

Global Insolvency and Cross-border Acquisitions

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Abstract

Chapter 15 of the U.S. Bankruptcy Code facilitates coordination between U.S. and foreign courts and provides more efficient legal administration of cross-border insolvencies. Over the fifteen years after its enactment in 2005, more than 540 entities from 60 countries filed for Chapter 15. Compared to Chapter 11, which requires foreign filers to bring the main proceeding to the U.S. court, Chapter 15 cases are less complex, less expensive, and better protect the value of debtors' assets, lowering the cost of acquiring U.S. assets. Exploiting the timing of Chapter 15 adoption, we examine the effect of global insolvency law on the likelihood of cross-border acquisitions of U.S. targets by non-U.S. firms. We find that firms in countries that frequently utilize Chapter 15 are more likely to acquire U.S. targets and less likely to divest U.S. assets after the enactment of Chapter 15. Those firms increase their leverage and expand their capital sources and supply chains globally. Our results highlight that improvement in cross-border court coordination has real effects on economic activities.

Keywords: global insolvency, Chapter 15, bankruptcy, cross-border mergers and acquisition

JEL classification: G33, G34

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1. Introduction

Cross-border acquisitions constitute more than a quarter of global mergers and acquisition transactions during the previous two decades.¹ Acquiring assets outside borders can be costly as it involves compliance with local regulations and laws. Importantly, when foreign assets become insolvent, multinational debtors and creditors must work out a bankruptcy process in foreign courts, which can incur large costs on top of the expenses for the main proceeding in their home countries.² Yet, despite bankruptcy costs being an important consideration for corporate investment and financing, few studies examine how insolvency laws and court processes across different international jurisdictions shape cross-border mergers and acquisitions.³ To fill this gap in the literature, we exploit a unique quasi-natural experiment to study the effect of improvement in cross-border court coordination on corporate M&As and financing.

As part of the Bankruptcy Abuse Prevention and Consumer Protection Act in 2005, the U.S. enacted Chapter 15 as an adoption of the UNCITRAL (United Nations Commission on International Trade Law) Model Law on Cross-Border Insolvency, a broad international framework to deal with cross-border insolvency cases. As of 2022, more than 40 jurisdictions around the world have adopted the Model Law. The Model Law is designed to facilitate the coordination of courts for more efficient cross-border insolvency restructurings. Specifically, after a foreign representative submits an application to obtain recognition of a foreign insolvency proceeding in the Model Law jurisdiction, the local court issues an automatic stay

¹The number of cross-border acquisitions gradually increased in the 1990s and slightly fluctuated over time over the last two decades. It peaked at 28% in 2000 and dropped to 21% in 2009, based on our calculation using the same sample in [Erel, Jang, and Weisbach \(2022\)](#).

²Several legal articles discuss the importance of bankruptcy laws in the cross-border acquisition process. For example, see <https://corpgov.law.harvard.edu/2023/01/07/cross-border-ma-2023-checklist-for-successful-acquisitions-in-the-u-s/>.

³To understand the motives of cross-border transactions, the international trade and finance literature documents a variety of driving factors (see [Erel et al. \(2022\)](#) for the most recent survey). Several studies consider the differences in legal institutions related to corporate governance between two countries as a source of value creation and document that good country governance is transferred to target countries through cross-border acquisitions (e.g., [Rossi and Volpin \(2007\)](#), [Bris and Cabolis \(2008\)](#), [Ellis, Moeller, Schlingemann, and Stulz \(2017\)](#)). However, none of these studies focuses on insolvency laws and bankruptcy processes from the perspective of foreign companies.

and other reliefs to protect the foreign debtor’s assets within its territory. In addition, the Model Law contains provisions granting foreign creditors the same rights as local creditors to participate in restructuring in a local court.⁴

As a result of the universal cooperation of courts and consistent practices after the adoption of the Model Law, a foreign debtor’s bankruptcy became more predictable and cost-effective. In the context of the adoption of Chapter 15 in the U.S., the reduced cost and uncertainty in restructuring or liquidating foreign firms with U.S. operations have real impacts on firms’ cross-border investment and financing. First, we expect that non-U.S. firms are more likely to acquire assets in the U.S. after the enactment of Chapter 15 because of the lower insolvency costs. Second, the predictable outcomes of the bankruptcy processes under Chapter 15 provide legal certainty and consistency in law enforcement, which would promote international funding to foreign firms that engage in U.S. investment.

To ensure the effectiveness of Chapter 15 as a legal tool for multinational debtors to exploit the U.S. bankruptcy laws, we compile a universe list of Chapter 15 filings from 2005–2020 from New Generation Research and Global Insolvency websites. We find that over the fifteen years after the enactment of Chapter 15, there are 549 Chapter 15 filings from 60 countries. Examining court documents of Chapter 15 filings, we find that compared to Chapter 11, in which foreign debtors are required to bring their main proceedings to the U.S. bankruptcy court, Chapter 15 is less complex and more cost-effective. It takes, on average, 37 days to be granted recognition of the foreign insolvency proceeding after a Chapter 15 petition is filed. Moreover, Chapter 15 petitions are rarely rejected and involve a relatively low number of objections filed in court.

We next conduct a country-level analysis to understand the motivating legal and economic factors for firms to utilize Chapter 15. From the country distribution of Chapter 15 filings, we find that many countries, such as Brazil, Germany, and South Korea, actively exploited Chapter 15 but never filed for Chapter 11 before 2005. Chapter 15 filers tend to come

⁴The main purpose and key provisions of the Model Law can be found here: https://uncitral.un.org/en/texts/insolvency/modellaw/cross-border_insolvency

from common law countries, countries with strong creditor rights and efficient bankruptcy systems. The importance of the local institutional environment in explaining the use of Chapter 15 highlights that some firms benefit from the adoption of Chapter 15 more than others. In particular, our country-level analyses support the view that efficient bankruptcy systems and sharing the same legal terms and languages can improve bankruptcy outcomes of foreign debtors through coordination with U.S. courts under Chapter 15.

Using the timing of the Chapter 15 enactment as an exogenous reduction in cross-border insolvency cost, we examine the effect of Chapter 15 on cross-border investments and financing of 76,523 non-U.S. firms from 63 countries from 2003–2007. To do so, we employ a difference-in-differences design. Instead of comparing firms' behaviors before and after the enactment, we focus on the firms that disproportionately benefited from the adoption of Chapter 15. We identify countries of Chapter 15 filers from 2005–2010 and define firms from those countries as *Treated* firms. Our baseline regressions compare mergers and acquisition activities of treated firms five years around the year of the Chapter 15 enactment, compared to control firms from countries that never used Chapter 15.

Our results show that firms from countries exploiting Chapter 15 acquired more U.S. targets and divested fewer U.S. assets after the Chapter 15 enactment. However, we do not find any significant changes in non-U.S. cross-border acquisitions or domestic acquisitions by those firms. These results confirm that the increase in U.S. acquisitions after Chapter 15 cannot be explained by the time trend in M&A markets in treated countries. Our results are also robust in a matched sample that controls for firm observables. Collectively, our results suggest that the adoption of Chapter 15 provides an efficient way for foreign firms to restructure or liquidate U.S. assets by exploiting the provisions under the U.S. bankruptcy courts along with automatic stays. Consequently, foreign firms are incentivized to acquire U.S. assets after the enactment of Chapter 15.

We next study whether the lower cross-border insolvency cost is reflected in the level and composition of debt after the enactment of Chapter 15. If debtors and creditors expect higher

values for the U.S. assets from liquidation or restructuring under Chapter 15, lenders should be willing to extend more credits. Consistent with this hypothesis, we find that the long-term debt of firms in countries utilizing Chapter 15 increased by 8.6% after the introduction of Chapter 15. We also find that those firms issue more corporate bonds compared to bank loans. The increase in bond share after Chapter 15 is consistent with [Becker and Josephson \(2016\)](#), who document that firms issue fewer corporate bonds and more bank loans for private renegotiation when they face inefficient bankruptcy systems. Further analyses show that foreign firms are more likely to extend trade credit to their suppliers. Taken together, these results suggest that Chapter 15 allows foreign firms to expand their debt capacity and broaden their supply chains globally.

One of the advantages of focusing on the U.S. setting in our main analyses is that we can econometrically employ a sharp identification strategy by using the information on Chapter 15 filers that we manually collect. Although data on the actual use of bankruptcy laws in other countries, equivalent to Chapter 15 in the U.S., by foreign debtors are not available, a global-level study using the adoption of the UNCITRAL Model Law in other countries would help generalize our findings outside the U.S. We perform a global-level study using the staggered adoption of the Model Law in 64 countries during the time period 1997–2020 as an exogenous shock to the insolvency cost of assets in the Model Law countries. Consistent with our main finding with the Chapter 15 enactment, we find that countries that reformed insolvency laws conformed to the UNCITRAL Model Law experienced a significant increase in inbound cross-border acquisitions and a decrease in outbound investment. The proportion of cross-border acquisition of targets in the country increased by 7.5 percentage points, equivalent to a 14% increase at the mean. The results of the global-level analyses using the staggered adoption of Model Law alleviate the concern in our U.S.-based analysis that the results could be driven by unobservable factors that are specific to the U.S.

Our paper adds to the literature on the determinants of cross-border mergers and acquisitions, or more generally foreign direct investment. To understand the motives of cross-border

transactions, the international trade and finance literature documents a variety of determinants of the intensity of cross-border acquisitions between two countries (see [Erel et al. \(2022\)](#) for the most recent survey). For example, [Erel, Liao, and Weisbach \(2012\)](#) find that geographical distance and bilateral trades can explain the cross-border corporate transactions and [Ahern, Daminelli, and Fracassi \(2015\)](#) and [Lawrence, Raithatha, and Rodriguez \(2021\)](#) attribute to cultural distance. Several studies focus on the role of country-level investor protection, which is more closely related to our study. While the difference in legal protection of shareholders' rights between two countries can be a source of value for cross-border acquisitions (see, e.g., [Rossi and Volpin \(2007\)](#), [Bris and Cabolis \(2008\)](#)), the risk of expropriation with the lack of a foreign court's recognition can also deter cross-border deals ([Bhagwat, Brogaard, and Julio \(2021\)](#)). Using the most comprehensive data on Chapter 15 filings collected to date, to our knowledge, our paper is the first study to focus on bankruptcy systems across countries as determinants of cross-border acquisitions, which are specifically related to insolvency costs from the perspective of foreign debtors. In particular, our event-study analyses attempt to document causal evidence by using a quasi-natural experiment compared to prior studies, which use static and broad proxies for legal systems across countries.⁵

Our study also contributes to the broad literature on the effect of law and legal institutions on restructuring outcomes and corporate policies. Those studies show that creditor rights embedded in a country's bankruptcy and contracting laws and debt enforcement efficiency affect corporate investments, innovation, financing, and economic growth (e.g., [La Porta et al. \(1998\)](#); [Djankov, Hart, McLiesh, and Shleifer \(2008\)](#); [Davydenko and Franks \(2008\)](#); [Bae and Goyal \(2009\)](#); [Acharya, Sundaram, and John \(2011\)](#); [Vig \(2013\)](#); [Pontcelli and Alencar \(2016\)](#); [Li and Pontcelli \(2021\)](#) and [Jordà, Kornejew, Schularick, and Taylor \(2021\)](#)). Although creditor rights remain in the jurisdiction where assets are located, judicial cooperation is essential in eliminating legal uncertainties and promoting consistency

⁵The commonly used proxies for country-level governance in previous studies are common law indicators or investor protection indices from [La Porta, Lopez-de Silanes, Shleifer, and Vishny \(1998\)](#).

in law enforcement in the event of bankruptcies. As such, our paper provides an important economic channel—judicial cooperation—that facilitates more predictable outcomes of the bankruptcy process, which has real effects on cross-border investment decisions.

Compared to those studies that focus on country-specific bankruptcy laws for restructuring domestic firms (e.g., [Iverson \(2018\)](#); [Müller \(2022\)](#); [Gross, Kluender, Liu, Notowidigdo, and Wang \(2021\)](#); [Dobbie and Song \(2015\)](#) and [Mitman \(2016\)](#)), our paper examines the effect of global insolvency laws and processes on cross-border investments and financing.⁶ Importantly, our study provides insights into the real impact of coordination and cooperation of courts across different jurisdictions on economic activities. Moreover, different from prior studies that exploit domestic bankruptcy law reforms in a single country, we exploit the adoption of Chapter 15 in the U.S. and the wide global adoption of UNCITRAL Model Law as unique experiments to build causal inferences on the effect of global insolvency laws. Overall, our findings shed light on an important economic channel—judicial cooperation and reduced uncertainty in the legal processes—that can help improve global trade flows and cross-border investments.

2. Background

2.1. *UNCITRAL Model Law and Chapter 15*

The globalization of corporate operations and financing make the restructuring of insolvent international firms increasingly complex. When insolvent firms have assets and creditors outside their home countries, bankruptcy restructuring is bounded and governed by insolvency laws in multiple jurisdictions. It is often financially costly and time-consuming for an insolvent international firm to work out a restructuring plan across multiple legal systems. The lack of creditors’ coordination and their incentives to “front-run” other creditors can result in value-destructive liquidations and asset sales. In addition, courts in various jurisdictions

⁶These studies exploit the adoption of the Bankruptcy Abuse Prevention and Consumer Protection Act of 2005 to examine the effects of court congestion and judge workloads on bankruptcy outcomes. They primarily focus on the impact of bankruptcy laws on U.S. firms.

do not always coordinate, which may result in excess delay. The complexity and costs of cross-border insolvency can disincentivize cross-border investments and capital flows.

To address these concerns, the United Nations introduced the UNCITRAL (United Nations Commission on International Trade Law) Model Law on Cross-Border Insolvency in 1997, a broad framework to deal with cross-border insolvency cases. As of 2022, more than 40 jurisdictions have adopted UNCITRAL Model Law on Cross-Border Insolvency (henceforth UNCITRAL Model Law).⁷

Several distinct provisions of the UNCITRAL Model Law are designed to facilitate the coordination of courts for more efficient and cost-effective cross-border bankruptcy restructuring procedures. First, once a foreign insolvency proceeding is granted with recognition in the Model Law jurisdiction (henceforth local jurisdiction), the local court provides additional assistance to protect the foreign debtor's assets within its territory, along with automatic stays. It then directs local assets to the home court to facilitate an orderly and fair distribution of assets, where creditors' claims are governed under a single court without causing complex disputes in multiple jurisdictions. Second, Model Law contains provisions granting foreign creditors the same rights as local creditors to participate in insolvency. In particular, it strengthens the rights of foreign creditors concerned about the uncertainty of their claims in the absence of proper protection in the local jurisdiction. Lastly, there is no requirement for reciprocity, i.e., the home jurisdiction does not need to adopt the Model Law for the foreign proceeding to have substantive rights in the local jurisdiction. As a result of Model Law adoption, outcomes of foreign debtors' bankruptcy became more predictable and efficient due to the universal cooperation of the local courts.

As part of the Bankruptcy Abuse Prevention and Consumer Protection Act in 2005, the U.S. adopted Model Law on Cross-border Insolvency by enacting a new Chapter 15 to the Bankruptcy Code. After its enactment in 2005, Chapter 15 has been actively utilized by non-U.S. firms. Figure 1 plots the number of Chapter 15 filings by non-U.S. companies from

⁷The most recent version of the list of countries that have adopted UNCITRAL Model Law on cross-border insolvency can be found here: <https://uncitral.un.org/en/texts>

2001–2020. There were 22 Chapter 15 filers in 2006, the year right after its introduction. The number of filers peaked at 49, 51, and 65 in 2009, 2016, and 2020, respectively. This trend underscores that the introduction of Chapter 15 substantially lowered the barrier to the utilization of U.S. bankruptcy laws by non-U.S. companies.

2.2. Chapter 15 vs. Chapter 11

It is important to note that multinational debtors and creditors can take advantage of U.S. bankruptcy laws either through Chapter 11 or Chapter 15. A foreign debtor or creditor can also commence a traditional Chapter 11 case in the U.S. as long as the debtor has assets in the U.S. In fact, the asset threshold requirements for seeking Chapter 11 protection are quite low. A foreign company simply needs to prove the existence of operations or incorporation in the U.S. to establish eligibility for Chapter 11 filing. The important question is how the adoption of Chapter 15 changed the landscape of foreign insolvency in the U.S., given the existence of Chapter 11. In this section, we compare Chapter 15 with Chapter 11 and explain how the introduction of Chapter 15 helped lower the cost of global insolvency of non-U.S. companies.

The most distinct feature between the two chapters is which court primarily governs the bankruptcy procedure. Figure 2 illustrates the typical timelines of the processes of Chapter 15 and Chapter 11. In a Chapter 15 case, a non-U.S. debtor first files for a main insolvency proceeding in its home court, also known as COMI (Center Of Main Interest), and requests the recognition of the proceeding in the U.S. court by filing for Chapter 15. Since Chapter 15 is ancillary to the primary proceeding outside the U.S., the court of the main proceeding makes major decisions. The roles of U.S. courts are primarily to offer additional aid and assistance to the foreign court where the main proceeding is pending. In contrast, when a foreign debtor chooses to file for a single main insolvency in the U.S. court using Chapter 11, the U.S. bankruptcy court governs the bankruptcy procedure of the U.S. and global operations. In this case, the U.S. court ruling will be applied universally, even outside U.S.

jurisdiction.^{8 9}

From the perspective of non-U.S. debtors, Chapter 15 is less complex and cost-effective than Chapter 11. Although Chapter 11 is a highly developed reorganization law, it can be complicated and costly, especially for foreign debtors with substantial claims in their home countries. Existing studies document that the complexities of a bankruptcy process through Chapter 11 are associated with high legal fees as well as reputation damages and indirect costs (LoPucki and Doherty, 2008). Chapter 15 cases are, on the other hand, less time-consuming and cost-effective to receive protection from the U.S. insolvency laws than Chapter 11.

2.3. The Impact of Chapter 15 on Firms

The reduced insolvency costs of foreign firms with U.S. operations after the enactment of Chapter 15 have implications for firms' cross-border investments, such as acquisitions and the sources of capital.

First, as Chapter 15 provides an efficient way of liquidating U.S. assets through coordination among courts, we expect that foreign firms are more likely to acquire U.S. assets after the enactment of Chapter 15. The value of a firm's U.S. assets could be preserved to some extent through automatic stays granted upon the recognition of the foreign main insolvency case, which prevents its creditors from seizing the assets.¹⁰ Moreover, the U.S. court's monitoring of the sales process through §363 ensures that the sale is fair, reasonable, and free of all other claims and liabilities. This allows a debtor to increase expected net proceeds from the sale of the assets while protecting a buyer from the risk of legacy liabilities. As

⁸Both Chapter 11 and Chapter 15 adopt the approach called the principle of universalism. There would be a single insolvency proceeding in one jurisdiction with a universal effect. The main goal of universalism is to treat creditors equally regardless of their location.

⁹U.S. subsidiaries of non-U.S. firms can choose to file for a concurrent plenary Chapter 11 case along with its home proceeding. However, unless certain U.S. subsidiaries are too big and have complex operations, they should presumably use Chapter 15 after its enactment or Chapter 11 as a single main insolvency proceeding.

¹⁰Although the foreign debtor is not protected by any provisions of the Bankruptcy Code during the gap period (i.e., the time period between the filing of the Chapter 15 petition and the recognition granted), a foreign representative can seek protection by requesting "provisional relief" from the bankruptcy court to protect against any attack on the foreign debtor's U.S. assets.

such, we hypothesize that non-U.S. firms are more incentivized to acquire U.S. assets after the enactment of Chapter 15.

Second, because of less legal uncertainty about the bankruptcy processes in Chapter 15, creditors, including trade credits along supply chains, should be more willing to finance foreign firms. Although the U.S. Bankruptcy Code can be viewed as debtor-friendly ([Hotchkiss, Thorburn, and Wang, 2022](#)), Chapter 15 helps protect creditors' interests. For example, both non-U.S. and U.S. creditors are required to be given notice of the Chapter 15 case, where they have an opportunity to be heard at the U.S. bankruptcy court. While a foreign debtor's home court governs claims of U.S. creditors along with their home creditors, the ability to file for a motion at the U.S. bankruptcy court insulates them against unequal treatment in the foreign debtor's home court. Such greater certainty and consistency in law enforcement would promote funding to foreign debtors. In the absence of Chapter 15 enactment, U.S. creditors would have to initiate costly involuntary Chapter 11 cases, where their stakes may not be maximized without the cooperation of the foreign courts. This can potentially make lending to non-U.S. firms more attractive for U.S. lenders, as it provides a degree of reassurance that there is a framework in place for dealing with the insolvency of foreign companies.

The following anecdotal evidence illustrates how coordination between the U.S. and foreign courts facilitates enforcing efficient asset sales and greater legal certainty with equal treatment through Chapter 15. Hanjin Shipping Co. Ltd, one of the world's largest container shipping companies headquartered in South Korea, commenced a Chapter 15 case in the U.S. Bankruptcy Court on September 2, 2016, followed by its rehabilitation proceeding filed in South Korea on August 31, 2016. The Korean court approved a sale of its related assets and equity interest in U.S. port facilities subject to the U.S. court authorizing the sale and the transfer of the proceeds from the United States to Korea. To address concerns from U.S. creditors about their ability to claim payment in the Korean court, Judge John K. Sherwood organized a court-to-court conference call with the Korean court under §1525

of the Bankruptcy Code. Through this call, Judge Sherwood confirmed that U.S. creditors' rights were protected in the Korean court and approved the sale and repatriation of proceeds to Korea.¹¹

3. Data and Main Variables

3.1. Universe set of Chapter 15 and Chapter 11 filings

We obtain Chapter 15 filings by non-U.S. firms from 2001–2020 and Chapter 11 filings from 2001–2020 from both New Generation Research (NGR henceforth) and Global Insolvency (GI henceforth) websites.¹²

NGR has been used extensively in the bankruptcy literature as one of the key sources to retrieve Chapter 11 corporate bankruptcies. It provides a detailed description of Chapter 11 and Chapter 15 cases, including the debtor's name, address, the court of filing, case number, the industry in which the debtor operates, and the judge assigned to the case. We start our Chapter 11 sample in 2001 due to the limited number of non-U.S. debtors prior to 2000. Since NGR contains all Chapter 11 filings by both U.S. and non-U.S. public and large private firms (greater than \$50m assets), we first remove all Chapter 11 filings by U.S. firms using the address of a debtor's registered office provided in the NGR. More specifically, we use the state and city of a debtor to filter out U.S. firms, as well as the ZIP code of a debtor that is in the standard U.S. format. This initial step results in 128 Chapter 11 filings by firms headquartered outside the U.S.

We rely on both NGR and GI to retrieve Chapter 15 filings after 2005, the year of the Chapter 15 enactment. Initially, there were 1,198 and 1,452 Chapter 15 filings in NGR and GI, respectively, during the period 2005–2020. GI contains a Chapter 15 database that is managed by the American Bankruptcy Institute. It updates news on international corporate insolvencies daily. Similar to NGR, GI provides names of non-U.S. firms that filed

¹¹https://www.lowenstein.com/media/3531/bc-julaug17_nathangross_lores.pdf

¹²NGR and GI websites can be found using the following URLs: <https://globalinsolvency.com> and <https://www.newgenerationresearch.com> respectively

for Chapter 15 (i.e., Chapter 15 debtor), the U.S. bankruptcy court at which a Chapter 15 case was filed, the filing date, debtor’s COMI (Centre of Main Interest)¹³ where a foreign proceeding is pending,¹⁴ the name of the U.S. Bankruptcy judge who administered the case, the unique case number, and the related case numbers that typically indicate a debtor’s lead case.¹⁵ We cross-check information retrieved from both NGR and GI to identify the universe of Chapter 15 cases.

For Chapter 11 and Chapter 15 filings, we identify a debtor’s *primary* case and aggregate all of its affiliated cases into the *primary* case using the following sequential procedure: (a) the case filed by a debtor’s (ultimate) parent or (b) the lead case if a debtor’s (ultimate) parent does not file for Chapter 11 or 15.

Next, we manually check a debtor’s country of origin (incorporation and headquarter) at the *primary* case level using petition files provided in NGR, the most recent Factset information, and SEC filings before initiating Chapter 11 and Chapter 15. We use the country of incorporation of a debtor’s parent company to determine the location of a Chapter 11 debtor, and COMI (Center Of Main Interest) for the location of a Chapter 15 debtor.¹⁶ COMI of a debtor is not explicitly defined under Chapter 15 but is generally considered to be the country of a debtor’s registered office, incorporation or major assets. We primarily rely on the location of filing in the GI database for COMI but also cross-check them using search engines and petition files provided in NGR.

¹³COMI is determined by a debtor’s headquarter, registered office location, or the location of its primary assets

¹⁴In this case, it is considered to be a foreign main insolvency proceeding. When a foreign proceeding is pending in a country where the debtor merely maintains an establishment (economic activity), i.e., not in COMI, then it is generally determined to be a non-main proceeding. The distinction between the two is that the former provides for certain rights that are not applicable to the latter, such as the stay of collection efforts and litigation against the debtor that is automatically triggered upon the recognition. However, even if a foreign proceeding is recognized as a nonmain proceeding, the foreign representative can still request such rights, and the U.S. Bankruptcy Court is cooperative with such requests most of the time. By using 63 filings that have court docket entries, we confirm that only two cases are recognized as nonmain proceedings. In those two cases, the U.S. bankruptcy court granted provisional reliefs upon the requests.

¹⁵Generally, a lead case refers to the case filed by the parent company of a debtor when the parent files for bankruptcy along with its multiple subsidiaries. Affiliated cases are filed by subsidiaries to extend the effect of bankruptcy protection.

¹⁶Please see [A1.2](#) for more detail

As the last step, we remove 36 non-corporation individual debtors, 48 debtors with missing COMI that cannot be verified, 45 U.S.-incorporated debtors, and 19 repetitive debtors at the *primary* case level for Chapter 15 filings. We also remove 1 Chapter 11 debtor whose case was involuntarily filed by its U.S. creditors and 5 Chapter 11 debtors under which they are filed as lead cases with their incorporation in the U.S. whilst their non-U.S. parents filed for affiliated cases. This initial sampling leaves us with 549 Chapter 15 filings from 60 countries from 2005–2020 and 78 Chapter 11 filings by parent firms from 25 countries from 2001–2020.

3.2. *Country-level Sample*

We collect country-level variables from World Bank, IMF, Worldscope, and [Djankov et al. \(2008\)](#). We construct macro-level variables such as GDP per capita, GDP growth rate, and listed firms from World Bank and supplement missing observations from Worldscope. For bilateral trade, we use data sourced from IMF and construct the measure using the maximum of imports and exports with the U.S. We also collect legal backgrounds, creditor rights, and insolvency variables from [La Porta et al. \(1998\)](#), [Djankov et al. \(2008\)](#), and World Bank Doing Business, respectively.

As such, our country-year sample spans over 20 years from 2001–2020. For Chapter 11 (15), the relevant sample period is from 2001 (2005)–2020. The sample includes those countries that are primarily covered by [Djankov et al. \(2008\)](#), excluding the U.S. This initial sample leaves us with 76 countries that have complete control variables in place, with 1,560 country-year observations after applying this filter.

3.3. *Firm-level Sample*

To construct our primary sample for a firm-level analysis, we start with public non-U.S. firms covered by Compustat Global and Compustat North America from 2003–2007. We also obtain accounting information such as firm size (book value of total assets), sales growth, tangibility (PPE divided by total assets), and ROA (EBIT divided by total assets). We

convert non-U.S. currency-denominated total assets into U.S. dollars using exchange rates at the end of the fiscal year to construct the firm size.

For capital structure variables, we construct book leverage (long-term debt plus short-term debt divided by total assets), long-term leverage (long-term debt divided by total debt), and trade credit (cost of goods sold divided by accounts payable) using accounting information from Compustat. To construct a firm’s bond share, which represents the proportion of bonds in a firm’s capital structure, we follow [Becker and Josephson \(2016\)](#) and define it as the book value of a bond (commercial paper plus all types of bonds) divided by total debt using CaptialIQ. We then remove firm-year observations for which the difference between the total debt as reported in Compustat and the sum of debt types as reported in Capital IQ exceeds 10% of the total debt.

3.4. Mergers and Acquisitions

We retrieve the acquisition sample from Security Data Corporation’s (SDC) Mergers and Corporate Transactions database for all completed deals announced between 2003 and 2007, where more than 50% of the target’s shares are acquired. Following the conventional filter in the existing literature ([Erel et al. \(2012\)](#)), we exclude LBOs, spin-offs, recapitalizations, self-tender offers, exchange offers, repurchases, partial equity stake purchases, acquisitions of remaining interest, privatizations, as well as deals in which the target or the acquirer is a government agency or in the financial or utility industries. We restrict our sample to deals where the ultimate parent of the acquirer is public but place no restrictions on the public status of the target, which means we include public, private, and subsidiary targets.

We aggregate the number and total transaction value of acquisitions at the ultimate parent company level¹⁷ and merge it to the firm-year panel¹⁸ The value of the consideration paid by the acquirer is adjusted to 2010 constant dollars using the Consumer Price Index in the U.S. We only keep acquisitions made by non-U.S. firms that are headquartered in

¹⁷Lead cases of Chapter 15 debtors are filed at the ultimate parent level most of the times

¹⁸We match the M&A activities to the primary sample from Compustat using SEDOLs, CUSIPs or ISINs by converting these identifiers into GVKEYs.

countries covered by [Djankov, McLiesh, and Shleifer \(2007\)](#) with country-level controls such as GDP, the number of listed firms, and the bilateral trade with the U.S. The data filter yields a sample of 18,797 acquisitions amounting to USD \$1.97 trillion by non-U.S. acquirers over 65 countries, of which 2,470 are U.S. acquisitions with a total transaction value of USD \$0.5 trillion.

4. Effectiveness of Chapter 15 and Summary Statistics

4.1. Effectiveness of Chapter 15 Based on Court Dockets

To directly compare the costs of bankruptcy procedures after the introduction of Chapter 15, we manually collect court dockets of both Chapter 11 and Chapter 15 cases filed by non-U.S. companies from 2001–2009 in the U.S. Bankruptcy Court in the New York Southern District and Delaware from Public Access to Court Electronic Records (PACER).¹⁹ We obtain court dockets for 17 Chapter 11 filings over 9 countries and 66 Chapter 15 filings (at the primary case level) over 18 countries filed in the Southern District of New York and Delaware from 2001–2009 from Public Access to Court Electronic Records (PACER). It is important to point out that these two bankruptcy courts are the most experienced courts in the U.S., attracting almost 60% of all Chapter 11 and Chapter 15 cases in our sample. One of the advantages of focusing on these two specific courts is that it avoids complications from unobservables related to court choices (e.g., forum shopping) and court-level heterogeneity (e.g., judge experience).

PACER is administered by the Administrative Office of the United States Courts (AOU.S.C) and publishes all U.S. bankruptcy filings by businesses and consumers, including Chapter 11 and Chapter 15. Recent studies in the bankruptcy literature (e.g., [Dou, Taylor, Wang, and Wang \(2021\)](#) and [Ma, Tong, and Wang \(2022\)](#)) have been increasingly using PACER to

¹⁹We are granted PACER fee waiver from federal bankrupt judges at the two largest bankruptcy courts, which handle the majority of the bankruptcy cases in the U.S. ([Ellias, 2018](#)). Because of their comprehensive coverage, the court docket sample covers 71% of Chapter 11 and 51% of Chapter 15 filings by non-U.S. companies during the sample period from 2001–2009.

retrieve court dockets to assess the effectiveness of Chapter 11 filed by U.S. firms. As such, we manually go through court dockets of both Chapter 11 and Chapter 15 foreign debtors and collect key characteristics of each case.

We construct measures for bankruptcy duration and complexity, including the number of objections, the number of total court docket entries in a filing, the termination date, the plan confirmation date, the grant of the first relief date, and the grant of the home court order date.²⁰ Based on the existing studies that document that complexities of a bankruptcy process are associated with higher fees (LoPucki and Doherty (2004)), we focus on the number of court docket entries and the objection rate (i.e., the number of court docket entries related to objecting or opposing a debtor’s motion or court’s ruling) as a proxy for case complexity (LoPucki and Doherty, 2008; Elias, 2016; Madsen, Goyal, and Wang, 2022).²¹ In Table 1, we find that the median number of docket entries for Chapter 15 cases is 37, compared to 494 for Chapter 11. In addition, we find that the objection rate of Chapter 15 is 0%, which is lower than 5% for Chapter 11. We also find that the effective duration of the U.S. court’s involvement with a debtor (see the variable, *Days until last active docket*) is shorter under Chapter 15 than Chapter 11.²²

The evidence suggests that Chapter 15 substantially lowered the bar for non-U.S. companies to exploit U.S. bankruptcy provisions for efficient bankruptcy resolution while pursuing a primary bankruptcy proceeding in their home countries. As expected, we find that many firms from countries in which companies never filed for Chapter 11 exploited Chapter 15 from 2005–2020 in Figure 3. For example, companies from Brazil, Germany, South Korea,

²⁰Please see A1.4 for a detailed explanation of variables

²¹LoPucki and Doherty (2008) measures the number of court docket entries from the filing till plan confirmation for Chapter 11 cases. In our study, since Chapter 15 does not involve plan confirmation, we calculate the number of docket entries from filing to termination for the comparison between the two bankruptcy chapters. Objections represent the length of time that a party is involved in trying to influence the case.

²²Prior studies often measure case duration using the number of days from filing to plan confirmation for large U.S. Chapter 11 cases. For comparisons between Chapter 15 and Chapter 11, we count the days from filing to the last active docket, which is typically used for private firms (Iverson, Madsen, Wang, and Xu, 2022). If we exclude six incomplete court dockets that have not been terminated until now, it takes shorter for Chapter 15 in terms of both medians and means. For such cases, we define the last active docket and termination dates as March 11, 2021.

and Singapore are active Chapter 15 filers but never used Chapter 11. The firm characteristics of Chapter 15 filers in Appendix Table A2 show that Chapter 15 is a unique reform that opened access to the U.S. bankruptcy laws for multinational firms.²³ Chapter 15 firms are smaller in size and have lower leverage than Chapter 11 filers. We also find that the threshold for foreign firms with U.S. operations to file for Chapter 15 is much lower than that of Chapter 11, which opens easier access to the U.S. bankruptcy court.²⁴

4.2. *Summary Statistics*

The trend of Chapter 15 filings by non-U.S. companies in Figure 1 underscores that the introduction of Chapter 15 substantially lowered the barrier to utilizing U.S. bankruptcy laws. About 60 foreign jurisdictions seek assistance from the U.S. bankruptcy court through Chapter 15 by 2020, and the number of filings is consistently higher than Chapter 11 over the sample period 2005–2020. In Panel A of Table 2, we look at the distribution of legal and economic determinants that motivates non-U.S. firms to exploit Chapter 15 from 2005–2020. On average, non-U.S. countries seek assistance by filing Chapter 15 more than 14% of the time (about 0.17 filings per year), and about 24% of them come from the common law jurisdiction, which is identical to the U.S. legal system. More than half of the countries in our sample have reorganization tools in their home jurisdictions, and secured creditors recover about 49 cents per dollar through bankruptcy proceedings.

In Panel B, we report the summary statistics of characteristics of non-U.S. firms from 2003–2007 in our firm-level analysis. On average, a non-U.S. firm acquires 0.032 U.S. assets annually with deal value amounting to \$5.935 million. This is relatively low compared to

²³Note that the sample of Chapter 11 and Chapter 15 filers in the statistics includes only publicly traded filers in which we can obtain their financial information.

²⁴It is important to point out that before the enactment of Chapter 15, foreign firms can file under §304 of the Bankruptcy Code, which was repealed and replaced with Chapter 15. Compared to §304, Chapter 15 clearly outlines court coordination, cooperation, and thus legal certainty. An automatic stay is granted on the day of recognition in Chapter 15 but not in §304 filings, which largely require judge discretion. Importantly, comity is the prime consideration for the grant of ancillary relief under Chapter 15, whereas it is one of the six elements to be considered under §304. In untabulated analysis, we retrieve all §304 filing from 2001-2005 from bankruptcydata.com. We find that §304 filers are mostly from tax haven countries and the American continent.

domestic acquisitions and non-U.S. cross-border acquisitions in terms of numbers and deal values. We also report that non-U.S. firms divest about 0.016 U.S. assets conditional on the presence of at least one U.S. subsidiary as of 2002. In addition, economic ties with the U.S. measured by *Bilateral trade* indicate that firms in our firm-level analysis, on average, regard the U.S. as an important trading partner, which makes Chapter 15 a desirable insolvency tool to utilize.

5. Country-level Analyses: Who Filed for Chapter 15?

Before estimating the real impact of Chapter 15 on firm behaviors, we first conduct a country-level analysis to understand which legal and economic factors motivate firms to exploit Chapter 15. The number of cases filed for Chapter 11 and Chapter 15 over the sample period in Figure 1 suggests that Chapter 15 did not replace Chapter 11, which existed for foreign debtors even prior to 2005. In particular, a large variation in the number of Chapter 15 filed across countries in Figure 3 raises the question of which country benefited the most from the enactment of Chapter 15.

We estimate the following equation using a country-year panel of 76 non-U.S. countries spanning 2005–2020:

$$I.Chapter15_{c,t} = \alpha + \beta Insolvency_{c,t} + \mathbf{X}'_{c,t-1} \cdot \lambda + \gamma_n + \mu_t + \epsilon_{c,t}, \quad (1)$$

where insolvency variables are *Common law*, *English language*, *Creditor rights*, *Reorganization index*, *Cost*, *Time*, and *Recovery*. The main dependent variable is *I.Chapter15*, a binary variable that takes a value of one if there are any Chapter 15 filed by firms headquartered in a given country-year.²⁵ We denote c and t to represent country and time, respectively, and X' for a set of control variables. In estimating, as many country-level variables are static, we do not include country-fixed effects. Instead, we include continental (γ_n) fixed effects and

²⁵We find similar results when we use the log of the number of Chapter 15 filings instead of the indicator variable (*I.Chapter15*) as a dependent variable. The results are presented in Appendix Table A3.

time fixed effects (μ_t). To control for the macroeconomic conditions that affect the number of insolvent firms in each country, we include *GDP per capita*, *GDP growth*, *Listed firms* and *Bilateral trade* as control variables following Erel et al. (2012) and Rossi and Volpin (2004).

The results are presented in Table 3. We first look at the factors for more effective coordination with U.S. courts in columns (1) and (2). We find that Chapter 15 filers come from countries with the same legal background as the U.S. (i.e., Common law) and the same national language, which facilitate easier communication and coordination between the foreign and U.S. courts. The coefficients on *Common law* and *English language* suggest that sharing the same legal origin and language almost double the likelihood of filing Chapter 15, given the mean likelihood of 14.7%. Next, we find in column (3) that Chapter 15 filers come from countries with stronger creditor rights, where creditors have a say in what to file in the U.S., preferably Chapter 15, as Chapter 11 is known as a debtor-friendly bankruptcy code.

We move on to test the effect of bankruptcy systems in debtors' home jurisdiction in columns (4) to (7). We employ four measures of the efficiency of bankruptcy courts from the World Bank Doing Business. First, we find that firms from countries with better reorganization systems in place that resemble Chapter 11 are more likely to use Chapter 15. In addition, Chapter 15 filers are from countries where the bankruptcy process is less costly and time-consuming. For example, the coefficient in column (4) implies that an increase in *Reorganization index* from 25% percentile to 75% by two units (e.g., from Chile to Brazil) would result in a 5.4% increase in the likelihood of Chapter 15 filings. The economic magnitude in column (6) is sizeable: a one-standard-deviation decrease in time taken for insolvency (1.24 years) increases the likelihood of Chapter 15 use by 2.7 percentage points, equivalent to an 18.6% increase at the mean. In column (8), we include all country-level variables and confirm that the significance of those factors stays.²⁶ In short, the results in Table 3 suggest that Chapter 15 filers come from countries with similar legal origins to the U.S. and efficient

²⁶We exclude *English language* and *Recovery* because *English language* is highly correlated with *Common law* and *Recovery* is the index composed as a function of *Cost* and *Time*.

local bankruptcy systems, which can amplify the synergy from coordination with the U.S. courts.

We examine whether the driving factors of Chapter 15 filings by foreign companies are similar to those of Chapter 11. To do so, we estimate Equation 1 with the indicator variable for the use of Chapter 11 as a dependent variable instead. The estimates are reported in Appendix Table A4. Contrary to Chapter 15 cases, we find that Chapter 11 filers come from countries with inefficient bankruptcy systems or no reorganization tools in their home country. This is consistent with the pattern in Figure 1 that Chapter 15 and Chapter 11 filers are distinct and that foreign debtors would choose to file one over another depending on their local institutional environment. While multinational debtors located in countries that lack strong insolvency laws prefer to process Chapter 11 by bringing their cases into the U.S., those with efficient bankruptcy systems prefer to file for Chapter 15 to maximize the bankruptcy outcomes through coordination between their local and U.S. courts.

6. Chapter 15 and Cross-border Acquisitions

6.1. Empirical Specification

So far, we argue that Chapter 15 lowered the cost of global insolvency for non-U.S. firms, in particular, for the firms from countries with efficient bankruptcy systems that can amplify the benefit of Chapter 15. They can utilize their home bankruptcy system with assistance from the U.S. bankruptcy courts, allowing efficient reorganization or liquidation of their U.S. assets. Thus, we expect that the enactment of Chapter 15 in 2005 would incentivize non-U.S. firms to acquire more assets in the U.S. because of the lower cross-border insolvency cost.

To assess the impact of Chapter 15 on cross-border M&A decisions of non-U.S. firms, we use a difference-in-differences design. We do not simply compare firms' behaviors before and after the law to avoid potential impacts of time trends. Instead, we focus on the firms from countries that were disproportionately affected by the adoption of Chapter 15 in the U.S. In particular, we compare cross-border acquisition activities of the firms from countries that

frequently used Chapter 15 (*Treated*) to those from countries that never filed for Chapter 15 (*Control*) before and after the adoption of Chapter 15. This is motivated by the large cross-country variation of the use of Chapter 15 documented in Section 5. We observe that legal and financial institutional environments that largely explain the cross-country variation in the use of Chapter 15 are static in often cases. More importantly, the changes in legal and institutional qualities are rarely motivated by U.S. law reforms.^{27 28}

We estimate the variants of the following OLS equation using a firm-year panel from 63 non-U.S. countries over 2003–2007:

$$Y_{i,t} = \alpha + \beta PostChapter15_t \times Treated_c + \mathbf{X}'_{i,t-1} \cdot \lambda + \gamma_i + \mu_t + \epsilon_{i,t}, \quad (2)$$

where *Post Chapter15* is a binary variable that takes a value of one after 2005 which is the Chapter 15 enactment year, and *Treated* is a binary variable that takes a value of one if a firm’s headquartered country filed for Chapter 15 over 2005–2010. Based on this definition, 21 countries out of 63 countries are defined as *Treated* countries. We denote c , i , and t to represent country, firm, and time respectively, and X' for a set of control variables. Thus, the variable of interest β measures the impact of Chapter 15 on the firms from countries that are expected to file for Chapter 15. We use a tight window of five years surrounding the enactment to avoid the confounding effects of the Great Financial Crisis (Grave, Vardiabasis, and Yavas (2012)) and the adoption of UNCITRAL Model law by other countries. In all specifications, we include firm fixed effects (γ_i) to control for any time-invariant firm characteristics and year fixed effects (μ_t) to control for the time trend in global M&A markets.

²⁷An alternative approach is to estimate the probability of using Chapter 15 and use it as *Treated* variable.

²⁸In Appendix Table A11, we confirm that our results are robust when we exclude the countries that reformed their local bankruptcy laws during the sample period.

6.2. Baseline Results

The estimates of the impact of Chapter 15 on cross-border M&A activities are reported in Table 4. We look at the intensity of the acquisition of U.S. targets in terms of both numbers and dollars. The coefficients of $Post\ Chapter15 \times Treated$ in columns (1) and (2) are positive and significant, suggesting that after the enactment of Chapter 15, treated firms increase the acquisition of U.S. assets more compare to control firms. Columns (1) and (2) show that controlling for firm and year fixed effects, treated firms increase the number and dollar value of U.S. deals by 0.4% and 1.9%, respectively, after the Chapter 15 enactment. From a relative effect perspective, these represent significant economic effects given that the unconditional log-number and log-dollar volume of U.S. deals made by a firm are 0.018 ($0.004/0.018=22\%$) and 0.054 ($0.019/0.054=35\%$), respectively. Similarly, our argument about the lower cost of cross-border insolvency can be applied to asset sales. In columns (5) and (6), we restrict the sample to multinational firms that have at least one U.S. subsidiary as of 2002 and examine the likelihood of divesting the U.S. assets after 2005. The coefficients of the interaction term are -0.008 and -0.026, which is weakly significant.

One might be concerned that takeover markets for U.S. assets have pre-trends before Chapter 15, especially for acquirers in treated countries. To check this issue, in Appendix Table A5, we estimate the pre and post-treatment trends of acquisition deals for U.S. targets, fixing one year prior to the adoption year as a base. The results show that the interaction terms between year indicators and *Treated* are not statistically significant in 2003, but the acquisition of U.S. firms gradually increased from 2005 and continue until 2007. The lack of pre-trends and significant change after 2005 suggest the validity of the enactment of Chapter 15 as an exogenous event.

To further prove that the effect of Chapter 15 is specifically confined to U.S. assets, we conduct a placebo test by replacing the dependent variables using non-U.S. acquisitions. Prior studies document that macroeconomic conditions, such as exchange rates and interest rates, and legal and financial systems are the main determinants of foreign direct investment

flows (see, e.g., [Erel et al. \(2012\)](#), [Rossi and Volpin \(2007\)](#)). If any macroeconomic trends of treated countries were correlated with foreign capital flows, the positive impact of Chapter 15 would not necessarily be restricted to the U.S. targets. In [Table 4](#), we test the impact of the Chapter 15 enactment on the cross-border acquisition of non-U.S. targets in columns (3) and the domestic acquisition in columns (4) as dependent variables. We find none of the coefficients of $Post\ Chapter15 \times Treated$ statistically significant.²⁹ This result confirms that the effect does not exist for other types of acquisitions and corroborates our argument that Chapter 15 effectively lowered the cost of acquiring assets located in the U.S. but not in other countries.³⁰

6.3. Two-stage Propensity Score Matching

Our results under [Table 4](#) confirm that the acquisition activities are concentrated in the U.S. targets post Chapter 15. Although we document the changes in cross-border acquisitions as within-firm estimates, one might still be concerned that treated firms located in Chapter 15 filing countries could be systematically different from those in non-filing countries. These heterogeneous firm characteristics between the treated and control groups prior to the Chapter 15 adoption, not the difference in the potential usage of Chapter 15, might drive the cross-border M&A flows around the enactment.

To address this issue, we construct a two-stage propensity score matching sample and re-estimate our main regressions in [Table 5](#). We first estimate column (8) of [Table 3](#) and construct a fitted value for each country as a proxy for the probability of filing for Chapter

²⁹We find that it is also the case for the dollar value of non-U.S. and domestic deals in [Appendix Table A6](#).

³⁰An alternative placebo test is to look at the domestic acquisitions of U.S. companies. Since U.S. companies could commence bankruptcy procedures through Chapter 7 or Chapter 11 at home, the adoption of Chapter 15 would not necessarily affect the cost of domestic acquisitions by U.S. companies. Although this would be a reasonable comparison, we do not document the result because the timing of the consumer bankruptcy reform under the Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA) passage coincided with the enactment of Chapter 15 in 2005, which was added to the BAPCPA as a new chapter. The consumer bankruptcy reform was a reform of the bankruptcy code for U.S. *individual* debtors, but this could indirectly affect U.S. corporations' investment and financing decisions. For example, [Müller \(2022\)](#) document that because BAPCPA made it more difficult for individual debtors to file for bankruptcy, which eventually made bankruptcy courts less congested, lenders expect higher recovery rates of insolvent firms and provide more credits to corporations.

15. Based on these fitted values, we find a matched control country for each treated country. Within the matched pair of countries, for each treated firm, we find a matched control firm within the same industry based on Fama-French 12 industry classification that has the closest propensity score. The propensity score is estimated using *Sales growth*, *ROA*, *Size*, and *Tangibility* as of 2004, a year before the enactment. We estimate Equation 2 using a propensity score matching sample.³¹ We compare firms in treated countries that actually utilized Chapter 15 to *comparable* firms in countries that had a similar probability of using Chapter 15 but did not over five years after the enactment. In this comparison, we directly control for the industry and firm-level characteristics by constructing a propensity score matching sample.

The estimates are reported in Table 5. The results are quantitatively similar to those in Table 4. We find that treated firms increased acquisition of U.S. targets, but not non-U.S. foreign and domestic targets, after the adoption of Chapter 15, compared to control firms in terms of numbers and dollars. The effect is economically more sizeable than the magnitude from our baseline result: treated firms increase U.S. acquisitions by 0.6 percentage points, which is equivalent to a 28.6% increase at the mean. Because of a small sample, the coefficients of *Post Chapter15* \times *Treated* become statistically insignificant on U.S. divestitures. Overall, our exercise with the propensity score matching analysis confirms that our results are robust when our sample is restricted to comparable firms with observable characteristics.

7. Chapter 15 and Capital Structure

7.1. Leverage, Bond Share and Trade Credit

Our results thus far indicate that the Chapter 15 enactment induces more cross-border acquisitions among non-U.S. firms ex-ante, expecting lower insolvency costs, especially for

³¹We use a caliper of 0.2 in our matching. Of 63 countries, 36 are dropped, of which 22 are *Treated*, and 14 are *Control*. This is primarily due to a poor quality of matching between *Treated* and *Control* countries based on their probability of filing for Chapter 15 since most of *Control* countries have a very low probability of using Chapter 15 relative to *Treated* countries.

U.S. assets. One of the explanations behind this finding is that foreign firms might be able to source more capital to fund their investment. We presume that the lower cross-border insolvency cost would be particularly reflected in debt capacities after the law reform. To explore this argument, in this section, we examine changes in the capital structure of non-U.S. firms around the adoption of Chapter 15.

Prior studies argue that the bankruptcy procedure has an impact on the firm's *ex-ante* capital structure decision. For example, [Acharya et al. \(2011\)](#) develop a theoretical model where the difference in bankruptcy codes (equity vs. debt friendly) would determine the liquidation value of firms' assets, explaining the different leverage levels in the U.S. and U.K. Lenders also adjust their lending and reorganization practices, reflecting the bankruptcy codes. Using a sample of distressed firms in France, Germany, and the U.K., [Davydenko and Franks \(2008\)](#) document that lenders in a creditor-unfriendly country require more collateral than those in a creditor-friendly country. The existence of defined bankruptcy procedures also affects borrower sides since default becomes less onerous, where they can avoid creditors from seizing their assets. For example, [Fan, Titman, and Twite \(2012\)](#) point out that a country with an explicit bankruptcy code has higher debt ratios and longer-term maturities and that it is potentially driven by both investor demand and corporate supply. If Chapter 15 increased the expected claims to creditors and debtors through global coordination across bankruptcy courts, we expect lenders to be more willing to provide credit to firms.

To explore the impact of Chapter 15 on the availability and sources of capital, we first look at the changes in book leverage. We estimate Equation 2 with the book leverage as a dependent variable. The results are reported in Table 6. In column (1), We find that the coefficient of $Post\ Chapter15 \times Treated$ is 0.007, which is statistically significant at 1% level. Firms that were expected to benefit more from Chapter 15 increased their leverage by 0.007, equivalent to a 3.2% increase at the mean.

Next, we also explore whether treated firms adjust the composition of debt after the adoption of Chapter 15. The effect of lower bankruptcy cost on leverage would be more

pronounced for long-term debt than short-term debt, as the uncertainty on liquidation or reorganization values of assets increases in debt maturity (e.g., [Fan et al. \(2012\)](#)). Moreover, the improved bankruptcy procedure after Chapter 15 can affect firms' mix of bank and bond financing. [Becker and Josephson \(2016\)](#) show that firms in countries with inefficient bankruptcy procedures issue fewer corporate bonds but more bank loans because bank loans are more likely to be renegotiated out of the court than corporate bonds in default. Consistent with our predictions on the sources of capital, we document that the increase in total debt is mostly driven by the higher proportion of long-term debt: the estimate in column (2) implies an 8.6% increase in long-term debt at the mean. The significant and positive coefficient in column (3) suggests that the proportion of corporate bonds as total debt increased by 1.4 percentage points in a country expected to benefit from the use of a U.S. bankruptcy court after the enactment of Chapter 15. The economic magnitude of this increase is about 10% at the mean. The evidence of the increase in leverage of non-U.S. firms in countries that are prone to utilize Chapter 15 is consistent with an increase in debt capacity.

In the last column of [Table 6](#), we test whether the amount of credit along the supply chains was extended after Chapter 15. When firms are insolvent, a large portion of creditors that have priority on their claims are suppliers. According to [Ivashina, Iverson, and Smith \(2016\)](#), trade creditors hold about 22.5% of the total claims in dollar terms in a sample of Chapter 11 filings from 1998–2009. We find the coefficient of the interaction term positive and significant, suggesting that treated firms increase trade credit more than control firms after 2005. This finding supports the view that improved cross-border insolvency promotes sales in credit via supply chains.³²

³²Chapter 15 enactment coincided with the passage of the Supplier Protection Act 2005 as part of BAPCPA, which strengthened the protection granted to suppliers when a distressed buyer files for bankruptcy in the U.S. [Aral, Giambona, and Wang \(2022\)](#) document that following the regulatory change, distressed buyers increase the number of U.S. suppliers and obtain more trade credits compared to financially sound firms. In an untabulated analysis, we repeat column (6) by excluding firms with U.S. suppliers and find that our results are robust. This is consistent with our argument that Chapter 15 adoption benefits all creditors (hence trade creditors in this context) regardless of their location.

Taken together, the results in Table 6 are consistent with improved access to debt financing after the enactment of Chapter 15 for firms that are more likely to utilize Chapter 15. Although these measures are the aggregate level of debt (i.e., we do not separate it by location of capital sources), it is important to emphasize that all creditors benefit from the Chapter 15 enactment since Chapter 15 was intended to protect both foreign and U.S. creditors and maximize the overall liquidation or reorganization values. Therefore, the evidence of the increase in total debt is supportive of the view that the lower cost of global insolvency resulted in higher debt capacity after the law reform.

7.2. Loan Size from U.S. Lenders

Although Chapter 15 benefits most creditors by making the pie bigger, the increase in U.S. asset acquisition by non-U.S. firms would be facilitated especially by capital from U.S. creditors. Foreign operations of multinational firms are usually funded by local lenders because geographically close lenders are better at monitoring and valuing local collateral (see, e.g., [Jang \(2017\)](#)). For this reason, we hypothesize that foreign firms are more likely to source debt capital from U.S. lenders after the adoption of Chapter 15.

To further pin down the location of capital sources, we collect data on bank loans issued by non-U.S. firms from January 2003 until June 2007 from Dealscan.³³ We only include loans to publicly traded companies with borrowers' financials available to control for the risk of borrowers. One of the advantages of using the loan issuance data, compared to the annual capital structure snapshots from financial statements, is that we can identify the location of lenders who finance the loans. The final sample includes 6,917 loan packages issued by 2,824 borrowers from 42 countries. In testing the impact of Chapter 15 on the loan size, we

³³To avoid capturing any confounding effects from Great Financial Crisis, our sample period ends right before the start of GFC.

estimate the following equation:

$$\begin{aligned}
Loansize_k = & \alpha + \beta_1 PostChapter15_t \times Treated_c \times USlender_k + \beta_2 PostChapter15_t \times Treated_c \\
& + \beta_3 PostChapter15_t \times USlender_k + \beta_4 Treated_{c,t} \times USlender_k \\
& + \beta_5 USlender_k + \mathbf{X}'_{i,t-1} \cdot \lambda + \gamma_c + \tau_m + \mu_t + \epsilon_k,
\end{aligned} \tag{3}$$

where k indicates a loan, m indicates the borrower's industry, c indicates the borrower's country, i indicates the borrower and t indicates the year of loan issuance. *Post Chapter15* is a binary variable that takes a value of one after the Chapter 15 enactment date, October 17th, 2005, *Treated* is a binary variable that takes a value of one if a firm's headquartered country filed for at least one Chapter 15 over 2005–2010, and *US lender* is a binary variable that takes a value of one if the loan is arranged by U.S. lenders. In the baseline specification, we include country (γ_c), industry (τ_m), and year (μ_t) fixed effects. We control for loan characteristics (loan maturity, the number of facilities within a package, indicators for term loans, revolvers, and secured loans) and lagged borrower characteristics (log of total assets, profitability, tangibility, and the indicator for having a credit rating). In addition, to control for the macroeconomic condition that might drive demand for capital, we include *GDP per capita*, *GDP growth*, *Listed firms*, and *Bilateral trade* as controls. Our main interest is on β_1 , the coefficient of the triple interaction term, which estimates the changes in loan size for the firms from countries with a higher probability of using Chapter 15 before and after the adoption of Chapter 15 when they receive loans from U.S. lenders.

The results are reported in Table 7. We find that the coefficient on *Post Chapter15* \times *Treated* \times *US lender* is positive and statistically significant in column (1), and even after controlling for loan and borrower characteristics in column (2). As *Loan Size* is defined as the logged term, the estimates imply that firms from countries with a bigger use of Chapter 15 are able to receive a larger bank loan by about 35% after the adoption of Chapter 15, conditional on the loans that are arranged by U.S. lenders. Our result still holds in a tighter specification

in columns (3) and (4), in which we include borrower fixed effects and Industry \times Year fixed effects. The sample is restricted to the borrowers that issued multiple loans within the sample period, but the borrower fixed effects allow us to control for unobservable time-invariant borrower characteristics that might drive the demand for credit. Moreover, industry-time fixed effects would rule out any confounding effects of industry cycles on the amount of credit demanded, which is correlated with the sources of capital. The within-borrower estimate in column (4) confirms the similar magnitude of the effect of Chapter 15 on the size of the loans from U.S. creditors: the size of loans to non-U.S. borrowers from treated countries increased by 34.3% after the adoption of Chapter 15.

Combined with the evidence of the effect of the Chapter 15 adoption on leverage, our exercise with the bank loan sample suggests that foreign firms that are more likely to use Chapter 15 increased their leverage, which is significantly driven by funds from U.S. lenders.

8. Discussion & Robustness

8.1. UNCITRAL Model Law

In Sections 6 and 7, we have documented a U.S.-based study using the adoption of UNCITRAL Model Law by the U.S. as a main event, which allowed non-U.S. firms to exploit the U.S. bankruptcy courts' assistance. One of the key advantages of focusing on the U.S. sample is that we can collect data on the actual use of Chapter 15 cases by non-U.S. companies to validate the effectiveness of the enactment. Moreover, relying on the data on the profiles of Chapter 15 filers, we are able to sharpen our analysis in a difference-in-differences setting by identifying the types of firms that were disproportionately affected by Chapter 15.

As a matter of fact, the UNCITRAL Model Law has been adopted by 47 countries as of 2022.³⁴ The common purpose of Model Law is to effectively address global insolvency issues by allowing cross-border coordination of courts across countries while letting foreign debtors proceed with primary bankruptcy procedures at their own home courts. Therefore, we would expect to observe an increase in foreign direct investment inflows when a country adopts Model Law, like in the case of the U.S.

To broaden our scope, we conduct a global-level study using the staggered adoption of Model Law. Although we can take advantage of the *staggered adoption* of Model Law in multiple countries to test the effect, we are not able to identify which countries benefited more due to data availability. Despite the limited setting, the global-level analysis helps alleviate the concern in our baseline results that the results could be driven by unobservable factors that are specific to the U.S.

We construct a country-year panel from 1997–2020 using 64 countries covered in Djankov et al. (2008). We allow three years to have an effect on inbound acquisitions and divestitures since the first adoption was made in 2000. Out of 64 countries in the sample, 18 countries

³⁴Although 47 countries adopted UNCITRAL Model Law, only 18 countries are covered in Djankov et al. (2008). Please see Table A7 for the list of countries that adopted UNCITRAL Model Law during 2000-2020 included in our analyses, where the list is sourced from https://uncitral.un.org/en/texts/insolvency/modellaw/cross-border_insolvency/status

adopted UNCITRAL Model Law (including the U.S.). We construct *%Cross-border acq* measure using the number of inbound cross-border acquisitions made in a given country-year divided by the total number of acquisitions made in the country-year. We also construct *%Cross-border div* using the number of divestitures made in a given country-year where the target’s parent is a foreign entity divided by the total number of divesting transactions made in the country-year.

We estimate the variants of the following OLS equation using a country-year panel from 64 countries from 1997–2020:

$$Y_{c,t} = \alpha + \beta Post\ UNCITRAL_{c,t} + \mathbf{X}'_{c,t-1} \cdot \lambda + \gamma_c + \mu_t + \epsilon_{c,t}, \quad (4)$$

where *Post UNCITRAL* is a binary variable that takes a value of one after the UNCITRAL Model Law enactment year following Appendix Table A7. We denote c and t to represent country and time, respectively, and X' for a set of country-level control variables. We control for *GDP per capita*, *GDP growth*, *Listed firms*, *Market return* and *Currency return* to control for the macroeconomic conditions that potentially affect inbound and outbound foreign direct investment. Thus, the variable of interest β measures the impact of UNCITRAL Model Law on the inbound cross-border acquisitions or divestitures in a given country-year. In all specifications, we include country fixed effects (γ_c) to control for any time-invariant country characteristics and year fixed effects (μ_t) to control for the time trend in global M&A markets.

The results are reported in Table 8. Column (1) shows that controlling for country and year fixed effects, countries that adopted UNCITRAL law are likely to experience a 7.5% increase in inbound acquisitions. The coefficient is statistically significant at the 5% level, and the magnitude represents a sizeable economic effect given that the unconditional mean is 0.5451 (0.075/0.545=13.8%). In column (2), we exclude the acquisitions made in the U.S. to alleviate the concern that the result in column (1) is mainly driven by active acquisitions sought in the U.S. by global players. In column (3), both the U.S. and Canada are excluded from the sample since Canada also adopted UNCITRAL Model Law in 2005 as the U.S.

did. Our results under columns (2) and (3) confirm the validity of our baseline results by effectuating the effect of UNCITRAL Model Law on inbound acquisitions in a global setting.³⁵ Similarly, columns (4) to (6) confirm our baseline argument about the lower cost of cross-border insolvency applied to asset sales in a global setting. Overall, the results in Table 8 shed light on the importance of legal efforts to promote coordination across courts for efficient bankruptcy and reorganization process for multinational firms. Our finding suggests that as more countries legislated bankruptcy laws meeting global standards, the cost of possessing foreign assets substantially lowered, promoting active FDI flows.

8.2. *Robustness on Treated*

One might be concerned about the validity of *Treated* since it is measured based on Chapter 15 filing history of non-U.S. firms over the five-year window after its enactment. We re-construct *Treated* by using a ten-year window over 2005–2015. We confirm that the results are robust to the alternative measure of *Treated* in Appendix Table A10.

8.3. *Countries that Experienced Local Bankruptcy Reforms*

Another concern that arises is that major local bankruptcy reforms in foreign countries coincided with the Chapter 15 enactment, which could confound our baseline results. For example, Brazil enacted a new bankruptcy law in 2005 that is similar to Chapter 11 in the United States, potentially lowering cross-border acquisition costs. We use a list of countries with major bankruptcy law reforms from Altman, Dai, and Wang (2021) and exclude those countries that reformed bankruptcy laws over 2003–2007. We find that the results still hold under Appendix Tables A11 and A12.

³⁵In Appendix Table A8, we check whether there are any pre-trends in cross-border M&A transactions prior to the adoption of Model Law. We do not find any significant pre-trends before the events. We also conduct placebo tests in Appendix Table A9, and our results still hold.

9. Conclusion

Although the cross-border insolvency cost of foreign assets is one of the frictions for foreign direct investment, few studies have directly examined how insolvency laws across different international jurisdictions affect cross-border investments. In this paper, we use the Chapter 15 enactment in 2005 and the wide global adoption of the UNCITRAL Model Law as unique experiments to build causal inferences on the effect of global insolvency laws. We provide empirical evidence that judicial cooperation and reduced uncertainty in legal processes can help improve global trade flows and cross-border investments and financing.

We find that Chapter 15 substantially lowered the bar for non-U.S. companies to exploit U.S. bankruptcy provisions for efficient bankruptcy resolution while pursuing a primary bankruptcy proceeding in their home countries. In particular, firms from countries with an efficient bankruptcy system frequently filed for Chapter 15 to maximize bankruptcy outcomes through coordination between their home and U.S. courts. On the other hand, we observe that those firms from jurisdictions that lack strong insolvency laws prefer to process Chapter 11 by bringing their cases into the U.S. This comparison between the two restructuring tools using court dockets and country-level analysis supports the idea that Chapter 15 facilitates better preservation of the value of debtors' U.S. assets.

The firm-level analyses provide further evidence for the real implications for the firm's cross-border investments, such as acquisitions and the source of capital. We find that foreign firms from countries that frequently utilize Chapter 15 are more likely to acquire U.S. assets after the Chapter 15 enactment. The effect does not exist for other types of acquisitions, which corroborates our argument that Chapter 15 effectively lowers the cost of acquiring assets located in the U.S. but not in other countries. We also document that these firms are more likely to have improved access to debt financing and expand supply chains globally after the enactment. These findings suggest that Chapter 15 was intended to protect both foreign and U.S. creditors and maximize the overall liquidation or reorganization values. Our bank loan sample suggests that the increased use of leverage is significantly driven by the

increase in loan size funded by U.S. lenders who are geographically proximate to their local collateral.

We also perform a global-level study using the staggered adoption of the UNCITRAL Model Law as an exogenous shock to inbound cross-border acquisition activities. We find that as more countries legislated insolvency laws meeting global standards, the costs of possessing foreign assets become lowered, promoting active FDI flows. Despite the limited setting, the global-level analysis helps alleviate the concern in our U.S.-based analysis that the results could be driven by unobservable factors that are specific to the U.S.

Overall, our results support the idea that judicial cooperation lowers the costs of global insolvency and increases the value of foreign assets ex-ante. We document that the reduced costs of global bankruptcy are associated with greater cross-border M&As and debt capacity when firms are from countries that frequently utilize Chapter 15. This study contributes to the literature on cross-border M&As by providing novel evidence that court coordination has real effects on the acquisitions of foreign assets. Our study also contributes to the broad literature on the effect of law and legal institutions on restructuring outcomes and corporate policies by providing evidence that court cooperation facilitates more predictable outcomes and maximization of the value of a debtor's foreign assets, which has real effects on cross-border investments.

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Figure 1. The number of Chapter 15 and Chapter 11 filings 2001–2020

The figure shows the total number of Chapter 15 and Chapter 11 primary cases filed by non-U.S. firms from 2001–2020. The horizontal axis represents the year of filing, and the vertical axis represents the number of primary cases filed each year.

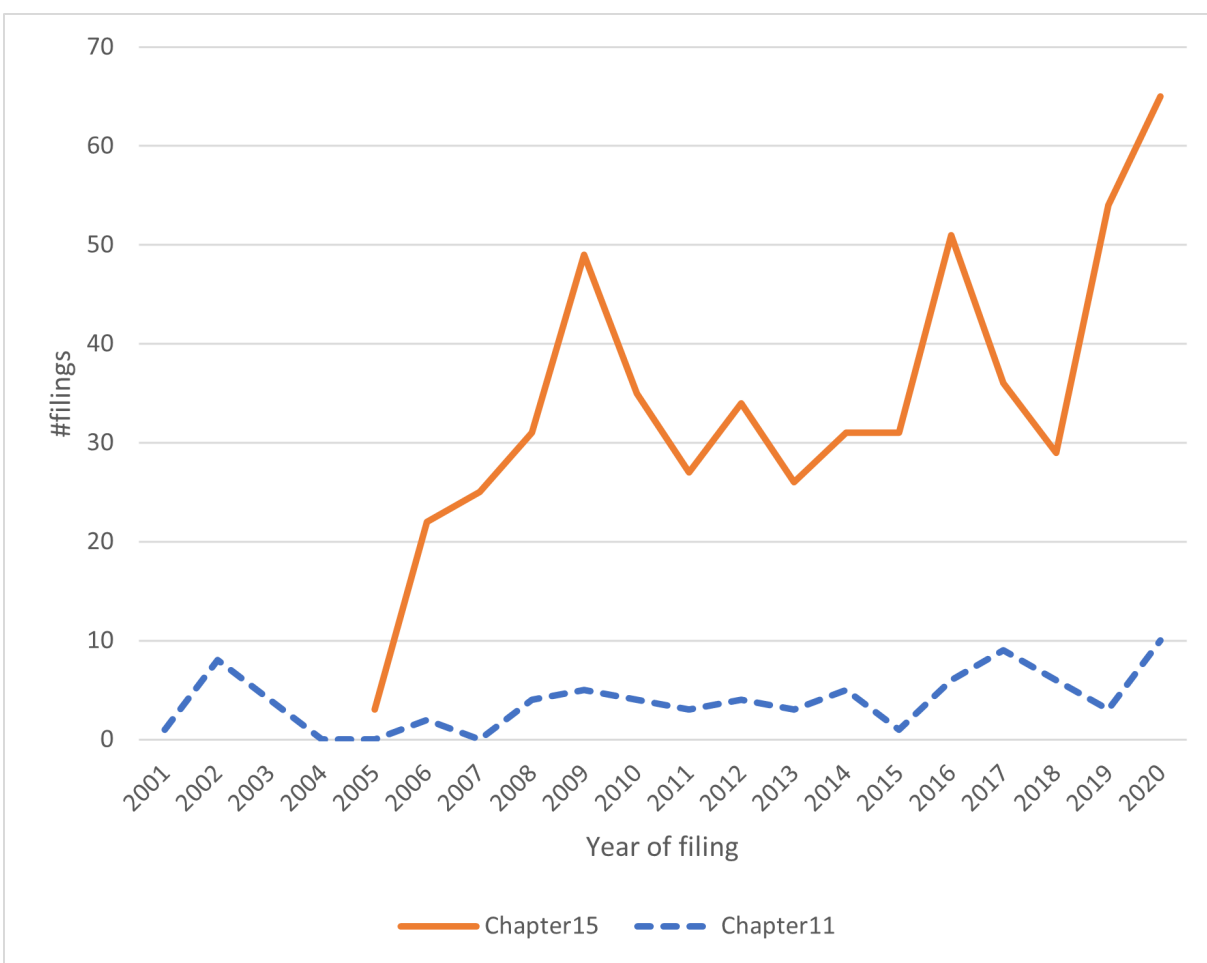
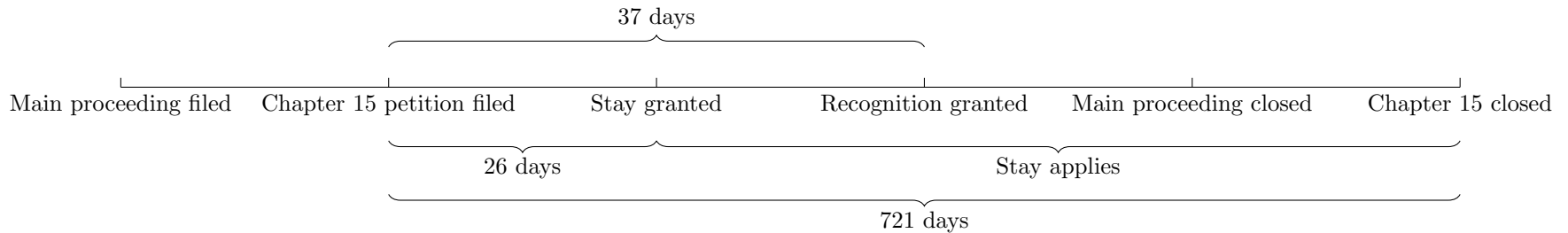


Figure 2. Timelines of Chapter 15 and Chapter 11 process

The figure shows the timelines for Chapter 15 and Chapter 11 processes. The first timeline represents the process of a typical Chapter 15 case which begins with an insolvent non-U.S. debtor filing for bankruptcy in its home court as a main insolvency proceeding. A foreign representative appointed by the debtor’s home court then makes an application to obtain the recognition of the main insolvency proceeding in the U.S. Bankruptcy court. Upon the recognition of the foreign insolvency case, a Chapter 15 debtor is granted an automatic stay that prevents its creditors from seizing assets located in the U.S. Although any provisions of the Bankruptcy Code do not protect the foreign debtor during the gap period (i.e., the period between the filing of the Chapter 15 petition and granting a recognition), a foreign representative can seek protection by requesting “provisional relief” from the bankruptcy court to protect against any attack on the foreign debtor’s U.S. assets. When the main insolvency proceeding is terminated, the foreign representative typically asks the U.S. court to close the Chapter 15 case. The second timeline represents the process of a traditional Chapter 11 case that begins with filing a petition with the U.S. Bankruptcy court. The debtor proposes a plan of reorganization, creditors whose rights are affected vote on the plan, and the court confirms the plan once it gets the required votes and satisfies certain legal requirements. Then the court closes the Chapter 11 case. The displayed numbers are the median number of days.

Chapter 15

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Chapter 11

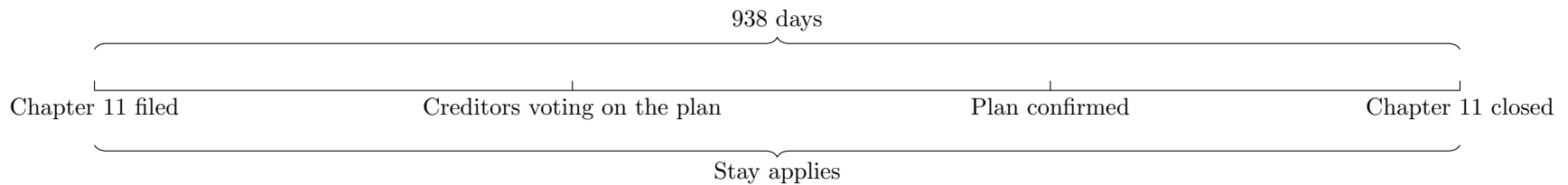


Figure 3. Country distribution of Chapter 15 and Chapter 11 filings 2005–2020

The figure plots the total number of Chapter 15 and Chapter 11 primary cases filed by non-U.S. firms over 2005–2020 in each country. The location of a debtor’s country is defined as the country of incorporation for Chapter 11 debtors and COMI for Chapter 15 debtors. 40 countries with the highest number of Chapter 15 cases over 2005–2020 are reported due to the limited space.

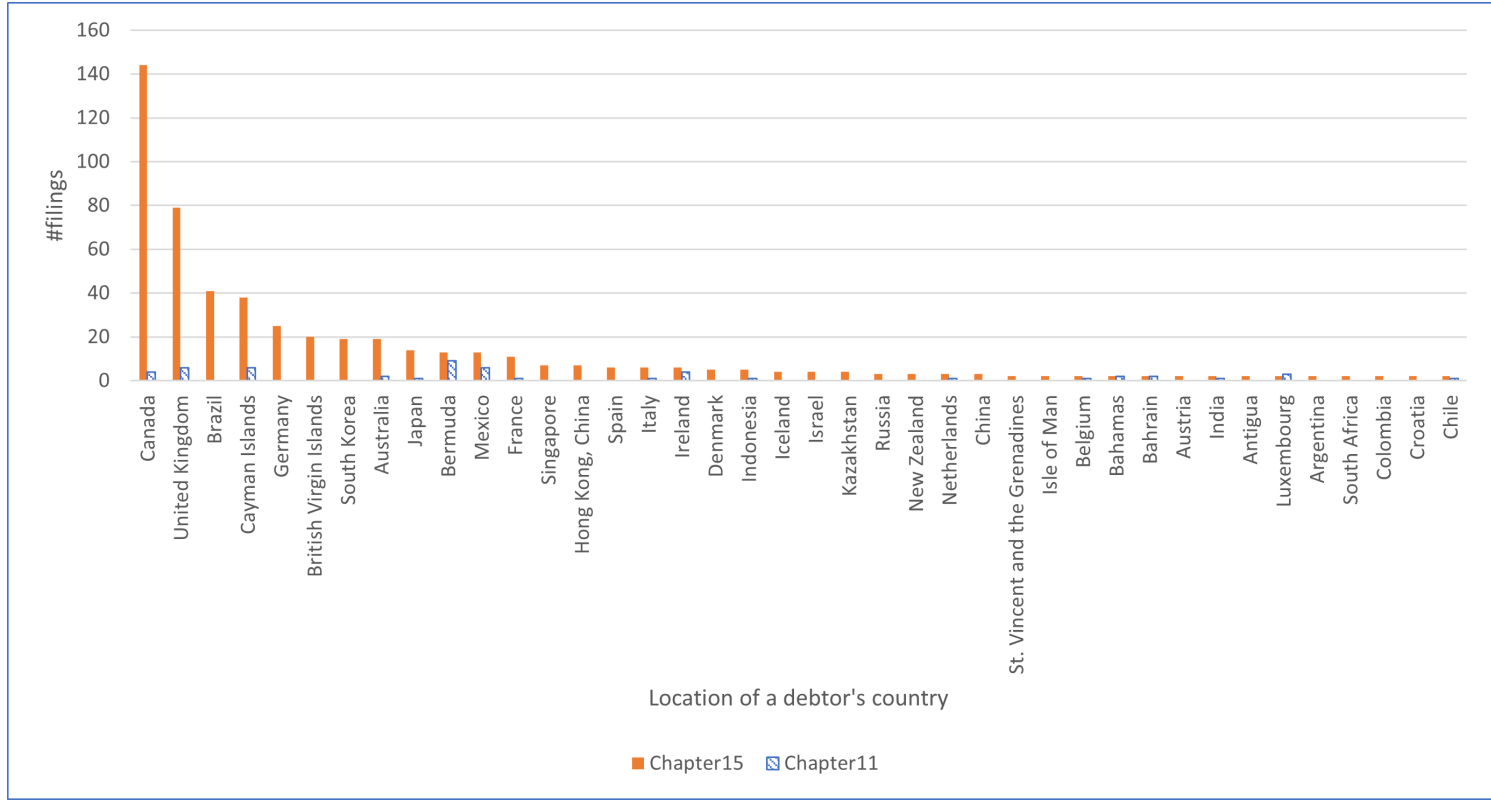


Table 1: Efficiency of bankruptcy process: Chapter 15 vs. Chapter 11

This table presents statistics on the key characteristics of Chapter 15 and Chapter 11 court dockets in cases filed by non-U.S. firms in New York Southern District and Delaware (at the primary case level). There are 17 Chapter 11 filings from 2001–2009 and 66 Chapter 15 filings from 2005–2009 where court dockets are available. *Days until first relief granted*, *Days taken to recognize as a FP*, and *Days till grant home court order* are only applicable to Chapter 15 cases. *Days till converted/plan confirmed* is only applicable to Chapter 11 cases. Definitions and sources of the variables are provided in Appendix [A1.5](#).

	Chapter15				Chapter11			
	N	Mean	Median	SD	N	Mean	Median	SD
Days until first relief granted	64	30.9	26	34	N/A	N/A	N/A	N/A
Days taken to recognize as a FP	63	48.9	37	36.6	N/A	N/A	N/A	N/A
Days till grant home court order	20	20.7	19.5	12.9	N/A	N/A	N/A	N/A
Days till converted/plan confirmed	N/A	N/A	N/A	N/A	16	342.3	269	282.5
#Court dockets	66	66.6	36.5	96.2	17	921.8	494	1242
% Objections	66	0	0	0.1	17	0.05	0.05	0.03
Days until last active docket	66	1412.1	720.5	1554.7	17	1278.1	938	1387.7
Days until termination	61	1966.3	1591	1545.5	16	1739.9	1264.5	1515.8
Days till granting sale of assets	6	26.7	9	42.7	8	38.6	25	30

Table 2: **Summary statistics**

This table reports summary statistics for the variables included in our empiric models. The sample in Panel A includes 1,216 country-year observations from 76 non-U.S. countries from 2005 to 2020. In Panel B, the sample includes 76,523 firm-year observations from 63 non-U.S. countries from 2003–2007. Definitions and sources of the variables are provided in Section A1.5.

Panel A. Country-year panel						
Variable	Obs	Mean	P25	Med	P75	SD
I.Chapter15	1,216	0.147	0	0	0	0.354
ln(1+#Chapter15)	1,216	0.155	0	0	0	0.429
Common law	1,216	0.237	0	0	0	0.425
English language	1,216	0.132	0	0	0	0.338
Creditor rights	1,216	2.013	1	2	3	1.07
Reorganization index	1,216	1.09	0	1	2	1.078
Cost	1,216	13.026	7	12	18	7.953
Time	1,216	2.351	1.5	2	3.1	1.241
Recovery	1,216	49.279	29.4	42.45	73.75	25.078
GDP per capita	1,216	9.401	8.533	9.377	10.454	1.084
GDP growth	1,216	0.03	0.014	0.03	0.05	0.04
Listed firms	1,216	4.962	3.761	5.112	5.953	1.628
Bilateral trade	1,216	0.014	0.001	0.004	0.012	0.032

Panel B. Firm-year panel						
Variable	Obs	Mean	P25	Med	P75	SD
#US acq	76,523	0.032	0	0	0	0.334
\$US acq	76,523	5.935	0	0	0	176.01
#non-US CB acq	76,523	0.082	0	0	0	0.483
#domestic acq	76,523	0.132	0	0	0	0.532
#US div	14,699	0.016	0	0	0	0.139
\$US div	14,699	1.981	0	0	0	75.663
\$non-US CB acq	76,523	9.012	0	0	0	268.216
\$domestic acq	76,523	10.881	0	0	0	373.813
Book leverage	76,338	0.216	0.043	0.185	0.331	0.198
Long-term leverage	76,338	0.105	0	0.05	0.162	0.142
Bond share	48,645	0.142	0	0	0.142	0.273
Trade credit	69,500	0.224	0.099	0.17	0.273	0.199
Sales growth	76,523	0.147	-0.025	0.079	0.243	0.336
ROA	76,523	0.029	0.008	0.049	0.096	0.149
Size	76,523	4.861	3.59	4.837	6.083	1.997
Tangibility	76,523	0.311	0.124	0.278	0.457	0.225
GDP per capita	76,523	9.677	8.99	10.226	10.475	1.133
GDP growth	76,523	0.042	0.02	0.035	0.056	0.03
Listed firms	76,523	6.858	6.192	7.212	7.684	0.971
Bilateral trade	76,523	0.047	0.016	0.025	0.068	0.052

Table 3: Country-level analysis: Likelihood of filing Chapter 15

The table presents OLS estimates of the effect of a non-U.S. country's insolvency characteristics on its likelihood of filing for Chapter 15 in the U.S. Bankruptcy Court from 2005–2020. The insolvency characteristics are *Common Law*, *English language*, *Reorganization index*, *Costs*, *Time*, *Creditor rights*, and *Recovery*. The regressions are conducted on a country-year panel using 76 non-U.S. countries covered in Djankov et al. (2008). The dependent variable is a binary variable that takes a value of one if there are any Chapter 15 filed by firms headquartered in a given country-year. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Continent and year-fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the year level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Dep. Var. = I.Chapter15								
Common law	0.120*** (7.05)							0.092*** (4.94)
English language		0.164*** (6.88)						
Creditor rights			0.032*** (4.29)					0.025*** (3.26)
Reorganization index				0.027*** (3.01)				0.021** (2.41)
Cost					-0.002** (-2.29)			-0.002** (-2.50)
Time						-0.022*** (-4.69)		-0.010* (-2.04)
Recovery							0.002*** (5.19)	
GDP per capita	0.038*** (4.34)	0.033*** (3.73)	0.042*** (5.01)	0.051*** (5.39)	0.039*** (4.90)	0.038*** (4.21)	0.020* (2.06)	0.025** (2.82)
GDP growth	-0.569** (-2.33)	-0.557** (-2.23)	-0.525* (-2.01)	-0.584** (-2.39)	-0.566** (-2.28)	-0.570** (-2.31)	-0.550** (-2.24)	-0.575** (-2.31)
Listed firms	0.050*** (7.95)	0.059*** (9.22)	0.060*** (8.89)	0.054*** (8.29)	0.058*** (8.86)	0.054*** (8.40)	0.052*** (8.21)	0.050*** (7.27)
Bilateral trade	2.707*** (6.14)	2.432*** (5.47)	2.816*** (6.61)	2.556*** (5.69)	2.707*** (6.20)	2.607*** (6.09)	2.579*** (5.82)	2.685*** (6.22)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Continent FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216
Adjusted R-squared	0.27	0.27	0.26	0.26	0.26	0.26	0.26	0.28

Table 4: **Chapter 15 and acquisition and divestiture of non-U.S. firms**

This table presents estimates of the effect of Chapter 15 enactment on acquisition activities of 63 non-U.S. firms from 2003–2007. The regressions are conducted on a firm-year panel. Dependent variables in columns (1) to (6) are the natural logarithms of one plus the total number of U.S. acquisitions, one plus the total transaction value (in USD) of U.S. acquisitions, one plus the total number of non-U.S. cross-border acquisitions, one plus the total number of domestic acquisitions, one plus the total number of U.S. divestitures and one plus the total transaction value (in USD) of U.S. divestitures respectively. Our divestiture sample in columns (5) and (6) only includes firm-year observations that have at least one U.S. subsidiary as of 2002. *Post Chapter15* is equal to one for the years after the Chapter 15 enactment in 2005, zero otherwise. *Treated* is equal to one if the country of a firm’s headquarter filed Chapter 15 over 2005–2010, zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the firm level and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Var. =	(1) #US acq	(2) \$US acq	(3) #non-US CB acq	(4) #domestic acq	(5) #US div	(6) \$US div
Post Chapter15 × Treated	0.004** (2.49)	0.019** (2.26)	0.001 (0.35)	-0.000 (-0.06)	-0.008* (-1.76)	-0.026* (-1.69)
Sales growth	0.000 (0.14)	0.006 (1.14)	0.003 (1.28)	-0.009*** (-2.81)	-0.007** (-2.43)	-0.027** (-2.13)
ROA	0.015*** (3.07)	0.061*** (3.34)	0.031*** (4.14)	0.069*** (6.20)	-0.015 (-1.60)	-0.048 (-1.55)
Size	-0.000 (-0.23)	-0.006 (-1.11)	0.006*** (2.61)	-0.014*** (-4.34)	0.009*** (3.07)	0.034*** (2.95)
Tangibility	-0.003 (-0.66)	-0.016 (-0.81)	-0.011 (-1.32)	-0.043*** (-3.43)	-0.003 (-0.26)	0.027 (0.63)
GDP per capita	0.006 (1.03)	0.032 (1.24)	0.027*** (3.01)	0.040*** (3.05)	-0.029*** (-2.74)	-0.117*** (-2.72)
GDP growth	0.013 (0.50)	0.124 (0.95)	0.087* (1.74)	0.074 (1.22)	0.070 (0.87)	0.840** (2.57)
Listed firms	-0.004 (-0.70)	-0.018 (-0.84)	-0.001 (-0.14)	0.000 (0.00)	-0.015* (-1.75)	-0.013 (-0.55)
Bilateral trade	-0.151** (-2.30)	-0.744** (-2.47)	-0.434*** (-4.37)	-0.902*** (-5.56)	0.320 (1.60)	1.152* (1.78)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	76,523	76,523	76,523	76,523	14,699	14,699
Adjusted R-squared	0.42	0.22	0.42	0.30	0.11	0.05

Table 5: Two-stage propensity matching: Chapter 15 and acquisition and divestiture of non-U.S. firms

This table presents results on the two-stage matching of the effect of Chapter 15 enactment on acquisition activities of non-U.S. firms from 2003–2007. The regressions are conducted on a firm-year panel. Dependent variables in columns (1) to (6) are the natural logarithms of one plus the total number of U.S. acquisitions, one plus the total transaction value (in USD) of U.S. acquisitions, one plus the total number of non-U.S. cross-border acquisitions, one plus the total number of domestic acquisitions, one plus the total number of U.S. divestitures and one plus the total transaction value (in USD) of U.S. divestitures respectively. Our divestiture sample in columns (5) and (6) only includes firm-year observations that have at least one U.S. subsidiary as of 2002. *Post Chapter15* is equal to one for the years after the Chapter 15 enactment in 2005, zero otherwise. *Treated* is equal to one if the country of a firm’s headquarter filed Chapter 15 over 2005–2010, zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the firm level and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Var. =	(1) #US acq	(2) \$US acq	(3) #non-US CB acq	(4) #domestic acq	(5) #US div	(6) \$US div
Post Chapter15 × Treated	0.006*** (2.83)	0.032*** (3.03)	0.007 (1.60)	-0.000 (-0.06)	-0.003 (-0.23)	-0.028 (-0.71)
Sales growth	0.001 (0.81)	0.009 (1.40)	0.003 (1.13)	-0.013*** (-3.36)	-0.007** (-2.04)	-0.027* (-1.72)
ROA	0.014** (2.25)	0.056** (2.50)	0.021** (2.49)	0.081*** (6.26)	-0.015 (-1.45)	-0.052 (-1.53)
Size	-0.002 (-1.20)	-0.010* (-1.66)	0.010*** (3.22)	-0.020*** (-5.64)	0.010*** (3.01)	0.045*** (3.26)
Tangibility	-0.001 (-0.26)	-0.005 (-0.20)	-0.008 (-0.74)	-0.056*** (-3.50)	-0.001 (-0.08)	0.040 (0.79)
GDP per capita	0.008 (1.16)	0.059* (1.66)	0.030*** (2.80)	0.047*** (2.84)	-0.043*** (-3.59)	-0.161*** (-3.08)
GDP growth	-0.022 (-0.50)	0.118 (0.54)	0.077 (0.98)	0.012 (0.12)	-0.001 (-0.01)	0.769** (2.12)
Listed firms	-0.003 (-0.40)	-0.030 (-1.08)	-0.017** (-2.27)	-0.017* (-1.67)	-0.013 (-1.45)	-0.002 (-0.07)
Bilateral trade	-0.083 (-0.91)	-0.619 (-1.42)	-0.310** (-2.34)	-0.991*** (-4.55)	0.371* (1.76)	1.220 (1.61)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	52,539	52,539	52,539	52,539	12,187	12,187
Adjusted R-squared	0.45	0.23	0.42	0.32	0.08	0.05

Table 6: Chapter 15 and capital structure of non-U.S. Firms

This table presents results from OLS regressions estimating the effect of Chapter 15 enactment on capital structures of non-U.S. firms from 2003–2007. The regressions are conducted on a firm-year panel. The dependent variable in column (1) is *Book leverage* defined as total debt divided by total assets. The dependent variable in column (2) is *Long-term leverage* which is equal to long-term debt divided by total debts. The dependent variable in column (3) is *Bond share* which measures the bond's total value as a proportion of total debt. The dependent variable in column (4) is *Trade credit* which is equal to the cost of goods sold divided by accounts payable. *Post Chapter15* is equal to one for the years after the Chapter 15 enactment in 2005, zero otherwise. *Treated* is equal to one if the country of a firm's headquarter filed Chapter 15 over 2005–2010, zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the firm level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Var. =	(1)	(2)	(3)	(4)
	Book leverage	Long-term leverage	Bond share	Trade credit
Post Chapter15 × Treated	0.007*** (2.97)	0.009*** (5.16)	0.014*** (3.01)	0.007*** (2.79)
Sales growth	-0.002 (-0.94)	0.001 (0.76)	0.004 (1.19)	-0.024*** (-8.54)
ROA	-0.142*** (-14.81)	-0.060*** (-8.65)	-0.050*** (-3.29)	-0.026** (-2.36)
Size	0.027*** (10.56)	0.018*** (9.45)	0.012*** (3.08)	-0.009*** (-3.01)
Tangibility	0.082*** (8.96)	0.056*** (7.93)	-0.037** (-2.32)	-0.006 (-0.44)
GDP per capita	0.009 (1.22)	0.025*** (3.93)	0.010 (0.60)	0.054*** (6.06)
GDP growth	-0.081** (-2.02)	0.033 (0.91)	0.094 (1.21)	0.014 (0.30)
Listed firms	0.013*** (2.99)	-0.000 (-0.07)	-0.013 (-1.46)	0.003 (0.60)
Bilateral trade	0.333*** (2.87)	0.033 (0.42)	1.707*** (5.99)	-0.791*** (-5.40)
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Number of Observations	76,338	76,338	48,645	69,500
Adjusted R-squared	0.76	0.69	0.71	0.68

Table 7: **Chapter 15 and loan size**

The table presents OLS estimates of the effect of Chapter15 enactment on the size of a loan issued by U.S. lenders using loans activated from 2003 to pre-GFC (1st July 2007). The dependent variable is equal to the natural logarithm of the deal amount in millions in USD. The regressions are conducted on a borrower-package panel using companies from 42 non-U.S. countries. *Post Chapter15* is a binary variable that takes a value of one for the loans issued after the Chapter 15 enactment date, October 17th, 2005. *Treated* is equal to one if the country of a firm's headquarter filed Chapter 15 over 2005–2010, zero otherwise. *US lender* is a binary variable that takes a value of one if the loan is arranged by U.S. lenders. Definitions and sources of the variables are provided in Appendix A1.5. Industry, country, and year-fixed effects are included in columns (1) and (2). Borrower and industry-year fixed effects are included in columns (3) and (4). Standard errors are corrected for clustering of observations at the borrower level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Var. = Loan size	(1)	(2)	(3)	(4)
Post Chapter15 × Treated × US lender	0.335** (2.17)	0.303** (2.29)	0.476*** (3.20)	0.295** (2.05)
Post Chapter15 × US lender	-0.203 (-1.52)	-0.328*** (-2.81)	-0.278** (-2.09)	-0.288** (-2.20)
Post Chapter15 × Treated	-0.009 (-0.11)	-0.011 (-0.15)	-0.240** (-2.44)	-0.076 (-0.75)
Treated × US lender	0.032 (0.26)	-0.012 (-0.11)	-0.372*** (-2.72)	-0.288** (-2.18)
US lender	0.765*** (7.00)	0.434*** (4.32)	0.566*** (4.74)	0.514*** (4.41)
Size		0.446*** (30.25)		0.256*** (4.42)
ROA		0.698*** (2.62)		0.391 (1.17)
Tangibility		0.034 (0.36)		-0.474** (-2.27)
Rated		-0.079* (-1.65)		0.152** (2.05)
GDP per capita		0.793*** (3.82)		1.032*** (4.04)
GDP growth		1.817 (1.32)		2.171 (1.42)
Listed firms		-0.185** (-2.32)		-0.066 (-1.08)
Bilateral trade		21.187*** (4.83)		15.838*** (3.52)
Loan maturity		0.000 (0.75)		-0.001 (-1.16)
Num facilities		0.221*** (10.82)		0.174*** (5.14)
Term loan		-0.198*** (-5.08)		-0.059 (-1.15)
Revolver		0.281*** (8.09)		0.264*** (6.44)
Secured		-0.024 (-0.54)		0.195*** (3.37)
Industry FE	Yes	Yes	No	No
Country FE	Yes	Yes	No	No
Year FE	Yes	Yes	No	No
Borrower FE	No	No	Yes	Yes
Industry × Year FE	No	No	Yes	Yes

Table 8: **Staggered adoption of UNCITRAL Model Law**

This table examines the effect of the staggered adoption of the UNCITRAL Model Law on inbound cross-border acquisitions and divestitures by foreign entities from 1997–2020 in 64 countries, including the U.S. covered by Djankov et al. (2008). Only country-year observations with at least one target acquired during the sample period are included. Of 64 countries, 18 adopted UNCITRAL Model Law in our sample. *Post Post UNCITRAL* is a binary variable that takes a value of one after the UNCITRAL Model Law enactment year following Appendix Table A7. Panel A presents the summary statistics for the variables included in our empiric model using 1,416 country-year observations from 1997–2020 in 64 countries. Panel B presents OLS estimates of the effect of the staggered adoption of the UNCITRAL Model Law on inbound cross-border acquisitions and divesting transactions from 1997–2020 in 64 target countries. The dependent variable in columns (1) to (3) is % *Cross-border acq*, which is equal to the number of inbound cross-border acquisitions made in a given country-year divided by the total number of acquisitions made in the country-year. An acquisition is a cross-border acquisition if the target’s nation differs from the acquirer’s ultimate parents. The dependent variable in columns (4) to(6) is % *Cross-border div*, which is equal to the number of divestitures made in a given country-year where the target’s parent is a foreign entity divided by the total number of divesting transactions made in the country-year. Columns (1) and (4) include all of the 64 countries, including the U.S. Columns (2) and (5) exclude the U.S. Columns (3) and (6) exclude the U.S. and Canada. All control variables are lagged by one year. Country and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the country level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively. Definitions and sources of the variables are provided in Appendix A1.5.

Panel A. Summary statistics

Variable	Obs	Mean	P25	Med	P75	SD
% Cross-border acq	1,416	0.545	0.395	0.553	0.705	0.23
% Cross-border div	1,416	0.180	0.079	0.143	0.232	0.160
Post UNCITRAL	1,416	0.167	0	0	0	0.373
GDP per capita	1,416	9.477	8.61	9.616	10.428	1.117
GDP Growth	1,416	0.032	0.016	0.031	0.05	0.034
Listed Firms	1,416	5.463	4.483	5.455	6.323	1.387
Market return	1,416	0.096	-0.128	0.077	0.285	0.353
Currency return	1,416	0.005	-0.027	0.003	0.029	0.086

Panel B. Regressions

	(1)	(2)	(3)	(4)	(5)	(6)
Dep. Var. =	% Cross-border acq			% Cross-border div		
Post UNCITRAL	0.075** (2.21)	0.078** (2.16)	0.080** (2.07)	-0.030** (-2.24)	-0.032** (-2.32)	-0.032** (-2.22)
GDP per capita	-0.124*** (-3.49)	-0.126*** (-3.53)	-0.127*** (-3.51)	0.033 (1.33)	0.034 (1.35)	0.034 (1.34)
GDP growth	-0.130 (-0.58)	-0.129 (-0.57)	-0.132 (-0.59)	-0.604*** (-3.00)	-0.604*** (-3.00)	-0.606*** (-3.00)
Listed Firms	-0.031 (-1.59)	-0.031 (-1.58)	-0.030 (-1.53)	0.013 (0.73)	0.013 (0.73)	0.013 (0.72)
Market return	-0.031 (-1.62)	-0.031 (-1.60)	-0.031 (-1.59)	0.005 (0.30)	0.005 (0.30)	0.005 (0.30)
Currency return	0.068 (1.29)	0.069 (1.30)	0.069 (1.29)	0.022 (0.46)	0.022 (0.47)	0.021 (0.45)
Country FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	1416	1392	1368	1416	1392	1368
Adjusted R-squared	0.56	0.54	0.53	0.25	0.24	0.23

Appendix A. Data Construction and Variable Definitions

A1.1. Filtering process of Chapter 11 and Chapter 15 debtors

After identifying the *primary* case of a non-U.S. debtor, we then manually check the country of incorporation and headquarter at the *primary* case level. To clearly identify non-U.S. foreign debtors that filed for Chapter 11 or Chapter 15, we further exclude the following cases:

- **U.S. parent company & lead case filed by a non-U.S. debtor**

Several debtors often file for Chapter 11 and Chapter 15 at the subsidiary level without their parent companies involved. We exclude these cases where a non-U.S. debtor files a lead case, but its parent company is incorporated or headquartered in the U.S. For example, the parent of U.S. Steel Canada Inc., United States Steel Corporation, is both incorporated and headquartered in the U.S.

- **non-U.S. parent company & lead case filed by a U.S. debtor**

It is possible for a lead case debtor to have a headquarter outside of the U.S. but incorporated in the U.S. and vice-versa in both Chapter 11 and Chapter 15 cases. For example, the U.S. operations of LyondellBasell, a multinational petrochemical company incorporated in the Netherlands, filed a lead case for Chapter 11 while its parent LyondellBasell Industries AF S.C.A filed an affiliated case.

- **U.S. parent company & lead case filed by a U.S. debtor**

U.S.-incorporated firms can also file for Chapter 15 as long as their COMI can be proven to be a non-U.S. country. For example, Pope & Talbot, a 160-year-old forestry company headquartered in Portland, Oregon but with most of its pulp and sawmill assets in Canada, filed for Chapter 15 with the Companies' Creditors Arrangement Act (CCAA) as a main proceeding in Canada.

A1.2. Defining the location of Chapter 11 and Chapter 15 debtors

It is important to note that there are some differences in determining the location of a debtor between Chapter 15 and Chapter 11.

- **Chapter 11 - incorporation of the parent company**

We use the country of incorporation of a Chapter 11 debtor's parent company to determine the debtor's location. This is irrespective of Chapter 11 filed by its parent company. Using the entire 78 *primary* cases, we confirm that 74% (58/78) of the cases are filed with their (ultimate) parent companies. Also, the incorporation of a *primary* case debtor is the same as that of its parent 82% (64/78) of the time.

- **Chapter 15 - COMI of the parent or lead case debtor**

We use COMI (Center Of Main Interest) for the location of a Chapter 15 debtor. If its parent company does not file for Chapter 15, then we use the COMI of its lead case.

- **Consistency of the location measures**

To ensure that these two measures of the location are consistent between Chapter 15 and Chapter 11, we conduct a robustness check using a random sample of 70 Chapter 15 *primary* cases. We confirm that 90% (63/70) of the Chapter 15 debtors are filed with their (ultimate) parent companies, and the COMI of a Chapter 15 debtor is the same as the incorporation of the debtor's parent 87% (61/70) of the time.

A1.3. The list of countries covered in the court docket sample

We collect court dockets for 17 out of 24 Chapter 11 debtors from 2001–2009 and 66 out of 130 Chapter 15 debtors from 2005–2009 at the primary case level. Countries covered by the court dockets are:

- **Chapter 11 - based on incorporation**

Cyprus, Bermuda, Netherlands, Chile, United Kingdom, Mexico, Dominican Republic, Cayman Islands, and Norway

- **Chapter 15 - based on COMI**

Russia, United Kingdom, Cayman Islands, Canada, Spain, Singapore, France, Bermuda, South Korea, Japan, Mexico, Italy, Iceland, Germany, Belgium, Brazil, Denmark, and Bahrain

A1.4. Variables under court dockets

- **Objections**

We measure the number (proportion) of objections by counting the number of court docket entries in a case related to objecting to or opposing a debtor's motion or court's ruling. We

primarily look for court docket entries that contain the words “objection” or “opposition.” The number and proportion of objections are generally lower for Chapter 15 debtors compared to Chapter 11 debtors, given that the U.S. bankruptcy court tends to cooperate with the foreign debtor’s home court and would intervene for any unfair treatment against U.S. creditors.

- **The number of days taken till termination date and last active date**

We construct direct measures of bankruptcy duration using the number of days it takes for the U.S. Bankruptcy Court to close the case. We count the number of days from the date of the first court docket till the date of termination for both Chapter 11 and Chapter 15 cases. We also calculate the number of days from the date of the first court docket till the date of the last active docket if the gap between the date of the last docket before the termination and the termination date is longer than a month. This measure reflects a more accurate indicator of the case duration, especially under Chapter 15, where a foreign representative usually files a motion close the Chapter 15 case in the U.S. bankruptcy court. When the gap between the date of the last active docket before the termination and the termination date is longer than a month, it is typically the case that the foreign representative merely does not request for the termination of the Chapter 15 case, where the U.S. bankruptcy court eventually closes the case. For example, the last active docket for Quebecor World Inc. is a grant of its foreign main proceeding recognition and enforcement of Canadian sanction order by the U.S. bankruptcy court on July 1st, 2010. the U.S. bankruptcy court then closed the case on October 8th, 2015. As such, it measures the effective number of days taken for the U.S. Bankruptcy court’s cooperation with the foreign court.

- **The number of days taken till granting sales of assets**

The efficiency of a Chapter 15 process can be measured by the speed of the U.S. court’s approval for the sales of a debtor’s U.S. assets. This can be achieved by requesting the U.S. court to recognize and enforce sales orders issued by the debtor’s home court or by filing a motion for the U.S. court’s approval under Section 363 of the Bankruptcy Code.³⁶

³⁶Foreign debtors with U.S. assets have been rapidly becoming aware of the benefits of the section 363 sale process to effect an expeditious liquidation or transfer of assets. Under §363, debtors of Chapter 11 and Chapter 15 can sell assets “free and clear of any interest in such property of an entity other than the estate.”

We measure the number of days it takes for the U.S. Bankruptcy Court to grant such sales approval upon request. It is important to note that sales of assets granted to Chapter 11 debtors could include assets outside of the U.S., whereas only sales of U.S. assets could be requested to the U.S. court for Chapter 15 debtors.

- **The number of days taken till granting a home court’s order and confirming a plan**

The efficiency of a Chapter 15 process can also be estimated by the U.S. court’s enforcement of a foreign debtor’s home court order. Once the U.S. Bankruptcy court grants enforcement, its home court orders become binding to all persons within the jurisdiction of the U.S. court. In other words, a Chapter 15 debtor can “import” the restructuring laws of its home country into the U.S. On the other hand, a Chapter 11 debtor needs to seek the U.S. court’s approval to confirm its bankruptcy plan that sets forth the terms of the reorganization. We calculate the number of days it takes for the U.S. Bankruptcy Court to grant such orders for Chapter 15 and Chapter 11 debtors. We find that it takes around 20 days for the U.S. court to recognize a Chapter 15 debtor’s home court order, whereas it takes 269 days to confirm a Chapter 11 debtor’s reorganization plan.

- **The number of days taken till granting a first relief**

A key difference between Chapter 11 and Chapter 15 proceedings is that a stay (or “relief”) is automatically granted upon the filing of Chapter 11 (known as automatic stay), while it is granted only upon the recognition of the case under Chapter 15. However, a foreign representative can request provisional reliefs to protect the debtor’s U.S. assets during the gap period under Chapter 15. This stay prevents creditors from trying to collect money or seize property from debtors in bankruptcy. The request is typically filed on the same day as the initiation of the Chapter 15 petition. Most of the time, the U.S. court grant such a stay before the case is recognized as a foreign proceeding. It takes about 26 days to be granted such relief, which is shorter than 37 days, the median time taken to recognize the case as a foreign proceeding.

A1.5. Description of Variables

Variable	Definition and source
<p>Court docket variables</p> <p>Chapter 15 Only</p> <p>Days until first relief granted</p> <p>Days taken to recognize as a FP</p> <p>Days till granting home court order</p> <p>Chapter 11 Only</p> <p>Days until plan confirmed/converted</p> <p>Both Chapter 15 and Chapter 11</p> <p>#Court dockets</p> <p>#Objections</p> <p>Objections proportion</p> <p>Days until last active docket</p> <p>Days until termination</p> <p>Days till granting sale of assets</p>	<p>Source: PACER</p> <p>The number of days taken from filing a motion for the first relief by a debtor's foreign representative until granted by the U.S. bankruptcy court</p> <p>The number of days taken from the date a Chapter 15 petition is filed by a debtor's foreign representative until it is recognized as a foreign proceeding by the U.S. bankruptcy court</p> <p>The number of days taken from filing a motion for the enforcement of the home court's order by a debtor's foreign representative until granted by the U.S. bankruptcy court</p> <p>The number of days taken from the date a Chapter 11 petition is filed by a debtor until its confirmation date for reorganization plan or converted to Chapter 7</p> <p>The number of court docket entries for a given case filing</p> <p>The number of objections raised by parties involved in the case. We primarily look for court docket entries that contain the words "objection" or "opposition"</p> <p>#Objection divided by #Court dockets</p> <p>The number of days taken from the date a bankruptcy petition is filed until the date of its last active docket</p> <p>The number of days taken from the date a bankruptcy petition is filed until its termination date</p> <p>The number of days taken from filing a motion for sale of assets until granted by the U.S. bankruptcy court</p>
<p>Country-level insolvency variables</p> <p>Common law</p> <p>English language</p> <p>Creditor rights</p>	<p>=1 if the legal origin of the bankruptcy law is common law, 0 otherwise. For the extra ten countries from Djankov et al. (2007), the legal origin of the company law or commercial code of the country is used (Source: Djankov et al. (2008), and Djankov et al. (2007))</p> <p>=1 if English is the official language, 0 otherwise.</p> <p>An index aggregating creditor rights. It is computed as of January 2003 (Source: La Porta et al. (1998)).</p>

Variable	Definition and source
<p>Reorganization index</p> <p>Cost</p> <p>Time</p> <p>Recovery</p>	<p>The reorganization proceedings index has three components (0–3): (i) whether the reorganization plan is voted on only by the creditors whose rights are modified or affected by the plan; (ii) whether creditors are entitled to vote on the plan are divided into classes, each class votes separately and the creditors within each class are treated equally, and (iii) whether the insolvency framework requires that dissenting creditors receive as much under the reorganization plan as they would have received in liquidation. (Source: World Bank)</p> <p>The cost to resolve insolvency is recorded as a percentage of the value of the debtor’s estate, including court fees and government levies, fees of insolvency administrators, auctioneers, assessors, and lawyers, and all other fees and costs. (Source: World Bank)</p> <p>The time to resolve insolvency captures the time for creditors to recover their credit and is recorded in calendar years. Potential delay tactics by the parties, such as the filing of dilatory appeals or requests for extension, are taken into consideration. (Source: World Bank)</p> <p>The recovery rate is recorded as cents on the dollar recovered by secured creditors through judicial reorganization, liquidation, or debt enforcement (foreclosure or receivership) proceedings. The calculation takes into account the outcome: whether the business emerges from the proceedings as a going concern or the assets are sold piecemeal. (Source: World Bank)</p>
<p>Country-year control variables</p> <p>GDP per capita</p> <p>GDP growth</p> <p>Listed firms</p> <p>Bilateral trade</p>	<p>Natural logarithm of real GDP per capita (Source: World Bank and Worldscope)</p> <p>Annual percentage growth rate of GDP in local currencies (Source: World Bank and Worldscope)</p> <p>Natural logarithm of the number of listed firms in a country (Source: World Bank and Worldscope)</p> <p>The maximum of import and export with the United States (Source: IMF)</p>
<p>Country-year dependent variables</p> <p>I.Chapter15(11)</p> <p>ln(1+Chapter15(11))</p>	<p>Source: New Generation Research and Global Insolvency</p> <p>=1 if there are any Chapter 15(11) filed by firms headquartered in a given country-year, 0 otherwise</p> <p>Natural logarithm of 1 plus the number of Chapter 15 (11) filed by firms headquartered in a given country-year</p>
<p>Firm-year dependent variables</p> <p>Acquisition variables</p> <p>Ln(1+#US acq)</p> <p>Ln(1+\$US acq)</p>	<p>Source: SDC</p> <p>Natural logarithm of 1 plus the total number of U.S. acquisitions made by a given firm-year</p> <p>Natural logarithm of 1 plus the total transaction value (in USD) of U.S. acquisitions made by a given firm-year</p>

Variable	Definition and source
Ln(1+#domestic acq)	Natural logarithm of 1 plus the total number of domestic acquisitions made by a given firm-year
Ln(1+\$domestic acq)	Natural logarithm of 1 plus the total transaction value (in USD) of domestic acquisitions made by a given firm-year
Ln(1+#non-US CB acq)	Natural logarithm of 1 plus the total number of non-U.S. acquisitions made by a given firm-year
Ln(1+\$non-US CB acq)	Natural logarithm of 1 plus the total transaction value (in USD) of non-U.S. acquisitions made by a given firm-year
Ln(1+#US div)	Natural logarithm of 1 plus the total number of U.S. divestitures made by a given firm-year, where the firm has at least one U.S. subsidiary as of 2002
Ln(1+\$US div)	Natural logarithm of 1 plus the total transaction value (in USD) of U.S. divestitures made by a given firm-year, where the firm has at least one U.S. subsidiary as of 2002
Capital structure variables	Source: Compustat Global and Capital IQ
Book leverage	(Long-term debt+Short-term debt)/Total assets
Long-term leverage	Long-term debt/Total debt
Bond share	(Commercial paper + all types of bonds)/Total debt
Trade credit	Account payables/Cost of goods sold
Firm-year independent variables	
Main variables	Source: NGR and GI
Post Chapter15	=1 for the years after the Chapter 15 enactment in 2005, 0 otherwise
Treated	=1 if the country of a firm's headquarter filed Chapter 15 over 2005–2010, 0 otherwise
Control variables	Source: Compustat Global
ROA	EBIT/Total assets
Size	Natural logarithm of total assets (book value) converted into U.S. dollars
Tangibility	PPE/Total assets
Sales growth	(Sales- lagged Sales)/Total assets
UNCITRAL setting variables	
Post UNCITRAL	=1 after the UNCITRAL Model Law enactment year following Appendix Table A7 (Source: UNCITRAL websites)
Market return	The percentage change in a target country's stock market prices in U.S. dollars (Source: World Bank and Worldscope)
Currency return	Return on real effective exchange rate indices of a target country (Source: World Bank and Worldscope)

Variable	Definition and source
% Cross-border acq	The number of inbound cross-border acquisitions made in a given country-year divided by the total number of acquisitions made in the country-year. An acquisition is a cross-border acquisition if the target's nation differs from the acquirer's ultimate parents. (Source: SDC)
% Cross-border div	The number of divestitures made in a given country-year where the target's parent is a foreign entity divided by the total number of divesting transactions made in the country-year. (Source: SDC)

Table A2: **Firm-level comparisons**

This table presents statistics for firm-level accounting variables of Chapter 11 and Chapter 15 non-U.S. debtors over 2001–2020 and 2005–2020 in New York Southern District and Delaware. *Size* is equal to the natural logarithm of total assets denominated in U.S. dollars. *ROA* is equal to EBIT divided by total assets in local currency. *Leverage* is equal to the total debt divided by total assets. *Cash* is equal to cash plus short-term investments divided by total assets in local currency. *%Foreign sales* is equal to foreign sales divided by total sales. *%US sales* is equal to sales reported to be made in the U.S. segment divided by total sales. *%US assets* is equal to assets reported to be in the U.S. segment divided by total assets. These variables are one, two, or three years prior to filing for a U.S. bankruptcy and extracted from Worldscope. We assess the differences in means using the mean difference test and medians using the Wilcoxon rank-sum test. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	2001-2020								2005-2020							
	Chapter 11			Chapter 15			Mean	Med	Chapter 11			Chapter 15			Mean	Med
	Obs.	Mean	Median	Obs.	Mean	Median	Diff.	Diff.	Obs.	Mean	Median	Obs.	Mean	Median	Diff.	Diff.
Size	45	14.008	14.267	142	13.898	13.718	0.11	0.549	36	13.961	14.002	142	13.898	13.718	0.063	0.284
ROA	43	-0.131	-0.055	135	-0.11	-0.044	-0.021	-0.011	36	-0.109	-0.057	135	-0.11	-0.044	0.001	-0.013
Leverage	45	0.61	0.546	142	0.51	0.495	0.1	0.051**	36	0.616	0.547	142	0.51	0.495	0.105	0.052**
Cash	45	0.112	0.072	139	0.099	0.076	0.014	-0.004	36	0.11	0.071	139	0.099	0.076	0.011	-0.005
%Foreign sales	27	0.567	0.645	103	0.517	0.535	0.049	0.11	22	0.581	0.719	103	0.517	0.535	0.063	0.184
%US sales	28	0.305	0.132	107	0.161	0	0.144**	0.132	22	0.291	0.108	107	0.161	0	0.13	0.108**
%US assets	18	0.137	0.027	80	0.094	0	0.043	0.027	14	0.162	0	80	0.094	0	0.069	0
N	187								178							

Table A3: Country-level analysis: Number of Chapter 15 filings

The table presents OLS estimates of the effect of a non-U.S. country's insolvency characteristics on its likelihood of filing Chapter 15 in the U.S. Bankruptcy Court from 2005–2020. The insolvency characteristics are *Common Law*, *English language*, *Reorganization index*, *Costs*, *Time*, *Creditor rights*, and *Recovery*. The regressions are conducted on a country-year panel using 76 non-U.S. countries covered in [Djankov et al. \(2008\)](#). The dependent variable is the natural logarithm of one plus the number of Chapter 15 cases filed by firms headquartered in a given country-year. All control variables are lagged by one year. Definitions and sources of the variables are provided in [Appendix A1.5](#). Continent and year-fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the year level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Dep. Var. = $\ln(1+\#\text{Chapter15})$								
Common law	0.215*** (8.04)							0.216*** (6.84)
English language		0.362*** (9.28)						
Creditor rights			0.048*** (5.95)					0.037*** (4.59)
Reorganization index				0.006 (0.64)				-0.009 (-0.89)
Cost					-0.004*** (-4.94)			-0.006*** (-5.77)
Time						-0.010*** (-3.00)		0.020** (2.77)
Recovery							0.001*** (5.01)	
GDP per capita	0.033*** (4.07)	0.018** (2.25)	0.042*** (5.38)	0.050*** (5.66)	0.032*** (4.61)	0.045*** (5.37)	0.030*** (4.36)	0.008 (1.02)
GDP growth	-0.726** (-2.75)	-0.704** (-2.65)	-0.658** (-2.43)	-0.714** (-2.74)	-0.724** (-2.73)	-0.713** (-2.74)	-0.702** (-2.69)	-0.691** (-2.59)
Listed firms	0.062*** (8.07)	0.078*** (9.31)	0.078*** (8.58)	0.074*** (8.22)	0.075*** (8.69)	0.073*** (8.48)	0.071*** (8.34)	0.069*** (7.57)
Bilateral trade	4.814*** (8.83)	4.213*** (8.21)	4.971*** (9.23)	4.746*** (8.50)	4.821*** (8.83)	4.740*** (8.74)	4.701*** (8.65)	5.143*** (9.02)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Continent FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216
Adjusted R-squared	0.40	0.42	0.38	0.37	0.37	0.37	0.37	0.41

Table A4: Country-level analysis: Chapter 11

The table presents OLS estimates of the effect of a non-U.S. country's insolvency characteristics on filing Chapter 11 in the U.S. Bankruptcy Court from 2001–2020. In Panel A, the dependent variable is a binary variable that takes a value of one if there are any Chapter 11 filed by firms headquartered in a given country-year. In Panel B, the dependent variable is the natural logarithm of one plus the number of Chapter 11 cases filed by firms headquartered in a given country-year. The insolvency characteristics are *Common Law*, *English language*, *Reorganization index*, *Costs*, *Time*, *Creditor rights*, and *Recovery*. The regressions are conducted on a country-year panel using 76 non-U.S. countries covered in [Djankov et al. \(2008\)](#). All control variables are lagged by one year. Definitions and sources of the variables are provided in [Appendix A1.5](#). Continent and year-fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the year level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Likelihood of filing Chapter 11								
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Dep. Var. = I.Chapter11								
Common law	0.032** (2.44)							0.034** (2.43)
English language		0.063** (2.56)						
Creditor rights			0.005 (0.91)					0.002 (0.43)
Reorganization index				-0.010*** (-4.00)				-0.013*** (-3.69)
Cost					0.001 (1.23)			0.000 (0.83)
Time						-0.004 (-1.57)		-0.002 (-0.62)
Recovery							0.000 (1.45)	
GDP per capita	0.008** (2.57)	0.005 (1.57)	0.010** (2.86)	0.009** (2.82)	0.012*** (2.98)	0.009*** (2.87)	0.006 (1.69)	0.007* (1.80)
GDP growth	0.084 (1.00)	0.079 (0.91)	0.092 (1.01)	0.089 (1.02)	0.087 (1.02)	0.084 (0.96)	0.086 (0.99)	0.090 (1.03)
Listed firms	0.002 (0.53)	0.004 (1.22)	0.004 (1.06)	0.005 (1.29)	0.004 (1.03)	0.003 (0.88)	0.003 (0.84)	0.003 (0.73)
Bilateral trade	0.807*** (3.57)	0.705*** (3.12)	0.832*** (3.69)	0.868*** (3.78)	0.810*** (3.58)	0.797*** (3.53)	0.792*** (3.49)	0.875*** (3.75)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Continent FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520
Adjusted R-squared	0.08	0.08	0.07	0.07	0.07	0.07	0.07	0.08

Panel B. Number of Chapter 11 filings

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Dep. Var. = $\ln(1+\#\text{Chapter11})$								
Common law	0.025** (2.46)							0.027** (2.44)
English language		0.051** (2.66)						
Creditor rights			0.005 (1.27)					0.003 (0.82)
Reorganization index				-0.009*** (-4.20)				-0.011*** (-3.87)
Cost					0.000 (0.96)			0.000 (0.52)
Time						-0.003* (-1.89)		-0.001 (-0.65)
Recovery							0.000* (1.74)	
GDP per capita	0.006** (2.58)	0.003 (1.44)	0.007*** (2.97)	0.006*** (2.96)	0.009*** (3.14)	0.006*** (2.87)	0.004 (1.54)	0.004 (1.57)
GDP growth	0.059 (1.02)	0.055 (0.92)	0.067 (1.07)	0.063 (1.06)	0.061 (1.04)	0.059 (0.98)	0.061 (1.01)	0.066 (1.09)
Listed firms	0.002 (0.72)	0.004 (1.42)	0.004 (1.28)	0.004 (1.50)	0.003 (1.23)	0.003 (1.08)	0.003 (1.03)	0.003 (0.98)
Bilateral trade	0.606*** (3.62)	0.524*** (3.21)	0.632*** (3.72)	0.657*** (3.84)	0.609*** (3.64)	0.598*** (3.59)	0.591*** (3.50)	0.671*** (3.83)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Continent FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520
Adjusted R-squared	0.07	0.08	0.07	0.07	0.07	0.07	0.07	0.08

Table A5: Validation of parallel trend assumption

This table reports estimates from OLS regressions exploring the pre and post-treatment trends of acquisition and divesting activities of non-U.S. firms surrounding Chapter 15 enactment from 2003–2007. The regressions are conducted on a firm-year panel. Dependent variables in columns (1) to (4) are the natural logarithms of one plus the total number of U.S. acquisitions, one plus the total transaction value (in USD) of U.S. acquisitions, one plus the total number of U.S. divestitures and one plus the total transaction value (in USD) of U.S. divestitures respectively. Our divestiture sample in columns (3) and (4) only includes firm-year observations that have at least one U.S. subsidiary as of 2002. *Treated* is equal to one if the country of a firm’s headquarter filed Chapter 15 over 2005–2010, zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for the clustering of observations at the firm level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
Dep. Var. =	#US acq	\$US acq	#US div	\$US div
2003 × Treated	-0.003 (-1.18)	-0.014 (-1.57)	0.004 (0.71)	0.030 (1.22)
2005 × Treated	0.004* (1.84)	0.001 (0.13)	0.004 (0.78)	0.032 (1.57)
2006 × Treated	0.005** (2.38)	0.014 (1.34)	0.000 (0.03)	0.026 (1.35)
2007 × Treated	0.007*** (2.68)	0.021* (1.78)	-0.011* (-1.68)	-0.040 (-1.38)
Sales growth	0.000 (0.19)	0.006 (1.19)	-0.007** (-2.44)	-0.027** (-2.15)
ROA	0.015*** (3.05)	0.061*** (3.33)	-0.014 (-1.57)	-0.046 (-1.50)
Size	-0.000 (-0.25)	-0.006 (-1.14)	0.009*** (3.06)	0.034*** (2.93)
Tangibility	-0.003 (-0.73)	-0.017 (-0.85)	-0.003 (-0.24)	0.029 (0.68)
GDP per capita	0.005 (0.83)	0.033 (1.22)	-0.032*** (-3.06)	-0.137*** (-3.17)
GDP growth	0.007 (0.26)	0.122 (0.92)	0.060 (0.76)	0.802** (2.52)
Listed firms	-0.004 (-0.83)	-0.021 (-0.94)	-0.014* (-1.73)	-0.012 (-0.49)
Bilateral trade	-0.066 (-0.84)	-0.547 (-1.54)	0.342* (1.70)	1.278* (1.85)
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Number of Observations	76,523	76,523	14,699	14,699
Adjusted R-squared	0.42	0.22	0.11	0.05

Table A6: Placebo test: Chapter 15 and acquisitions of non-U.S. Firms

This table presents estimates of the effect of Chapter 15 enactment on the transaction value of acquisitions of 63 non-U.S. firms from 2003–2007. The regressions are conducted on a firm-year panel. The dependent variable in column (1) is the natural logarithm of one plus the total transaction value (in USD) of non-U.S. cross-border acquisitions. In column (2), the dependent variable is the natural logarithm of one plus the total transaction value (in USD) of domestic acquisitions. *Post Chapter15* is equal to one for the years after the Chapter 15 enactment in 2005, zero otherwise. *Treated* is equal to one if the country of a firm’s headquarter filed Chapter 15 over 2005–2010, zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the firm level and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)
Dep. Var. =	\$non-US CB acq	\$domestic acq
Post Chapter15 × Treated	0.011 (1.03)	0.010 (0.84)
Sales growth	-0.008 (-1.10)	-0.028*** (-2.86)
ROA	0.112*** (4.49)	0.192*** (6.02)
Size	0.013 (1.28)	-0.049*** (-4.72)
Tangibility	-0.015 (-0.46)	-0.110** (-2.51)
GDP per capita	0.131*** (3.76)	0.173*** (3.79)
GDP growth	0.061 (0.35)	-0.003 (-0.01)
Listed firms	-0.024 (-1.02)	0.027 (0.95)
Bilateral trade	-1.236*** (-3.17)	-2.250*** (-3.92)
Firm FE	Yes	Yes
Year FE	Yes	Yes
Number of Observations	76,523	76,523
Adjusted R-squared	0.22	0.19

Table A7: UNCITRAL Model Law adoption

This table presents a list of countries that adopted UNCITRAL Model Law on Cross-Border Insolvency from 1997–2020. Over the sample period, 18 countries shown in the list adopted the Model Law.

Country	Year of adoption
Mexico	2000
Japan	2000
South Africa	2000
Romania	2002
Poland	2003
Canada	2005
United States	2005
New Zealand	2006
South Korea	2006
United Kingdom	2006
Colombia	2006
Slovenia	2007
Australia	2008
Philippines	2010
Greece	2010
Chile	2013
Singapore	2017
Israel	2018

Table A8: Time dynamics of the effect of UNCITRAL Model Law on acquisition and divestiture activities

This table presents OLS estimates of the time dynamics of the effect of the UNCITRAL Model Law on inbound cross-border acquisitions and divesting transactions from 1997–2020 in 64 countries. *adoptpre5-* is equal to 1 for all years greater than or equal to five years before the UNCITRAL adoption in a given country. Other time variables related to the adoption year are analogously defined. The year of adoption is the omitted category. The dependent variable in column (1) is *%Cross-border acq* which is equal to the number of inbound cross-border acquisitions made in a given country-year divided by the total number of acquisitions made in the country-year. The dependent variable in column (2) is *%Cross-border div*, which is equal to the number of divestitures made in a given country-year where the target’s parent is a foreign entity divided by the total number of divesting transactions made in the country-year. All control variables are lagged by one year. Country and year fixed effects are included in all panels. Standard errors are corrected for clustering observations at the country level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively. Definitions and sources of the variables are provided in Appendix A1.5.

Dep. Var. =	(1) %Cross-border acq	(2) %Cross-border div
<i>adoptpre_5-</i>	-0.002 (-0.05)	0.043 (1.63)
<i>adoptpre_4</i>	0.043 (1.18)	0.058 (0.99)
<i>adoptpre_3</i>	0.008 (0.19)	0.046 (1.06)
<i>adoptpre_2</i>	0.021 (0.56)	0.015 (0.46)
<i>adoptpre_1</i>	-0.030 (-0.93)	0.041 (1.18)
<i>adoptpost_1</i>	0.099*** (3.16)	0.018 (0.90)
<i>adoptpost_2</i>	0.027 (0.63)	-0.006 (-0.22)
<i>adoptpost_3</i>	0.129** (2.60)	-0.037 (-1.39)
<i>adoptpost_4</i>	0.055 (1.47)	0.019 (0.48)
<i>adoptpost_5+</i>	0.078** (2.17)	0.008 (0.38)
GDP per capita	-0.124*** (-3.51)	0.035 (1.38)
GDP Growth	-0.129 (-0.57)	-0.622*** (-3.09)
Listed Firms	-0.031 (-1.58)	0.013 (0.72)
Market return	-0.033* (-1.72)	0.006 (0.35)
Currency return	0.071 (1.36)	0.021 (0.46)
Country FE	Yes	Yes
Year FE	Yes	Yes
Number of Observations	1416	1416
Adjusted R-squared	0.56	0.24

Table A9: **UNCITRAL - Placebo test**

This table presents placebo tests for the effect of the staggered adoption of the UNCITRAL Model Law on inbound cross-border acquisitions from 1997–2020 in 64 target countries. Only target country-year observations with at least one target acquired during the sample period are included. Out of 64 countries, 18 adopted UNCITRAL Model Law in our sample (including the U.S., which has its name in Chapter 15). *Post UNCITRAL* is a binary variable that takes a value of one after the UNCITRAL Model Law enactment year following Appendix Table A7. The dependent variable is equal to the proportion of inbound cross-border acquisitions in all countries excluding country i in year t . The numerator is equal to the total number of cross-border acquisitions across all countries in year t minus total outbound cross-border acquisitions by country i in year t minus total inbound cross-border acquisitions in county i in year t . The denominator is equal to the total number of acquisitions across all countries in year t minus the total number of outbound cross-border acquisitions by county i in year t minus the total number of inbound acquisitions (both cross-border and domestic) made in country i in year t . All control variables are lagged by one year. Standard errors are corrected for clustering of observations at the country level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively. Definitions and sources of the variables are provided in Appendix A1.5.

	(1)	(2)	(3)	(4)
Dep. Var. = %Cross-border acq				
UNCITRAL	-0.001 (-0.84)	-0.003 (-1.38)	-0.000 (-0.13)	-0.001 (-0.80)
GDP per capita	-0.003*** (-6.34)	-0.006*** (-5.91)	-0.002*** (-5.71)	0.001 (0.96)
GDP Growth	0.048*** (2.83)	0.049*** (2.84)	0.007 (0.88)	-0.006** (-2.44)
Listed Firms	-0.001* (-1.76)	0.000 (0.07)	-0.001* (-1.85)	0.000 (0.75)
Market return	0.003*** (2.93)	0.003** (2.65)	-0.001 (-1.43)	0.000 (0.15)
Currency return	-0.011** (-2.17)	-0.012** (-2.23)	0.001 (1.09)	0.000 (0.57)
Country FE	No	Yes	No	Yes
Year FE	No	No	Yes	Yes
Number of Observations	1,416	1,416	1,416	1,416
Adjusted R-squared	0.06	0.10	0.91	0.98

Table A10: **Replacing the measure of Treated variable**

This table presents estimates of the effect of Chapter 15 enactment on acquisition activities and capital structures of non-U.S. firms from 2003–2007. The regressions are conducted on a firm-year panel. *Post Chapter15* is equal to one for the years after the Chapter 15 enactment in 2005, zero otherwise. *Treated* is equal to one if the country of a firm’s headquarter filed Chapter 15 over 2005–2010, zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the firm level and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Var. =	(1)	(2)	(3)	(4)
	#US acq	\$US acq	Book leverage	Long-term leverage
Post Chapter15× Treated	0.006*** (4.76)	0.024*** (3.71)	0.011*** (4.19)	0.012*** (5.72)
Sales growth	0.000 (0.09)	0.005 (1.06)	-0.002 (-1.09)	0.001 (0.60)
ROA	0.015*** (3.02)	0.061*** (3.32)	-0.142*** (-14.79)	-0.060*** (-8.70)
Size	-0.000 (-0.15)	-0.005 (-1.08)	0.027*** (10.64)	0.018*** (9.59)
Tangibility	-0.003 (-0.71)	-0.018 (-0.89)	0.081*** (8.91)	0.054*** (7.81)
GDP per capita	0.004 (0.75)	0.026 (1.04)	0.007 (0.97)	0.022*** (3.47)
GDP Growth	0.001 (0.03)	0.037 (0.28)	-0.106*** (-2.74)	0.006 (0.18)
Listed Firms	-0.003 (-0.63)	-0.017 (-0.76)	0.013*** (3.10)	0.001 (0.16)
Bilateral Trade	-0.225*** (-3.57)	-1.037*** (-3.52)	0.223** (1.97)	-0.119 (-1.56)
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Number of Observations	76,936	76,936	76,748	76,748
Adjusted R-squared	0.42	0.22	0.76	0.69

Table A11: Excluding countries that reformed local bankruptcy laws

This table presents estimates of the effect of Chapter 15 enactment on U.S. acquisitions made by non-U.S. firms from 2003–2007, *excluding* those that reformed local bankruptcy laws. The regressions are conducted on a firm-year panel. The dependent variable in columns (1) and (3) is the natural logarithm of one plus the total number of U.S. acquisitions made by a given firm-year. The dependent variable in columns (2) and (4) is the natural logarithm of one plus the total transaction value of U.S. acquisitions made by a given firm-year. Columns (1) and (2) exclude all of the firms headquartered in Brazil, China, France, Italy, and Spain that reformed bankruptcy laws from 2003–2007. Columns (3) and (4) exclude Brazil and Italy, which reformed bankruptcy laws in 2005, which coincides with the Chapter 15 enactment year. *Post Chapter15* is equal to one for the years after the Chapter 15 enactment in 2005, zero otherwise. *Treated* is equal to one if the country of a firm’s headquarter filed Chapter 15 over 2005–2010, zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the firm level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
Dep. Var. =	#US acq	\$US acq	#US acq	\$US acq
Post Chapter15 × Treated	0.004* (1.95)	0.015* (1.67)	0.005** (2.45)	0.019** (2.17)
Sales growth	-0.000 (-0.16)	0.005 (0.94)	0.000 (0.18)	0.006 (1.26)
ROA	0.015*** (2.74)	0.056*** (2.78)	0.014*** (2.82)	0.056*** (3.04)
Size	-0.000 (-0.35)	-0.006 (-1.05)	-0.000 (-0.19)	-0.005 (-1.07)
Tangibility	-0.003 (-0.69)	-0.025 (-1.09)	-0.003 (-0.80)	-0.019 (-0.95)
GDP per capita	0.005 (0.68)	0.021 (0.65)	0.008 (1.32)	0.038 (1.42)
GDP Growth	0.011 (0.39)	0.149 (1.08)	0.016 (0.61)	0.131 (1.01)
Listed Firms	-0.002 (-0.40)	-0.011 (-0.50)	-0.004 (-0.73)	-0.019 (-0.85)
Bilateral Trade	0.007 (0.03)	0.020 (0.02)	-0.163** (-2.45)	-0.784** (-2.57)
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Number of Observations	64,742	64,742	74,527	74,527
Adjusted R-squared	0.42	0.22	0.42	0.22

Table A12: Two-stage propensity matching: Excluding countries that reformed bankruptcy laws

This table presents results on the two-stage matching of the effect of Chapter 15 enactment on acquisition and divestiture activities of non-U.S. firms from 2003–2007 excluding Italy, Brazil, France, Spain, and China. The regressions are conducted on a firm-year panel. Dependent variables in columns (1) to (6) are the natural logarithms of one plus the total number of U.S. acquisitions, one plus the total transaction value (in USD) of U.S. acquisitions, one plus the total number of non-U.S. cross-border acquisitions, one plus the total number of domestic acquisitions, one plus the total number of U.S. divestitures and one plus the total transaction value (in USD) of U.S. divestitures respectively. Our divestiture sample in columns (5) and (6) only includes firm-year observations that have at least one U.S. subsidiary as of 2002. *Post Chapter15* is equal to one for the years after the Chapter 15 enactment in 2005, zero otherwise. *Treated* is equal to one if the country of a firm’s headquarter filed Chapter 15 over 2005–2010, zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the firm level and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Var. =	(1) #US acq	(2) \$US acq	(3) #non-US CB acq	(4) #domestic acq	(5) #US div	(6) \$US div
Post Chapter15 × Treated	0.007** (2.55)	0.031** (2.47)	-0.002 (-0.31)	-0.005 (-0.68)	-0.004 (-0.28)	-0.035 (-0.78)
Sales growth	0.001 (0.48)	0.009 (1.14)	0.002 (0.64)	-0.016*** (-3.53)	-0.008** (-2.24)	-0.032* (-1.82)
ROA	0.014** (1.98)	0.049** (1.97)	0.021** (2.30)	0.085*** (5.96)	-0.016 (-1.39)	-0.053 (-1.39)
Size	-0.002 (-1.31)	-0.010 (-1.53)	0.009*** (2.70)	-0.022*** (-5.52)	0.011*** (3.00)	0.048*** (3.10)
Tangibility	-0.002 (-0.26)	-0.015 (-0.48)	-0.008 (-0.71)	-0.064*** (-3.43)	-0.007 (-0.46)	0.027 (0.49)
GDP per capita	0.007 (0.68)	0.074 (1.44)	0.021 (1.52)	0.037* (1.82)	-0.044*** (-3.41)	-0.173*** (-3.03)
GDP growth	-0.048 (-0.91)	0.147 (0.56)	0.066 (0.73)	-0.029 (-0.25)	-0.008 (-0.09)	0.746** (1.99)
Listed firms	-0.003 (-0.39)	-0.031 (-1.06)	-0.015* (-1.87)	-0.010 (-0.96)	-0.013 (-1.33)	-0.002 (-0.06)
Bilateral trade	0.166 (0.67)	-0.207 (-0.18)	0.443 (1.52)	-0.892** (-1.97)	0.330 (1.22)	1.388 (1.34)
Firm FE	Yes	Yes	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	42,738	42,738	42,738	42,738	10,580	10,580
Adjusted R-squared	0.45	0.23	0.40	0.33	0.08	0.05