

Early restructuring and a second chance for entrepreneurs

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France

Country fact sheet

Every year in the EU, 200 000 firms go bankrupt, resulting in over 1.7 million people losing their jobs.

A well-functioning insolvency framework is essential to support growth and business creation. That is why the European Commission is putting forward modern and streamlined insolvency rules that will facilitate restructuring, give businesses a second chance and improve the efficiency of restructuring, insolvency and debt discharge procedures.

The proposed approach is expected to:

- ✓ Cut down the number of jobs lost due to bankruptcy;
- √ Bring more legal certainty for cross-border investors;
- √ Turn bad debt into performing credit to facilitate lending;
- ✓ Allow entrepreneurs to restart business activities, to keep innovation going and create an additional three million jobs across the EU.

What is the situation currently in France? (1)

Effectiveness of insolvency proceedings

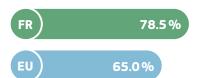


France ranks 14th among EU Member States when it comes to the effectiveness of its insolvency proceedings.

Average length of insolvency proceedings (years)



Recovery rate for secured creditors following insolvency proceedings



- The most likely outcome for debtors in financial difficulty in France is **liquidation**.
- (1) All figures are according to the World Bank report, *Doing Business 2017: Equal Opportunity for All*: http://www.doingbusiness.org/%7E/media/WBG/DoingBusiness/Documents/Annual-Reports/English/DB17-Report.pdf.

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What will the new rules improve?

| what will the new rules improve: | | |
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| The situation today i | n France (²) | With the new rules |
| A court is involved early process and an insolver appointed as a supervis | ncy practitioner is | ✓ Companies in financial difficulties can have access to a flexible preventive restructuring framework that can reduce the length and cost of court proceedings. Where necessary, the courts will be involved to safeguard the interests of third parties. The appointment of an insolvency practitioner should not be mandatory for all the cases. |
| Upon opening restructu debtor can have a long from enforcement actio months up to 18 month | "breathing space" ns that can be from 6 | ✓ Viable companies in financial difficulties can have access to a time-limited "breathing space" of no more than 4 months from enforcement actions, renewable until a maximum duration of 12 months under strict conditions. This will not only facilitate negotiations, but also provide further predictability and legal certainty for creditors. |
| There is less legal certa they are not treated in the purposes of voting plan and there are limit | different classes for on a restructuring | ✓ As a minimum, there will be classes of secured and unsecured creditors in order to ensure that similar rights are treated equitably and that restructuring plans can be adopted without unfairly prejudicing the rights of affected parties. In order not to jeopardise restructuring, dissenting classes of creditors and shareholders can be outvoted under strict conditions. There are safeguards to protect everyone's legitimate interests. Rules on valuation can ensure a better protection for creditors. |