European Commission

Early restructuring and a second chance for entrepreneurs

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Romania 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 Romania? (1)

Effectiveness of insolvency proceedings

22 Romania ranks 22nd among EU Member States when it comes to the effectiveness of its insolvency proceedings.

Average length of insolvency proceedings (years)

RO	3.3
EU	2.0

Recovery rate for secured creditors following insolvency proceedings

RO	34.4 %
EU	65.0 %

▸ The most likely outcome for debtors in financial difficulty in Romania 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.

What will the new rules improve?

The situation today in Romania [2]	With the new rules
Insolvency proceedings are lengthy.	✓ Training of judges and practitioners, the use of electronic means of communication and the adoption of measures to ensure rapid treatment of procedures will improve its **efficiency and reduce the length**.
There are few or non-efficient early warning tools alerting debtors to the risk of insolvency and the urgency to act in order to avoid liquidation.	✓ Debtors will have access to **early warning tools** which can detect a deteriorating business and lead to more restructurings at an early stage. ✓ A culture of resorting early to preventive restructurings will develop.
A "breathing space" from enforcement of actions may be provided to the debtor, but it is too long (up to 3 years).	✓ Viable companies in financial difficulties can have access to **a time-limited "breathing space"** from enforcement actions of no more than 4 months, renewable until a maximum duration of 12 months under strict conditions. This will not only facilitate negotiations and reduce the length of procedures, but also provide further predictability and legal certainty for creditors.
Discharge periods can range up to 6 years, depending on the procedure and the debtor.	✓ Honest insolvent entrepreneurs will have access to **a full discharge of their debt after a maximum period of 3 years** without prejudice of adequate safeguards put in place to prevent possible abuses.

(2) Information on current framework according to the Member States' responses on the implementation of the 2014 Commission Recommendation, an INSOL Europe Study of January 2014 and a comparative legal study carried out by the University of Leeds of January 2016.