

Press release

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FSB publishes peer review on out-of-court corporate debt workouts

The Financial Stability Board (FSB) published today a Thematic Review on Out-of-Court Corporate Debt Workouts. The objective of the peer review is to support COVID-19 response and recovery efforts by examining FSB member jurisdictions' practices, experiences and lessons from out-of-court workouts as a less costly and more flexible alternative to full, formal insolvency proceedings.

The review finds that FSB jurisdictions have adopted various approaches to complement in-court insolvency proceedings and facilitate restructurings through out-of-court frameworks. Most of these frameworks were in place before COVID-19, but some are new or have been amended. However, data about the use and outcomes of workouts is scarce, making it difficult to compare the performance of different frameworks within and across jurisdictions.

Small and medium-sized enterprises (SMEs) face challenges in out-of-court workout frameworks mainly due to their complexity and cost, so about half of jurisdictions have developed specific or simplified frameworks for SMEs.

Financial sector authorities' involvement in out-of-court workouts and debt restructuring can sometimes be direct – such as through codes of conduct and sets of principles – or indirect, by relying primarily on voluntary agreements between private parties.

The report recommends that FSB jurisdictions should consider assessing the efficiency of their out-of-court workout frameworks, collecting data and developing metrics for these assessments, reviewing whether there are significant barriers to their use by SMEs, and taking steps to reduce such barriers where necessary. In addition, the FSB, working with other international bodies, will promote the sharing of practices and experiences.

Tomoko Amaya, Vice Minister for International Affairs at the Japan Financial Services Agency (JFSA) and Chair of the peer review team, said “The potential for increased corporate stress in the aftermath of the COVID-19 pandemic underscores the importance of effective out-of-court workouts. The review shows that there is no one-size-fits all approach to such workouts.”

Fahad Almubarak, Governor of the Saudi Central Bank and Chair of the FSB's Standing Committee on Standards Implementation (SCSI) that oversaw the preparation of the peer review, said “This report provides a valuable comparison of the approaches and experiences of FSB jurisdictions with out-of-court corporate debt workouts. Jurisdictions should review their frameworks and look for ways to make them more accessible to SMEs.”

Notes to editors

The FSB began a regular programme of peer reviews in 2010, consisting of thematic reviews and country reviews. Thematic reviews focus on the implementation and effectiveness across the FSB membership of international financial standards developed by standard-setting bodies and policies agreed within the FSB in a particular area important for global financial stability. Thematic reviews may also analyse other areas important for global financial stability where international standards or policies do not yet exist. Peer reviews are conducted according to the objectives and guidelines set out in the Handbook for FSB Peer Reviews.

This report describes the findings of the peer review, including key elements of the discussion in the FSB SCSI. The draft report was prepared by a team of experts drawn from FSB member and other institutions and led by Tomoko Amaya (since November 2021, JFSA) and previously by Juan Pablo Graf Noriega (Comisión Nacional Bancaria y de Valores, Mexico).

The FSB coordinates at the international level the work of national financial authorities and international standard-setting bodies and develops and promotes the implementation of effective regulatory, supervisory, and other financial sector policies in the interest of financial stability. It brings together national authorities responsible for financial stability in 24 countries and jurisdictions, international financial institutions, sector-specific international groupings of regulators and supervisors, and committees of central bank experts. The FSB also conducts outreach with approximately 70 other jurisdictions through its six Regional Consultative Groups.

The FSB is chaired by Klaas Knot, President of De Nederlandsche Bank. The FSB Secretariat is located in Basel, Switzerland, and hosted by the Bank for International Settlements.

For further information on the FSB, visit the FSB website, www.fsb.org.