

Global Insolvency and Cross-border Capital Flows*

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Abstract

Poor court coordination across bankruptcy jurisdictions creates uncertainty in the protection of debtors' value and creditor recoveries. In this paper, we assess how such global judicial inefficiency impedes cross-border capital flows. Exploiting the introduction of Chapter 15 to the U.S. Bankruptcy Code in 2005, which facilitates coordination between the U.S. and foreign courts for multinational bankruptcy proceedings, we find that foreign firms in countries with greater utilization of Chapter 15 acquired 35% more U.S. targets after the law enactment. Consistent with the reduction in global insolvency costs, the effect is more pronounced for firms with higher default risks. Chapter 15 adoption also results in greater debt capacity of foreign firms, especially from U.S. lenders, and trade credit. Using the staggered adoptions of global bankruptcy laws in 17 countries, we find an increase in cross-border M&As following the adoptions. Overall, our results suggest that mitigating frictions arising from global insolvency proceedings can be an important driver for cross-border capital flows and the growth of multinational firms.

Keywords: global insolvency, Chapter 15, bankruptcy, cross-border M&A, multinational companies

JEL classification: G33, G34

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1. Introduction

The globalization of corporate operations makes restructuring multinational corporations increasingly complex and costly. When an insolvent firm has assets and creditors located outside its home country, it must comply with foreign bankruptcy laws in multiple jurisdictions to work out a reorganization or liquidation plan. Facing uncertainty about fair treatment in certain jurisdictions, dispersed creditors have incentives to “front-run” other creditors, resulting in value-destructive liquidations and asset sales (Baird, 1986; Bolton and Scharfstein, 1996; Gertner and Scharfstein, 1991). An important source of inefficiency is the lack of coordination between foreign and domestic bankruptcy courts, which is critical to preserving the value of financially distressed multinational corporations (LoPucki, 1998; Westbrook, 2013). Global insolvency costs arising from such judicial inefficiency across countries can *ex-ante* disincentivize cross-border investments and capital flows.

Despite the potentially important role of global insolvency costs in cross-border corporate investment and financing, few studies have empirically examined how mitigating legal uncertainty in multinational bankruptcy proceedings shapes global capital flows.¹ To bridge this gap, we exploit a unique quasi-natural experiment, the introduction of Chapter 15 of the U.S. Bankruptcy Code in 2005, to examine the effect of reduced global insolvency costs on cross-border mergers and acquisitions (M&As) and the sources of financing.

In 2005, the U.S. added a new chapter, Chapter 15, to the U.S. Bankruptcy Code as part of the adoption of the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Cross-Border Insolvency. The main goal of Model Law is to promote coordination among courts for more efficient cross-border insolvency restructurings. Chap-

¹Several legal articles discuss the importance of bankruptcy laws in the cross-border acquisition process, but they mainly provide anecdotal evidence (See, for example, <https://corpgov.law.harvard.edu/2023/01/07/cross-border-ma-2023-checklist-for-successful-acquisitions-in-the-u-s/>.) In international trade and finance literature, existing studies have shown variety of driving factors of cross-border transactions (see, for example, a recent survey by Erel, Jang, and Weisbach (2022)). Several studies consider the role legal institutions related to corporate governance as a source of value creation for cross-border acquisitions (e.g., Rossi and Volpin (2007), Bris and Cabolis (2008), Ellis, Moeller, Schlingemann, and Stulz (2017)). However, none of these studies has focused on insolvency laws and bankruptcy processes from the perspective of multinational companies.

ter 15 is used for bankruptcy proceedings filed by non-U.S. companies ancillary to the main proceedings in their home countries. Several unique provisions of Chapter 15 are effective in making foreign debtors' bankruptcies more predictable and cost-effective. First, a non-U.S. debtor can utilize Chapter 15 ancillary to their main proceeding in its home court. This is opposite to Chapter 11, a conventional bankruptcy law for U.S. companies, where foreign debtors are required to bring their main proceedings to a U.S. bankruptcy court. Second, after a foreign debtor's representative submits an application to obtain recognition of its home insolvency proceeding, a U.S. bankruptcy court issues an automatic stay and other reliefs to protect the foreign debtor's assets within the U.S. territory. Last, Chapter 15 contains provisions granting foreign creditors the same rights as those retained by the U.S. creditors to participate in restructuring within the U.S. court, with the aim of minimizing the coordination failures among creditors with diverse interests across different countries.

We start by examining the judicial efficiency of multinational bankruptcy proceedings using Chapter 15. To do so, we compile a comprehensive list of Chapter 15 filings from 2005–2020 that contain 549 filings by companies domiciled in 60 countries using the New Generation Research and Global Insolvency websites. Examining court documents, we find that compared to Chapter 11, Chapter 15 is less complex and more cost-effective. Specifically, Chapter 15 cases incur a much lower number of motions and objections filed within the court than Chapter 11 cases. Our evidence shows that Chapter 15 has become an effective legal proceeding for foreign debtors to seek bankruptcy protection in the U.S. since 2005.

Using both Chapter 15 and Chapter 11 filings by foreign debtors, we conduct a country-level analysis to better understand companies from which countries are more likely to utilize Chapter 15. The by-country distribution of Chapter 15 filings shows that some countries, such as Brazil, Germany, and South Korea, have actively exploited Chapter 15 but never filed for Chapter 11 after 2005. Our country-level regression analyses show that Chapter 15 filers tend to come from common law countries and countries with strong creditor rights and efficient bankruptcy systems. The evidence suggests that firms from certain countries

benefit more from utilizing the U.S. bankruptcy system through Chapter 15 than others. The similarity in legal origins and languages, as well as the efficient home bankruptcy system, can improve the bankruptcy outcomes of foreign debtors through the coordination of their home courts with the U.S. courts.

Our main analysis exploits the timing of the enactment of Chapter 15 as a quasi-exogenous reduction in cross-border insolvency costs to examine its effect on cross-border investments and financing. We employ a difference-in-differences design for our empirical tests, using a sample of non-U.S. firms in 63 countries during the 2003-2007 period (i.e., ranging four years around the Chapter 15 enactment year). We identify the countries of Chapter 15 filers from the 2005-2010 period and define the firms originating from those countries as *Treated* firms, which disproportionately benefited from the adoption of Chapter 15. Our baseline regressions compare M&A activities of treated firms with those of control firms, which originate from countries that have no firms ever filing Chapter 15.

We find that firms from countries that use Chapter 15 acquire more U.S. targets after the enactment of Chapter 15. Specifically, the number (dollar volume) of U.S. targets acquired by non-U.S. firms located in countries that used Chapter 15 increased by 22% (35%) in the two years after Chapter 15 enactment, compared to foreign firms that did not use Chapter 15. Importantly, we do not find significant changes in the acquisition of non-U.S. targets or domestic acquisitions by those firms. These results indicate that the increase in U.S. acquisitions after the enactment of Chapter 15 cannot be explained by the time trend in M&A markets in treated countries. Our results are robust in a matched sample that controls for firm observables. A placebo test using the acquisition activities of U.S. firms rules out the possibility that the results could be biased due to other reforms in the U.S. that potentially promote acquisition markets. Our results suggest that because Chapter 15 provides a cost-effective way for foreign firms to restructure or liquidate U.S. assets, foreign firms are more incentivized to acquire U.S. assets after the enactment of Chapter 15.

Next, we explore the financing channel through which the increase in cross-border in-

vestment reflects the improved debt capacity of foreign firms due to higher expected creditor recovery from lower global insolvency costs. First, we examine whether lower cross-border insolvency costs lead to changes in the level and composition of debt after the enactment of Chapter 15. We find that the book leverage of firms in countries that utilize Chapter 15 increases by 3.2% and the long-term debt increases by 8.6% after the introduction of the law. Further analyses show that those firms issue more corporate bonds than bank loans and are more likely to obtain trade credit from their suppliers. Second, we find that U.S.-based lenders are more likely to finance the investments of multinational firms after the enactment of Chapter 15. Last, our cross-sectional results show consistent evidence of a stronger increase in acquisitions of U.S. assets by non-U.S. firms with high default risks and high leverage. Taken together, these results suggest that the enactment of Chapter 15 allows foreign firms to expand their debt capacity and broaden their supply chains globally.

An advantage of focusing on the U.S. setting in our main analyses is that we can employ a sharp identification strategy by using the information on Chapter 15 filers that we manually collect. Although data on the actual use of bankruptcy laws in other countries that are equivalent to Chapter 15 in the U.S. by foreign debtors are not available, a global-level study using the adoption of the UNCITRAL Model Law in other countries would help generalize our findings. In particular, using the staggered adoption of Model Law in multiple countries over 25 years helps alleviate the concern that the results based on Chapter 15 could be driven by unobservable factors that are specific to the U.S. around the year of adoption. We perform a global event study using the staggered adoption of the Model Law in 62 countries during the 1997-2020 period as an exogenous shock to the insolvency cost of assets in the Model Law countries. Consistent with our main finding related to the enactment of Chapter 15, we find that countries that have reformed insolvency laws to conform to the Model Law have experienced a significant increase (14% above the mean) in inbound cross-border acquisitions and a decrease in outbound investment. Importantly, these inbound acquisitions are largely driven by acquiring firms that have efficient bankruptcy systems in their home countries,

suggesting a higher synergy in court coordination among efficient bankruptcy courts. Our findings are robust to an alternative econometric approach to correct potential bias from multiple treatment periods (Baker, Larcker, and Wang, 2022; Gormley and Matsa, 2016).

Our study contributes to several strands of literature. First, it adds to the literature on the determinants of cross-border M&A and, more generally, foreign direct investment. To understand the motives of cross-border transactions, the international trade and finance literature documents a variety of determinants of the intensity of cross-border acquisitions (see Erel et al. (2022) for a recent survey). Erel, Liao, and Weisbach (2012) find that geographical distance and bilateral trades can explain cross-border corporate transactions, and Ahern, Daminelli, and Fracassi (2015) and Lawrence, Raithatha, and Rodriguez (2021) attribute these transactions to cultural proximity. Other studies examine the role of country-level investor protection. For example, while differences in legal protection of shareholders' rights between two countries can be a source of value for cross-border acquisitions (Rossi and Volpin, 2007; Bris and Cabolis, 2008), the risk of expropriation due to the lack of a foreign court's recognition can deter cross-border deals (Bhagwat, Brogaard, and Julio (2021)). Compiling a comprehensive dataset on Chapter 15 filings, our paper is the first study to examine the coordination of global bankruptcy systems as important determinants of cross-border investments. In particular, our quasi-experiment helps document a causal relation; this approach is in contrast to that of prior studies, which have used static and broad proxies for legal systems across countries, such as common law indicators and investor protection indices (La Porta, Lopez-de Silanes, Shleifer, and Vishny, 1998).

Second, our study contributes to the literature on the effect of law and legal institutions on corporate policies. Prior studies have shown that not only creditor rights embedded in a country's bankruptcy and contracting laws but also debt enforcement efficiency affect corporate investments, innovation, financing, and economic growth.² Although creditor rights

²See, e.g., La Porta et al. (1998); Djankov, Hart, McLiesh, and Shleifer (2008); Davydenko and Franks (2008); Bae and Goyal (2009); Acharya, Sundaram, and John (2011); Vig (2013); Pontcelli and Alencar (2016); Rodano, Serrano-Velarde, and Tarantino (2016); Li and Pontcelli (2022) and Jordà, Kornejew, Schularick, and Taylor (2021)

tend to remain in the jurisdiction where assets are located, judicial cooperation is essential in eliminating legal uncertainties and promoting consistency in law enforcement in the event of bankruptcies. As such, our paper provides an important economic channel—judicial cooperation—that facilitates more predictable outcomes of the bankruptcy process, which has real effects on cross-border investment decisions. In addition, compared to those studies that focus on country-specific bankruptcy laws for restructuring domestic firms (e.g., [Iverson \(2018\)](#); [Müller \(2022\)](#); [Gross, Kluender, Liu, Notowidigdo, and Wang \(2021\)](#); [Dobbie and Song \(2015\)](#) and [Mitman \(2016\)](#)), our paper examines the effect of global insolvency laws on cross-border investments and financing. Moreover, compared to prior studies that exploit domestic bankruptcy law reforms in a single country, we use the adoption of Chapter 15 in the U.S. and the staggered global adoption of the UNCITRAL Model Law as unique experiments to build causal inferences.

Last, in a broader context, our paper contributes to the international trade literature that explores the driving factors for the formation of multinational firms. Prior studies have shown that comparative advantages and country-specific institutions, among various determinants, are important considerations for firms' expansion of their boundaries across borders (e.g., [Bernard, Jensen, Redding, and Schott \(2007\)](#)). For example, [Nunn \(2007\)](#) shows that a home country's ability to enforce contracts and its judicial quality leads to greater exports. In particular, under-investment problems arise *ex ante*, specifically in relationship-specific industries, if contracts are imperfectly enforced *ex-post* ([Klein, Crawford, and Alchian \(1978\)](#) and [Grossman and Hart \(1986\)](#)). Our paper adds to this literature by providing evidence of the importance of both the home and foreign countries' judicial quality and court coordination in shaping the expansion of firm boundaries.

2. Background

2.1. *UNCITRAL Model Law and Chapter 15*

To facilitate coordination and cooperation among courts in various jurisdictions globally, the United Nations introduced the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Cross-Border Insolvency in 1997. As of 2023, more than 40 jurisdictions have adopted the UNCITRAL Model Law on Cross-Border Insolvency (henceforth UNCITRAL Model Law).³ The U.S. adopted the UNCITRAL Model Law by enacting a new Chapter 15 to the Bankruptcy Code in 2005. Since its enactment, Chapter 15 has been actively utilized by non-U.S. firms.

Several distinct provisions of the UNCITRAL Model Law are designed to facilitate the coordination of courts for more efficient and cost-effective cross-border bankruptcy restructuring procedures. First, once a foreign insolvency proceeding is granted recognition in the Model Law jurisdiction (henceforth the local jurisdiction), the local court provides additional assistance to protect the foreign debtor's assets within its territory. It then directs local assets to the foreign court (i.e., the debtor's home court) to facilitate an orderly and fair distribution of assets, where creditors' claims are governed under a single court. Second, the Model Law contains provisions granting foreign creditors the same rights as those retained by local creditors to participate in insolvency. In particular, it strengthens the rights of foreign creditors concerned about the uncertainty of their claims in the absence of proper protection in the local jurisdiction. Last, there is no requirement for reciprocity; i.e., the foreign jurisdiction does not need to adopt the Model Law for the foreign proceeding to have substantive rights in the local jurisdiction. The outcomes of foreign debtors' bankruptcy became more predictable and efficient due to the universal cooperation of courts.

³The most recent version of the list of countries that have adopted the UNCITRAL Model Law on cross-border insolvency can be found at the following: <https://uncitral.un.org/en/texts>. The main purpose and key provisions of the Model Law can be found at the following: https://uncitral.un.org/en/texts/insolvency/modellaw/cross-border_insolvency

2.2. Chapter 15 versus Chapter 11

Multinational debtors and creditors can use either Chapter 11 or Chapter 15 of the U.S. Bankruptcy Code for their filings after 2005. A foreign debtor or creditor can initiate a traditional Chapter 11 case in the U.S. as long as the debtor has assets in the U.S. to prove the existence of their operations or incorporation in the U.S. to establish eligibility. In fact, the required asset threshold for seeking protection is quite low. Hence, an important question is how the adoption of Chapter 15 has changed the landscape of bankruptcy proceedings by foreign firms in the U.S. given the existence of Chapter 11.

The most distinct feature between the two chapters is which court primarily governs the bankruptcy procedure. Figure 1 illustrates the typical timelines of the Chapter 15 and Chapter 11 processes. In Chapter 15, a non-U.S. debtor initially files for a main insolvency proceeding in its home court (which is subsequently recognized as a foreign proceeding under Chapter 15), which is typically located in the country of its center of main interest (COMI).⁴ It then seeks recognition of this proceeding in the U.S. court by filing for Chapter 15. Since Chapter 15 is *ancillary* to the main proceeding outside the U.S., the court overseeing the main proceeding issues most rulings, while U.S. courts are primarily for offering assistance to the foreign court in which the main proceeding is pending. In contrast, in Chapter 11 filings, the U.S. bankruptcy court governs the bankruptcy procedure of the foreign company. In this case, the U.S. court ruling will be applied universally, even outside the U.S. jurisdiction.⁵ Although Chapter 11 is a highly developed reorganization system, it can be complicated and costly, especially for foreign debtors with substantial claims in their home countries. (LoPucki and Doherty, 2008; Wang, 2022). Chapter 15 cases are, on the other hand, less time-consuming and more cost-effective than Chapter 11 cases.

⁴A COMI is determined by a debtor's headquarters, registered office location, or the location of its primary assets

⁵Foreign debtors would also need to file in their home courts to enforce Chapter 11 court rulings in their home country and to protect against any creditors' involuntary filings in their home courts. It is important to note that both Chapter 11 and Chapter 15 adopt the principle of universalism, where there is one main insolvency proceeding with a universal effect. The main goal of universalism is to treat creditors equally regardless of their location.

2.3. Implications of Chapter 15 on Corporate Investment and Financing

The improved court coordination for foreign firms with U.S. operations after the enactment of Chapter 15 has implications for firms' cross-border investments and sources of capital.

First, as Chapter 15 provides an efficient means of liquidating U.S. assets through coordination between the U.S. and foreign courts, we expect that foreign firms are more likely to acquire U.S. assets after the enactment of Chapter 15. The value of a firm's U.S. assets could be better preserved through automatic stays granted by the U.S. court, thereby preventing its creditors from seizing the assets or resorting to fire sales. Furthermore, the U.S. courts must oversee the sale process of a debtor's U.S. assets to ensure that the sale is fair, reasonable, and free from all other claims and liabilities. This enables a debtor to improve the expected net proceeds from the sale of their U.S. assets while protecting a buyer from the risk of legacy liabilities. Therefore, non-U.S. firms are more incentivized to acquire U.S. assets after the enactment of Chapter 15.

Second, because of the reduced legal uncertainty about the bankruptcy processes in Chapter 15, creditors should be more willing to finance the U.S. operations of foreign firms. While the U.S. Bankruptcy Code can be debtor-friendly ([Hotchkiss, Thorburn, and Wang, 2023](#)), several provisions within Chapter 15 serve to protect the broader interests of creditors, encompassing not only foreign creditors but also those based in the U.S. For instance, both non-U.S. and U.S. creditors must receive notice of a Chapter 15 case, granting them an opportunity to be heard at the U.S. bankruptcy court. While a foreign debtor's home court oversees claims of U.S. creditors alongside their home creditors, the ability to file a motion at the U.S. bankruptcy court shields U.S. creditors from unequal treatment in the foreign debtor's home court. This heightened certainty and consistency in law enforcement could also promote funding for foreign debtors by U.S. lenders, as it provides a level of assurance that a framework exists for addressing the insolvency of foreign borrowers at lower costs. As a result, U.S. creditors should be more willing to increase lending to foreign firms following the enactment of Chapter 15, where their interests are sufficiently protected.

3. Data, Variables, and Summary Statistics

3.1. Chapter 15 and Chapter 11 Filings by Non-U.S. Firms

Using New Generation Research’s Bankruptcy Data database (NGR henceforth) and the Global Insolvency (GI henceforth) website, we assemble a comprehensive dataset that contains the complete list of Chapter 15 and Chapter 11 filings by non-U.S. firms during the 2001–2020 period.⁶ Our dataset contains detailed information of both Chapter 11 and Chapter 15 cases, including the debtor’s name, address, the debtor’s center of main interest (COMI), whether and where a foreign proceeding is pending (for Chapter 15 filings),⁷ the date and court of filing, the judge assigned to the case, the case number of the lead case (i.e., the case filed by the parent company of a debtor when the parent files for bankruptcy along with its multiple subsidiaries) and the related cases, and the industry in which the debtor operates. Our initial sampling shows that, from 2005 (the year of Chapter 15 enactment) to 2020, there are 863 and 1,165 Chapter 15 filings by firms from 59 non-U.S. countries recorded by NGR and GI, respectively. NGR record shows 128 Chapter 11 filings by firms (most of which have greater than \$50 million in assets) headquartered outside the U.S.⁸

⁶NGR is a firm that specializes in collecting bankruptcy information from the U.S. bankruptcy courts for all business bankruptcy filings. NGR bankruptcy data have been used extensively in the bankruptcy literature as one of the key sources for retrieving Chapter 11 corporate bankruptcies (e.g., [Dou, Taylor, Wang, and Wang \(2021\)](#); [Antill \(2022\)](#); [Wang, Yang, Iverson, and Kluender \(2020\)](#)). The GI website, which is managed by the American Bankruptcy Institute, provides a comprehensive source of information on current issues in international and cross-border insolvency and restructuring, including a Chapter 15 database. The NGR and GI websites can be found using the following URLs: <https://www.newgenerationresearch.com> and <https://globalinsolvency.com> respectively. Chapter 15 cases compiled by GI can be found at the following: <https://globalinsolvency.com/chapter-15-database>

⁷If there is a foreign case pending in a firm’s COMI, it is considered a foreign main insolvency proceeding. When a foreign proceeding is pending in a country where the debtor maintains an establishment (economic activity) but not a COMI, it is generally considered a non-main proceeding. The distinction between the two is that the former provides for certain rights that do not apply to the latter, such as the stay of collection efforts and litigation against the debtor that is automatically triggered upon recognition. However, even if a foreign proceeding is recognized as a non-main proceeding, the foreign representative can still request such rights, and the U.S. bankruptcy court is often cooperative with such requests. Using 63 filings that have court docket entries, we confirm that only two cases have been recognized as non-main proceedings. In those two cases, the U.S. bankruptcy court granted provisional relief upon the requests.

⁸While we compile data on Chapter 15 filings comprehensively, our ability to gather Chapter 11 filings is constrained to firms headquartered outside the U.S., as we rely on their reported location in the NGR data. As a result, it is possible that our count of Chapter 11 filings by foreign firms is underestimated, as we may overlook direct filings by U.S. subsidiaries of foreign firms.

To reconcile the initial samples from NGR and the GI website, we first cross-check the information retrieved from both data sources and identify a debtor’s *primary* case and consolidate all of its affiliated cases into the *primary* case using the following sequential procedure: (a) the case filed by a debtor’s (ultimate) parent or (b) the lead case if a debtor’s (ultimate) parent does not file for bankruptcy in the U.S. Second, we manually check a debtor’s country of origin (incorporation and headquarters) at the *primary* case level using petition files provided by NGR, Factset, and SEC filings prior to the bankruptcy filing. We use the country of incorporation of a debtor’s parent company to determine the location of a Chapter 11 debtor and the COMI to determine the location of a Chapter 15 debtor (see Appendix A1.2 for detailed description). The COMI of a debtor is not explicitly defined under Chapter 15 but is generally considered the country of a debtor’s registered office, incorporation or significant assets. We primarily rely on the filing location in the GI database for COMI information but also cross-check this information using search engines and petition files provided by NGR. Last, we remove 36 non-corporation individual debtors, 48 debtors with unverifiable missing COMI information, 45 U.S.-incorporated debtors, 19 repetitive debtors at the *primary* case level for Chapter 15 filings, one Chapter 11 debtor whose case was involuntarily filed by the U.S. creditors, and five Chapter 11 debtors whose cases were filed as lead cases with their incorporation in the U.S. while their non-U.S. parents filed for affiliated cases. The data cleaning process leads to a sample of 549 Chapter 15 filings at the parent-level from 59 countries from 2005–2020 and 78 Chapter 11 filings by parent firms from 25 countries from 2001–2020.

3.2. Court Dockets

We manually collect court dockets of both Chapter 11 and Chapter 15 cases filed by non-U.S. companies from 2001–2009 using the Public Access to Court Electronic Records (PACER) to assess the costs and effectiveness of the two Chapters.⁹ We obtain court dockets for 17

⁹PACER is administered by the Administrative Office of the United States Courts (AOUSC) and publishes all U.S. bankruptcy filings by businesses and consumers, including Chapter 11 and Chapter 15 cases. One of the authors for this study is granted public access fee waivers from federal bankruptcy judges at the

Chapter 11 filings from nine countries and 66 Chapter 15 filings (at the primary case level) from 17 countries filed during the 2001–2009 period in the bankruptcy courts for the districts of the Southern District of New York and Delaware, which are the most experienced courts that handle the majority of the large bankruptcy cases in the U.S. (Ellias, 2018). One of the advantages of focusing on these two specific courts is that it avoids complications from unobservables related to court-level heterogeneity (e.g., forum shopping and court experiences). Because of their comprehensive coverage, the court docket sample covers 71% of Chapter 11 and 51% of Chapter 15 filings by non-U.S. companies during the sample period.

We obtain information on the number of total court docket entries in a filing, the number of motions and objections filed, the date of grant of the first relief, the grant of the home court order date, the plan confirmation date, and the case termination date (See Appendix A1.4 for a detailed explanation of the variables). Such information helps us construct measures for case complexity and insolvency costs. Following prior studies (LoPucki and Doherty, 2004, 2008; Ellias, 2016; Iverson, Madsen, Wang, and Xu, 2023; Madsen, Goyal, and Wang, 2022), we focus on bankruptcy duration (i.e., the number of days from filing date to plan confirmation date, the date of last active docket entry, or case termination date), the number of court docket entries, and the objection rate.¹⁰

3.3. Country-level Information

We construct macroeconomic variables such as GDP per capita, GDP growth rate, and the number of listed firms using information from the World Bank and supplement missing observations using Worldscope. For bilateral trade, we rely on data sourced from the IMF to construct the measure using the maximum of imports and exports of the U.S. firms with foreign firms. We also collect the legal origin, the primary language used in a country, creditor

bankruptcy courts in the Southern District of New York and Delaware.

¹⁰LoPucki and Doherty (2008) measure the number of court docket entries from filing until plan confirmation for Chapter 11 cases. In our study, given that Chapter 15 does not involve plan confirmation, we calculate the number of docket entries from filing to termination for the purpose of comparing the two bankruptcy chapters. Furthermore, unlike Chapter 11 cases, information on creditors' recoveries and legal fees paid for filing under Chapter 15 is not available, as Chapter 15 filers are not required to disclose such information.

rights, and insolvency variables including reorganization index, cost and time of bankruptcy restructuring, and secured creditor recovery from [La Porta et al. \(1998\)](#), [Djankov et al. \(2008\)](#), and World Bank Doing Business. Our country-year sample spans over 20 years from 2001–2020. The final sample includes 1,560 country-year observations of 76 countries that are primarily covered by [Djankov et al. \(2008\)](#).

3.4. Firm-level Information

To construct our primary sample for the firm-level analysis, we start with public non-U.S. firms covered by Compustat Global and Compustat North America from 2003–2007. We obtain firm accounting information and convert non-U.S. currency-denominated total assets into U.S. dollars using exchange rates at the end of the fiscal year to construct the firm size. For capital structure variables, we construct book leverage (long-term debt plus short-term debt divided by total assets), long-term leverage (long-term debt divided by total debt), and trade credit (cost of goods sold divided by accounts payable) values using accounting information obtained from Compustat. To construct a firm’s bond share, which represents the proportion of bonds in a firm’s capital structure, we follow [Becker and Josephson \(2016\)](#) and define it as the book value of a bond (commercial paper plus all types of bonds) divided by total debt using Capital IQ. We remove firm-year observations for which the difference between the total debt reported in Compustat and the sum of debt types reported in Capital IQ exceeds 10% of the total debt.

3.5. Mergers and Acquisitions

We retrieve information on all completed mergers and acquisitions between 2003 and 2007 from the Mergers and Corporate Transactions database of the Security Data Corporation (SDC). Following the conventional filter in the literature ([Erel et al. \(2012\)](#)), we exclude leveraged buyouts, spinoffs, recapitalizations, self-tender offers, exchange offers, repurchases, partial equity stake purchases, acquisitions of remaining interest, privatizations, and deals in which the target or the acquirer is a government agency or in the financial or utility

industries. We restrict our sample to deals where the ultimate parent of the acquirer is public while imposing no restrictions on the public status of the target. Therefore, our sample includes public, private, and subsidiary targets. We focus on acquisitions of majority interests in which the acquirer owns less than 50% of the target shares prior to the deal, but more than 50% subsequent to the deal. We aggregate the number and total transaction value of acquisitions at the ultimate parent company level. We match the M&A activities to the primary firm-year sample from Compustat using SEDOLs, CUSIPs, or ISINs by converting these identifiers into GVKEYs. The value of the consideration paid by the acquirer is adjusted to 2010 constant dollars using the Consumer Price Index in the U.S. We focus on acquisitions made by non-U.S. firms that are headquartered in countries covered by [Djankov, McLiesh, and Shleifer \(2007\)](#). The data filter yields a sample of 18,797 acquisitions amounting to USD \$1.97 trillion by non-U.S. acquirers across 63 countries, of which 2,470 are U.S. acquisitions with a total transaction value of USD \$500 billion.

3.6. Summary Statistics

Figure 2 plots the number of Chapter 15 and Chapter 11 filings by non-U.S. firms from 2006-2020. There were 22 Chapter 15 filers in 2006, which was the year immediately after its introduction. The number of filings peaked at 49, 51, and 65 in 2009, 2016, and 2020, respectively. In total, firms from approximately 60 foreign jurisdictions had sought assistance from the U.S. bankruptcy court through Chapter 15 by 2020, and the number of filings is consistently higher than that of Chapter 11 filings over the 2006–2020 period. The evidence underscores that the introduction of Chapter 15 substantially lowered the barrier for foreign companies to leverage U.S. bankruptcy laws.

In Table 1, we compare the case duration and court docket entries of Chapter 15 and Chapter 11 cases from 2001–2009. It takes, on average, 31 days from the filing of Chapter 15 to when the first relief is granted and 49 days for the case to be recognized as a foreign proceeding. Although Chapter 15 filings and Chapter 11 filings are comparable on the number of days from filing to last active docket date or termination date, the average and

median number of court docket entries (at 67 and 37, respectively) for Chapter 15 filings are a tiny fraction of those in Chapter 11 filings (mean at 922 and median at 494). In addition, the mean objection rate for Chapter 15 cases is 0%, compared to 5% objection rate for Chapter 11 cases.

The evidence suggests that the reduction in complexities within the bankruptcy process under Chapter 15 has significantly lowered insolvency costs for non-U.S. companies' filings in the U.S. This reduction allows them to leverage the U.S. bankruptcy provisions for effective resolution. As expected, we find that many firms from countries that never filed for Chapter 11 exploited Chapter 15 from 2005 to 2020, as shown in Figure 3. For instance, companies from Brazil, Germany, South Korea, and Singapore actively utilized Chapter 15 but never filed for Chapter 11 after the Chapter 15 enactment.¹¹ We find that Chapter 15 firms are comparable to Chapter 11 filers in firm size, ROA, and cash balance despite having a slightly higher leverage ratio (Appendix Table B1). Chapter 15 filers and Chapter 11 filers are comparable in their percentage of foreign sales and the fraction of U.S. assets but Chapter 11 firms have more U.S. sales than Chapter 15 firms. The evidence highlights that Chapter 15 is a distinctive reform that grants multinational firms access to a simpler bankruptcy process in the U.S.

Table 2 reports the summary statistics of our country-year and firm-year panel data. On average, non-U.S. countries seek assistance by filing Chapter 15 in 14% of the time (approximately 0.17 filings per year), and approximately 24% of them come from countries of Common Law, the origin of the U.S. legal system. More than half of the countries in our sample have reorganization tools in their home jurisdictions, and secured creditors recover approximately 49 cents per dollar through bankruptcy proceedings. On average, non-U.S.

¹¹Before the introduction of Chapter 15, foreign firms could file under §304 of the bankruptcy code, which was subsequently replaced by Chapter 15. Notably, Chapter 15 offers clearer guidelines for court coordination, cooperation, and legal certainty. While an automatic stay is granted on the day of recognition in Chapter 15, this is not the case for §304 filings, which usually require judicial discretion. Importantly, comity serves as the primary consideration for granting ancillary relief under Chapter 15, whereas it is just one of six elements considered under §304. In our untabulated analysis, we retrieve all §304 filings from the 2001–2005 period from bankruptcydata.com. We find that §304 filers are primarily from tax haven countries and the American continent.

firms acquire 0.018 U.S. assets annually, and this is relatively low compared to domestic acquisitions and non-U.S. cross-border acquisitions.

4. Country-level Analyses on Chapter 15 Filings

Before estimating the real impact of Chapter 15 on cross-border capital flows, we first conduct a country-level analysis to understand which legal and economic factors motivate firms to exploit Chapter 15. The number of cases filed for Chapter 11 and Chapter 15 over the sample period in Figure 2 suggests that Chapter 15 did not replace Chapter 11, which existed for foreign debtors even prior to 2005. In particular, a large variation in the number of Chapter 15 filings across countries in Figure 3 suggests that firms from certain countries benefited more than firms in other countries after the enactment of Chapter 15.

We estimate the following country-year regression using a panel of 76 non-U.S. countries spanning the 2005-2020 period:

$$I.Chapter15_{c,t} = \alpha + \beta Insolvency_{c,t} + \mathbf{X}'_{c,t-1} \cdot \lambda + \gamma_n + \mu_t + \epsilon_{c,t}, \quad (1)$$

where the dependent variable $I.Chapter15$ is an indicator variable that takes a value of one if there are Chapter 15 filings by firms headquartered in a given country-year;¹² $Insolvency$ variables include *Common law*, *English language*, *Creditor rights*, *Reorganization index*, *Cost*, *Time*, and *Recovery*; c and t denote country and time, respectively; and X' represents a set of macroeconomic variables, including *GDP per capita*, *GDP growth*, *Listed firms* and *Bilateral trade* following Erel et al. (2012) and Rossi and Volpin (2004). Considering that many country-level variables are static, we do not include country-fixed effects. Instead, we include continental fixed effects (γ_n) and time fixed effects (μ_t).

The results are presented in Table 3. Columns (1) and (2) show that Chapter 15 filers are more likely to come from countries with the same legal background as that of the U.S.

¹²We find similar results when we use the log of the number of Chapter 15 filings instead of the indicator variable ($I.Chapter15$) as a dependent variable. The results are presented in Appendix Table B2.

(i.e., common law) and with the same national language, which facilitate communication and coordination between the foreign and U.S. courts. The positive coefficients for *Common law* and *English language* suggest that sharing the same legal origin and language almost double the likelihood of filing Chapter 15, given the mean likelihood of 14.7%. Column (3) shows that Chapter 15 filers are more likely from countries with stronger creditor rights, where creditors have a say in determining the choice of filing in the U.S., preferably Chapter 15, probably because Chapter 11 is recognized as a debtor-friendly bankruptcy code.

Columns (4) to (7) examine the effect of bankruptcy systems in debtors' home jurisdiction on the likelihood of Chapter 15 filing. First, we find that firms from countries with reorganization systems that resemble Chapter 11 are more likely to use Chapter 15. Second, Chapter 15 filers are more likely from countries where the bankruptcy process is less costly and less time-consuming. In terms of economic magnitude, Column (4) shows that an increase in *Reorganization index* from the 25% percentile to 75% by two units (e.g., from Chile to Brazil) would result in a 5.4 percentage point increase in the likelihood of Chapter 15 filings. The economic magnitude in Column (6) is also sizeable: a one-standard-deviation decrease in time taken for insolvency (1.24 years) increases the likelihood of Chapter 15 use by 2.7 percentage points, which is equivalent to an 18.4% increase above the mean. These results are consistent with Figure 4, which shows that Chapter 15 filers are concentrated in countries with relatively lower costs and shorter times for resolving insolvency compared to the U.S. In Column (8), we include all country-level variables and confirm that the significance of those factors remains. We exclude *English language* and *Recovery* because *English language* is highly correlated with *Common law* while *Recovery* is the index composed as a function of *Cost* and *Time*. In short, the results in Table 3 suggest that Chapter 15 filers come from countries with similar legal origins to those of the U.S. and efficient local bankruptcy systems, which can amplify the synergy from coordination with the U.S. courts.

We examine whether the driving factors of Chapter 15 filings by foreign companies are similar to those of Chapter 11 filings. To do so, we estimate Equation (1) with the indicator

variable for the use of Chapter 11 as a dependent variable instead. The estimates are reported in Appendix Table B3. Contrary to Chapter 15 cases, we find that Chapter 11 filers come from countries with no reorganization tools in their home country. This is consistent with the pattern shown in Figure 2 that Chapter 15 and Chapter 11 filers come from distinct countries. While multinational debtors located in countries that lack strong insolvency laws prefer bringing their cases into the U.S. through Chapter 11, those with efficient bankruptcy systems choose Chapter 15 to utilize coordination between their local court and U.S. court.

5. Chapter 15 and Cross-border M&A

5.1. Empirical Specification

We use a difference-in-differences design to assess the impact of Chapter 15 on the cross-border M&A and financing decisions of non-U.S. firms. Instead of simply comparing firms' behaviors before and after the law to avoid potential impacts of time trends, we focus on firms from countries that were disproportionately affected by the adoption of Chapter 15. In particular, we compare corporate acquisition and financing activities before and after the adoption of Chapter 15 of firms from countries that frequently used Chapter 15 (*Treated*) with those from countries that never filed for Chapter 15 (*Control*). This approach is motivated by the large cross-country variation in the use of Chapter 15 documented in Section 4. The legal and financial institutional environments that largely explain the cross-country variation in the use of Chapter 15 are indeed largely static in many cases. More importantly, the changes in legal and institutional qualities are rarely motivated by U.S. law reforms.

We estimate the variants of the following OLS equation using a firm-year panel from 63 non-U.S. countries over the 2003–2007 period. We use a tight window of five years surrounding the enactment to avoid the confounding effects of the Great Financial Crisis (Reddy, Nangia, and Agrawal (2014)) and the adoption of the UNCITRAL Model Law by other countries that may have confounding effects on cross-border investment and financing activities.

$$Y_{i,t} = \alpha + \beta PostChapter15_t \times Treated_c + \mathbf{X}'_{i,t-1} \cdot \lambda + \gamma_i + \mu_t + \epsilon_{i,t}, \quad (2)$$

where *PostChapter15* is a binary variable that takes a value of one after 2005, which is the Chapter 15 enactment year; *Treated* is a binary variable that takes a value of one if a firm's headquartered country filed for Chapter 15 from 2005–2010.¹³ Based on this definition, 21 countries out of 63 countries are defined as *Treated* countries. We denote *c*, *i*, and *t* to represent country, firm, and year, respectively, and *X'* to represent a set of control variables. The variable of interest β measures the impact of Chapter 15 on firms from countries that are expected to exploit Chapter 15. In all specifications, we include firm fixed effects (γ_i) to control for any time-invariant firm characteristics and year fixed effects (μ_t) to control for the time trend in global M&A markets.

5.2. Baseline Results

Table 4 reports the estimates of the impact of Chapter 15 on cross-border M&A activities. We examine the intensity of the acquisition of U.S. targets in terms of both numbers and dollar value. We find that the coefficients for *Post Chapter15* \times *Treated* in Columns (1) and (2) are positive and statistically significant at the 5% level, suggesting that after the enactment of Chapter 15, treated firms increased their acquisition of U.S. assets more than control firms. The estimates show that controlling for firm and year fixed effects, treated firms increased the log-number and log-dollar value of U.S. deals by 0.004 and 0.019, respectively, after the enactment of Chapter 15.¹⁴ The economic effects are large given that the unconditional mean of log-number and log-dollar volume of U.S. deals made by a firm are 0.018 and 0.054 respectively, suggesting a 22% (0.004/0.018=22%) increase in the number of deals and 35% (0.019/0.054=35%) increase in transaction value.

We perform several robustness tests to rule out alternative explanations. First, one might

¹³To capture countries that have exploited Chapter 15 after the law reform, we include the Great Financial Crisis (GFC) period to capture the heightened number of filings.

¹⁴For all acquisition-related dependent variables, we use the natural logarithm of one plus the value of interest.

be concerned that the takeover markets for U.S. assets have pre-trends before Chapter 15, especially for acquirers in treated countries. To check this issue, in Appendix Table B4, we estimate the pre- and post-treatment trends of acquisition deals for the U.S. targets, treating one year prior to the adoption year (i.e., 2004) as the benchmark year. The results show that the interaction terms between year indicators and *Treated* are not statistically significant in 2003. In contrast, the acquisition of U.S. firms gradually increased from 2005 and continued until 2007. The lack of pre-trends and significant change after 2005 suggest the validity of the empirical design of using the enactment of Chapter 15 as a quasi-exogenous event.¹⁵

Second, to show that the effect of Chapter 15 is specifically confined to U.S. assets, we conduct placebo tests by replacing the dependent variables using non-U.S. cross-border acquisitions and domestic acquisitions of foreign firms. Prior studies document that macroeconomic conditions, such as exchange rates and interest rates, and legal and financial systems are the main determinants of foreign direct investment flows (Erel et al. (2012) and Rossi and Volpin (2007)). If any macroeconomic trends of treated countries are found to be correlated with foreign capital flows, then the positive impact of Chapter 15 would not necessarily be restricted to the U.S. targets. Furthermore, if the acquisitions of U.S. targets are driven by unobservables that are specific to countries that exploit Chapter 15 between 2005 and 2007, we expect to observe similar effects on domestic acquisitions after 2005. Table 4 presents results when using the number of cross-border acquisition of non-U.S. targets (in column (3)) and the number of domestic acquisitions (in column (4)) as dependent variables. We find that the coefficient for $Post\ Chapter15 \times Treated$ is close to zero and statistically insignificant.¹⁶ The results confirm that the effect of Chapter 15 on capital flows does not exist in other types of acquisitions.

Last, we use an alternative approach to define *Treated*, utilizing the propensity to file for Chapter 15 as of 2004 instead of actual filers to validate our baseline measure. The

¹⁵We re-run the regressions by excluding 2005, the year that Chapter 15 was enacted, and find that the results are qualitatively similar.

¹⁶We find similar results when using the dollar value of non-U.S. and domestic deals. Our results are also robust if we instead consider 2005–2020 to define countries that exploited Chapter 15 in Appendix Table B5.

fact that most time-invariant country-level characteristics primarily explain the number of Chapter 15 filings in the cross-country analysis in Table 3 suggests that the propensity to use Chapter 15 is relatively stable over a short period surrounding the enactment. Nevertheless, to measure the propensity to file for Chapter 15 based on the time-variant information prior to the adoption of Chapter 15, we first estimate Equation (1) using the specifications from Column (8) of Table 3 and Appendix Table B2 for the years 2005 to 2020 using 76 countries, where the dependent variable is $I.Chapter15$ and $\ln(\#Chapter15)$, respectively. We use the estimated coefficients from the specifications and respective country characteristics as of 2004 for each country to calculate the propensity to file for Chapter 15 pre-adoption. We then define $\widehat{Treated}$ as equal to one if the propensity to file for Chapter 15 is above the median as of 2004 and zero otherwise and re-estimate the regressions in Table 4.

Table 5 Panels A and B show that the results are consistent when employing $\widehat{Treated}$ based on the predicted ex-ante probability of filing for Chapter 15 and the predicted ex-ante number of Chapter 15 filings as a measure to capture a firm’s propensity to file for Chapter 15, respectively. This validates our underlying assumption that the country’s tendency to file for Chapter 15 based on its characteristics does not change dramatically over a short period.¹⁷ Given that our results are consistent and robust with the alternative measures, we continue to use $Treated$ as defined in Table 4 for the rest of our paper.

6. Exploring the Financing Channel

Our results thus far show that firms from countries that have similar legal origins, strong creditor rights, reorganization-based insolvency laws, and efficient bankruptcy processes are more likely to take advantage of Chapter 15 filings, which improves the restructuring process for foreign firms compared to Chapter 11 filings. Firms from those countries increased their U.S. acquisitions shortly after the Chapter 15 enactment. The evidence suggests that the

¹⁷In Panels C and D, we use the time-varying propensity to file for Chapter 15. In Panel C (Panel D), we define $\widehat{Treated}$ as equal to one if the probability of filing for Chapter 15 (the predicted number of Chapter 15 filings) is above the median in a given year and zero otherwise. We show that the results still hold.

increase in investment by those firms is due to reduced complexities and uncertainties faced by stakeholders as they can rely on the *efficient* bankruptcy process in their own country as the main proceeding for resolving insolvency. As a result of improved coordination and collaboration of courts and thus higher expected creditor recovery, the debt capacity of foreign firms will likely increase. We expect not only traditional lenders but also those in the supply chain to be more willing to extend credits to support acquisitions of U.S. targets by foreign firms.¹⁸

In this section, we present three sets of tests to explore the financing channel through which firms boost their cross-border investments in the U.S. First, we investigate whether firms issue more debt in the form of long-term debt, unsecured debt, and trade credit after the Chapter 15 enactment. Second, we examine whether lenders in the U.S. are particularly more willing to finance acquisitions of U.S. firms by foreign firms after the Chapter 15 enactment. Last, we perform heterogeneity tests using measures of firm default risk and asset tangibility to examine whether firms that face higher default risk or liquidation risks benefit the most as the complexities of insolvency decline.

6.1. Debt Financing and Trade Credit

To investigate the impact of Chapter 15 on the availability and sources of capital, we first examine the changes in book leverage. We estimate Equation (2) with book leverage as the dependent variable and report the results in Table 6. In Column (1), we find that the coefficient of $Post\ Chapter15 \times Treated$ is 0.007, which is statistically significant at the 1% level. Firms that were expected to benefit more from Chapter 15 increased their leverage by 0.7 percentage points, which is equivalent to a 3.2% increase at the mean.

We next explore whether treated firms adjusted their composition of debt after the adoption of Chapter 15. If so, then the effect of lower uncertainties faced by creditors on leverage

¹⁸Prior studies show that bankruptcy costs have strong effects on firms' *ex ante* capital structure and financing decisions (Wang, 2022). Using international settings, a few studies document that differences in bankruptcy codes and procedures across nations are closely tied to bank lending policies and the extent of credit offered by lenders (see, e.g., Davydenko and Franks (2008), Acharya et al. (2011), and Fan, Titman, and Twite (2012)).

would be more pronounced for long-term debt than for short-term debt, as the uncertainty in the liquidation or reorganization values of assets increases in debt maturity (e.g., [Fan et al. \(2012\)](#)). Moreover, the improved bankruptcy procedure implemented after the introduction of Chapter 15 can affect firms' mix of bank and bond financing.¹⁹ Consistent with our predictions on the sources of capital, we document that the increase in total debt is driven by the higher proportion of long-term debt; the estimate shown in Column (2) implies an 8.6% increase in long-term debt at the mean. Results in Column (3) show that firms increased the proportion of corporate bonds as total debt increased by 1.4 percentage points (10% above the mean). The evidence of the increase in leverage of non-U.S. firms in countries that are prone to utilize Chapter 15 is consistent with an increase in debt capacity. Particularly, the increase in bond share after the introduction of Chapter 15 is consistent with [Becker and Josephson \(2016\)](#), who document that firms issue fewer corporate bonds and more bank loans for private renegotiation when they are faced with inefficient bankruptcy systems.

In the last column of Table 6, we examine whether suppliers are willing to extend the amount of trade credit after Chapter 15. Suppliers, holding unsecured claims, are more prone to high bankruptcy costs because their claims are not protected by collateral. We expect suppliers to offer larger credits after the enactment of Chapter 15 that would reduce the complexities of global insolvencies. We find that the treated firms have increased their trade credit more than control firms after 2005. The evidence supports the view that improved cross-border insolvency promotes the credit supply via supply chains.²⁰

¹⁹For example, [Becker and Josephson \(2016\)](#) show that firms in countries with inefficient bankruptcy procedures issue fewer corporate bonds but more bank loans because bank loans are more likely to be renegotiated out of the court than corporate bonds in default.

²⁰Chapter 15 enactment coincided with the passage of the Supplier Protection Act 2005 as part of the BAPCPA, which strengthened the protection granted to suppliers when a distressed buyer files for bankruptcy in the U.S. [Aral, Giambona, and Wang \(2022\)](#) document that following the regulatory change, distressed buyers increase the number of U.S. suppliers and obtain more trade credits compared to financially sound firms. In an untabulated analysis, we repeat Column (6) by excluding firms with U.S. suppliers and find that our results are robust. This is consistent with our argument that Chapter 15 adoption benefits all creditors (hence trade creditors in this context) regardless of their location.

6.2. Financing by U.S. Lenders

Although Chapter 15 benefits creditors by reducing the complexities of insolvency for non-U.S. firms, the increase in U.S. asset acquisition by non-U.S. firms can be facilitated by capital from U.S. creditors in particular. Foreign operations of multinational firms are usually funded by local lenders because geographically close lenders are better at monitoring and valuing local collateral (see, e.g., [Jang \(2017\)](#)). For this reason, we expect foreign firms to be more likely to source debt capital from U.S. lenders after the adoption of Chapter 15.

To pin down the location of capital sources, we collect data on bank loans issued by non-U.S. firms from January 2003 until June 2007 from Dealscan. We only include loans to publicly traded companies with borrowers' financials available to control for the risk of borrowers. One of the advantages of using loan issuance data, compared to annual capital structure snapshots from financial statements, is that we can identify the location of lenders who finance the loans. The final sample includes 6,917 loan packages issued by 2,824 borrowers from 42 countries. To examine the impact of Chapter 15 on the amount of credit issued by U.S. lenders, we perform the following regression:

$$\begin{aligned}
 Loansize_k = & \alpha + \beta_1 PostChapter15_t \times Treated_c \times USlender_k + \beta_2 PostChapter15_t \times Treated_c \\
 & + \beta_3 PostChapter15_t \times USlender_k + \beta_4 Treated_{c,t} \times USlender_k \\
 & + \beta_5 USlender_k + \mathbf{X}'_{i,t-1} \cdot \lambda + \gamma_c + \tau_m + \mu_t + \epsilon_k,
 \end{aligned} \tag{3}$$

where k indicates a loan, m indicates the borrower's industry, c indicates the borrower's country, i indicates the borrower, and t indicates the year of loan issuance. *Post Chapter15* is a binary variable that takes a value of one after the Chapter 15 enactment date, i.e., October 17th, 2005; *Treated* is a binary variable that takes a value of one if a firm's headquartered country filed for at least one Chapter 15 over the 2005–2010 period; and *US lender* is a binary variable that takes a value of one if the loan is arranged by U.S. lenders. In the

baseline specification, we include country (γ_c), industry (τ_m), and year (μ_t) fixed effects. We control for loan characteristics (loan maturity, the number of facilities within a package, indicators for term loans, revolvers, and secured loans) and lagged borrower characteristics (log of total assets, profitability, tangibility, and the indicator for having a credit rating). We also include *GDP per capita*, *GDP growth*, *Listed firms*, and *Bilateral trade* as controls. The coefficient of interest β_1 estimates the changes in loan size for firms from Chapter 15 countries after the adoption of Chapter 15 when they receive loans from U.S. lenders.

The results are reported in Table 7. Columns (1) and (2) show that the coefficient for *Post Chapter15* \times *Treated* \times *US lender* is positive and statistically significant. As *Loan Size* is measured in natural logarithm, the estimates show that firms from countries with greater use of Chapter 15 are able to receive loans that are 35% larger from U.S. lenders after the adoption of Chapter 15. Our result still holds in a tighter specification in Columns (3) and (4), in which we include borrower fixed effects and Industry \times Year fixed effects.²¹ The within-borrower estimate shown in Column (4) confirms the similar magnitude of the effect of Chapter 15 on the size of the loans from U.S. creditors; the size of loans to non-U.S. borrowers from treated countries increased by 34.3% after the adoption of Chapter 15.

Combined with the evidence of the effect of Chapter 15 adoption on leverage, the results of our exercise using the bank loan sample suggest that foreign firms that are more likely to use Chapter 15 increased their leverage, and this increase was significantly driven by funds from U.S. lenders.

6.3. *Heterogeneity Tests by Firm Default Risk and Asset Tangibility*

Firms that are characterized by higher default risks and excessive leverage would benefit significantly from the reform on cross-border insolvencies because creditors of firms near financial distress are particularly impacted by the degree of the protections offered by bankruptcy

²¹The sample is restricted to the borrowers that issued multiple loans within the sample period; however, the borrower fixed effects allow us to control for unobservable time-invariant borrower characteristics that might drive the demand for credit. Moreover, industry-time fixed effects would rule out any confounding effects of industry cycles on the amount of credit demanded, which is correlated with the sources of capital.

reform (Aral et al. (2022)). Furthermore, given the ease of seizing and liquidating tangible assets upon a firm’s default, through either piecemeal or fire sales in the absence of such protections, we expect that firms with a higher proportion of tangible assets are more incentivized to pursue U.S. assets following the implementation of Chapter 15.

To explore this channel, we use Altman’s Z'' -score as of 2004 to measure the default risk of each firm. We then categorize firm-year observations into terciles within each country based on the value of their Z'' -score, treating those in the first tercile as having high default risk. Similarly, we split firm-year observations based on the median of a firm’s leverage and tangibility in each country as of 2004.

The results presented in Table 8 support our prediction that the baseline effects concentrate among firms with higher default risks, excessive leverage, and more tangible assets, both in terms of the number and dollar value of U.S. acquisitions. It is important to note that the coefficient on the interaction term $Post \times Treated$ is economically significant for these firms, particularly when compared to our baseline results. For instance, Panel A indicates that firms with high default risk experience a 33% increase in the number of U.S. deals and a 44% increase in transaction value ($0.006/0.018=33\%$ and $0.024/0.054=44\%$ respectively) after the Chapter 15 enactment. Overall, our cross-sectional results suggest that the benefit of Chapter 15 enactment is disproportionate among firms, even within the same country, whilst alleviating the concern that the baseline results could have been driven by macro-level unobservables.

7. Additional Analyses

7.1. Further Robustness Tests

While we have documented changes in cross-border acquisitions as within-firm estimates in our Chapter 15 analysis, there remains a concern that treated firms located in Chapter 15 filing countries may systematically differ from those in non-filing countries. Additionally, time-varying factors can simultaneously influence firms’ propensity to utilize Chapter 15

and engage in cross-border acquisitions. To address these concerns, we conduct a series of robustness tests in this subsection.

7.1.1. *Industry Consideration*

While our baseline results thus far have captured *Treated* firms at the country level, it is important to recognize the potential heterogeneous industry effects of Chapter 15 adoption. We sharpen our baseline specification by further categorizing firms as belonging to a *Concentrated industry* if they operate within sectors with above-median Chapter 15 filings from 2005 to 2010 using the Fama-French 12 industry classification. The results presented in Appendix Table B6 show that the effects are more pronounced among *Treated* firms operating within industries with a higher tendency to utilize Chapter 15. This analysis helps alleviate the concern that our baseline results are driven by country-level unobservable factors.

7.1.2. *Two-stage Propensity Score Matching*

To mitigate the concern that heterogeneous firm characteristics between the treated and control groups prior to the adoption of Chapter 15 might influence cross-border M&A flows, we employ a two-stage propensity score matching approach. We construct a matched sample based on two dimensions: 1) the country-level predicted likelihood of filing for Chapter 15 and 2) industry and firm-level observable characteristics. First, we first estimate Equation (1) using the specification from Column (8) of Table 3 for the years 2005 to 2020 and then calculate the probability of filing for Chapter 15 for each country as of 2004. Next, we match *treated* countries that filed for Chapter 15 from 2005 to 2010 to *control* countries that have similar probability of filing for Chapter 15 but never filed for Chapter 15 during the same period, using the nearest-neighbor matching. Lastly, we find for each firm located in a *treated* country matched firms located in *control* countries, using propensity score matching based on *Sales growth* and *Size* as of 2004 within the same 2-digit SIC industry with caliper of 0.1 with replacement. In short, we compare firms in treated countries that actually utilized Chapter 15 to *comparable* firms in countries that had a similar probability of using Chapter

15 but did not do so during the five-year period after the Chapter 15 enactment. In this comparison, we directly control for industry and firm-level characteristics by constructing a propensity score matching sample and an ex-ante probability of filing for Chapter 15.

We report the estimates of Equation (2) using this matching sample in Appendix Table B7. The results are quantitatively similar to those shown in Table 4. Compared to control firms, treated firms increased their acquisition of U.S. targets, but not of non-U.S. foreign and domestic targets, after the adoption of Chapter 15. The effect is economically more sizeable than the magnitude of our baseline result; i.e., treated firms increased their U.S. acquisitions by 46.4% above the mean. Overall, our exercise using the two-stage propensity score matching analysis confirms that our results are robust when our sample is restricted to comparable firms with observable country, industry and firm characteristics.

7.1.3. Excluding Countries with Bankruptcy Law Reforms

One might be concerned that major local bankruptcy reforms in non-U.S. countries coincided with the enactment of Chapter 15, potentially confounding our baseline results. For example, Brazil enacted a new bankruptcy law in 2005 that is similar to Chapter 11 in the United States, which could affect the costs of cross-border acquisitions. We exclude those countries that reformed bankruptcy laws over the 2003–2007 period based on the list of countries with major bankruptcy law reforms in Altman, Dai, and Wang (2023). We find that the main results hold, as shown in Appendix Table B8.

7.1.4. Placebo Test Using Acquisitions by U.S. firms

We consider a possibility that our main results reflect the impact of additional reforms introduced alongside Chapter 15 on U.S. takeover markets. For example, the consumer bankruptcy reform coincided with Chapter 15’s enactment in 2005. While primarily targeting individual debtors, this reform may affect investment and financing decisions for U.S. corporations. For instance, Müller (2022) highlights that the reform, by reducing court congestion, prompted lenders to anticipate higher recovery rates from insolvent firms, resulting

in increased credit extension to corporations.

As such, the outcomes observed thus far may have been influenced by other reforms at Chapter 15 adoption, which led to an increase in bank lending not only to non-U.S. firms but also to U.S. firms. This is especially relevant when firms engage in U.S. acquisitions, given that U.S. assets can be used as collateral. If our baseline results are influenced by these reforms, we should also observe an increase in acquisition activities by U.S. firms both domestically and internationally. To address this concern, we conduct a placebo test using U.S. firms' acquisition activities during the same sample period from 2003–2007 around the adoption of Chapter 15. The results in Appendix Table B9 show that U.S. firms do not increase their domestic or cross-border acquisition activities following the enactment of Chapter 15. The evidence mitigates concerns regarding the influence of other time-varying factors on firms' utilization of Chapter 15 and their engagement in cross-border acquisitions such as reforms on consumer bankruptcies.

7.2. Staggered Adoption of UNCITRAL Model Law

7.2.1. Country-level Analysis

An advantage of focusing on the U.S. setting is that we can obtain the list of foreign firms that file for Chapter 15. Examining the profiles of Chapter 15 filers, we sharpen our baseline analysis in a difference-in-differences setting by identifying the types of firms that were disproportionately affected by Chapter 15 implementation. In this section, we broaden the scope of our analysis by adopting a different specification using a global sample. We exploit the staggered adoption of UNCITRAL Model Law in 17 countries as of 2022 and compare cross-border M&A activities around the global insolvency law reforms.²² Despite the limited information on the list of foreign firms filing for global bankruptcy proceedings, the cross-country analysis helps alleviate the concern that our baseline results could be driven by

²²Although 47 countries have adopted the UNCITRAL Model Law, only 17 countries are covered in Djankov et al. (2008). See Appendix Table B10 for the list of countries that adopted the UNCITRAL Model Law during the 2000–2020 period included in our analyses; the list is sourced from the following: https://uncitral.un.org/en/texts/insolvency/modellaw/cross-border_insolvency/status.

unobservable factors specific to the U.S.

We construct a country-year panel from 1997 to 2020 using the 62 countries covered in [Djankov et al. \(2008\)](#). We allow a period of three years to have an effect on inbound acquisitions since the first adoption in 2000. Out of the 62 countries in the sample, 17 countries adopted the UNCITRAL Model Law (including the U.S.). We construct the *%Cross-border acq* variable using the number of inbound cross-border acquisitions made in a given country-year divided by the total number of acquisitions made in the country-year.

We estimate the following OLS regression using country-year observations from countries that had at least one inbound cross-border acquisition deal from 1997 to 2020:

$$\%Cross\text{-border } acq_{j,t} = \alpha + \beta Post\ UNCITRAL_{j,t} + \mathbf{X}'_{j,t-1} \cdot \lambda + \gamma_j + \mu_t + \epsilon_{j,t}, \quad (4)$$

where the variable of interest *Post UNCITRAL* is a binary variable that takes a value of one after the UNCITRAL Model Law enactment year. We denote j and t to represent country and time, respectively, and X' represents a set of country-level control variables, which include *GDP per capita*, *GDP growth*, *Listed firms*, *Market return* and *Currency return*, which capture the macroeconomic conditions that may affect inbound and outbound foreign direct investment. The coefficient β measures the impact of the UNCITRAL Model Law on inbound cross-border acquisitions in a given country-year. We include country fixed effects (γ_j) to control for any time-invariant country characteristics and year fixed effects (μ_t) to control for the time trend in global M&A markets.

Column (1) of [Table 9](#) shows that countries that adopted the UNCITRAL Model Law experienced a 7.5 percentage point increase in inbound acquisitions. The coefficient is statistically significant at the 5% level, and the economic magnitude is sizeable given the unconditional mean at 0.533 (0.074/0.533=13.9%). In columns (2) and (3), we exclude the acquisitions made in the U.S. and Canada, which also adopted the UNCITRAL Model Law in 2005, to alleviate the concern that the result in Column (1) is mainly driven by active

acquisitions sought in those countries by global players. The results are consistent with those in column (1).²³ The findings in Table 9 suggest that countries that legislate bankruptcy laws to meet global standards and improve cross-court coordination experience active FDI flows.

7.2.2. Country-pair Analysis

While the actual bankruptcy filers that exploit the UNCITRAL Model Law are unknown beyond the U.S. due to data limitations, Figure 4 suggests that these filers tend to originate from countries with relatively lower cost and shorter insolvency time and higher debt recovery as shown in Table 3. The evidence suggests that acquiring countries can benefit from their relatively more efficient home country bankruptcy systems compared to those of target countries that have adopted the UNCITRAL Model Law.

We extend our analysis in Section 7.2.1 in a difference-in-difference setting using a country-pair-year panel. This sample allows us to determine the extent to which the efficiency of bankruptcy court system in foreign countries would facilitate outbound cross-border acquisitions in target nations that adopt the UNCITRAL Model Law. We estimate the following OLS regression using country-pair-year observations from 62 countries that had at least one cross-border M&A deal between the two countries in pairs from 1997 to 2020:

$$\begin{aligned} \%Cross\text{-border } acq_{a,j,t} = & \alpha + \beta Post\ UNCITRAL_{j,t} \times \Delta InsolvencyCharacteristics_{a-j} \\ & + \lambda_{a \times j} + \gamma_{a \times t} + \mu_{j \times t} + \epsilon_{c,t}, \end{aligned} \quad (5)$$

where $Post\ UNCITRAL$ is a binary variable that takes a value of one after the UNCITRAL Model Law enactment year in the target country j , defined in same way as Equation (4), and $\Delta InsolvencyCharacteristics_{a-j}$ measures the differences in bankruptcy efficiency measures between the acquiring country, denoted as a and the target country, which is denoted as

²³We find no significant pre-trends before the events (see In Appendix Table B11). In Appendix Table B12, we show the robustness of our results by employing a stacked cohort approach with clean controls in each event window following Gormley and Matsa (2016). We also conduct placebo tests in Appendix Table B13.

j . The dependent variable $\%$ *Cross-border acq* is equal to the number of total cross-border deals in year t in which the target is from country j and the acquirer is from country a (where $a \neq j$) scaled by the sum of all deals in the target country j in year t . We control for the time-varying macroeconomic conditions that may affect inbound and outbound foreign direct investment by employing acquiring country-year and target country-year fixed effects.

In column (1) of Table 10, we first confirm that the results in Table 9 also hold in a sample of country-pair-year observations. The coefficient estimates show that inbound cross-border acquisitions increase by 12.2% ($0.002/0.0164 = 12.2\%$) after a country adopts the UNCITRAL Model Law. After interacting the indicator on the UNCITRAL Model Law and differences in *Cost*, *Time*, and *Recovery* between the acquiring and target countries, we find, in Columns (2) to (4), that conditional on the target country adopting the UNCITRAL law, a one standard deviation increase in the recovery rate difference between the acquiring and target countries leads to a 12.5% increase in outbound acquisitions in the target country ($0.3426 * 0.006 / 0.0164 = 12.5\%$). Similarly, acquiring countries that conduct more outbound acquisitions tend to have lower costs and shorter times to resolve insolvency relative to target countries that adopted the UNCITRAL Model Law.

These results align with our findings that non-U.S. firms that use Chapter 15 are more likely to be those from countries with more efficient bankruptcy systems. The cross-sectional results can also help alleviate concerns that the results in Table 9 are driven by macro-level unobservables that might coincide with the target country's decision to adopt the UNCITRAL Law.

7.3. *Divestitures*

We next examine the impact of global insolvency laws on disinvestment. Given that the adoption of Chapter 15 in the U.S. and UNCITRAL Model Laws in other countries lowers the costs of cross-border insolvency, thereby promoting acquisitions of assets in the UNCITRAL Model Law countries, we expect that foreign firms are less likely to divest assets in those countries after the law adoption.

We first investigate the effect of Chapter 15 adoption on foreign firms' asset divestitures in the U.S. by estimating Equation 2 with $\ln(\#US\ div)$ and $\ln(\$US\ div)$ as the dependent variable and report the results in Table 11 Columns (1) and (2). In this test, we restrict the sample to multinational firms that had at least one U.S. subsidiary as of 2002 and examine the likelihood of them divesting U.S. assets after 2005. The coefficients for the interaction term are -0.008 and -0.026, statistically significant at the 5% level, for the number of asset sales and dollar value of asset sales, respectively. The results suggest that non-U.S. firms are less likely to divest U.S. subsidiaries, which is consistent with our baseline arguments. We next extend our analysis to the cross-country setting using UNCITRAL Model Law adoptions by estimating Equation (4) with $\% Cross-border\ div$ as the dependent variable. Results in columns (3) to (5) are similar to those in the first two columns. The findings support the notion that insolvency reforms, like Chapter 15 and the UNCITRAL Model Laws, make assets in adopting countries more attractive to foreign investors. As a result, foreign firms are less likely to divest assets in those countries.

8. Conclusion

In this paper, we exploit the enactment of Chapter 15 in 2005 and the wide global adoption of the UNCITRAL Model Law as unique experiments to build causal inferences on the effect of global insolvency costs on cross-border investments. We provide empirical evidence that judicial cooperation and reduced uncertainty in legal processes can improve global trade flows.

We find that the adoption of Chapter 15 has substantially lowered the bar for non-U.S. companies to exploit U.S. bankruptcy provisions for efficient bankruptcy resolution while pursuing a primary bankruptcy proceeding in their home countries. In particular, firms from countries with an efficient bankruptcy system frequently file for Chapter 15 to maximize their bankruptcy outcomes through coordination between their home and U.S. courts. On the other hand, we observe that those firms from jurisdictions that lack strong insolvency

laws prefer to process Chapter 11 by bringing their cases into the U.S. This comparison between the two restructuring tools using court dockets and country-level analysis supports the idea that Chapter 15 facilitates better preservation of the value of debtors' U.S. assets.

The firm-level analyses provide further evidence for the real implications of the firm's cross-border investments, such as acquisitions and capital sourcing. We find that foreign firms from countries that frequently utilize Chapter 15 are more likely to acquire U.S. assets after the enactment of Chapter 15. This effect is not present for other types of acquisitions, thereby corroborating our argument that Chapter 15 effectively lowers the cost of acquiring assets located in the U.S. but not in other countries. Additionally, we document that these firms are more likely to have improved access to debt financing and to have expanded their supply chains globally after the enactment. These findings suggest that Chapter 15 is intended to protect foreign and U.S. creditors and maximize overall liquidation or reorganization values. Our bank loan sample suggests that the increased leverage is significantly driven by the larger loan sizes funded by U.S. lenders who are geographically proximate to their local collateral.

We also perform a global-level study using the staggered adoption of the UNCITRAL Model Law as an exogenous shock to inbound cross-border acquisition activities. We find that as more countries legislate insolvency laws that meet global standards, the costs of possessing foreign assets decrease, thereby promoting active FDI flows. Despite the limited setting, the global-level analysis helps alleviate the concern in our U.S.-based analysis that the results could be driven by unobservable factors that are specific to the U.S.

This study contributes to the literature on cross-border M&As by providing novel evidence that court coordination has real effects on the acquisitions of foreign assets. Our study also contributes to the broad literature on the effect of law and legal institutions on restructuring outcomes and corporate policies by providing evidence that court cooperation facilitates more predictable outcomes and the maximization of the value of a debtor's foreign assets, which has real effects on cross-border investments.

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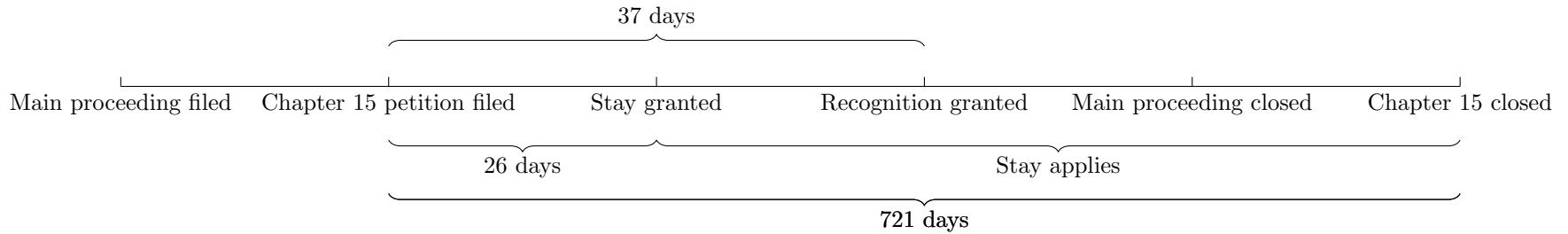
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Figure 1. Timeline of Chapter 15 and Chapter 11 processes

The figure shows the timelines for the Chapter 15 and Chapter 11 processes. The first timeline illustrates the process of a typical Chapter 15 case, commencing with an insolvent non-U.S. debtor filing for bankruptcy in its home court as the main insolvency proceeding. A foreign representative appointed by the debtor’s home court then submits an application to obtain recognition of the main insolvency proceeding in the U.S. Bankruptcy Court. Upon recognition of the foreign insolvency case, a Chapter 15 debtor is granted an automatic stay that prevents creditors from seizing assets located in the U.S. While the Bankruptcy Code’s provisions do not protect the foreign debtor during the gap period (i.e., the time between filing the Chapter 15 petition and granting recognition), a foreign representative can seek protection by requesting “provisional relief” from the bankruptcy court to safeguard against any attack on the foreign debtor’s U.S. assets. Upon termination of the main insolvency proceeding, the foreign representative typically requests the U.S. court to close the Chapter 15 case. The second timeline illustrates the process of a traditional Chapter 11 case, which commences with the filing of a petition with the U.S. Bankruptcy Court. The debtor proposes a plan of reorganization, creditors whose rights are affected vote on the plan, and the court confirms the plan once it secures the required votes and satisfies specific legal requirements. Subsequently, the court closes the Chapter 11 case. The numbers displayed represent the median number of days sourced from Table 1.

Chapter 15

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Chapter 11

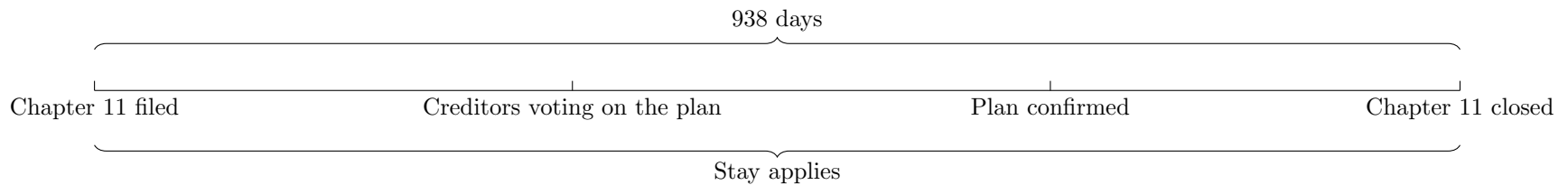


Figure 2. Number of Chapter 15 and Chapter 11 filings 2006–2020

The figure shows the total number of Chapter 15 and Chapter 11 primary cases filed by non-U.S. firms from 2006–2020. The horizontal axis represents the year of filing, and the vertical axis represents the number of primary cases filed each year.

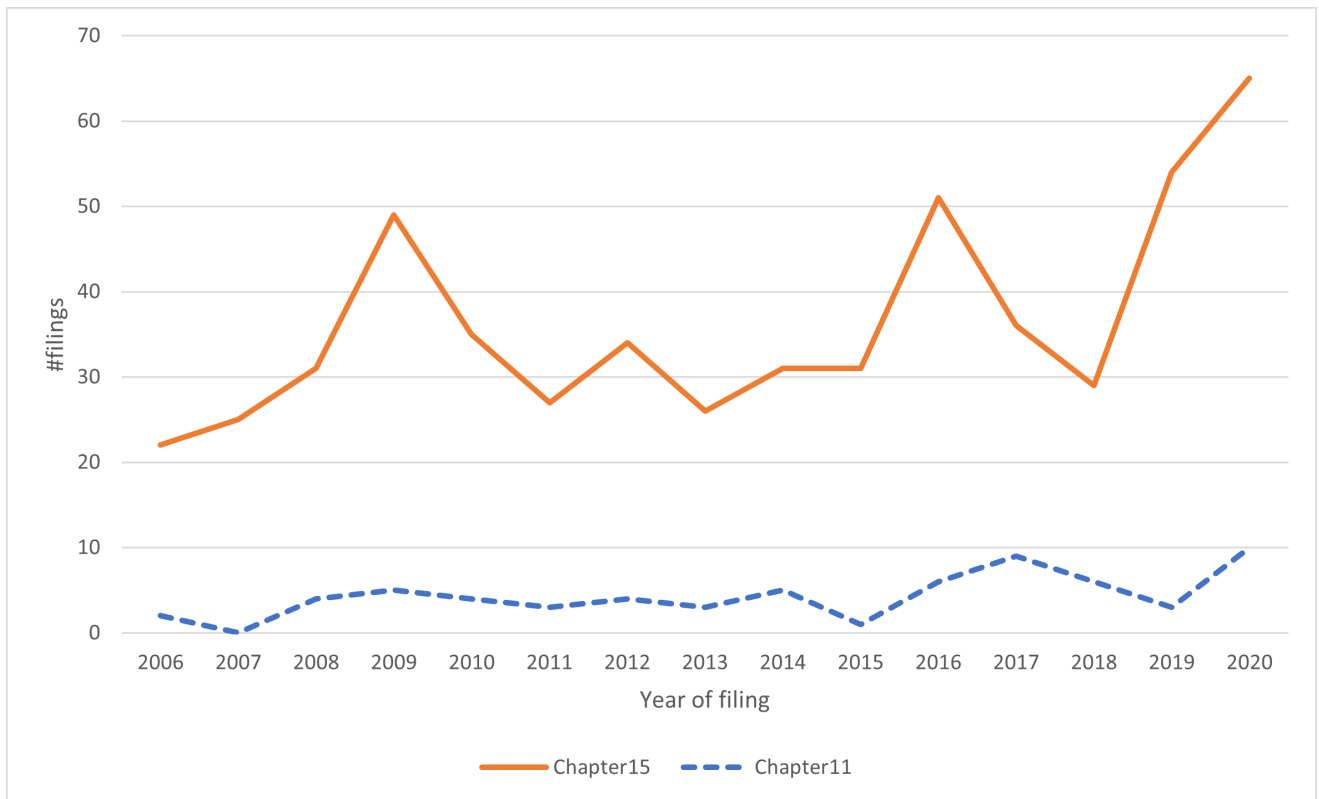


Figure 3. Country distribution of Chapter 15 and Chapter 11 filings 2005–2020

The figure plots the total number of Chapter 15 and Chapter 11 primary cases filed by non-U.S. firms over 2005–2020 in each country. The location of a debtor’s country is defined as the country of incorporation for Chapter 11 debtors and COMI for Chapter 15 debtors. Included countries are those that have insolvency variables available from [Djankov et al. \(2008\)](#). Other countries include those countries that filed for only one Chapter 15 filing without any Chapter 11 filings over the sample period, such as Switzerland, Sweden, the Czech Republic, Peru, Romania, Serbia, Honduras, Malaysia, and Ukraine.

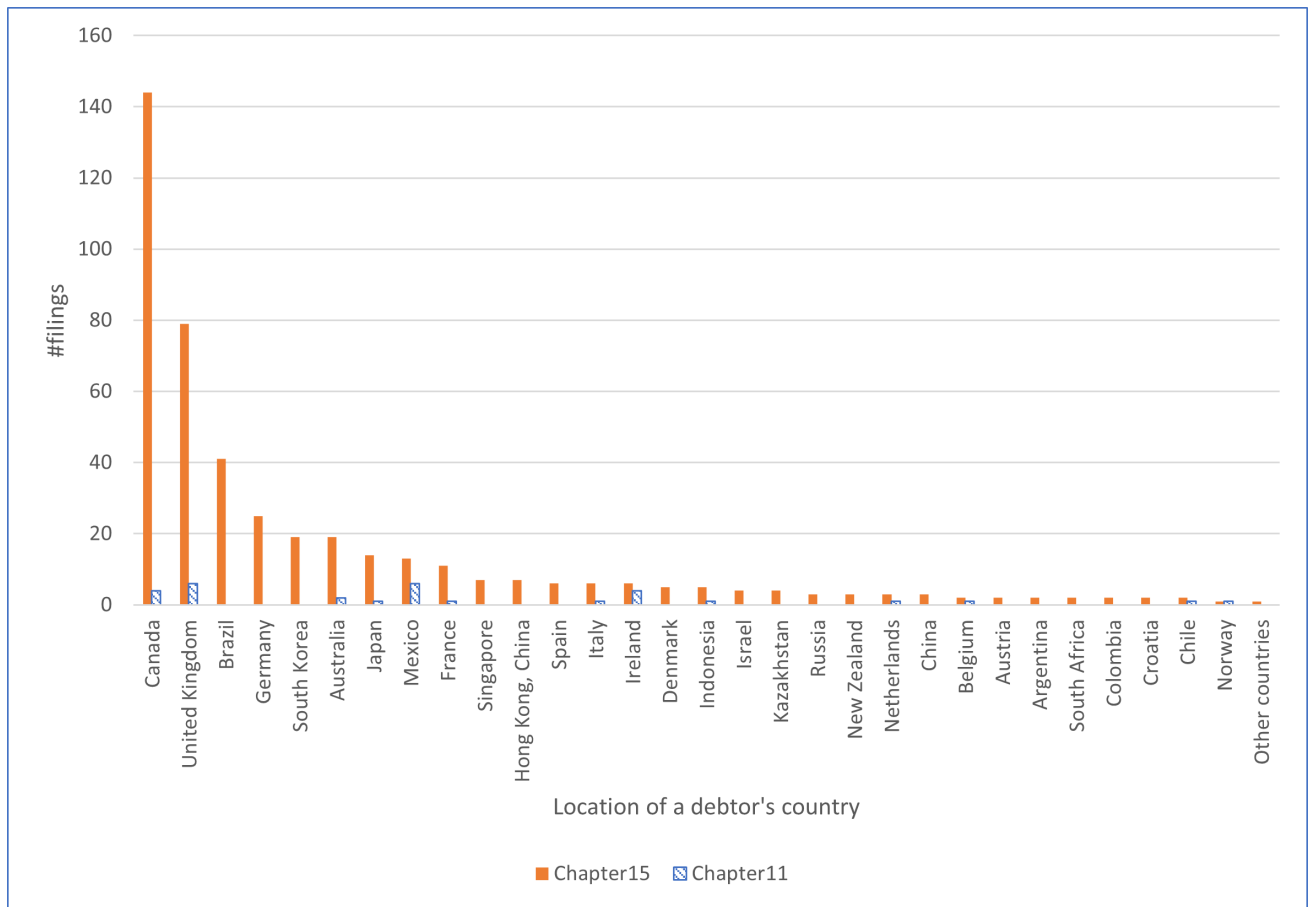


Figure 4. Chapter 15 filings and relative differences in bankruptcy efficiencies

The figure presents the aggregate number of Chapter 15 filings across relative differences in bankruptcy efficiency between non-U.S. countries and the U.S. over the sample period from 2005 to 2020, as measured by *Cost*, *Time*, and *Recovery*. *Cost* represents the expense involved in resolving insolvency, recorded as a percentage of the debtor's estate value. *Time* represents the duration required to resolve insolvency, measured in calendar years. *Recovery* is recorded as cents on the dollar recovered by secured creditors through judicial reorganization, liquidation, or debt enforcement proceedings. The value of zero on the horizontal axis represents that the bankruptcy efficiency of a non-U.S. country and the U.S. are the same.

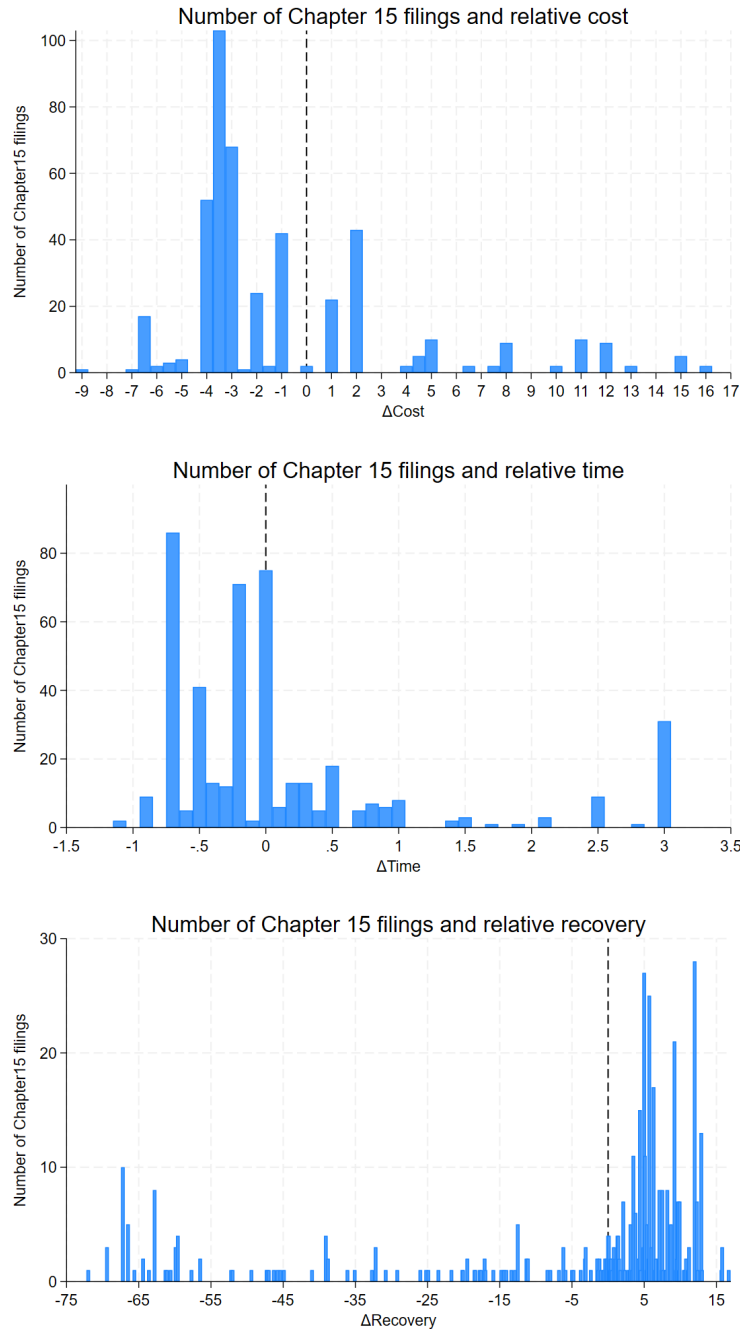


Table 1: Efficiency of bankruptcy process: Chapter 15 vs. Chapter 11

This table presents statistics on the key characteristics of court dockets for Chapter 15 and Chapter 11 cases filed by non-U.S. firms in the New York Southern District and Delaware (at the primary case level). It includes 17 Chapter 11 filings from 2001 to 2009 and 66 Chapter 15 filings from 2005 to 2009 for which *Days until first relief granted*, *Days until recognition as an FP*, and *Days until home court order granted* are applicable only to Chapter 15 cases. *Days until plan confirmed/converted* is applicable only to Chapter 11 cases. Definitions and sources of the variables are provided in Appendix [A1.5](#).

	Chapter15				Chapter11			
	N	Mean	Median	SD	N	Mean	Median	SD
Days until first relief granted	64	30.9	26	34	N/A	N/A	N/A	N/A
Days until recognition as an FP	63	48.9	37	36.6	N/A	N/A	N/A	N/A
Days until plan confirmed/converted	N/A	N/A	N/A	N/A	16	342.3	269	282.5
Days until last active docket	66	1412.1	720.5	1554.7	17	1278.1	938	1387.7
Days until termination	61	1966.3	1591	1545.5	16	1739.9	1264.5	1515.8
Days until granting sale of assets	6	26.7	9	42.7	8	38.6	25	30
#Court dockets	66	66.6	36.5	96.2	17	921.8	494	1242
% Objections	66	0	0	0.1	17	0.05	0.05	0.03

Table 2: Summary statistics

This table reports summary statistics for the variables included in our empirical models. The sample in Panel A includes 1,216 country-year observations from 76 non-U.S. countries from 2005 to 2020. In Panel B, the sample includes 76,523 firm-year observations from 63 non-U.S. countries from 2003–2007. Definitions and sources of the variables are provided in Section [A1.5](#).

Panel A. Country-year panel						
Variable	Obs	Mean	P25	Med	P75	SD
I.Chapter15	1,216	0.147	0	0	0	0.354
ln(#Chapter15)	1,216	0.155	0	0	0	0.429
Common law	1,216	0.237	0	0	0	0.425
English language	1,216	0.132	0	0	0	0.338
Creditor rights	1,216	2.013	1	2	3	1.07
Reorganization index	1,216	1.09	0	1	2	1.078
Cost	1,216	13.026	7	12	18	7.953
Time	1,216	2.351	1.5	2	3.1	1.241
Recovery	1,216	49.279	29.4	42.45	73.75	25.078
GDP per capita	1,216	9.401	8.533	9.377	10.454	1.084
GDP growth	1,216	0.03	0.014	0.03	0.05	0.04
Listed firms	1,216	4.962	3.761	5.112	5.953	1.628
Bilateral trade	1,216	0.014	0.001	0.004	0.012	0.032

Panel B. Firm-year panel						
Variable	Obs	Mean	P25	Med	P75	SD
ln(#US acq)	76,523	0.018	0	0	0	0.132
ln(\$US acq)	76,523	0.054	0	0	0	0.52
ln(#Non-US CB acq)	76,523	0.044	0	0	0	0.21
ln(#Domestic acq)	76,523	0.076	0	0	0	0.259
ln(#US div)	14,699	0.011	0	0	0	0.09
ln(\$US div)	14,699	0.026	0	0	0	0.35
Book leverage	76,338	0.216	0.043	0.185	0.331	0.198
Long-term leverage	76,338	0.105	0	0.05	0.162	0.142
Bond share	48,645	0.142	0	0	0.142	0.273
Trade credit	69,500	0.224	0.099	0.17	0.273	0.2
Treated	76,523	0.624	0	1	1	0.484
Sales growth	76,523	0.147	-0.025	0.079	0.243	0.336
ROA	76,523	0.029	0.008	0.049	0.096	0.149
Size	76,523	4.861	3.59	4.837	6.083	1.997
Tangibility	76,523	0.311	0.124	0.278	0.457	0.225
GDP per capita	76,523	9.677	8.99	10.226	10.475	1.133
GDP growth	76,523	0.042	0.02	0.035	0.056	0.03
Listed firms	76,523	6.858	6.192	7.212	7.684	0.971
Bilateral trade	76,523	0.047	0.016	0.025	0.068	0.052

Table 3: Country-level analysis: Likelihood of filing Chapter 15

The table presents OLS estimates of the effect of a non-U.S. country's insolvency characteristics on its likelihood of filing for Chapter 15 in the U.S. Bankruptcy Court from 2005 to 2020. The insolvency characteristics are *Common Law*, *English language*, *Creditor rights*, *Reorganization index*, *Costs*, *Time*, and *Recovery*. The regressions are conducted on a country-year panel using 76 non-U.S. countries covered in [Djankov et al. \(2008\)](#). The dependent variable is a binary variable that takes the value of one if there is any Chapter 15 case filed by firms headquartered in a given country-year. All control variables are lagged by one year. Definitions and sources of the variables are provided in [Appendix A1.5](#). Continent and year-fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the year level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Dep. Var. = I.Chapter15								
Common law	0.120*** (7.05)							0.092*** (4.94)
English language		0.164*** (6.88)						
Creditor rights			0.032*** (4.29)					0.025*** (3.26)
Reorganization index				0.027*** (3.01)				0.021** (2.41)
Cost					-0.002** (-2.29)			-0.002** (-2.50)
Time						-0.022*** (-4.69)		-0.010* (-2.04)
Recovery							0.002*** (5.19)	
GDP per capita	0.038*** (4.34)	0.033*** (3.73)	0.042*** (5.01)	0.051*** (5.39)	0.039*** (4.90)	0.038*** (4.21)	0.020* (2.06)	0.025** (2.82)
GDP growth	-0.569** (-2.33)	-0.557** (-2.23)	-0.525* (-2.01)	-0.584** (-2.39)	-0.566** (-2.28)	-0.570** (-2.31)	-0.550** (-2.24)	-0.575** (-2.31)
Listed firms	0.050*** (7.95)	0.059*** (9.22)	0.060*** (8.89)	0.054*** (8.29)	0.058*** (8.86)	0.054*** (8.40)	0.052*** (8.21)	0.050*** (7.27)
Bilateral trade	2.707*** (6.14)	2.432*** (5.47)	2.816*** (6.61)	2.556*** (5.69)	2.707*** (6.20)	2.607*** (6.09)	2.579*** (5.82)	2.685*** (6.22)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Continent FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216
Adjusted R-squared	0.27	0.27	0.26	0.26	0.26	0.26	0.26	0.28

Table 4: Chapter 15 and the acquisition of non-U.S. firms

This table presents OLS estimates of the effect of Chapter 15 enactment on the acquisition activities of non-U.S. firms from 63 countries from 2003–2007. The regressions are conducted on a firm-year panel. The dependent variables in columns (1) to (4) are the natural logarithms of the total number of U.S. acquisitions, the total transaction value (in USD) of U.S. acquisitions, the total number of non-U.S. cross-border acquisitions, and the total number of domestic acquisitions, respectively. *Post Chapter15* is equal to one for the years after the enactment of Chapter 15 in 2005 and zero otherwise. *Treated* is equal to one if the country of a firm’s headquarters filed Chapter 15 over 2005–2010, zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the firm level and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Var. =	(1) ln(#US acq)	(2) ln(\$US acq)	(3) ln(#Non-US CB acq)	(4) ln(#Domestic acq)
Post Chapter15 × Treated	0.004** (2.48)	0.019** (2.27)	0.001 (0.38)	-0.000 (-0.06)
Sales growth	0.000 (0.12)	0.006 (1.15)	0.003 (1.26)	-0.009*** (-2.83)
ROA	0.015*** (3.05)	0.061*** (3.35)	0.031*** (4.15)	0.069*** (6.21)
Size	-0.000 (-0.23)	-0.006 (-1.13)	0.006*** (2.62)	-0.014*** (-4.33)
Tangibility	-0.003 (-0.69)	-0.016 (-0.83)	-0.011 (-1.32)	-0.043*** (-3.43)
GDP per capita	0.006 (1.18)	0.032 (1.25)	0.027*** (3.04)	0.040*** (3.06)
GDP growth	0.010 (0.38)	0.126 (0.97)	0.086* (1.73)	0.075 (1.23)
Listed firms	-0.004 (-0.69)	-0.019 (-0.85)	-0.001 (-0.15)	-0.000 (-0.00)
Bilateral trade	-0.155** (-2.35)	-0.743** (-2.46)	-0.436*** (-4.40)	-0.903*** (-5.57)
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Number of Observations	76,523	76,523	76,523	76,523
Adjusted R-squared	0.42	0.22	0.42	0.30

Table 5: Chapter 15 and propensity matching on non-U.S. firms and their acquisitions

This table presents OLS estimates of the effect of Chapter 15 enactment on acquisition activities of non-U.S. firms from 63 countries from 2003 to 2007 by using their probability to file for Chapter 15. Equation 1 is estimated using the specification from Column (8) of Table 3 and Appendix Table B2 for the years from 2005 to 2020 to calculate the probability of filing for Chapter 15 for each country using the estimated coefficients and respective country characteristics. $\widehat{Treated}$ is equal to one if the probability of filing for Chapter 15 (predicted number of Chapter 15 filings) is above the median as of 2004, and zero otherwise in Panel A (Panel B). $\widehat{Treated}$ is equal to one if the probability of filing for Chapter 15 (predicted number of Chapter 15 filings) is above the median in a given year, and zero otherwise in Panel C (Panel D). Regressions in Table 4 are re-estimated using predicted values on a firm-year panel. The dependent variables in columns (1) to (4) are the natural logarithms of the total number of U.S. acquisitions, the total transaction value (in USD) of U.S. acquisitions, the total number of non-U.S. cross-border acquisitions, and the total number of domestic acquisitions, respectively. $Post\ Chapter15$ is equal to one for the years after the enactment of Chapter 15 in 2005 and zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the firm level and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Var. =	(1) ln(#US acq)	(2) ln(\$US acq)	(3) ln(#Non-US CB acq)	(4) ln(#Domestic acq)
A. $I.Chapter15$ as of 2004				
$Post\ Chapter15 \times \widehat{Treated}$	0.006*** (3.87)	0.027*** (2.81)	0.006 (1.38)	0.000 (0.07)
B. $ln(\#chapter15)$ as of 2004				
$Post\ Chapter15 \times \widehat{Treated}$	0.006*** (3.40)	0.015* (1.73)	-0.000 (-0.05)	-0.001 (-0.23)
C. $I.Chapter15$ yearly basis				
$\widehat{Treated}$	-0.007* (-1.85)	-0.027 (-1.52)	-0.001 (-0.14)	-0.005 (-0.45)
$Post\ Chapter15 \times \widehat{Treated}$	0.006*** (3.91)	0.027*** (2.80)	0.006 (1.58)	0.000 (0.00)
D. $ln(\#chapter15)$ yearly basis				
$\widehat{Treated}$	-0.002 (-0.34)	0.030 (1.23)	0.037** (2.24)	0.028** (2.04)
$Post\ Chapter15 \times \widehat{Treated}$	0.006*** (3.87)	0.019** (2.34)	0.005 (1.30)	0.003 (0.72)
Firm-level Controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Number of Observations	76,523	76,523	76,523	76,523
Adjusted R-squared	0.42	0.22	0.42	0.30

Table 6: Chapter 15 and the capital structure of non-U.S. firms

This table presents results from OLS regressions estimating the effect of Chapter 15 enactment on the capital structures of non-U.S. firms from 63 countries from 2003–2007. The regressions are conducted on a firm-year panel. The dependent variable in column (1) is *Book leverage* defined as total debt divided by total assets. The dependent variable in column (2) is *Long-term leverage*, which is equal to long-term debt divided by total debt. The dependent variable in column (3) is *Bond share*, which measures the bond’s total value as a proportion of total debt. The dependent variable in column (4) is *Trade credit*, which is equal to the cost of goods sold divided by accounts payable. *Post Chapter15* is equal to one for the years after the enactment of Chapter 15 in 2005 and zero otherwise. *Treated* is equal to one if the country of a firm’s headquarters filed Chapter 15 over 2005–2010 and zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the firm level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Var. =	(1) Book leverage	(2) Long-term leverage	(3) Bond share	(4) Trade credit
Post Chapter15 × Treated	0.007*** (2.97)	0.009*** (5.16)	0.014*** (3.01)	0.007*** (2.80)
Sales growth	-0.002 (-0.94)	0.001 (0.76)	0.004 (1.19)	-0.024*** (-8.49)
ROA	-0.142*** (-14.81)	-0.060*** (-8.65)	-0.050*** (-3.29)	-0.026** (-2.34)
Size	0.027*** (10.56)	0.018*** (9.45)	0.012*** (3.08)	-0.009*** (-2.94)
Tangibility	0.082*** (8.96)	0.056*** (7.93)	-0.037** (-2.32)	-0.005 (-0.42)
GDP per capita	0.009 (1.22)	0.025*** (3.93)	0.010 (0.60)	0.055*** (6.13)
GDP growth	-0.081** (-2.02)	0.033 (0.91)	0.094 (1.21)	0.013 (0.27)
Listed firms	0.013*** (2.99)	-0.000 (-0.07)	-0.013 (-1.46)	0.003 (0.63)
Bilateral trade	0.333*** (2.87)	0.033 (0.42)	1.707*** (5.99)	-0.805*** (-5.44)
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Number of Observations	76,338	76,338	48,645	69,500
Adjusted R-squared	0.76	0.69	0.71	0.68

Table 7: Chapter 15 and loan size

The table presents OLS estimates of the effect of Chapter 15 enactment on the size of a loan issued by U.S. lenders using loans activated from 2003 to pre-GFC (1st July 2007). The dependent variable is equal to the natural logarithm of the deal amount in millions in USD. The regressions are conducted on a borrower-package panel using companies from 42 non-U.S. countries. *Post Chapter15* is a binary variable that takes a value of one for the loans issued after the Chapter 15 enactment date, October 17, 2005. *Treated* is equal to one if the country of a firm's headquarters filed Chapter 15 over 2005–2010 and zero otherwise. *US lender* is a binary variable that takes a value of one if the loan is arranged by U.S. lenders. Definitions and sources of the variables are provided in Appendix A1.5. Industry, country, and year-fixed effects are included in columns (1) and (2). Borrower and industry-year fixed effects are included in columns (3) and (4). Standard errors are corrected for clustering of observations at the borrower level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)
Dep. Var. = Loan size				
Post Chapter15 × Treated × US lender	0.335** (2.17)	0.303** (2.29)	0.476*** (3.20)	0.295** (2.05)
Post Chapter15 × US lender	-0.203 (-1.52)	-0.328*** (-2.81)	-0.278** (-2.09)	-0.288** (-2.20)
Post Chapter15 × Treated	-0.009 (-0.11)	-0.011 (-0.15)	-0.240** (-2.44)	-0.076 (-0.75)
Treated × US lender	0.032 (0.26)	-0.012 (-0.11)	-0.372*** (-2.72)	-0.288** (-2.18)
US lender	0.765*** (7.00)	0.434*** (4.32)	0.566*** (4.74)	0.514*** (4.41)
Size		0.446*** (30.25)		0.256*** (4.42)
ROA		0.698*** (2.62)		0.391 (1.17)
Tangibility		0.034 (0.36)		-0.474** (-2.27)
Rated		-0.079* (-1.65)		0.152** (2.05)
GDP per capita		0.793*** (3.82)		1.032*** (4.04)
GDP growth		1.817 (1.32)		2.171 (1.42)
Listed firms		-0.185** (-2.32)		-0.066 (-1.08)
Bilateral trade		21.187*** (4.83)		15.838*** (3.52)
Loan maturity		0.000 (0.75)		-0.001 (-1.16)
Num facilities		0.221*** (10.82)		0.174*** (5.14)
Term loan		-0.198*** (-5.08)		-0.059 (-1.15)
Revolver		0.281*** (8.09)		0.264*** (6.44)
Secured		-0.024 (-0.54)		0.195*** (3.37)
Country, Industry and Year FEs	Yes	Yes	No	No
Borrower and Industry × Year FEs	No	No	Yes	Yes
Number of Observations	7,076	6,917	5,176	5,054
Adjusted R-squared	0.41	0.64	0.81	0.84

Table 8: Chapter 15 and cross-sectional tests

This table presents results on the cross-sectional effects of Chapter 15 adoption on a firm's US acquisition activities from 2003–2007. The dependent variables in columns (1) and (2) are the natural logarithms of the total number of U.S. acquisitions, and the dependent variables in columns (3) and (4) are the natural logarithms of the total transaction value (in USD) of U.S. acquisitions, respectively. In Panel A, firm observations are divided based on whether the firm had a high default risk, measured by the first tercile of Altman's Z"-score in the firm's country as of 2004. In Panel B, firm observations are divided based on whether the firm had high leverage, measured by being above the median of the leverage ratio in the firm's country as of 2004. In Panel C, firm observations are divided based on whether the firm had high tangibility, measured by being above the median of tangibility in the firm's country as of 2004. *Post Chapter15* is equal to one for the years after the enactment of Chapter 15 in 2005 and zero otherwise. *Treated* is equal to one if the country of a firm's headquarters filed Chapter 15 over 2005–2010 and zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the firm level and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Default risk				
Dep. Var. =	(1)	(2)	(3)	(4)
	ln(#US acq)		ln(\$US acq)	
	High	Low	High	Low
Post Chapter15 × Treated	0.006** (2.39)	0.004 (1.54)	0.024** (2.30)	0.017 (1.49)
Difference p-value	0.507		0.620	
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Number of Observations	24,760	51,219	24,760	51,219
Adjusted R-squared	0.40	0.43	0.17	0.23
Panel B. Leverage				
Dep. Var. =	(1)	(2)	(3)	(4)
	ln(#US acq)		ln(\$US acq)	
	High	Low	High	Low
Post Chapter15 × Treated	0.008*** (2.89)	0.001 (0.31)	0.036*** (2.82)	-0.001 (-0.13)
Difference p-value	0.050		0.021	
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Number of Observations	39,024	37,137	39,024	37,137
Adjusted R-squared	0.48	0.32	0.23	0.20
Panel C. Tangibility				
Dep. Var. =	(1)	(2)	(3)	(4)
	ln(#US acq)		ln(\$US acq)	
	High	Low	High	Low
Post Chapter15 × Treated	0.006** (2.33)	0.003 (1.17)	0.030*** (2.60)	0.006 (0.52)
Difference p-value	0.469		0.143	
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Number of Observations	38,713	37,453	38,713	37,453
Adjusted R-squared	0.37	0.45	0.19	0.25

Table 9: Staggered adoption of UNCITRAL Model Law

This table examines the effect of the staggered adoption of the UNCITRAL Model Law on inbound cross-border acquisitions from 1997–2020 in 62 target countries covered by Djankov et al. (2008). Only country-year observations with at least one inbound cross-border acquisition deal from 1997 to 2020 are included. Of 62 countries, 17 adopted the UNCITRAL Model Law in our sample. *Post UNCITRAL* is a binary variable that takes a value of one after the UNCITRAL Model Law enactment year in a target country following Appendix Table B10. Panel A presents the summary statistics for the variables included in our empirical model using 1,416 country-year observations from 1997–2020 in 62 countries. Panel B presents OLS estimates of the effect of the staggered adoption of the UNCITRAL Model Law on inbound cross-border acquisitions from 1997–2020 in 62 target countries. The dependent variable in columns (1) to (3) is % *Cross-border acq*, which is equal to the number of cross-border acquisitions in a target country j in year t divided by the total number of acquisitions made in the target country in the same year. An acquisition is a cross-border acquisition if the target’s nation differs from the acquirer’s ultimate parents. Columns (1) include all 62 target countries covered by Djankov et al. (2008). Column (2) excludes the U.S. and Column (3) excludes the U.S. and Canada. All control variables are lagged by one year. Country and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the country level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively. Definitions and sources of the variables are provided in Appendix A1.5.

Panel A. Summary statistics						
Variable	Obs	Mean	P25	Med	P75	SD
% Cross-border acq	1,376	0.533	0.383	0.537	0.685	0.23
GDP per capita	1,376	9.487	8.6	9.64	10.457	1.123
GDP Growth	1,376	0.032	0.016	0.031	0.05	0.034
Listed Firms	1,376	5.49	4.543	5.468	6.351	1.396
Market return	1,376	0.096	-0.129	0.078	0.282	0.351
Currency return	1,376	0.005	-0.026	0.003	0.029	0.086

Panel B. Regressions			
	(1)	(2)	(3)
Dep. Var. = % Cross-border acq			
Countries in the sample =	All	Excl. US	Excl. US and CAN
Post UNCITRAL	0.074** (2.14)	0.077** (2.10)	0.079* (1.99)
GDP per capita	-0.123*** (-3.31)	-0.126*** (-3.35)	-0.126*** (-3.34)
GDP growth	-0.213 (-0.96)	-0.212 (-0.95)	-0.216 (-0.96)
Listed firms	-0.035* (-1.75)	-0.035* (-1.74)	-0.035* (-1.70)
Market return	-0.025 (-1.29)	-0.025 (-1.27)	-0.025 (-1.26)
Currency return	0.065 (1.24)	0.066 (1.24)	0.066 (1.23)
Country FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Number of Observations	1,376	1,352	1,328
Adjusted R-squared	0.56	0.55	0.54

Table 10: Staggered adoption of the UNCITRAL Model Law: Country pair analysis

This table examines the effect of the staggered adoption of the UNCITRAL Model Law on cross-border acquisitions using 62 countries in pairs from 1997–2020 covered by Djankov et al. (2008). Only country-pairs that have at least one cross-border deal during the sample period are included. Of 62 countries, 17 adopted the UNCITRAL Model Law in our sample. The dependent variable in columns (1) to (4) is % *Cross-border acq*, which is equal to the total number of cross-border deals in year t in which the target is from country j and the acquirer is from country a (where $a \neq j$) scaled by the sum of all deals in the target country j in year t . An acquisition is a cross-border acquisition if the target’s nation differs from the acquirer’s ultimate parents. *Post UNCITRAL* is a binary variable that takes a value of one after the UNCITRAL Model Law enactment year in the target country j following Appendix Table B10. ΔCost_{a-j} represents the difference in costs to resolve insolvency between acquirer country a and target country j in year t . ΔTime_{a-j} represents the difference in time taken to resolve insolvency between acquirer country a and target country j in year t . $\Delta\text{Recovery}_{a-j}$ represents the difference in recovery rate by secured creditors through bankruptcy proceedings between acquirer country a and target country j in year t . Country-pair fixed effects are included in all panels. Column (1) includes year fixed effect and columns (2) to (4) include acquirer country-year and target country-year fixed effects. Standard errors are corrected for clustering of observations at the country-pair level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively. Definitions and sources of the variables are provided in Appendix A1.5.

	(1)	(2)	(3)	(4)
Dep. Var. = % Cross-border acq				
Post UNCITRAL	0.002** (2.45)			
Post UNCITRAL \times ΔCost_{a-j}		-0.014* (-1.72)		
Post UNCITRAL \times ΔTime_{a-j}			-0.001*** (-3.02)	
Post UNCITRAL \times $\Delta\text{Recovery}_{a-j}$				0.006** (2.55)
$\Delta\text{GDP per capita}_{a-j}$	0.004*** (3.69)			
$\Delta\text{GDP growth}_{a-j}$	0.017*** (2.86)			
$\Delta\text{Listed firms}_{a-j}$	0.002*** (3.90)			
$\Delta\text{Market return}_{a-j}$	0.001** (2.37)			
$\Delta\text{Currency return}_{a-j}$	0.001 (0.70)			
Country-Pair FE	Yes	Yes	Yes	Yes
Acquirer Country-Year FE	No	Yes	Yes	Yes
Target Country-Year FE	No	Yes	Yes	Yes
Year FE	Yes	No	No	No
Number of Observations	43,976	43,976	43,976	43,976
Adjusted R-squared	0.41	0.41	0.41	0.41

Table 11: Divestitures

This table examines the effect of the Chapter 15 enactment and the staggered adoption of the UNCITRAL Model Law on firm divestitures. Columns (1) and (2) examine the effect of the Chapter 15 enactment on the divestitures of non-U.S. firms from 43 countries from 2003 to 2007. The regressions are conducted on a firm-year panel. The dependent variable is equal to the total number of U.S. divestitures and the total transaction value (in USD) of U.S. divestitures in columns (1) and (2) respectively, where only firm-year observations that have at least one U.S. subsidiary as of 2002 are included. All control variables are lagged by one year. Firm and year fixed effects are included in Columns (1) to (2) and standard errors are corrected for clustering of observations at the firm level. Columns (3) to (5) present OLS estimates of the effect of the staggered adoption of the UNCITRAL Model Law on divestitures of subsidiaries from 1997 to 2020 in 62 target countries. The dependent variable in Columns (3) to (5) is % *Cross-border div*, which is equal to the number of divestitures on subsidiaries made in target country j in year t where the target's parent is from a country p (where $p \neq j$) divided by the total number of divesting subsidiaries in the target country in the same year. Column (3) includes all 62 target countries covered by Djankov et al. (2008). Column (4) excludes the U.S. and Column (5) excludes the U.S. and Canada. All control variables are lagged by one year. Country and year fixed effects are included in Columns (3) to (5) panels. Standard errors are corrected for clustering of observations at the country level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively. Definitions and sources of the variables are provided in Appendix A1.5.

Dep. Var. =	(1)	(2)	(3)	(4)	(5)
	ln(#US div)	ln(\$US div)	%Cross-border divestitures		
Countries in the sample =			All	Excl. US	Excl. US
Post Chapter15 \times Treated	-0.008* (-1.76)	-0.026* (-1.69)			
Post UNCITRAL			-0.031** (-2.30)	-0.033** (-2.38)	-0.034** (-2.30)
Sales growth	-0.007** (-2.43)	-0.027** (-2.13)			
ROA	-0.015 (-1.60)	-0.048 (-1.55)			
Size	0.009*** (3.07)	0.034*** (2.95)			
Tangibility	-0.003 (-0.26)	0.027 (0.63)			
Bilateral trade	0.320 (1.60)	1.152* (1.78)			
GDP per capita	-0.029*** (-2.74)	-0.117*** (-2.72)	0.027 (1.05)	0.028 (1.08)	0.028 (1.07)
GDP growth	0.070 (0.87)	0.840** (2.57)	-0.637*** (-3.10)	-0.638*** (-3.10)	-0.640*** (-3.10)
Listed firms	-0.015* (-1.75)	-0.013 (-0.55)	0.013 (0.69)	0.013 (0.68)	0.013 (0.68)
Market return			0.006 (0.37)	0.006 (0.37)	0.006 (0.36)
Currency return			0.019 (0.40)	0.019 (0.40)	0.018 (0.38)
Firm FE	Yes	Yes	NA	NA	NA
Country FE	NA	NA	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes	Yes
Number of Observations	14,699	14,699	1,376	1,352	1,328
Adjusted R-squared	0.11	0.05	0.24	0.23	0.23

Appendix A.

A1.1. Filtering process of Chapter 11 and Chapter 15 debtors

After identifying the *primary* case of a non-U.S. debtor, we then manually check the country of incorporation and headquarters at the *primary* case level. To clearly identify non-U.S. foreign debtors that filed for Chapter 11 or Chapter 15, we further exclude the following cases:

- **U.S. parent company & lead case filed by a non-U.S. debtor**

Several debtors often file for Chapter 11 and/or Chapter 15 at the subsidiary level without involving their parent companies. We exclude cases where a non-U.S. debtor files a lead case, but its parent company is incorporated or headquartered in the U.S. For example, in the case of Chapter 15 filer U.S. Steel Canada Inc., the parent company, United States Steel Corporation, is both incorporated and headquartered in the U.S.

- **Non-U.S. parent company & lead case filed by a U.S. debtor**

It is possible for a lead case debtor to have its headquarters outside the U.S. but be incorporated in the U.S., and vice versa, in both Chapter 11 and Chapter 15 cases. For example, the U.S. operations of LyondellBasell, a multinational petrochemical company incorporated in the Netherlands, filed a lead case for Chapter 11, while its parent company, LyondellBasell Industries AF S.C.A., filed an affiliated case.

- **U.S. parent company & lead case filed by a U.S. debtor**

U.S.-incorporated firms can also file for Chapter 15 as long as their Center of Main Interests (COMI) can be proven to be in a non-U.S. country. For example, Pope & Talbot, a 160-year-old forestry company headquartered in Portland, Oregon, but with the majority of its pulp and sawmill assets in Canada, filed for Chapter 15 under the Companies' Creditors Arrangement Act (CCAA) as the main proceeding in Canada.

A1.2. Defining the location of Chapter 11 and Chapter 15 debtors

Importantly, there are some differences in determining the location of a debtor between Chapters 15 and 11.

- **Chapter 11 - incorporation of the parent company**

We use the country of incorporation of a Chapter 11 debtor’s parent company to determine the debtor’s location, regardless of whether Chapter 11 was filed by the parent company. From the entire set of 78 *primary* cases, we confirm that 74% (58 out of 78) of the cases are filed involving their ultimate parent companies. Additionally, the incorporation of a primary case debtor matches that of its parent 82% of the time (64 out of 78).

- **Chapter 15 - COMI of the parent or lead case debtor**

We use COMI (Center Of Main Interest) for the location of a Chapter 15 debtor. If its parent company does not file for Chapter 15, then we use the COMI of its lead case.

- **Consistency of the location measures**

To ensure consistency in these two location measures between Chapter 15 and Chapter 11, we perform a robustness check on a random sample of 70 Chapter 15 *primary* cases. Our findings confirm that 90% (63 out of 70) of the Chapter 15 debtors are filed with their ultimate parent companies, and the COMI of a Chapter 15 debtor matches the incorporation of the debtor’s parent 87% of the time (61 out of 70)

A1.3. The list of countries covered in the court docket sample

We collect court dockets for 17 out of 24 Chapter 11 debtors from 2001–2009 and 66 out of 130 Chapter 15 debtors from 2005–2009 at the primary case level. Countries covered by the court dockets are:

- **Chapter 11 - based on incorporation**

Cyprus, Bermuda, Netherlands, Chile, United Kingdom, Mexico, Dominican Republic, Cayman Islands, and Norway

- **Chapter 15 - based on COMI**

Russia, United Kingdom, Cayman Islands, Canada, Spain, Singapore, France, Bermuda, South Korea, Japan, Mexico, Italy, Iceland, Germany, Belgium, Brazil, Denmark, and Bahrain

A1.4. Variables under court dockets

- **Objections**

We measure the number (proportion) of objections by counting the number of court docket entries in a case related to objecting to or opposing a debtor’s motion or court’s ruling. We

primarily look for court docket entries that contain the words “objection” or “opposition.” The number and proportion of objections are generally lower for Chapter 15 debtors than for Chapter 11 debtors, given that the U.S. Bankruptcy Court tends to cooperate with the foreign debtor’s home court and generally intervenes in the case of unfair treatment against U.S. creditors.

- **The number of days until the termination date and last active date**

We construct direct measures of bankruptcy duration using the number of days it takes for the U.S. Bankruptcy Court to close the case. We count the number of days from the date of the first court docket until the date of termination for both Chapter 11 and Chapter 15 cases. We also calculate the number of days from the date of the first court docket until the date of the last active docket if the gap between the date of the last docket before the termination and the termination date is longer than a month. When this is the case, it typically means that the foreign representative simply does not request the termination of the Chapter 15 case, even though its foreign proceeding in the home jurisdiction is terminated, and the U.S. Bankruptcy Court eventually closes the case. For example, in the case of Quebecor World Inc., the last active docket records the granting of its foreign main proceeding recognition and enforcement of the Canadian sanction order by the U.S. Bankruptcy Court on July 1, 2010. Subsequently, the U.S. Bankruptcy Court closed the case on October 8, 2015. This approach allows us to measure the effective number of days taken for the U.S. Bankruptcy Court’s cooperation with the foreign court.

- **The number of days taken until granting sales of assets**

The efficiency of a Chapter 15 process can be measured by the speed of the U.S. court’s approval for the sales of a debtor’s U.S. assets. This can be achieved by requesting the U.S. court to recognize and enforce sales orders issued by the debtor’s home court or by filing a motion for the U.S. court’s approval under Section 363 of the Bankruptcy Code.²⁴ We measure the number of days it takes for the U.S. Bankruptcy Court to grant such sales approval upon request. Importantly, sales of assets granted to Chapter 11 debtors could

²⁴Foreign debtors with U.S. assets have been rapidly becoming aware of the benefits of the section 363 sale process to effect an expeditious liquidation or transfer of assets. Under §363, debtors of Chapter 11 and Chapter 15 can sell assets “free and clear of any interest in such property of an entity other than the estate.”

include assets outside the U.S., while only sales of U.S. assets could be requested to the U.S. court for Chapter 15 debtors.

- **The number of days taken until granting a home court’s order and confirming a plan**

Alternatively, the efficiency of a Chapter 15 process can be estimated by the U.S. court’s enforcement of a foreign debtor’s home court order. Once the U.S. Bankruptcy Court grants enforcement, its home court orders become binding to all persons within the jurisdiction of the U.S. In other words, a Chapter 15 debtor can “import” the restructuring laws of its home country into the U.S. On the other hand, a Chapter 11 debtor needs to seek the U.S. court’s approval to confirm its bankruptcy plan that sets forth the terms of the reorganization. We calculate the number of days it takes for the U.S. Bankruptcy Court to grant such orders for Chapter 15 and Chapter 11 debtors. We find that it takes approximately 20 days for the U.S. court to recognize a Chapter 15 debtor’s home court order, while it takes 269 days to confirm a Chapter 11 debtor’s reorganization plan.

- **The number of days taken until granting a first relief**

A key difference between Chapter 11 and Chapter 15 proceedings is the automatic granting of a stay (also referred to as an automatic stay) upon the filing of Chapter 11, while it is granted only upon the recognition of the case under Chapter 15. However, a foreign representative of a debtor can request provisional relief to safeguard the debtor’s U.S. assets during the gap period under Chapter 15. This stay prevents creditors from attempting to initiate lawsuits or seize U.S. assets. Typically, the request is filed on the same day as the initiation of the Chapter 15 petition. In most cases, the U.S. court grants such a stay before recognizing the case as a foreign proceeding. The process of obtaining this relief takes approximately 26 days, which is shorter than the median time of 37 days taken to recognize the case as a foreign proceeding.

A1.5. Description of Variables

Variable	Definition and source
<p>Court docket variables</p> <p>Chapter 15 Only</p> <p>Days until first relief granted</p> <p>Days until recognition as an FP</p> <p>Chapter 11 Only</p> <p>Days until plan confirmed/converted</p> <p>Both Chapter 15 and Chapter 11</p> <p>Days until last active docket</p> <p>Days until termination</p> <p>Days until granting sale of assets</p> <p>#Court dockets</p> <p>#Objections</p> <p>Objections proportion</p>	<p>Source: PACER</p> <p>The number of days taken from filing a motion for the first relief until being granted by the U.S. Bankruptcy Court</p> <p>The number of days taken from the date a Chapter 15 petition is filed until it is recognized as a foreign proceeding by the U.S. Bankruptcy Court</p> <p>The number of days taken from the date a Chapter 11 petition is filed by a debtor until the date of confirmation of a reorganization plan or conversion to Chapter 7</p> <p>The number of days taken from the date a bankruptcy petition is filed until the date of its last active docket</p> <p>The number of days taken from the date a bankruptcy petition is filed until its termination date</p> <p>The number of days taken from filing a motion for sale of assets until granting by the U.S. Bankruptcy Court</p> <p>The number of court docket entries for a given case filing</p> <p>The number of objections raised by parties involved in the case. We primarily look for court docket entries that contain the words “objection” or “opposition”</p> <p>#Objection divided by #Court dockets</p>
<p>Country-level insolvency variables</p> <p>Common law</p> <p>English language</p> <p>Creditor rights</p>	<p>=1 if the legal origin of the bankruptcy law is common law, 0 otherwise. For the extra ten countries from Djankov et al. (2007), the legal origin of the company law or commercial code of the country is used (Source: Djankov et al. (2008), and Djankov et al. (2007))</p> <p>=1 if English is the official language, 0 otherwise.</p> <p>An index aggregating creditor rights. It is computed as of January 2003 (Source: La Porta et al. (1998)).</p>

Variable	Definition and source
<p>Reorganization index</p> <p>Cost</p> <p>Time</p> <p>Recovery</p>	<p>The reorganization proceedings index has three components (0–3): (i) whether the reorganization plan is voted on only by the creditors whose rights are modified or affected by the plan; (ii) whether creditors entitled to vote on the plan are divided into classes, each class votes separately and the creditors within each class are treated equally, and (iii) whether the insolvency framework requires that dissenting creditors receive as much under the reorganization plan as they would have received in liquidation. (Source: World Bank)</p> <p>The cost to resolve insolvency is recorded as a percentage of the value of the debtor’s estate, including court fees and government levies, fees of insolvency administrators, auctioneers, assessors, and lawyers, and all other fees and costs. (Source: World Bank)</p> <p>The time to resolve insolvency captures the time for creditors to recover their credit and is recorded in calendar years. Potential delay tactics by the parties, such as the filing of dilatory appeals or requests for extension, are considered. (Source: World Bank)</p> <p>The recovery rate is recorded as cents on the dollar recovered by secured creditors through judicial reorganization, liquidation, or debt enforcement (foreclosure or receivership) proceedings. The calculation accounts for the outcome: whether the business emerges from the proceedings as a going concern or the assets are sold piecemeal. (Source: World Bank)</p>
<p>Country-year control variables</p> <p>GDP per capita</p> <p>GDP growth</p> <p>Listed firms</p> <p>Bilateral trade</p>	<p>Natural logarithm of real GDP per capita (Source: World Bank and Worldscope)</p> <p>Annual percentage growth rate of GDP in local currencies (Source: World Bank and Worldscope)</p> <p>Natural logarithm of the number of listed firms in a country (Source: World Bank and Worldscope)</p> <p>The maximum share of a country’s imports from the U.S. or its exports to the U.S. (Source: IMF)</p>
<p>Country-year dependent variables</p> <p>I.Chapter15(11)</p> <p>ln(Chapter15(11))</p>	<p>Source: New Generation Research and Global Insolvency</p> <p>=1 if there are any Chapter 15(11) cases filed by firms headquartered in a given country-year, 0 otherwise</p> <p>Natural logarithm of the number of Chapter 15(11) cases filed by firms headquartered in a given country-year</p>
<p>Firm-year dependent variables</p> <p>Acquisition variables</p> <p>ln(#US acq)</p>	<p>Source: SDC</p> <p>Natural logarithm of the total number of U.S. acquisitions made by a given firm-year</p>

Variable	Definition and source
ln(\$US acq)	Natural logarithm of the total transaction value (in USD) of U.S. acquisitions made by a given firm-year
ln(#Domestic acq)	Natural logarithm of the total number of Domestic acquisitions made by a given firm-year
ln(\$Domestic acq)	Natural logarithm of the total transaction value (in USD) of Domestic acquisitions made by a given firm-year
ln(#Non-US CB acq)	Natural logarithm of the total number of non-U.S. cross-border acquisitions made by a given firm-year
ln(\$Non-US CB acq)	Natural logarithm of the total transaction value (in USD) of non-U.S. cross-border acquisitions made by a given firm-year
ln(#US div)	Natural logarithm of the total number of U.S. divestitures made by a given firm-year, where the firm has at least one U.S. subsidiary as of 2002
ln(\$US div)	Natural logarithm of the total transaction value (in USD) of U.S. divestitures made by a given firm-year, where the firm has at least one U.S. subsidiary as of 2002
Capital structure variables	Source: Compustat Global and Capital IQ
Book leverage	(Long-term debt+Short-term debt)/Total assets
Long-term leverage	Long-term debt/Total debt
Bond share	(Commercial paper + all types of bonds)/Total debt
Trade credit	Account payables/Cost of goods sold
Firm-year independent variables	
Main variables	Source: NGR and GI
Post Chapter15	=1 for the years after the enactment of Chapter 15 in 2005 and 0 otherwise
Treated	=1 if the country of a firm's headquarters filed Chapter 15 over 2005–2010 and 0 otherwise
Control variables	Source: Compustat Global
ROA	EBIT/Total assets
Size	Natural logarithm of total assets (book value) converted into U.S. dollars
Tangibility	PPE/Total assets
Sales growth	(Sales- lagged Sales)/Total assets
UNCITRAL Model Law variables	
Post UNCITRAL	=1 for the years after the UNCITRAL Model Law enactment in a given country-year (Source: UNCITRAL websites)
Market return	The percentage change in a target country's stock market prices in U.S. dollars (Source: World Bank and Worldscope)
Currency return	Return on real effective exchange rate indices of a target country (Source: World Bank and Worldscope)

Variable	Definition and source
% Cross-border acq	The number of inbound cross-border acquisitions made in a given country-year divided by the total number of acquisitions made in the country-year. An acquisition is a cross-border acquisition if the target's nation differs from the acquirer's ultimate parents. (Source: SDC)
% Cross-border div	The number of divestitures made in a given country-year where the target's parent is a foreign entity divided by the total number of divesting transactions made in the country-year. (Source: SDC)

Table B1: Firm-level comparisons between Chapter 11 and Chapter 15 filers

This table presents statistics for firm-level accounting variables of Chapter 11 and Chapter 15 non-U.S. debtors over 2001–2020 and 2005–2020 filed in New York Southern District and Delaware. *Size* is equal to the natural logarithm of total assets denominated in U.S. dollars. *ROA* is equal to EBIT divided by total assets in local currency. *Leverage* is equal to the total debt divided by total assets. *Cash* is equal to cash plus short-term investments divided by total assets in local currency. *%Foreign sales* is equal to foreign sales divided by total sales. *%US sales* is equal to sales reported to be made in the U.S. segment divided by total sales. *%US assets* is equal to assets reported to be in the U.S. segment divided by total assets. These variables are one, two, or three years prior to filing for a U.S. bankruptcy and extracted from Worldscope. We assess the differences in means using the mean difference test and medians using the Wilcoxon rank-sum test. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	2001-2020								2005-2020							
	Chapter 11			Chapter 15			Mean	Med	Chapter 11			Chapter 15			Mean	Med
	Obs.	Mean	Median	Obs.	Mean	Median	Diff.	Diff.	Obs.	Mean	Median	Obs.	Mean	Median	Diff.	Diff.
Size	45	14.008	14.267	142	13.898	13.718	0.11	0.549	36	13.961	14.002	142	13.898	13.718	0.063	0.284
ROA	43	-0.131	-0.055	135	-0.11	-0.044	-0.021	-0.011	36	-0.109	-0.057	135	-0.11	-0.044	0.001	-0.013
Leverage	45	0.61	0.546	142	0.51	0.495	0.1	0.051**	36	0.616	0.547	142	0.51	0.495	0.105	0.052**
Cash	45	0.112	0.072	139	0.099	0.076	0.014	-0.004	36	0.11	0.071	139	0.099	0.076	0.011	-0.005
%Foreign sales	27	0.567	0.645	103	0.517	0.535	0.049	0.11	22	0.581	0.719	103	0.517	0.535	0.063	0.184
%US sales	28	0.305	0.132	107	0.161	0	0.144**	0.132	22	0.291	0.108	107	0.161	0	0.13	0.108**
%US assets	18	0.137	0.027	80	0.094	0	0.043	0.027	14	0.162	0	80	0.094	0	0.069	0
N	187								178							

Table B2: Country-level analysis: Number of Chapter 15 filings

The table presents OLS estimates of the effect of a non-U.S. country's insolvency characteristics on the number of Chapter 15 filings in the U.S. Bankruptcy Court from 2005 to 2020. The insolvency characteristics are *Common Law*, *English language*, *Creditor rights*, *Reorganization index*, *Costs*, *Time*, and *Recovery*. The regressions are conducted on a country-year panel using 76 non-U.S. countries covered in [Djankov et al. \(2008\)](#). The dependent variable is the natural logarithm of the number of Chapter 15 cases filed by firms headquartered in a given country-year. All control variables are lagged by one year. Definitions and sources of the variables are provided in [Appendix A1.5](#). Continent and year-fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the year level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Dep. Var. = $\ln(\#Chapter15)$								
Common law	0.215*** (8.04)							0.216*** (6.84)
English language		0.362*** (9.28)						
Creditor rights			0.048*** (5.95)					0.037*** (4.59)
Reorganization index				0.006 (0.64)				-0.009 (-0.89)
Cost					-0.004*** (-4.94)			-0.006*** (-5.77)
Time						-0.010*** (-3.00)		0.020** (2.77)
Recovery							0.001*** (5.01)	
GDP per capita	0.033*** (4.07)	0.018** (2.25)	0.042*** (5.38)	0.050*** (5.66)	0.032*** (4.61)	0.045*** (5.37)	0.030*** (4.36)	0.008 (1.02)
GDP growth	-0.726** (-2.75)	-0.704** (-2.65)	-0.658** (-2.43)	-0.714** (-2.74)	-0.724** (-2.73)	-0.713** (-2.74)	-0.702** (-2.69)	-0.691** (-2.59)
Listed firms	0.062*** (8.07)	0.078*** (9.31)	0.078*** (8.58)	0.074*** (8.22)	0.075*** (8.69)	0.073*** (8.48)	0.071*** (8.34)	0.069*** (7.57)
Bilateral trade	4.814*** (8.83)	4.213*** (8.21)	4.971*** (9.23)	4.746*** (8.50)	4.821*** (8.83)	4.740*** (8.74)	4.701*** (8.65)	5.143*** (9.02)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Continent FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	1,216	1,216	1,216	1,216	1,216	1,216	1,216	1,216
Adjusted R-squared	0.40	0.42	0.38	0.37	0.37	0.37	0.37	0.41

Table B3: Country-level analysis: Chapter 11

The table presents OLS estimates of the effect of a non-U.S. country's insolvency characteristics on filing Chapter 11 in the U.S. Bankruptcy Court from 2001–2020. In Panel A, the dependent variable is a binary variable that takes a value of one if there are any Chapter 11 cases filed by firms headquartered in a given country-year. In Panel B, the dependent variable is the natural logarithm of the number of Chapter 11 cases filed by firms headquartered in a given country-year. The insolvency characteristics are *Common Law*, *English language*, *Creditor rights*, *Reorganization index*, *Costs*, *Time*, and *Recovery*. The regressions are conducted on a country-year panel using 76 non-U.S. countries covered in [Djankov et al. \(2008\)](#). All control variables are lagged by one year. Definitions and sources of the variables are provided in [Appendix A1.5](#). Continent and year-fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the year level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Likelihood of filing Chapter 11								
Dep. Var. = I.Chapter11	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Common law	0.032** (2.44)							0.034** (2.43)
English language		0.063** (2.56)						
Creditor rights			0.005 (0.91)					0.002 (0.43)
Reorganization index				-0.010*** (-4.00)				-0.013*** (-3.69)
Cost					0.001 (1.23)			0.000 (0.83)
Time						-0.004 (-1.57)		-0.002 (-0.62)
Recovery							0.000 (1.45)	
GDP per capita	0.008** (2.57)	0.005 (1.57)	0.010** (2.86)	0.009** (2.82)	0.012*** (2.98)	0.009*** (2.87)	0.006 (1.69)	0.007** (1.80)
GDP growth	0.084 (1.00)	0.079 (0.91)	0.092 (1.01)	0.089 (1.02)	0.087 (1.02)	0.084 (0.96)	0.086 (0.99)	0.090 (1.03)
Listed firms	0.002 (0.53)	0.004 (1.22)	0.004 (1.06)	0.005 (1.29)	0.004 (1.03)	0.003 (0.88)	0.003 (0.84)	0.003 (0.73)
Bilateral trade	0.807*** (3.57)	0.705*** (3.12)	0.832*** (3.69)	0.868*** (3.78)	0.810*** (3.58)	0.797*** (3.53)	0.792*** (3.49)	0.875*** (3.75)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Continent FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520
Adjusted R-squared	0.08	0.08	0.07	0.07	0.07	0.07	0.07	0.08

Panel B. Number of Chapter 11 filings

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Dep. Var. = ln(#Chapter11)								
Common law	0.025** (2.46)							0.027** (2.44)
English language		0.051** (2.66)						
Creditor rights			0.005 (1.27)					0.003 (0.82)
Reorganization index				-0.009*** (-4.20)				-0.011*** (-3.87)
Cost					0.000 (0.96)			0.000 (0.52)
Time						-0.003* (-1.89)		-0.001 (-0.65)
Recovery							0.000* (1.74)	
GDP per capita	0.006** (2.58)	0.003 (1.44)	0.007*** (2.97)	0.006*** (2.96)	0.009*** (3.14)	0.006*** (2.87)	0.004 (1.54)	0.004 (1.57)
GDP growth	0.059 (1.02)	0.055 (0.92)	0.067 (1.07)	0.063 (1.06)	0.061 (1.04)	0.059 (0.98)	0.061 (1.01)	0.066 (1.09)
Listed firms	0.002 (0.72)	0.004 (1.42)	0.004 (1.28)	0.004 (1.50)	0.003 (1.23)	0.003 (1.08)	0.003 (1.03)	0.003 (0.98)
Bilateral trade	0.606*** (3.62)	0.524*** (3.21)	0.632*** (3.72)	0.657*** (3.84)	0.609*** (3.64)	0.598*** (3.59)	0.591*** (3.50)	0.671*** (3.83)
Continent Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Year Dummies	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	1,520	1,520	1,520	1,520	1,520	1,520	1,520	1,520
Adjusted R-squared	0.07	0.08	0.07	0.07	0.07	0.07	0.07	0.08

Table B4: Chapter 15 and validation of the parallel trend assumption

This table presents OLS estimates of the yearly treatment effect of Chapter 15 enactment on the acquisition activities of non-U.S. firms from 63 countries from 2003–2007, using 2004 as the base year. The regressions are conducted on a firm-year panel. The dependent variables in columns (1) to (4) are the natural logarithms of the total number of U.S. acquisitions, the total transaction value (in USD) of U.S. acquisitions, the total number of non-U.S. cross-border acquisitions, and the total number of domestic acquisitions, respectively. *Treated* is equal to one if the country of a firm’s headquarters filed Chapter 15 over 2005–2010 and zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for the clustering of observations at the firm level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Var. =	(1) ln(#US acq)	(2) ln(\$US acq)	(3) ln(#Non-US CB acq)	(4) ln(#Domestic acq)
2003 × Treated	-0.002 (-1.00)	-0.014 (-1.57)	0.001 (0.38)	0.003 (0.54)
2005 × Treated	0.004* (1.84)	0.001 (0.13)	-0.002 (-0.64)	0.001 (0.19)
2006 × Treated	0.006** (2.45)	0.014 (1.37)	-0.000 (-0.07)	-0.002 (-0.42)
2007 × Treated	0.007*** (2.64)	0.021* (1.75)	0.001 (0.20)	0.004 (0.76)
Firm-level Controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Number of Observations	76,523	76,523	76,523	76,523
Adjusted R-squared	0.42	0.22	0.42	0.30

Table B5: Chapter 15 and alternative measure of treated variable

This table presents OLS estimates of the effect of Chapter 15 enactment on the acquisition activities of non-U.S. firms from 63 countries from 2003–2007 by using an alternative measure of *Treated*. The regressions are conducted on a firm-year panel. The dependent variables in columns (1) to (4) are the natural logarithms of the total number of U.S. acquisitions, the total transaction value (in USD) of U.S. acquisitions, the total number of non-U.S. cross-border acquisitions, and the total number of domestic acquisitions, respectively. *Post Chapter15* is equal to one for the years after the enactment of Chapter 15 in 2005 and zero otherwise. *Treated* is equal to one if the country of a firm’s headquarters filed Chapter 15 over 2005–2020, zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the firm level and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Var. =	(1) ln(#US acq)	(2) ln(\$US acq)	(3) ln(#Non-US CB acq)	(4) ln(#Domestic acq)
Post Chapter15× Treated	0.004** (2.48)	0.019** (2.27)	0.001 (0.38)	-0.000 (-0.06)
Firm-level Controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Number of Observations	76,523	76,523	76,523	76,523
Adjusted R-squared	0.42	0.22	0.42	0.30

Table B6: Robustness: Chapter 15 and the acquisition of non-U.S. firms at the industry-level

This table presents OLS estimates of the effect of Chapter 15 enactment on the acquisition activities of non-U.S. firms from 63 countries from 2003–2007 by incorporating industry effects of Chapter 15. The regressions are conducted on a firm-year panel. The dependent variables in columns (1) to (2) are the natural logarithms of the total number of U.S. acquisitions and the total transaction value (in USD) of U.S. acquisitions respectively. *Post Chapter15* is equal to one for the years after the enactment of Chapter 15 in 2005 and zero otherwise. *Treated* is equal to one if the country of a firm’s headquarters filed Chapter 15 over 2005–2010, zero otherwise. *Concentrated industry* is a dummy variable equal to one if a firm belongs to an industry that filed above the median number of Chapter 15 filings over 2005 to 2010. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the firm level and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Var. =	(1) ln(#US acq)	(2) ln(\$US acq)
Post Chapter15 × Treated	0.001 (0.58)	0.009 (0.90)
Post Chapter15 × Concentrated industry	-0.003* (-1.70)	-0.017** (-2.19)
Post Chapter15 × Treated × Concentrated industry	0.008** (2.55)	0.024* (1.70)
Sales growth	0.000 (0.10)	0.006 (1.17)
ROA	0.015*** (3.08)	0.061*** (3.36)
Size	-0.000 (-0.23)	-0.006 (-1.12)
Tangibility	-0.002 (-0.63)	-0.017 (-0.83)
GDP per capita	0.006 (1.17)	0.032 (1.27)
GDP growth	0.011 (0.43)	0.128 (0.99)
Listed firms	-0.004 (-0.69)	-0.018 (-0.84)
Bilateral trade	-0.153** (-2.32)	-0.742** (-2.45)
Firm FE	Yes	Yes
Year FE	Yes	Yes
Number of Observations	76,414	76,414
Adjusted R-squared	0.42	0.22

Table B7: Two-stage propensity matching: Chapter 15 and the acquisition of non-U.S. firms

This table presents results on the two-stage propensity matching of the effect of Chapter 15 enactment on the acquisition activities of non-U.S. firms from 2003 to 2007. Equation 1 is estimated using the specification from Column (8) of Table 3 for the years 2005 to 2020 to calculate the probability of filing for Chapter 15 for each country using the estimated coefficients and respective country characteristics as of 2004. 13 countries that filed for Chapter 15 over the period 2005-2010 are matched with 3 countries that never filed for Chapter 15 during the same period, based on the nearest-neighbor matching. Firms from Chapter 15 filing countries are assigned as *Treated* and those that are not as *Control*. Within a group of matched countries, *Treated* and *Control* firms are sorted into the same industry based on the SIC-2 digits, and matched using firm-level characteristics, *Sales growth* and *Size* as of 2004 using a caliper of 0.1 with replacement. Equation 2 is estimated using the propensity score matching sample. The regressions are conducted on a firm-year panel. The dependent variables in columns (1) to (4) are the natural logarithms of the total number of U.S. acquisitions, the total transaction value (in USD) of U.S. acquisitions, the total number of non-U.S. cross-border acquisitions, and the total number of domestic acquisitions, respectively. *Post Chapter15* is equal to one for the years after the enactment of Chapter 15 in 2005 and zero otherwise. *Treated* is equal to one if the country of a firm's headquarters filed Chapter 15 over 2005-2010, zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the firm level and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Dep. Var. =	(1) ln(#US acq)	(2) ln(\$US acq)	(3) ln(#Non-US CB acq)	(4) ln(#Domestic acq)
Post Chapter15 × Treated	0.017** (2.47)	0.053* (1.77)	-0.071 (-1.61)	0.015 (0.34)
Sales growth	0.002 (0.26)	0.003 (0.18)	0.030 (0.99)	-0.047 (-1.34)
ROA	0.012 (1.33)	0.054* (1.84)	-0.102* (-1.69)	0.174*** (2.79)
Size	0.002 (0.26)	-0.024 (-1.00)	0.096* (1.88)	-0.058 (-1.12)
Tangibility	-0.005 (-0.24)	-0.123 (-1.08)	0.019 (0.18)	-0.420* (-1.72)
GDP per capita	0.009 (0.22)	0.074 (0.43)	0.215** (2.04)	0.106 (0.79)
GDP growth	0.022 (0.10)	0.448 (0.45)	1.167 (1.00)	-0.247 (-0.16)
Listed firms	-0.034 (-1.44)	-0.047 (-0.72)	-0.118** (-2.56)	-0.140*** (-2.75)
Bilateral trade	0.223 (0.27)	-1.456 (-0.46)	2.485 (0.78)	2.066 (0.67)
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Number of Observations	12,556	12,556	12,556	12,556
Adjusted R-squared	0.48	0.30	0.43	0.47

Table B8: Chapter 15 and the exclusion of countries that reformed local bankruptcy laws

This table presents OLS estimates of the effect of Chapter 15 enactment on the acquisition activities of non-U.S. firms from 2003–2007, excluding firms in Italy, Brazil, France, and Spain that have undergone major local bankruptcy law reforms over the sample period. The regressions are conducted on a firm-year panel. In Panel A, regressions in Table 4 are re-estimated using firms in 58 countries from 2003–2007. In Panel B, the two-stage propensity matching in Table B7 is re-estimated after excluding those with major bankruptcy reforms, and regressions are then re-estimated using firms from 15 countries from 2003 to 2007. The dependent variables in columns (1) to (4) in Panels A and B are the natural logarithms of the total number of U.S. acquisitions, the total transaction value (in USD) of U.S. acquisitions, the total number of non-U.S. cross-border acquisitions, and the total number of domestic acquisitions, respectively. *Post Chapter15* is equal to one for the years after the enactment of Chapter 15 in 2005 and zero otherwise. *Treated* is equal to one if the country of a firm’s headquarters filed Chapter 15 over 2005–2010 and zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the firm level and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

Panel A. Baseline				
Dep. Var. =	(1) ln(#US acq)	(2) ln(\$US acq)	(3) ln(#Non-US CB acq)	(4) ln(#Domestic acq)
Post Chapter15 × Treated	0.004* (1.95)	0.015* (1.67)	-0.002 (-0.43)	-0.004 (-0.95)
Firm-level Controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Number of Observations	64,742	64,742	64,742	64,742
Adjusted R-squared	0.42	0.22	0.41	0.31

Panel B. Two-stage propensity score matching				
Dep. Var. =	(1) ln(#US acq)	(2) ln(\$US acq)	(3) ln(#Non-US CB acq)	(4) ln(#Domestic acq)
Post Chapter15 × Treated	0.022** (2.21)	0.064* (1.70)	-0.086 (-1.25)	0.011 (0.16)
Firm-level Controls	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes
Year FE	Yes	Yes	Yes	Yes
Number of Observations	9,694	9,694	9,694	9,694
Adjusted R-squared	0.47	0.27	0.42	0.48

Table B9: Placebo tests: Chapter 15 and the acquisition of U.S. firms

This table presents OLS estimates of the effect of Chapter 15 enactment on the acquisition activities of U.S. firms from 2003–2007. The regressions are conducted on a firm-year panel. The dependent variables in columns (1) to (2) are the natural logarithms of the total number of U.S. acquisitions and the total transaction value (in USD) of U.S. acquisitions, respectively. The dependent variable in column (3) is the natural logarithm of the total number of cross-border acquisitions. *Post Chapter15* is equal to one for the years after the enactment of Chapter 15 in 2005 and zero otherwise. All control variables are lagged by one year. Definitions and sources of the variables are provided in Appendix A1.5. Firm and year fixed effects are included in all panels. Standard errors are corrected for clustering of observations at the firm level and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively.

	(1)	(2)	(3)
Dep. Var. =	ln(#US acq)	ln(\$US acq)	ln(#CB acq)
Post Chapter15	-0.003 (-0.28)	-0.004 (-0.07)	0.004 (0.61)
Firm-level Controls	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Number of Observations	21,641	21,641	21,641
Adjusted R-squared	0.39	0.23	0.30

Table B10: UNCITRAL Model Law adoption

This table presents a list of countries that adopted the UNCITRAL Model Law on Cross-Border Insolvency from 1997–2020. Over the sample period, 17 countries in our sample, as shown in the list, adopted the Model Law.

Country	Year of adoption
Mexico	2000
Japan	2000
South Africa	2000
Poland	2003
Canada	2005
United States	2005
New Zealand	2006
South Korea	2006
United Kingdom	2006
Colombia	2006
Slovenia	2007
Australia	2008
Philippines	2010
Greece	2010
Chile	2013
Singapore	2017
Israel	2018

Table B11: Time dynamics of the effect of UNCITRAL Model Law on acquisition activities

This table presents OLS estimates of the time dynamics of the effect of the UNCITRAL Model Law on inbound cross-border acquisitions from 1997–2020 in 62 target countries covered by Djankov et al. (2008). Only target country-year observations with at least one inbound cross-border acquisition deal in the sample are included. Of 62 countries, 17 adopted the UNCITRAL Model Law in our sample. $Adopt_{t-5}$ is equal to 1 for all years greater than or equal to five years before UNCITRAL adoption in a given country. Other time variables related to the adoption year are analogously defined. The year of UNCITRAL adoption is the omitted category. The dependent variable in column (1) is % *Cross-border acq*, which is equal to the number of cross-border acquisitions in a target country j in year t divided by the total number of acquisitions made in the target country in the same year. An acquisition is a cross-border acquisition if the target’s nation differs from the acquirer’s ultimate parents. The dependent variable in column (2) is % *Cross-border div*, which is equal to the number of subsidiaries divested in target country j in year t where the target’s parent is from country a (where $a \neq j$), divided by the total number of divestitures in the target country in the same year. The coefficients of country-level controls including *GDP per capita*, *GDP Growth*, *Listed Firms*, *Market return* and *Currency return* are not reported for brevity. All control variables are lagged by one year. All specifications include country-, year-, country-cohort and year-cohort fixed effects. Standard errors are corrected for clustering observations at the country level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively. Definitions and sources of the variables are provided in Appendix A1.5.

Dep. Var. =	(1) %Cross-border acq	(2) %Cross-border div
$Adopt_{t-5}$	-0.016 (-0.43)	0.045 (1.65)
$Adopt_{t-4}$	0.025 (0.72)	0.060 (1.01)
$Adopt_{t-3}$	-0.011 (-0.26)	0.041 (0.91)
$Adopt_{t-2}$	0.004 (0.11)	0.030 (0.93)
$Adopt_{t-1}$	-0.038 (-1.22)	0.045 (1.21)
$Adopt_{t+1}$	0.081*** (3.02)	0.029 (1.46)
$Adopt_{t+2}$	0.010 (0.22)	-0.002 (-0.07)
$Adopt_{t+3}$	0.113** (2.21)	-0.036 (-1.28)
$Adopt_{t+4}$	0.047 (1.22)	0.032 (0.82)
$Adopt_{t+5}$	0.067* (1.90)	0.007 (0.30)
Country-level Controls	Yes	Yes
Country FE	Yes	Yes
Year FE	Yes	Yes
Number of Observations	1,376	1,376
Adjusted R-squared	0.56	0.24

Table B12: UNCITRAL Model Law and stacked-cohort DiD estimation

This table presents the results of the stacked-cohort DiD regressions on the time dynamics of the effect of the UNCITRAL Model Law on inbound cross-border acquisitions and divesting transactions from 1997–2020 in 62 countries. First, we construct a stacked-matched event sample. For each adoption year (event), treated countries that adopt the law are paired with a group of control countries that never passed the law (i.e., never-treated countries) five years prior to and five years after the event (adoption) year. After forming all the cohorts for treated countries, we stack the cohorts of treated and control countries together to finalize the stacked cohort DiD sample. We compare the changes in inbound cross-border acquisition and divesting transactions between treated and control countries five years before and after each UNCITRAL Model Law adoption year. The dependent variable in column (1) is % *Cross-border acq*, which is equal to the number of cross-border acquisitions in a target country j in year t divided by the total number of acquisitions made in the target country in the same year. An acquisition is a cross-border acquisition if the target’s nation differs from the acquirer’s ultimate parents. The coefficients of country-level controls including *GDP per capita*, *GDP Growth*, *Listed Firms*, *Market return* and *Currency return* are not reported for brevity. All control variables are lagged by one year. All specifications include country-, year-, country-cohort and year-cohort fixed effects. Standard errors are corrected for clustering observations at the country level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively. Definitions and sources of the variables are provided in Appendix A1.5.

	(1)	(2)	(3)
Dep. Var. = % Cross-border acq			
Countries in the sample =	All	Excl. US	Excl. US and CAN
Post UNCITRAL	0.069*** (2.80)	0.071*** (2.75)	0.078*** (2.88)
Country-level Controls	Yes	Yes	Yes
Country FE	Yes	Yes	Yes
Year FE	Yes	Yes	Yes
Country-Cohort FE	Yes	Yes	Yes
Year-Cohort FE	Yes	Yes	Yes
Number of Observations	5,296	5,285	5,274
Adjusted R-squared	0.50	0.50	0.50

Table B13: UNCITRAL - Placebo test

This table reports results on the placebo tests on the effect of the staggered adoption of the UNCITRAL Model Law on inbound cross-border acquisitions from 1997–2020 in 62 target countries covered by [Djankov et al. \(2008\)](#). Only target country-year observations with at least one inbound cross-border acquisition deal in the sample are included. Of 62 countries, 17 adopted the UNCITRAL Model Law in our sample. *Post UNCITRAL* is a binary variable that takes a value of one after the UNCITRAL Model Law enactment year in a target country following Appendix Table B10. The dependent variable is equal to the proportion of inbound cross-border acquisitions in all countries excluding country j in year t . The numerator is equal to the total number of cross-border acquisitions across all countries in year t minus the total outbound cross-border acquisitions by country j in year t minus the total inbound cross-border acquisitions in country j in year t . The denominator is equal to the total number of acquisitions across all countries in year t minus the total number of outbound cross-border acquisitions by country j in year t minus the total number of inbound acquisitions (both cross-border and domestic) made in country j in year t . The coefficients of country-level controls including *GDP per capita*, *GDP Growth*, *Listed Firms*, *Market return* and *Currency return* are not reported for brevity. All control variables are lagged by one year. All specifications include country-, year-, country-cohort and year-cohort fixed effects. Standard errors are corrected for clustering observations at the country level, and associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% level, respectively. Definitions and sources of the variables are provided in Appendix A1.5.

	(1)	(2)	(3)	(4)
Dep. Var. = %Cross-border acq				
Post UNCITRAL	-0.001 (-0.53)	-0.002 (-1.05)	-0.000 (-0.08)	-0.001 (-0.78)
Country-level Controls	No	Yes	No	Yes
Country FE	No	Yes	No	Yes
Year FE	No	No	Yes	Yes
Number of Observations	1376	1376	1376	1376
Adjusted R-squared	0.06	0.10	0.91	0.98