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International Insolvency Treaty: The Conversation Is Happening

By Joseph Checkler

International treaties take years to complete as it is, so imagine the complexities at play in a hypothetical international insolvency treaty. But at least people are starting to talk about it.

On Friday, at the [International Global Restructuring Organization's annual conference](#) in Modena, Italy, [Chief New York Bankruptcy Judge Cecelia Morris](#) will speak about the bankruptcy of the city of Detroit, insolvency risk in Puerto Rico and the ongoing problems in Argentina. Judge Morris told Bankruptcy Beat that while formal international insolvency agreements related to sovereign states may be a few years off, getting the restructuring experts in the same room as the financial players is a huge part of moving closer.

“Financial people want to know that they’re protected,” Judge Morris said.

The U.S. is of course a long way ahead of many countries in terms of corporate restructuring, and even has [Chapter 15 of the Bankruptcy Code](#) in place for foreign companies with U.S. interests. Educating people in other countries on working with a group of creditors, especially when politics are involved, can be difficult.

“It’s having to overcome that feeling of lack of control,” Judge Morris said. People who aren’t as familiar with formal restructuring proceedings can be “scared of creditors and their powers,” she added.

The judge’s afternoon session will be followed by another lesson: a speech about the Detroit bankruptcy and the new business opportunities it has created by the city’s emergency manager, [Kevyn Orr](#). Judge Morris said she expects Mr. Orr to be able to give attendees a “real perspective” on what to do with an insolvent municipality or country. Then, a group of Italian judges will have a panel discussion on protection for creditors.

Judge Morris likens a sovereign state’s insolvency to the U.S. railroads after the Civil War. Because the railroads couldn’t be broken up piecemeal, they were put into federal receivership and run by the government. Just like you really can’t liquidate a railroad, Judge Morris said, “You can’t liquidate a government.”