FORUM: Economic and Financial Committee (GA2)
QUESTION OF: Measures to Prevent and Manage Corporate Insolvency
SUBMITTED BY: Belgium
CO-SUBMITTED BY: Cyprus, Germany, Israel, Japan, Netherlands, Republic of Korea, Spain, Switzerland, Ukraine

THE ECONOMIC AND FINANCIAL COMMITTEE,

Bearing in mind that member states have pledged to uphold the essential values of financial transparency, good governance, and investor and creditor protection in order to prevent corporate insolvency and guarantee sustainable business operations,

Aware of the impact that insolvency frameworks have on the economic behavior of private individuals and businesses,

Having studied the International Business Machines (IBM) Corporation Corporate Insolvency Prevention system,

Viewing with appreciation Balance Sheet and Cash Flow Tests,

Highlighting the need for international cooperation and capacity building to strengthen insolvency systems,

Recognizing the specific needs and circumstances of developing country parties, especially those that are particularly vulnerable to the adverse effects of climate change, as provided for in the United Nations framework convention on climate change,

1. <u>Recommends</u> member states to strengthen domestic insolvency frameworks by:
   a) adopting transparent and predictable insolvency laws that support equitable treatment for all creditors and create an environment that is favorable to business recovery, based on international best practices,
   b) ensuring that insolvency procedures are fair and, that they balance the interests of debtors, creditors, and employees;

2. <u>Calls upon</u> international financial institutions, such as the International Monetary Fund (IMF), the United Nations (UN) and the World Bank, to:
   a) provide financial assistance, such as emergency credit facilities for countries and enterprises that are found to be insolvent,
   b) establish insolvency frameworks that will help funding by offering access to all businesses when in need,
   c) aid in the payment of any debts that may occur;

3. Urges for a UN Fund for Corporate Resilience to be created, so as to form rigid frameworks for member nations to help prevent and manage corporate insolvency, with an emphasis on early prevention, and economic stabilization, with these funds being allocated towards measures such as, but not limited to:
   a) the development of early warning systems for corporations that are or are beginning to be at risk of corporate insolvency, utilizing indicators such as Return On Investments (ROI), Return On Assets (ROA) etc.,
   b) the creation of government-backed programs that will help companies going through restructuring to regain solvency and protect jobs, especially in vital economic sectors through tax breaks during turbulent times and advisory services,
   c) a set of laws for businesses that will favor their strategic reorganization over the liquidation of their assets, to protect both assets and jobs;

4. Promotes the adoption of international standards for insolvency management and prevention to guarantee fair and transparent processes and promote cooperation between member states, with these standards including measures such as but not limited to:
   a) recommendations for faster insolvency processes for enterprises, which will allow for the expedited resolution of insolvency matters and minimally affect the economy,
   b) forming debtor-friendly legislation that will allow for a profitable, financially growing company to restructure their debts while conducting business as usual,
   c) the establishment of nation-wide insolvency agencies that will strive for the equitable and unbiased handling of cases;

5. Calls upon international collaboration, facilitated by the IMF and the World Bank Group regarding the efficient alleviation of corporate insolvency, aiming to:
   a) create global laws and regulations regarding insolvency practices,
   b) provide country-specific technical assistance, involving meαsures such as but not limited to:
      i. workshops and training for insolvency practitioners,
      ii. balance sheet and cash flow tests;

6. Encourages banks and other financial creditors to support the establishment of emergency credit facilities, which encompass short-term financing options, such as, but not limited to:
   a) debt restructuring options, which mainly consist of interest reduction and compromising financial agreements among creditors and debtors in order to prevent:
      i. bankruptcy,
      ii. creditworthiness losses,
      iii. asset liquidation,
      iv. default regarding corporation's financial obligations,
   b) refinancing options, which are linked to financial institutions, or government entities efficiently tackling urgent liquidity needs by providing financial support.