From Around the World

Canadian Business Insolvencies rising to Levels Not Seen Since Great Recession

Business insolvencies in Canada are hitting their highest point since the Great Recession, new data show, the Globe and Mail reported. According to the federal Office of the Superintendent of Bankruptcy, 2,003 business insolvencies were filed from Jan. 1 to March 31 of this year. Of those, 1,599 were bankruptcies and 404 were proposals, which is a legal option to negotiate lower debt repayment with creditors.

The number of insolvencies was up 32 per cent from the previous quarter, and 87 per cent from the same quarter last year. This continues a steady climb in filings over the past two years. Insolvencies had hit a low point early in the COVID-19 pandemic because of government-support programs and rock-bottom interest rates – both of which are now gone. Historical data show the first quarter of 2024 is the highest number of insolvencies in a quarter since the beginning of 2008, early in the global financial crisis. The vast majority of insolvencies were in Quebec (1,125) and Ontario (634). André Bolduc, a licensed insolvency trustee at BDO Canada and chair of the Canadian Association of Insolvency and Restructuring Professionals, said the number of insolvency filings in Quebec tend to be higher than other provinces because companies there face stricter penalties for not filing. Outside of Quebec, he said, owners are more likely to just walk away from failing businesses. The sector with the highest number of insolvencies was accommodation and food services, with 357, or about 18 percent of the total.

For More Details, Please Visit: *https://globalinsolvency.com/headlines/canadian-business-insolvencies-rising-levels-not-seen-great-recession*

U.K. Insolvencies Fall Back After Hitting Three-Decade High

The number of English and Welsh companies going bust stabilized in the first quarter after hitting a three-decade high in 2023 following a hit to balance sheets from soaring energy bills and interest rates, Bloomberg News reported.

Company insolvencies in England and Wales fell 2% from a year ago to 5,759 in the first three months of the year, according to the government's Insolvency Service. It was down 12% on the previous quarter. The figures add to hopes that a rapid exit from the last year's recession may strengthen companies that are now on the brink

and prevent a repeat of last year's jump to the highest level of insolvencies since 1993. Falling inflation, the economy's recovery and the prospect of cooling interest rates may begin to ease the pressure on UK companies in 2024. However, it still leaves bankruptcies well above pre-pandemic levels with experts warning of more pain ahead for firms as many are forced to refinance their borrowings at high borrowing costs.

For More Details, Please Visit: *https://globalinsolvency.com/headlines/uk-insolvencies-fall-back-after-hitting-three-decade-high.*

UK Banks Ordered to Start Stress Testing Private Equity Exposure

The Bank of England found a number of UK banks were unable to measure their exposure to private equity giants and their portfolio companies and ordered them to begin stress testing those relationships, Bloomberg News reported.

The central bank's Prudential Regulatory Authority reminded lenders' chief risk officers in a letter Tuesday that it expects them to "comprehensively identify, measure, combine, and record risks" tied to buyout funds and the companies they back. The letter comes after the central bank discovered many banks haven't been stress testing their loan portfolios to better understand how cracks in the private equity industry could spill over into their own business, Rebecca Jackson, the PRA's executive director for authorizations, regulatory technology, and international supervision, said in a speech on Tuesday. "On stress testing, unfortunately I do not have a huge amount to say," Jackson said at an event hosted by UK Finance. "Not because we found that firms are excellent at it, or because we think it's unimportant, but because we found that hardly any banks do it well in this context. Very few firms carry out routine, bespoke and comprehensive stress testing for aggregate sponsor related exposures."

For More Details, Please Visit: *https://globalinsolvency.com/headlines/uk-banks-ordered-start-stress-testing-private-equity-exposure*

Shadow Banking Stress in South Korea Sends Warning to Global Investors

South Korea is emerging as a closely watched weak link in the $63 trillion world of shadow banking, Bloomberg News reported. Real estate exposure has been showing cracks at home and abroad after interest rates rose, prompting financial firms including T. Rowe Price Group Inc. and Nomura Holdings Inc. to express concern about stress in shadow loans to the sector.

Delinquency rates at one key group of Korean lenders nearly doubled to 6.55% last year, while economists at Citigroup Inc. estimate 111 trillion won ($80 billion) of project-finance debt is "troubled." Korean shadow-bank financing to the real estate sector rose to a record 926 trillion won last year, over four times the level a decade ago, data from the Korea Capital Market Institute show. Policymakers have stemmed contagion risks by expanding certain loan guarantees, but a shock restructuring announcement late last year by builder Taeyoung Engineering & Construction Co. underscored the threat of flareups. The firm will need a debt-to-equity swap of about 1 trillion won to erase capital impairments, its largest creditor said last week. Such restructurings stand to worsen strains among shadow banks—as non-bank lenders are often called. The part of that sector with activities that may pose stability risks is large compared with other advanced economies and is second only to the US in relative size, according to data from the Financial Stability Board.

For More Details, Please Visit: *https://globalinsolvency.com/headlines/shadow-banking-stress-south-korea-sends-warning-global-investors*

EU Leaders Agree to Align Company Insolvency Laws

European Union leaders on Thursday agreed to align "relevant aspects" of their countries' insolvency laws for companies, as part of broader efforts to integrate capital markets and make the bloc more competitive, DPA International reported.

EU leaders agreed to a declaration that commits to "harmonizing relevant aspects of national corporate insolvency frameworks," among other measures to further integrate capital markets. The EU is struggling to compete with the United States and China and commissioned former Italian prime minister Enrico Letta to come up with a plan. Letta's 146-page report formed the basis of Thursday's discussions, which paid particular attention to ways of integrating EU capital markets. Leaders also discussed the possibility of more EU-level supervision of capital markets, though several member states are anxious to retain the role of their national financial authorities. "The economic case for a Capital Markets Union is crystal clear," European Commission President Ursula von der Leyen told reporters on Thursday. "Every year, €300 billion [$319 billion] of European savings are diverted abroad, mainly to the United States." "That is money missing for the development of our companies in the European Union. This is due to the fragmentation of our capital markets and finance system," she said.

For More Details, Please Visit: *https://www.msn.com/en-gb/money/other/eu-leaders-agree-to-align-company-insolvency-laws/ar-AA1ng2Ue?ocid=finance-verthp-feeds#:~:text=European%20Union%20leaders%20on,make%20the%20bloc%20more%20competitive.*

IMF Board Changes Lending Rules to Speed Up Debt Restructuring

The International Monetary Fund (IMF) has changed its process for supporting countries struggling with debt restructurings, a move aimed at avoiding recent delays widely blamed on China, Bloomberg News reported. The IMF executive board on April 9 approved reforms in policy areas "which should ensure a smoother and speedier process in the future," the fund said on Tuesday.

Fund officials estimate that the changes will reduce the time between staff agreement and board signoff on an IMF program to as little as two months. That compares with the nine months it took for Zambia, six months for Sri Lanka and five months for Ghana. Achieving that speed would also meet a publicly stated goal of Managing Director Kristalina Georgieva. Specifically, the change effectively changes requirements for so-called financing assurances from creditors, which are necessary to approve an IMF program. Such assurances have been slow to emerge from China, where major debt restructurings need approval from the country's State Council, one of the government's highest decision-making bodies. Under the new rules, the IMF would accept what it calls a "credible official creditor process" toward such assurances, rather than a finalized agreement, to avoid waiting for China's process to play out.

For More Details, Please Visit: *https://globalinsolvency.com/headlines/imf-board-changes-lending-rules-speed-debt-restructuring.*