason which caused the debtor’s financial trouble. If the debtor was insolvent only because of the epidemic situation or the epidemic prevention and control measures, and was in a healthy financial state before the outbreak of coronavirus (COVID-19), the court shall do its best to prevent the debtor from entering into bankruptcy proceedings.</p> <p><i>Further promoting the link between execution and bankruptcy proceedings:</i> During the execution procedure, if the court finds that the debtor meets the bankruptcy criteria due to the spreading of the epidemic but has potential rescue value, the court shall ask the creditors to open bankruptcy proceedings, according to the “Converting from Execution to Bankruptcy” policy.</p> <p><i>Extending the reorganization period from maximum of 9 months by another 6 months:</i> Due to the negative impact of the epidemic prevention and control measures, if the eligible body such as the DIP or the administrator according to EBL 2006 could not submit the draft re-organization plan on time within the maximum nine months’ time-frame (six months plus three months extending) according to EBL 2006, Art 79, the court could permit extension by another maximum six months based on the application of debtor in DIP or the administrator, by considering the actual impact of the epidemic situation or epidemic prevention and control measures on the reorganization procedure.</p>

<sup>1</sup> Coronavirus (COVID-19) Singapore insolvency reforms COVID-19 (Temporary Measures) Bill. URL: <https://www.insol-europe.org/technical-content/covid19national-reports>. 14.04. 2020

Countries	Changes in the bankruptcy law
<b>Sweden</b>	<p><i>Some government subsidies are available</i>; financial distress is a prerequisite for various types of subsidies, however companies that are the subject of insolvency proceedings or otherwise insolvent are excluded from several types of subsidies aimed at alleviating the economic impact of coronavirus, including the new rules regarding short-time working allowance and rent-discount subsidies.</p> <p><i>Tax deferral</i>: The Swedish parliament has (as a reaction to the ongoing pandemic) introduced legislation that allows the Swedish Tax Agency to grant deferral of payment of taxes that fall due between January and September 2020, for example, value added tax. A deferral period may be granted for a maximum of one year. The directors and shareholders of companies which have been granted a deferment will not be personally liable to pay the companies' tax debts, so far as the taxes that are the subject of a deferment decision are paid before the deferment period ends or measures have been taken to settle the company's debts at the latest of the new due date, after the deferment period.</p>
<b>Australia</b>	<p>Australia's Federal Government has ordered <i>a relaxation of insolvent trading laws</i> for six months. During this time, directors will be relieved from their duty to prevent a company from trading while insolvent with respect to debts incurred in the ordinary course of carrying on its business. This relief only relates to debts incurred in the ordinary course of business and not where dishonesty and fraud are involved.</p> <p><i>Temporary Increase In Thresholds and Time to Comply</i>: Statutory demand threshold is increasing from \$2,000 to \$20,000. The time period within which to comply is going from 21 days to six months. Threshold amount for a Bankruptcy Notice to be issued is also increasing, this time from the current amount of \$5,000 to \$20,000. The government is also increasing the time within which to comply with a Bankruptcy Notice from the existing 21 days to six months. Also, where a debtor declares an intention to present a debtors' petition, the moratorium is extended from 21 days to six months.</p> <p><i>ATO Enforcement May Be Suspended</i>: Businesses may also seek tailored reductions in, or deferrals of, payments owing to the Australian Tax office (ATO).</p> <p><i>Power To The Treasurer Under The Corporations Act</i>: The Treasurer is being given temporary instrument power in the Corporations Act 2001 <i>to amend provisions of it to provide relief or modify obligations</i> to enable a company to comply with requirements during this time. This power will apply for six months and any instrument made by the Treasurer will apply for six months from the date it is made.</p> <p><i>New virtual meeting and electronic signing provisions</i>: The Corporations Act 2001 (Act), the Corporations Regulations 2001 (Regulations) and the Insolvency Practice Rules (IPR) are modified to allow virtual meetings (such as meetings of shareholders, creditors and those relating to managed investment schemes) and electronic execution of documents by a company for the purpose of s 127 of the Act and 'split executions' where more than one officer is signing for six months from 6 May 2020.</p>
<b>Japan</b>	<p>As of 16 April, the number of listed companies that had disclosed the impact of COVID-19-related events on their performance stood at 1,389, or 36.7% of all listed companies, and the downward revisions to these companies' performance totaled \$1,801.3bn in sales and \$1,048.2bn in final profit.</p> <p>In view of the approaching deadline for many listed companies to announce their financial results for the financial year ending March 2020, the Tokyo Stock Exchange expressed the view that risk information should be proactively disclosed, that financial results may be disclosed once finalized, and that 'delay' in meeting the disclosure deadline only need to be disclosed if the delay is significant. Further, companies may state their earnings forecasts as 'unfixed', and provide updates appropriately once finalized. In addition, the Finance Services Agency, Japan's financial regulator, has indicated that the deadline for the disclosure of securities reports on companies' financial results ending March will be extended to the end of September this year, approximately 3 months later than usual, even if no application is made for the extension.</p>

1 Henceforward: Coronavirus (COVID-19) – Tweaks to ground operations for bankruptcy proceedings in Japan in light of COVID-19 24/04/2020. URL: <https://www.insol-europe.org/technical-content/covid19national-reports>

## RUSSIAN ECONOMY in 2020

trends and outlooks

Countries	Changes in the bankruptcy law
<b>Japan</b>	<p>As of April 17, 2020, the number of companies that had become insolvent as a result of COVID-19-related events stood at 66 nationwide (41 were bankrupt and 25 in the process of preparing for bankruptcy), most of which are in the manufacturing, personal consumption-related retail and service industries. In March alone, there were 740 bankruptcies, an increase of approximately 11.7% compared to the same month a year ago. Total debt was \$105.49bn in March, up approximately 9.0% year-on-year. In view of these circumstances, notwithstanding no change in the law, the Tokyo District Court has decided to postpone all bankruptcy creditors' meetings that have been scheduled between April 8, 2020 and May 8, 2020 until a date 12 weeks later.</p> <p>In addition, in civil rehabilitation proceedings, rehabilitation debtors and their lawyers, and supervisors are not required to appear at creditors' meetings. Although the court has scaled back its operations, it continues to respond to filings of new petitions, and hold meetings and consultations that are urgent.</p> <p>Regarding out-of-court workouts, the Japanese Association of Turnaround Professionals is accepting general inquiries in relation to a scheme called "Turnaround ADR" by e-mail, and continues to handle applications for advance consultation by phone, email, and even face-to-face.</p> <p>The government has also prepared the following financial support measures for not only small and medium-sized enterprises (SMEs) but also large businesses—<i>safety-net loans and special guarantee schemes for SMEs, public grants for employment, and protection of borrowers who are unable to pay rent</i>. However, with the expansion of the Declaration of Emergency on 16 April, it is expected that companies' business performance will deteriorate more sharply due to closures and reduced operating hours.</p> <p>«Declaration of Emergency for Covid-19» (the Declaration of Emergency) on 16 April 2020.</p>