

GLOBAL INSOLVENCY AND CROSS-BORDER CAPITAL FLOWS*

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Abstract

This paper examines whether strengthening cross-border insolvency coordination affects international capital flows. We exploit the staggered adoption of the UNCITRAL Model Law on Cross-Border Insolvency across 21 countries and find that adopting countries experience a significant increase in inbound cross-border M&A activity. Inbound foreign direct investment and cross-border lending also increase after adoption. We further study the 2005 introduction of Chapter 15 to the US Bankruptcy Code, which allows us to examine foreign firms' use of the US cross-border insolvency framework and their subsequent investment and financing decisions. Firms from countries that benefit more from the reform increase acquisitions of US targets. These acquisitions are associated with higher debt capacity and greater reliance on long-term financing. The combined evidence suggests that strengthening cross-border insolvency coordination reduces restructuring frictions and enhances legal predictability, thereby facilitating capital mobility and the global expansion of multinational firms.

Keywords: global insolvency, bankruptcy, Model Law, Chapter 15, cross-border, mergers and acquisitions, foreign direct investment, multinational companies

JEL classification: F21, F36, G33, G34, K22, K33

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Abstract

This paper examines whether strengthening cross-border insolvency coordination affects international capital flows. We exploit the staggered adoption of the UNCITRAL Model Law on Cross-Border Insolvency across 21 countries and find that adopting countries experience a significant increase in inbound cross-border M&A activity. Inbound foreign direct investment and cross-border lending also increase after adoption. We further study the 2005 introduction of Chapter 15 to the US Bankruptcy Code, which allows us to examine foreign firms' use of the US cross-border insolvency framework and their subsequent investment and financing decisions. Firms from countries that benefit more from the reform increase acquisitions of US targets. These acquisitions are associated with higher debt capacity and greater reliance on long-term financing. The combined evidence suggests that strengthening cross-border insolvency coordination reduces restructuring frictions and enhances legal predictability, thereby facilitating capital mobility and the global expansion of multinational firms.

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1. Introduction

The globalization of corporate activity has greatly expanded cross-border investment but also made the restructuring of financially distressed multinational firms increasingly complex and uncertain. When an insolvent firm holds assets and liabilities across multiple jurisdictions, it must navigate distinct bankruptcy procedures to implement a reorganization plan. In the absence of effective coordination among courts, inconsistent rulings across jurisdictions create uncertainty about how assets will be protected and how creditors' claims will be enforced. This legal uncertainty prompts creditors to act preemptively—racing to seize assets or initiate parallel proceedings—which often results in fire sales and value destruction (Baird, 1986; Gertner and Scharfstein, 1991; Shleifer and Vishny, 2011). A lack of coordination between domestic and foreign courts therefore constitutes a fundamental source of inefficiency in cross-border bankruptcy resolution (LoPucki, 1998; Westbrook, 2013). By undermining the predictability of recovery outcomes and thus increasing the expected costs of financial distress, such global insolvency frictions can *ex ante* deter cross-border investment and distort the international allocation of capital.

Despite the importance of these frictions, there is limited empirical evidence on how legal uncertainty in cross-border insolvency regimes affects capital allocation across countries.¹ This paper addresses this gap by exploiting the staggered adoption of the United Nations Commission on International Trade Law (UNCITRAL) Model Law on Cross-Border Insolvency (the UNCITRAL Model Law or simply the Model Law) across 21 countries, as well as the introduction of Chapter 15 in the United States in 2005. The Model Law enables recognition of foreign main proceedings and promotes coordination across courts, thereby reducing legal uncertainty and facilitating more efficient cross-border restructuring.

The United Nations introduced the UNCITRAL Model Law on Cross-Border Insolvency

¹Legal scholarship has long emphasized the importance of court coordination in cross-border insolvency, but most discussions remain descriptive. Prior finance studies document that stronger legal institutions facilitate cross-border acquisitions (e.g., Rossi and Volpin (2007); Bris and Cabolis (2008); Ellis, Moeller, Schlingemann, and Stulz (2017); Erel, Jang, and Weisbach (2024)), yet none examines how the predictability of insolvency resolution driven by the degree of court coordination shapes global capital flows.

in 1997 to facilitate coordination in cross-border insolvency proceedings by promoting cooperation between the home court of a foreign debtor and courts in jurisdictions where the firm holds assets. Before adoption, foreign debtors operating in multiple jurisdictions often had to initiate parallel bankruptcy proceedings in both their home and local courts. The Model Law establishes a framework under which local courts can recognize a debtor’s home-country insolvency case as the main proceeding, facilitating coordinated resolution while preserving the primacy of the home court. By strengthening judicial cooperation and reducing procedural uncertainty for multinational debtors, the Model Law provides a useful setting to examine whether harmonizing insolvency procedures and the resulting reduction in bankruptcy costs affects firms’ cross-border investment and financing decisions.

For our main analysis, we construct a country–pair–year panel to exploit the staggered adoption of the Model Law on Cross-Border Insolvency across 21 countries between 1997 and 2020. We compile country-level macroeconomic variables, bilateral trade data, stock market and currency returns, and institutional and legal characteristics from several data sources. The resulting panel covers 45,132 country–pair–year observations from 66 countries included in [Djankov, Hart, McLiesh, and Shleifer \(2008\)](#). Our primary measure of cross-border capital flows is cross-border mergers and acquisitions (M&As).

Our gravity-style regression results show that after a country adopts the Model Law, the share of cross-border M&As targeting its firms rises by 1.4 percentage points, representing a 36% increase relative to the sample mean. This effect is robust to controlling for both acquirer-target pair fixed effects and acquirer-country–year fixed effects and alternative estimators that account for staggered treatment timing ([Gormley and Matsa, 2016](#); [Goodman-Bacon, 2021](#); [Baker, Larcker, and Wang, 2022](#)) and the large fraction of zeros in the dependent variable ([Karolyi and Taboada, 2015](#)).

To address the concern that adoption of the Model Law may be endogenous to country-level economic or institutional developments that also attract cross-border capital flows, we first show that treated and control countries exhibit no differential pre-trends prior to

adoption. We then exploit the diffusion of legal reforms across countries with similar legal origins to construct an instrumental variable based on the share of legal peer countries that have adopted the Model Law. Consistent with prior legal scholarship showing that legal reforms often spread through networks of countries sharing common legal traditions, peer adoption strongly predicts a country's own adoption. The instrumental-variable estimates confirm a positive and economically significant effect of Model Law adoption on inbound cross-border acquisitions. The results remain robust when we restrict the peer group to countries on different continents or exclude country pairs sharing the same legal origin.

To explore heterogeneity in these effects, we find that cross-border acquisitions rise more sharply when acquirers originate from countries with stronger creditor rights, lower insolvency costs, shorter resolution times, and higher recovery rates relative to target countries that adopt the Model Law. The evidence indicates that firms from countries with more efficient debt enforcement regimes are best positioned to benefit from improvements in global court coordination. The results reinforce the mechanism by which enhanced legal predictability and creditor protection facilitate greater cross-border capital flows.

Examining foreign direct investment (FDI) flows, we find that destination countries receive approximately 12% higher FDI inflows from foreign investors after adopting the Model Law. The evidence suggests that the positive impact of insolvency harmonization on international capital allocation extends beyond cross-border M&A activity. Moreover, using the Bank for International Settlements' Locational Banking Statistics (LBS), we find that cross-border lending growth rises by 5.1 percentage points following adoption, representing a 31% increase relative to the sample mean. Overall, our evidence suggests that the Model Law not only stimulates cross-border capital flows but also increases the availability of external financing that supports multinational investment.

In the second part of our paper, we examine the impact of cross-border insolvency frameworks on capital flows using the US adoption of Chapter 15 in 2005 as a quasi-experimental setting. The Chapter 15 setting offers three empirical advantages relative to the staggered

cross-country adoption analysis: (1) it allows us to identify countries whose firms benefit most from the US adoption of Chapter 15; (2) it provides sharper identification by focusing on a narrow window around the reform while comparing treated and control firms at the same point in time; and (3) it enables us to construct granular firm-level measures to examine firms' investment and financing decisions.

We compile a comprehensive dataset of all Chapter 15 and Chapter 11 filings by non-US firms during 2001–2020. The dataset includes 549 Chapter 15 filings by firms domiciled in 60 jurisdictions, far exceeding the number of Chapter 11 filings by foreign firms over the same period. Using these filings and information on the filers' legal and economic environments, we conduct a country-level analysis to identify the institutional characteristics associated with greater reliance on Chapter 15. We find that Chapter 15 filers are more likely to originate from common law jurisdictions, English-speaking countries, and countries with stronger trade ties to the US. Importantly, firms from countries with stronger creditor rights and more efficient debt enforcement than the US are more likely to file under Chapter 15 rather than Chapter 11. These patterns suggest that shared legal traditions, language, and stronger home-country legal enforcement facilitate cross-border court coordination.

Our firm-level difference-in-differences analysis exploits two sources of variation: cross-country differences in the propensity to use Chapter 15 and the timing of its enactment in 2005. The sample includes firms from 65 non-US countries over the 2003–2007 period, spanning five years surrounding the reform. We identify treated countries as those whose firms exhibited a higher ex ante probability of utilizing Chapter 15 between 2005 and 2020 (measured as of 2004) and classify firms from these countries as treated. Our baseline regressions compare the cross-border M&A activity of treated firms with that of control firms from countries with the low likelihood of using Chapter 15 filings, while controlling for firm fixed effects and industry–year fixed effects to absorb time-invariant heterogeneity and time-varying demand for US assets across industries.

We find that foreign firms from countries that are more likely to utilize Chapter 15 were

25% more likely to acquire US targets and completed 28% higher number of acquisitions relative to comparable firms from other countries. Importantly, we find no comparable increase in both domestic and cross-border acquisitions outside the US, suggesting that the effect is not driven by broader M&A market trends in treated countries. Our results also remain robust to a wide range of additional tests. Excluding countries that implemented major bankruptcy reforms around 2005 or using US acquirers as a placebo group yields consistent results. Propensity score matching of treated and control firms on pre-reform characteristics produces similar results. Finally, alternative treatment definitions and dynamic event-time analyses show no evidence of pre-trends. Overall, these tests reinforce the interpretation that improved court coordination under Chapter 15 reduced cross-border insolvency frictions and spurred foreign investment in the US.

We next examine firms' debt financing. Following the reform, treated firms increase leverage and shift toward long-term borrowing and bond issuance. A 6% increase in long-term debt and an 11% rise in bond financing suggest substitution away from short-term secured borrowing to support cross-border acquisitions. Syndicated loan evidence shows that firms from countries that are more likely to use Chapter 15 obtain 43% larger US dollar-denominated loans after the reform, with no change in spreads. This pattern suggests that improved cross-border insolvency coordination expands debt capacity without increasing financing costs, facilitating cross-border acquisitions.

This paper provides the first systematic evidence on the real effects of global insolvency law on cross-border investment. By compiling international data on Model Law adoptions, combined with a comprehensive dataset of Chapter 15 filings, we show that coordination between bankruptcy courts across jurisdictions is a key determinant of international capital allocation. Our study complements the literature on cross-border M&A and capital flows by identifying a unique channel—judicial coordination in bankruptcy—that operates beyond traditional explanations such as geography, culture, and investor protection ([Erel, Liao, and Weisbach, 2012](#); [Ahern, Daminelli, and Fracassi, 2015](#); [Rossi and Volpin, 2007](#); [Bris and](#)

Cabolis, 2008; Bhagwat, Brogaard, and Julio, 2021). Unlike prior studies that rely on static and broad proxies for legal systems across countries, such as investor protection indices (La Porta, Lopez-de Silanes, Shleifer, and Vishny, 1998), we exploit an important policy change that directly alters the enforceability of cross-border claims.

Our study also contributes to the broader literature on law, finance, and corporate behavior. Previous research shows that creditor rights and debt enforcement efficiency influence investment, innovation, and economic growth (Djankov et al., 2008; Vig, 2013; Rodano, Serrano-Velarde, and Tarantino, 2016). We extend this literature by identifying judicial cooperation as an important economic mechanism that enhances legal predictability and reduces insolvency frictions in global markets. In doing so, we provide new international evidence linking bankruptcy law harmonization to cross-border investment, complementing studies that examine the economic role of country-specific bankruptcy laws for restructuring domestic firms (e.g., Dobbie and Song (2015); Mitman (2016); Iverson (2018); Gross, Klueder, Liu, Notowidigdo, and Wang (2021); Müller (2022); Closset, Großmann, Kaserer, and Urban (2023) and Albertus, Gurrea-Martínez, Hotchkiss, and Zheng (2025)). Finally, by combining the staggered implementation of the Model Law across countries and the adoption of Chapter 15 in the US, we offer a unified framework for understanding how global legal integration shapes firm behavior and international capital flows.²

2. Background

2.1. *The UNCITRAL Model Law*

To assist countries in developing modern legislation that effectively addresses cross-border insolvency proceedings, the United Nations introduced the Model Law on Cross-Border In-

²In a broader context, our paper relates to the literature on the growth of multinational firms. Prior studies show that comparative advantages and country-specific institutions, among other various determinants, are important considerations for expanding firms' boundaries across borders (e.g., Bernard, Jensen, Redding, and Schott (2007)). Our paper contributes to this literature by providing evidence on the importance of both judicial quality of firms' home countries and coordination with foreign jurisdiction in shaping firm boundaries.

solvency in 1997 under the auspices of the United Nations Commission on International Trade Law (UNCITRAL). The primary objective of the Model Law is to “*promote cooperation between the courts of States where the debtor’s assets are located and the coordination of concurrent proceedings concerning that debtor*,” thereby reducing procedural uncertainties faced by multinational debtors. As of 2025, more than sixty jurisdictions have adopted the Model Law on Cross-Border Insolvency.³ Figure 1 provides a visual overview of jurisdictions that adopted the Model Law between 1997 and 2020. Dark areas indicate adopters, while white areas represent non-adopters.

Several key provisions of the Model Law are designed to improve the efficiency of cross-border insolvency proceedings by promoting coordination among courts. First, once a foreign debtor’s home insolvency proceeding is recognized in a Model Law jurisdiction (hereafter, the *local jurisdiction*), the local court provides protection for the debtor’s assets located within its territory and transfers the proceeds from the sale of those assets to the debtor’s *home court* for distribution among creditors. As a result, all creditor claims are primarily administered under a single judicial authority—the home court—reducing conflicts across jurisdictions. Second, the Model Law ensures that foreign creditors receive the same procedural treatment as local creditors in the local jurisdiction, strengthening creditor protection in cross-border cases where foreign claims might otherwise be disadvantaged. Third, the Model Law does not require reciprocity: recognition of a foreign proceeding by the local court does not depend on whether the debtor’s home jurisdiction has adopted the Model Law. Taken together, these provisions simplify insolvency proceedings for firms with multinational assets and creditor bases, and improve the predictability of bankruptcy outcomes.⁴

³A summary of the Model Law’s main objectives and provisions can be found at https://uncitral.un.org/en/texts/insolvency/modellaw/cross-border_insolvency. A full list of adopting jurisdictions is available at <https://uncitral.un.org/en/texts>.

⁴Several reforms have been introduced at the country or regional level to facilitate coordination in cross-border insolvency. For example, the European Insolvency Regulation (EIR), implemented in 2002, aims to reduce judicial uncertainty and promote coordination among national courts in cross-border bankruptcy cases within the European Union. While similar in spirit to the UNCITRAL Model Law, the EIR operates as a binding framework that mandates the automatic recognition of insolvency proceedings among EU member states. Because the EIR already provides a unified regime for intra-EU cases, most member states have not separately adopted the Model Law. Other mechanisms also exist, such as bilateral arrangements

The Model Law makes a distinction between a *foreign main insolvency proceeding* and a *non-main proceeding*. If a foreign case is pending in the firm’s center of main interest (COMI), the case is considered a foreign main insolvency proceeding. When a foreign proceeding is pending in a country where the debtor maintains an establishment (i.e., conducts economic activity) but not its COMI, it is classified as a non-main proceeding. The key distinction is that main proceedings automatically trigger certain rights—such as an automatic stay on collection and litigation—that do not automatically apply to non-main proceedings. However, even if a foreign proceeding is recognized as non-main, the foreign representative may request such relief, and the local courts frequently grant these requests.⁵

2.2. *The US Adoption of Chapter 15*

Following the introduction of the Model Law in 1997, several US institutions—including the US State Department, the American Law Institute, and the National Bankruptcy Conference—advocated incorporating the Model Law into the US Bankruptcy Code. With the support from the National Bankruptcy Review Commission and the State Department’s Advisory Committee on Private International Law, the United States ultimately adopted the Model Law through the Bankruptcy Abuse Prevention and Consumer Protection Act (BAPCPA) of 2005, which created Chapter 15 of the US Bankruptcy Code ([Congressional Research Service, 2006](#)). Chapter 15 provides a framework for recognizing foreign insolvency proceedings in US courts and has since been widely used by non-US firms seeking protection of US-based assets.⁶

Before the adoption of Chapter 15, multinational firms with US-based assets typically (e.g., between mainland China and Hong Kong) or cross-border insolvency protocols (e.g., India) ([Gurrea-Martínez, 2025](#)). However, these frameworks tend to be regional and case-specific and therefore do not provide standardized international framework as the Model Law.

⁵Among the 63 Chapter 15 cases in our sample for which we obtained court docket entries, only two were recognized as non-main proceedings. In both cases, the US bankruptcy court granted the requested provisional relief, suggesting that relief is commonly provided even when recognition is granted on a non-main basis.

⁶Before Chapter 15, foreign firms could seek relief under §304 of the US Bankruptcy Code, which provided discretionary, comity-based assistance without a formal recognition framework. Chapter 15 replaced §304 with a standardized system for recognizing foreign main proceedings.

relied on Chapter 11 of the US Bankruptcy Code. The key difference between the two regimes concerns which court administers the main insolvency proceeding.⁷ Under Chapter 15, a foreign debtor initiates the main insolvency proceeding in its home jurisdiction and subsequently seeks recognition of that proceeding in a US bankruptcy court. Because Chapter 15 proceedings are *ancillary* to the main case abroad, the home court retains primary jurisdiction while US courts provide assistance and protection of US-based assets. By contrast, under Chapter 11, the US bankruptcy court administers the entire restructuring process, and its rulings are intended to have universal effect. Although Chapter 11 offers a well-developed legal framework for corporate reorganization, it can be complex and costly for foreign debtors with substantial operations outside the United States (LoPucki and Doherty, 2008; Wang, 2022). In contrast, Chapter 15 proceedings are generally more streamlined and allow foreign firms to coordinate cross-border restructurings while preserving the primacy of the home court.

2.3. *Implications for Cross-border Investment and Financing*

The improved coordination between domestic and foreign courts following the adoption of the Model Law has important implications for cross-border investment and financing by multinational firms.

First, by reducing legal and procedural uncertainty in cross-border insolvency, the Model Law makes local assets more attractive to foreign acquirers. Without the Model Law, foreign firms often must initiate a full domestic bankruptcy case in the local jurisdiction and face uncertainty regarding asset disposition and the treatment of creditors across jurisdictions. The process can be complex, costly, and potentially misaligned with the firm’s home-country insolvency proceedings. In contrast, the Model Law allows foreign debtors to seek recognition of their home-country insolvency cases as the main foreign proceedings in local courts. Once recognized, the local court coordinates with the home court in administering the case. This framework is particularly valuable for firms from countries with more efficient debt

⁷Internet Appendix Figure IA1 illustrates the typical timelines under each framework.

enforcement systems than the local jurisdiction, as it allows them to coordinate cross-border restructurings from a more familiar and reliable legal environment. As a result, foreign firms can acquire local assets with greater confidence that their rights and recovery procedures will be protected in the event of financial distress. By reducing uncertainty in insolvency proceedings and allowing firms to rely on more efficient home courts, the Model Law strengthens cross-border investor protection and encourages greater foreign participation in local asset markets.

The Model Law can also increase the debt capacity of foreign firms' cross-border investments by reducing legal uncertainty and strengthening creditor protection. When the insolvency process for foreign debtors with local assets becomes more predictable, creditors are more willing to finance cross-border investments. In some jurisdictions, such as the US, bankruptcy law is often viewed as relatively debtor-friendly ([Hotchkiss, Thorburn, and Wang, 2023](#)). The Model Law helps safeguard the rights of both foreign and domestic creditors. While the debtor's home court administers the main insolvency proceeding, local creditors retain the ability to seek relief in local courts, mitigating concerns about unequal treatment abroad. Coordinating cross-border restructurings from a reliable legal environment reduces uncertainty for both debtors and creditors, and aligns expectations about recovery values. By lowering the complexity of insolvency resolution and thus expected costs, the Model Law provides lenders with greater assurance that an enforceable framework exists for resolving the insolvency of foreign borrowers. As a result, creditors are more willing to extend credit to support cross-border investments.

3. Data, Variables, and Summary Statistics

3.1. Country-Year Measures

The baseline specification uses a country-pair-year panel. For each acquiring and target country, we first construct a set of country-year variables that capture macroeconomic conditions, market performance, legal institutions, and debt enforcement efficiency. We obtain

macroeconomic variables, including GDP growth, GDP per capita, and population from the Penn World Table. To measure economic linkages, bilateral trade is defined as the maximum of imports and exports between two countries using data from the United Nations Statistics Division. Stock market index returns and currency returns are constructed using data from S&P Global Equity Indices, Bloomberg, and the Global Macro Database.

In addition, we compile country-level institutional and legal characteristics, including legal origin, primary language, creditor rights, and insolvency efficiency measures such as the cost and duration of bankruptcy proceedings and secured creditor recovery rates, from Djankov, McLiesh, and Shleifer (2007), Djankov et al. (2008), and the World Bank Doing Business database. Our country-year panel spans 1997–2020 and covers 45,132 country–pair–year observations from 66 countries included in Djankov et al. (2008).

3.2. *Cross-border M&A*

Our primary measure for cross-border capital flows is cross-border mergers and acquisitions (M&As). To build this measure, we retrieve information on all completed M&As announced between 1997 and 2020 from the Mergers and Corporate Transactions database of the Securities Data Corporation (SDC). Following the conventional filters 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 interests, privatizations, and transactions in which either the target or the acquirer is a government entity or operates in the financial or utility industries. Our sample includes deals where the acquirer’s ultimate parent and the target are public firms, private firms, or subsidiaries.

We focus on majority-control acquisitions, defined as transactions in which the acquirer’s ownership stake increases from below 50% to above 50% of the target’s shares. Transaction values are converted to 2010 constant US dollars using the US Consumer Price Index. The final dataset comprises 597,235 transactions valued at approximately 23.2 trillion US dollars, including 87,666 cross-border deals with a total value of 8.72 trillion US dollars.

Using all cross-border M&A transactions identified above, we follow Erel et al. (2012)

to construct our main measure, *Cross-border acq_{a,j}*, defined as cross-border acquisitions in year t where the acquirer is from country a and the target is in country j , scaled by the sum of domestic deals in j and cross-border deals between a and j .

3.3. *FDI Flows and Cross-border Lending*

We use bilateral FDI data from [Steenbergen, Liu, Latorre, and Zhu \(2022\)](#), who compile FDI information from several major sources, including the UNCTAD bilateral FDI dataset, the International Monetary Fund (IMF) CDIS dataset, the OECD bilateral FDI statistics, and China’s inward and outward FDI statistics. Their dataset covers 247 economies from 2001 to 2020 and represents the most comprehensive bilateral FDI database currently available. We define *FDI* as the inward FDI flow (in millions of US dollars) from origin country a to destination country j in year t .

To measure aggregate country-level cross-border lending activities, we use the Bank for International Settlements (BIS) Locational Banking Statistics, which provide bilateral data on cross-border claims and liabilities, primarily loans and deposits, of banks in 45 reporting countries to counterparties in 200 destination countries. Our main measure is the annual growth of net cross-border lending, defined as the annual flow of total cross-border claims of reporting country a on the non-banking sector of country j . The variable is adjusted for exchange rate fluctuations and series breaks, and scaled by lagged outstanding total claims of country a on country j .⁸

3.4. *Summary Statistics*

Table 1 reports summary statistics for the country-pair-year observations used in our main empirical analyses. Because the cross-border acquisition measure captures capital flows from the acquiring country to the target country, all country-pair variables are defined as differences between the acquiring and target countries. Our sample consists of 45,132 country-

⁸To mitigate the influence of outliers, the variable is winsorized at the 2.5% level. We also exclude country-pair-year observations with year-end outstanding claims below USD 5 million, following [Correa, Paligorova, Sapriza, and Zlate \(2022\)](#).

pair-year observations.

The mean of the cross-border acquisition measure, *Cross-border acq_{a,j}*, is 0.039, with a median of zero, indicating that cross-border acquisitions are relatively infrequent for most country pairs. On average, differences in GDP growth, market returns, and currency returns are close to zero, while differences in GDP per capita exhibit greater dispersion. Bilateral trade intensity averages 0.03, reflecting modest economic linkages across most country pairs. Differences in creditor rights and other insolvency characteristics also vary substantially across countries, suggesting meaningful cross-country heterogeneity in legal institutions relevant to cross-border investment decisions.

4. Staggered Adoption of the Model Law

Our main analyses exploit the staggered, cross-country adoption of the Model Law on Cross-Border Insolvency around the world from 1997–2020. We focus on the 66 countries covered in [Djankov et al. \(2008\)](#), 21 of which adopted the Model Law during this period.⁹ We compare inbound cross-border acquisitions in countries after they adopt the Model Law with those in countries that did not adopt it. Our empirical setting offers several advantages. First, the staggered timing of adoption across countries provides quasi-exogenous variation in cross-border insolvency coordination. This allows us to compare capital flows before and after adoption within a difference-in-differences framework. Second, the international nature of the reform enables us to examine bilateral investment flows between acquiring and target countries, generating rich country-pair variation in legal and economic characteristics. Third, cross-country differences in economic status, creditor rights, and insolvency enforcement efficiency provide meaningful heterogeneity to examine which foreign investors benefit most from improved cross-border insolvency coordination.

⁹Although 63 jurisdictions have adopted the Model Law as of 2025, our empirical analysis focuses on 21 adopting countries for which the institutional and macroeconomic variables required for our analysis are available.

4.1. Model Specification and Baseline Results

We construct a country-pair-year panel covering 66 sample countries from 1997–2020. We estimate the following gravity-style regression using country-pair-year observations from pairs that had at least one cross-border M&A deal between 1997 and 2020:

$$\begin{aligned} \%Cross\text{-}border\text{ }acq_{a,j,t} = & \alpha + \beta Post\text{ }UNCITRAL_{j,t} + \Delta Country\text{ }characteristics_{a-j,t-1} \\ & + \lambda_{a \times j} + \gamma_{a \times t} + \epsilon_{a,j,t}, \end{aligned} \quad (1)$$

where *Post UNCITRAL* is a binary variable equal to one for years after the Model Law is enacted in the target country j , and $\Delta Country\text{ }characteristics_{a-j,t-1}$ measures differences in macroeconomic characteristics between the acquiring country (a) and the target country (j). We include country-pair fixed effects to account for time-invariant factors specific to each country pair, such as historical trade relationships, geographic proximity, and institutional similarities. We also include acquiring-country-by-year fixed effects to control for time-varying macroeconomic conditions in the acquiring country that may influence cross-border M&A activity.¹⁰ Under this specification, the coefficient β captures the change in inbound cross-border acquisitions within a given country pair after the target country enacts the Model Law.

Table 2 reports the regression estimates. Column (1) presents the results of Equation 1, where we replace acquiring-country-by-year fixed effects with year fixed effects, representing a less restrictive specification. Column (2) reports the baseline results using the full specification in Equation 1. The estimated coefficients on *Post UNCITRAL* are similar across the two columns. Specifically, after a country adopts the Model Law, the proportion of cross-border acquisitions targeting firms in that country increases by 1.4–1.5 percentage points. The coefficients are statistically significant at the 1% level. The magnitude is economically meaningful: the estimated increase represents approximately 35–38% of the unconditional

¹⁰Note that adoption of the Model Law is not reciprocal. As long as the host country has implemented the law, firms from any country can benefit from the protections of the cross-border insolvency framework.

mean of 0.04.

— Table 2 about here —

To assess potential pre-trends, we examine the time-series dynamics of M&A activity around the staggered adoption of the Model Law. Specifically, we replace the indicator variable, *Post UNCITRAL*, with eight dummy variables representing the years before and after adoption. We plot the corresponding coefficient estimates and their 95% confidence intervals in Figure 3. The figure shows no evidence of differential pre-trends between treated and control countries prior to the adoption of the Model Law. In contrast, cross-border acquisitions targeting firms in treated countries increase following adoption, with the post-adoption coefficients statistically significant at the 1% and 5% levels. The absence of pre-trends and the increase in acquisitions after adoption provide additional support for the empirical framework and are consistent with our main findings.

In column (3), we examine the robustness of our findings using a stacked cohort difference-in-differences approach following Gormley and Matsa (2016), employing a 10-year event window and clean control groups. The estimated coefficient on *Post UNCITRAL* is similar to that in column (2). Finally, in column (4), we use the Poisson Pseudo Maximum Likelihood (PPML) estimator to account for the large fraction of zeros in the dependent variable, as many country pairs do not experience cross-border acquisition activity (Karolyi and Taboada, 2015). The results remain both qualitatively and quantitatively similar.

The coefficients on the control variables across the four columns generally align with standard determinants of cross-border acquisitions. Differences in GDP per capita between the acquiring and target countries are positive and statistically significant in all specifications, indicating that firms from relatively wealthier countries are more likely to acquire firms in less developed economies. Differences in GDP growth show a positive association with acquisitions in some specifications, consistent with stronger economic conditions in the acquiring country encouraging outward investment. Bilateral trade intensity also enters positively in

two specifications, suggesting that stronger economic linkages between two countries facilitate cross-border M&A activity. Currency appreciation in the acquiring country relative to the target country is also associated with greater cross-border acquisition activity in two specifications, reflecting improved purchasing power for foreign assets.

Overall, our baseline results using the staggered adoption of the Model Law suggest that countries that align their bankruptcy regimes with global standards and strengthen cross-court coordination experience a significant increase in inbound acquisitions.

4.2. Instrumental Variable Regressions

A potential concern with our baseline estimation is that the adoption of the Model Law may be endogenous to country-level economic or institutional developments that simultaneously attract cross-border capital flows. For example, countries experiencing increasing financial integration may be more likely to adopt international insolvency frameworks to accommodate multinational firms. In this case, OLS estimates of the relationship between the Model Law and change in inbound acquisitions may partly capture underlying economic trends rather than the causal effect of improved cross-border insolvency coordination. Although the pre-trend analysis helps mitigate this concern, we further address it using an instrumental variables strategy that exploits the diffusion of Model Law adoption across countries with similar legal traditions.

Prior legal literature shows that legal and regulatory reforms often spread through networks of countries that share common legal origins, as policymakers frequently draw on legal precedents and institutional practices from countries within the same legal family.¹¹ Figure 2 illustrates the global diffusion of the Model Law from 1997 to 2020 using our sample of 66 countries for which we identified their legal origins. The four panels display adopting coun-

¹¹The concept that legal systems frequently adopt and copy legal rules from related jurisdictions is known as legal transplants or legal diffusion (Watson, 1974). This phenomenon is widely documented in the legal literature. Legal rules and institutions are frequently transplanted across countries with similar legal traditions, not only in corporate and financial regulation (La Porta et al., 1998; Porta, Lopez-de Silanes, and Shleifer, 2008) but also in areas such as human rights law and criminal law (Hathaway, 2001; Simmons, 2009; Davis, 2010).

tries as of 2005, between 2006 and 2010, between 2011 and 2015, and after 2015. During our sample period, the adoption of the Model Law exhibits clear diffusion patterns across legal origin groups, suggesting that a country’s likelihood and “timing” of adoption is influenced by the prior adoption decisions of its legal peers.

We identify the exogenous component of the Model Law adoption by instrumenting $Post\ UNCITRAL_{j,t}$ with adoption among legal peers and estimate the following first-stage regression:

$$Post\ UNCITRAL_{j,t} = \alpha + \pi\ Peer\ adoption_{j,t-1} + \Delta\ Country\ characteristics_{a-j,t-1} + \lambda_{a \times j} + \gamma_{a \times t} + u_{a,j,t}, \quad (2)$$

where $Peer\ adoption$ measures the lagged share of countries within the same legal origin family that had adopted the Model Law by the previous year.

If countries tend to follow peers with similar legal systems when implementing legal reforms, then a higher adoption rate among peer countries should increase the probability that a given country adopts the Model Law, satisfying the relevance condition. Meanwhile, adoption decisions by peer countries are unlikely to directly affect bilateral cross-border acquisitions involving a given country except through the country’s own adoption of the Model Law. Because the instrument is based on legal origin networks rather than bilateral economic conditions or trade relationships, it is less likely to capture country-pair-specific economic shocks that directly influence cross-border acquisition activity. In addition, our specification includes country-pair and acquiring-country-by-year fixed effects, which absorb many potential confounding macroeconomic and bilateral shocks.

In the second stage, we replace $Post\ UNCITRAL_{j,t}$ with its predicted value from the first stage and estimate its effect on cross-border acquisition activity:

$$\begin{aligned} \%Cross\text{-}border\ acq_{a,j,t} = & \alpha + \beta Post\widehat{UNCITRAL}_{j,t} + \Delta Country\ characteristics_{a-j,t-1} \\ & + \lambda_{a \times j} + \gamma_{a \times t} + \epsilon_{a,j,t}. \end{aligned} \quad (3)$$

where $Post\ \widehat{UNCITRAL}_{j,t}$ denotes the predicted value of Model Law adoption obtained from the first-stage regression. The coefficient β identifies the effect of Model Law adoption on cross-border acquisition activity.

Table 3 reports the two-stage least-squares (2SLS) regression results for the effect of the staggered adoption of the Model Law on cross-border acquisitions. *Peer adoption* strongly predicts the likelihood and timing of the Model Law adoption by a target country in the first-stage regression in column (1), and the F-statistics indicate that the instrumental variable satisfies conventional relevance thresholds. The second stage result in column (2) confirms that our baseline finding, the positive impact of Model Law adoption on in-bound acquisitions remains significant.

A potential concern is that adoption of the Model Law by neighboring peer countries could stimulate regional economic growth or trade integration, thereby affecting acquisition activity in nearby countries. To address this concern, in column (3) we reconstruct *Peer adoption* by restricting the peer group to countries within the same legal origin family that are located on different continents from the target country. This approach reduces the possibility that the instrument could be correlated with continent specific macroeconomic or political trends that may affect the law adoption. In columns (3) and (4), the instrumental variable remains strong, and the main results continue to hold. If anything, the coefficients of instrumented $Post\ UNCTRAL$ are larger than those from OLS specifications, suggesting that the difference reflects the correction for endogeneity.

In Internet Appendix Table IA2, we present additional robustness tests for the instrumental variables specification. First, we exclude the country pairs that share the same legal origin to further address the possibility that countries with the same legal origin experience

similar macroeconomic trends. Thus, the estimates represent the impact of the Model Law of the target countries on acquisitions by firms in countries with different legal origins. The results remain robust in columns (1) and (2). Second, to control for unobservable regional factors, the specification further includes target-continent-by-year fixed effects in columns (3) and (4) and the results remain qualitatively unchanged. Third, in columns (5) and (6), we introduce a second instrument, *BIT*, motivated by prior studies on bilateral investment treaties. This instrument measures the cumulative number of distinct partner countries with which a target country has signed bilateral investment treaties (BITs) as of the previous year, excluding treaties signed with the acquiring country. BITs can serve as an alternative mechanism for attracting inbound M&A and foreign direct investment (Bhagwat et al., 2021), and may therefore substitute for the Model Law. If a country has already signed BITs with many partners, its incentive to adopt the Model Law may be weaker. The first stage results in column (5) show that *Post UNCITRAL* is negatively associated with the number of BITs signed by a country. The second-stage results in column (6) are consistent with those obtained using *Peer adoption* as the sole instrument.

4.3. *Heterogeneous Effects*

Although data limitations prevent us from directly identifying bankruptcy filers that utilize the Model Law, Table 1 suggests that acquiring countries tend to have stronger creditor rights and more efficient insolvency systems. In particular, acquirers appear to originate from countries with lower bankruptcy costs, shorter insolvency durations, and higher debt recovery rates. This pattern indicates that acquiring countries may derive greater benefits from their relatively more efficient domestic bankruptcy systems that might facilitate the coordination with courts in target countries that have adopted the Model Law.

To examine this mechanism, we extend the analysis in Table 2 by interacting *Post UNCITRAL* with country-level differences in *Creditor Rights*, *Cost*, *Time*, *Going Concern*, and *Creditor Recovery* between acquiring and target countries in a country-pair-year panel. We additionally include target country-year fixed effects to absorb time-varying factors specific

to the target country that may influence inbound cross-border acquisition activity, such as macroeconomic conditions, developments in domestic financial markets, or other institutional reforms. Under this specification, the coefficient on the interaction between *Post UNCITRAL* and the cross-country differences in bankruptcy efficiency variables captures the heterogeneous effect of the Model Law adoption on cross-border acquisitions by acquiring countries' creditor rights and bankruptcy efficiency.

Table 4 column (1) shows that acquiring countries with stronger creditor rights are marginally more likely to engage in cross-border acquisitions, given that the coefficient is positive but not statistically significant. In columns (3) and (4), we find that acquiring countries with more active cross-border acquisitions tend to have shorter resolution times and a higher likelihood of remaining as going concerns, compared to target countries that have adopted the Model Law. Similarly, in column (5), we find that conditional on the target country adopting the Model law, a one-standard deviation increase in the creditor's recovery rate difference between the acquiring and target countries leads to a 10.6% increase in in-bound cross-border acquisitions after Model Law adoption. Overall, these results support the mechanism that firms from countries with more efficient bankruptcy systems are more likely to acquire assets in target countries following the adoption of the Model Law.

4.4. *FDI Flows*

Prior studies such as [Baker, Foley, and Wurgler \(2009\)](#) show that firms increase foreign investment when their share prices or collateral values are temporarily inflated, using these gains to finance foreign direct investment (FDI). Their evidence highlights how multinational firms reallocate capital across imperfect markets in response to financial and institutional frictions. In this section, we examine whether FDI exhibits patterns similar to those observed for cross-border acquisitions—that is, whether the positive effect of insolvency harmonization on international capital allocation extends beyond cross-border M&A.

To examine whether the adoption of the Model Law leads to an increase in FDI, we construct a country-pair-year panel similar to our baseline analysis, covering 66 countries

from 2001–2020, of which 21 adopted the Model Law. We first estimate the following gravity-style specification using country–pair–year observations:

$$\begin{aligned} \ln(FDI)_{a,j,t} = & \alpha + \beta Post\ UNCITRAL_{j,t} + \Delta Country\ characteristics_{a-j,t-1} \\ & + \lambda_{a \times j} + \gamma_{a \times t} + \epsilon_{a,j,t}, \end{aligned} \quad (4)$$

where *Post UNCITRAL* is a binary variable equal to one after the Model Law enactment year in the destination country j , and $\Delta Country\ characteristics_{a-j,t-1}$ measures the differences in macroeconomic characteristics between the origin country (a) and the destination country (j) in a given year. The coefficient β captures the change in FDI flows within a given country pair that can be attributed to the enactment of the Model Law in the destination country.

Table 5 reports the results. Column (1) presents OLS estimates with $\ln(FDI)$ as the dependent variable and shows that adoption of the Model Law is associated with higher bilateral FDI inflows, consistent with the view that harmonizing insolvency procedures facilitates cross-border capital allocation. Specifically, destination countries receive approximately 12% higher FDI inflows from origin countries after adopting the Model Law. Columns (2)–(5) report two-stage least squares estimates that instrument *Post UNCITRAL* using the lagged share of peer countries adopting the Model Law. The first-stage results indicate that peer adoption strongly predicts a country’s adoption of the Model Law. The second-stage estimates remain positive and consistent with the baseline results. Finally, column (6) reports PPML estimates and finds a similar increase in FDI inflows following adoption.

— Table 5 about here —

4.5. Cross-border Financing

Our prior results show that firms from countries with stronger creditor rights and more efficient bankruptcy procedures are more likely to increase their acquisitions of targets following Model Law adoption. This pattern is consistent with the Model Law reducing the complexity and uncertainty associated with cross-border insolvency proceedings. Under this framework,

foreign firms can rely on their home-country insolvency proceeding as the main foreign case, while the Model Law facilitates recognition and coordination across jurisdictions. The reform thus reduces cross-border insolvency frictions and improves the predictability of creditor recovery.

Prior studies show that bankruptcy institutions play an important role in shaping firms' *ex ante* capital structure and financing decisions. In particular, cross-country evidence links variation in bankruptcy regimes to the supply of bank credit and corporate borrowing capacity (e.g., [Davydenko and Franks 2008](#); [Acharya, Sundaram, and John 2011](#); [Fan, Titman, and Twite 2012](#)). Greater debt enforcement efficiency increases expected creditor recovery values and reduces uncertainty in distress resolution, thereby expanding firms' debt capacity ([Hackbarth, Hennessy, and Leland, 2007](#); [Djankov et al., 2007](#); [Sautner and Vladimirov, 2018](#)). If the Model Law strengthens creditor protection and reduces uncertainty in cross-border insolvency resolution, international lenders should be more willing to extend credit to firms investing abroad.

To examine this mechanism, we analyze cross-border bank lending using the Bank for International Settlements' Locational Banking Statistics (LBS). An advantage of the LBS data is that claims are classified by the legal residence of the borrower rather than the nationality of the borrower's ultimate parent. Although LBS does not identify multinational subsidiaries, it allows us to examine whether cross-border bank lending increases in Model Law adopting countries, which may finance acquisitions of local assets by multinational firms following adoption.

Consistent with this mechanism, Table 6 shows that cross-border lending increases following the adoption of the Model Law. Column (1) reports OLS estimates, indicating that cross-border lending growth rises by 5.1 percentage points after adoption, corresponding to a 31% increase relative to the sample mean. Columns (3) and (5) present the corresponding IV estimates using peer-country adoption as an instrument for Model Law adoption. The IV coefficients are positive and statistically significant, suggesting that destination countries

experience a substantial increase in cross-border lending inflows after adopting the Model Law. These results indicate that improvements in cross-border insolvency coordination enhance creditor confidence and facilitate the provision of international credit. Taken together, the evidence suggests that the Model Law stimulates cross-border acquisitions while also increasing the availability of external financing that supports multinational investment.

— Table 6 about here —

5. US Adoption of the Model Law: Chapter 15

In this section, we examine the impact of global insolvency law on cross-border capital flows using the US adoption of Chapter 15 in 2005 and hand-collected data on Chapter 15 bankruptcy filings. The Chapter 15 setting offers three empirical advantages relative to the staggered cross-country adoption analysis. First, we can identify firms and countries that actively use Chapter 15 after its adoption and examine the characteristics of jurisdictions that benefit most from the Model Law. Second, the setting allows for sharper identification by focusing on a narrow window around the reform while comparing treated and control firms at the same point in time. Third, it enables us to construct granular firm-level measures to analyze firms' investment and financing decisions. In particular, we examine whether Chapter 15 adoption increases the debt capacity of non-US firms acquiring US targets through changes in their long-term leverage, debt composition and loan issuance.

5.1. Chapter 15 Filings

We assemble a comprehensive dataset that contains the complete list of Chapter 15 and Chapter 11 filings by non-US firms during the 2001–2020 period using data from New Generation Research (NGR)'s BankruptcyData.com database and the Global Insolvency (GI) website.¹² The dataset includes detailed information on each case, including the debtor's

¹²NGR specializes in collecting bankruptcy information from US bankruptcy courts for all business bankruptcy filings. This database has been extensively used in the bankruptcy literature as a key source for identifying corporate bankruptcies (e.g., [Dou, Taylor, Wang, and Wang \(2021\)](#); [Antill \(2022\)](#)). The

name, industry classification, address, center of main interests (COMI), the existence and location of foreign proceedings, the filing date and court, the presiding judge, the case number of the lead case (i.e., the case filed by the parent company when the parent and its subsidiaries file jointly), and any related cases.

Our initial sample contains 863 and 1,165 Chapter 15 filings by firms from 59 non-US countries between 2005 (the year Chapter 15 was enacted) and 2020, based on data from NGR and the GI website, respectively.¹³ To reconcile the two sources, we identify each debtor’s *primary* case, defined as the case filed by the debtor’s ultimate parent or, if the parent does not file, the lead case among affiliated filings. We then manually verify each debtor’s country of origin using petition files from NGR, FactSet, and SEC filings prior to the bankruptcy filing. For Chapter 15 cases, we determine the debtor’s location based on the center of main interests (COMI), while for Chapter 11 cases we use the country of incorporation of the debtor’s parent company. After applying several sample filters, the final dataset consists of 549 Chapter 15 filings by parent firms from 59 countries (2005–2020) and 78 Chapter 11 filings by parent firms from 25 countries (2001–2020).¹⁴

Figure 4 (A) plots the number of Chapter 15 and Chapter 11 filings by non-US firms over the 2005–2020 period. Following its introduction in 2005, the number of Chapter 15 filings increased steadily, reaching peaks of 49 in 2009, 51 in 2016, and 65 in 2020. By 2020, firms from approximately 60 foreign jurisdictions had sought assistance from US bankruptcy courts under Chapter 15. Throughout the period, the number of Chapter 15 filings consistently

GI website, managed by the American Bankruptcy Institute, provides a broad repository of information on cross-border insolvency and restructuring. The NGR and GI websites are available at <https://www.newgenerationresearch.com> and <https://globalinsolvency.com>, respectively. Chapter 15 cases compiled by GI can be accessed at <https://globalinsolvency.com/chapter-15-database>.

¹³The NGR data further identify 128 Chapter 11 filings by firms headquartered outside the US, most of which have assets exceeding \$50 million. While we can confidently identify all Chapter 15 filings, our ability to comprehensively capture Chapter 11 filings by foreign firms is more limited because we rely on the headquarter location reported in the NGR data. As a result, we may underestimate the true number of Chapter 11 filings by foreign firms, as we do not include direct filings made by US subsidiaries of foreign parent companies.

¹⁴We exclude 36 noncorporate debtors, 48 cases with unverifiable or missing COMI information, 45 US-incorporated debtors, and 19 repetitive Chapter 15 filings at the primary-case level. We also exclude one Chapter 11 case involuntarily filed by US creditors and five cases in which the lead filing occurred under US incorporation while the non-US parent filed as an affiliate.

exceeded that of Chapter 11 filings by foreign firms. These patterns highlight that the enactment of Chapter 15 substantially lowered the barriers for foreign companies to access and utilize US bankruptcy procedures. Importantly, we observe that firms from several countries such as Brazil, Germany, South Korea, and Singapore actively used Chapter 15 but have not used Chapter 11 as of 2020 (Figure 4 (B)). Furthermore, in Internet Appendix Table IA3, we find that Chapter 15 filers are broadly comparable to Chapter 11 filers in firm size, profitability (ROA), and cash holdings. The two groups also display similar levels of international exposure, as reflected in their percentages of foreign sales and US asset shares, while Chapter 11 firms have modestly higher US sales as a fraction of total sales.

— Figure 4 about here —

We manually collect court dockets for Chapter 15 and Chapter 11 cases filed by non-US firms in the Southern District of New York and the District of Delaware between 2001 and 2009 using the Public Access to Court Electronic Records (PACER) system.¹⁵ Comparing docket entries across cases, we find that Chapter 15 proceedings involve substantially fewer court actions than Chapter 11 proceedings (Internet Appendix Table IA4). This difference reflects their institutional design: under Chapter 15 the foreign proceeding remains the main insolvency process and the US court plays a coordinating role, whereas under Chapter 11 the US court administers the entire case.

5.2. *Country-Level Analyses on Chapter 15 Filings*

The substantial cross-country variation in Chapter 15 filings suggests that firms from some jurisdictions benefit more from its enactment than others. To examine the legal and economic determinants of firms' use of Chapter 15, we estimate the following country-year logit

¹⁵PACER, administered by the Administrative Office of the United States Courts (AOUSC), provides public access to all US bankruptcy filings by businesses and consumers, including Chapter 11 and Chapter 15 cases. One of the authors was granted public access fee waivers by federal bankruptcy judges in the Southern District of New York and the District of Delaware, the two most experienced bankruptcy courts handling the majority of large corporate cases in the US (Ellias, 2018).

regression using a panel of 65 non-US countries over 2005–2020:

$$I.Chapter15_{c,t} = \alpha + \beta Home\ Country_{c,t} + \mathbf{X}_{c,t-1}' \cdot \lambda + \gamma_n + \mu_t + \epsilon_{c,t}, \quad (5)$$

where the dependent variable *I.Chapter15* is an indicator variable that takes a value of one if there is at least one Chapter 15 filing by firms headquartered in a given country c in year t ; *Home Country* variables include *Common law*, *English language*, *Creditor rights*, *Cost*, *Time*, *Going concern*, and *Creditor recovery*; and X' represents a set of macroeconomic variables, including *GDP per capita*, *GDP growth*, *Population*, *Bilateral trade*, *Market returns* and *Currency returns*, that might affect cross-border investment following prior literature (Rossi and Volpin, 2004; Baker et al., 2009; Erel et al., 2012). Considering that many country-level controls are static, we do not include country fixed effects. Instead, we include continental fixed effects (γ_n) and time fixed effects (μ_t). Standard errors are clustered at the country level.

Panel A of Table 7 reports summary statistics for the country-year data. On average, non-US countries file Chapter 15 cases approximately 0.17 times per year. The average creditor rights score is two, and secured creditors recover 48 cents per dollar in bankruptcy proceedings.

Panel B of Table 7 reports the results of the country-year logit regressions. Columns (1) and (2) show that Chapter 15 filers are more likely to originate from countries that share the same legal origin (common law) and language (English) as the US. These similarities likely facilitate communication and coordination between foreign and US courts.

— Table 7 about here —

Column (3) shows that Chapter 15 filers are more likely to originate from countries with stronger creditor rights, where creditors exert greater influence in bankruptcy proceedings. Debtors from these jurisdictions are more inclined to seek protection under Chapter 15 rather than Chapter 11, which is generally viewed as a debtor-friendly regime. Columns (4)–(7)

examine how debt enforcement efficiency in a debtor’s home country affects the likelihood of filing under Chapter 15. Chapter 15 filers more often come from countries where insolvency procedures are less costly and less time-consuming. Column (6) shows that firms from countries whose insolvency regimes better preserve going concerns are more likely to choose Chapter 15 over Chapter 11 in the US. Consistent with these findings, column (7) indicates that firms headquartered in countries with higher creditor recovery rates more frequently utilize Chapter 15, as *Creditor recovery* incorporates information on *Cost*, *Time*, and *Going concern* (Djankov et al., 2008).¹⁶ Finally, column (8) includes *Common law*, *Creditor rights*, and *Creditor recovery*, and the results remain qualitatively similar.

Overall, the results in Table 7 suggest that Chapter 15 filers are more likely to originate from countries with legal systems similar to that of the US, stronger creditor rights, and more efficient insolvency regimes. These findings are consistent with the evidence from our staggered adoption analysis of the Model Law, which shows that firms from countries with more efficient bankruptcy institutions are more likely to acquire firms in target countries following Model Law adoption. Multinational debtors from such jurisdictions are therefore more likely to use Chapter 15 to benefit from coordination between their home and US courts, whereas those from countries with weaker insolvency frameworks are more likely to file directly under Chapter 11 in the US.¹⁷

5.3. Chapter 15 and Cross-Border M&A

In this section, we examine the effect of Chapter 15 adoption on non-US firms’ cross-border acquisition activity using a difference-in-differences design. Section 5.2 shows that Chapter 15 disproportionately benefits firms from countries with certain legal and institutional characteristics, which are largely time-invariant and unrelated to US legal reforms. Motivated

¹⁶Internet Appendix Figure IA2 plots histograms of the raw differences in *Creditor rights*, *Cost*, *Time*, and *Creditor recovery* between non-US countries and the US in the year of Chapter 15 filings. The figure shows that Chapter 15 filers are concentrated in countries with stronger creditor rights, lower insolvency costs, shorter resolution time, and higher debt recovery rates relative to the US.

¹⁷In Internet Appendix Table IA5, we re-estimate Equation (5) using the number of Chapter 15 filings from a country in a given year as the dependent variable. The results are largely consistent with those in Table 7.

by this evidence, we compare acquisition activity between firms from countries more likely to benefit from Chapter 15 (*Treated*) and firms from countries unlikely to seek Chapter 15 filings (*Control*) to estimate the causal effect of Chapter 15 on cross-border acquisitions.

Our sample begins with all public firms covered by Compustat Global and Compustat North America during 2003–2007. We obtain firm-level accounting data and convert non-US currency-denominated assets into US dollars using end-of-fiscal-year exchange rates. Acquisition data come from the sample described in Section 3. We restrict the sample to transactions in which the ultimate parent of the acquirer is publicly listed, while allowing both public and private targets. We aggregate both the number and total value of acquisitions at the ultimate parent–firm level and match M&A activity to our firm-year panel using SEDOLs, CUSIPs, and ISINs as primary identifiers, with manual verification for accuracy. Transaction values are converted to 2010 constant US dollars using the US Consumer Price Index. The final dataset contains 18,741 acquisitions totaling \$1.97 trillion by non-US acquirers from 65 countries, including 2,477 acquisitions of US targets valued at \$457 billion.

We construct six measures of non-US firms’ acquisitions: three indicator variables capturing whether a firm acquires a US target, a non-US foreign target, or a domestic target, and three variables measuring the annual number of such transactions.

Table 8 reports summary statistics for the firm-year sample. Approximately 2% of non-US firms acquire US targets in a given year, compared with 5% engaging in cross-border acquisitions and 9% undertaking domestic acquisitions. The average number of US acquisitions per firm is 0.033 (log count 0.018). Sample firms have an average ROA of 1.7% and book leverage of 21.6%, with long-term debt accounting for roughly half of total debt. Bond financing averages 3.6% of book assets, and firms rely heavily on trade credit.

We estimate variants of the following ordinary least squares (OLS) specification using a firm-year panel of 65 non-US countries over the 2003–2007 period:

$$Y_{i,t} = \alpha + \beta Post\ Chapter15_t \times Treated_c + \mathbf{X}_{i,t-1}' \cdot \lambda + \gamma_i + \mu_{m \times t} + \epsilon_{i,t}. \quad (6)$$

We employ a narrow five-year window around the enactment of Chapter 15 to mitigate potential confounding effects from the Global Financial Crisis (Reddy, Nangia, and Agrawal, 2014) as well as to alleviate concerns about contemporaneous confounding influences arising from the adoption of the Model Law by other countries immediately after 2005. In Equation (6), *Post Chapter15* is an indicator variable equal to one for years after 2005; and *Treated* equals one if a firm’s home country is predicted to utilize Chapter 15 after 2005, based on its pre-enactment characteristics in 2004 and the coefficient estimates reported in column (8) of Table 7.¹⁸ Specifically, 33 out of the 65 countries are classified as *Treated* countries. We use subscripts c , i , m and t to denote country, firm, industry (2-digit SIC industry classification) and year, respectively, and let X' represent a vector of control variables. The coefficient of interest, β , captures the impact of Chapter 15 adoption on firms from countries expected to file under Chapter 15. All specifications include firm fixed effects (γ_i) to account for time-invariant firm characteristics and industry-year fixed effects ($\mu_{m \times t}$) to control for common industry trends in global M&A activity.

Table 9, Panel A reports the estimates of Equation (6) using two dependent variables: an indicator equal to one if a non-US firm acquires a US target in a given year and the acquisition intensity, measured as the natural logarithm of the number of US targets acquired.¹⁹ The coefficients on *Post Chapter15* $\times$ *Treated* in columns (1) and (2) are positive and statistically significant at the 5% and 1% levels, respectively. These results indicate that treated firms increased their acquisitions of US targets relative to control firms after the enactment of Chapter 15, at both the extensive and intensive margins. The estimates imply that treated firms are 25% more likely to acquire US targets and undertake 28% more acquisitions following Chapter 15 adoption.

¹⁸Because our treated firms are classified based on ex post Chapter 15 filings, one may be concerned for reverse causality. In subsequent tests, we employ alternative definitions of treated firms to show the robustness of our results.

¹⁹Appendix Table IA6 presents results using the total dollar volume of acquisitions. We do not report this specification in the main tables because deal values are missing for a large fraction of transactions. The results based on dollar volume are nonetheless qualitatively similar to our baseline. We also estimate a linear model using the natural logarithm of the number of acquisitions rather than a Poisson model with raw counts because Poisson estimation excludes fixed-effect groups that contain only zeros.

Prior studies show that regulatory, economic, and market conditions such as exchange rates and stock valuations influence cross-border acquisitions (Rossi and Volpin, 2007; Erel et al., 2012). If macroeconomic trends in treated countries were correlated with broader capital flows to the US, the observed increase in US acquisitions might reflect these trends rather than Chapter 15 adoption. In this case, firms from treated countries should also increase acquisitions of non-US targets after 2005. To test this possibility, columns (3)–(6) of Table 9, Panel A examine non-US firms’ acquisitions of non-US and domestic targets. The coefficient on $Post\ Chapter15 \times Treated$ is close to zero and statistically insignificant across all specifications.²⁰ These findings indicate that the effect of Chapter 15 is specific to acquisitions of US targets.

Another concern is that bankruptcy reforms in foreign countries around the time of Chapter 15 adoption may confound our results. For example, Brazil introduced a new bankruptcy law in 2005 that resembles Chapter 11 in the United States. Excluding countries that implemented major bankruptcy reforms during 2003–2007 based on Altman, Dai, and Wang (2024) leaves the results unchanged (Table 9, Panel B). The results are also robust to excluding Canadian and British firms, the most frequent users of Chapter 15. Finally, a placebo test using US firms’ domestic acquisition activity over the same period (2003–2007) shows no increase following Chapter 15 adoption (Internet Appendix Table IA7).

Although our baseline specification relies on within-firm variation, firms in treated countries may still differ systematically from firms in non-filing countries. To address this concern, we implement propensity score matching (PSM) based on all firm- and country-level controls in Table 9 measured in 2004 within the same one-digit SIC industry (with replacement and a caliper of 0.01). The matched sample includes firms from 61 countries, of which 32 are classified as *Treated*. Table 9, Panel C shows that treated firms are 32% more likely to acquire US targets and undertake 31% more acquisitions after Chapter 15 adoption, consistent

²⁰Results are similar when using the dollar value of non-US and domestic transactions.

with the baseline estimates. As before, acquisitions of non-US and domestic targets remain unchanged. We further examine the dynamics of these effects using the matched sample. Replacing $Post\ Chapter15 \times Treated$ with interactions between $Treated$ and year indicators for 2003, 2005, 2006, and 2007, Figure 5 shows no differential pre-trends prior to 2005. In contrast, acquisitions of US targets by treated firms increase after adoption.

— Figure 5 about here —

One might be still concerned for reverse causality: acquisitions unrelated to Chapter 15 may have later contributed to firms’ financial distress and subsequent Chapter 15 filings. For this mechanism to bias our results, acquisitions would need to be sufficiently large to materially affect the foreign *parent* firm’s financial condition and induce insolvency. However, Table 8 shows that both the number and value of US acquisitions in our sample are relatively small. Moreover, if a foreign firm acquired a large US target and the target subsequently failed, it would more likely file for Chapter 11 for its US subsidiary rather than the parent filing for Chapter 15. Consistent with this interpretation, Figure 5 shows no evidence that predicted high-usage countries had higher acquisition activity prior to 2005, suggesting that pre-existing acquisition waves are unlikely to explain subsequent Chapter 15 filings. We nonetheless conduct additional tests. Panel D of Table 9 defines $Treated$ using the predicted *ex ante* number of Chapter 15 filings as a proxy for a country’s propensity to file during 2005–2020. Countries with predicted filings above the sample median in 2004 are classified as treated. The results remain similar. We also define treatment based on realized Chapter 15 usage. Following Bernstein, Colonnelli, and Iverson (2019), who measure a judge’s liquidation bias using the full sample and apply that time-invariant measure across cases, this alternative definition yields similar results (Panel E of Table 9).

Taken together, these robustness tests support the interpretation that the increase in acquisitions of US targets reflects the adoption of Chapter 15 rather than broader macroeconomic trends, sample composition, or reverse causality.

5.4. Debt Financing

In this section, we examine whether the adoption of Chapter 15 changes the debt capacity and debt composition of non-US firms acquiring US targets.

We construct three leverage measures: book leverage, defined as total debt (long-term plus short-term debt) divided by total assets; long-term leverage, defined as long-term debt divided by total assets; and trade credit, measured as accounts payable divided by cost of goods sold. Prior literature suggests that lower creditor uncertainty in liquidation or reorganization increases firms' capacity to issue long-term debt (Fan et al., 2012). Improvements in bankruptcy procedures may therefore also affect the composition of debt financing. To capture debt composition, we follow Becker and Josephson (2016) and construct a bond financing measure defined as the book value of bonds (including commercial paper and other bond types) divided by total assets, using data from Capital IQ. We exclude observations in which the difference between total debt reported in Compustat and the sum of debt components reported in Capital IQ exceeds 10% of total debt.

We estimate Equation (6) using four measures of debt financing as dependent variables. Table 10 reports the results. In column (1), the coefficient on $Post\ Chapter15 \times Treated$ is 0.005 and statistically significant at the 10% level, implying that firms expected to benefit from Chapter 15 increased book leverage by 0.5 percentage points (2.3% relative to the sample mean). Although modest, the effect is economically meaningful given the short post-enactment window. Column (2) shows that the increase in total debt is driven by long-term borrowing, corresponding to a 6% increase relative to the mean. Column (3) further shows that corporate bond financing rises by 0.4 percentage points (over 11% relative to the mean). Together, the stronger increase in long-term leverage and bond financing suggests that non-US firms substituted short-term borrowing with long-term unsecured debt to finance cross-border investments after Chapter 15 adoption.

— Table 10 about here —

To explore whether the increase in long-term debt reflects acquisition financing, we re-estimate the specification using cash holdings and capital expenditures as dependent variables. Untabulated results show declining cash balances and no change in capital expenditures. Together with our main findings, this pattern suggests that firms financed acquisitions using a combination of existing cash reserves and new long-term debt. Consistent with this interpretation, more than 85% of cross-border deals in our sample are cash-financed, in line with prior evidence (Erel et al., 2024).

In column (4), we examine whether suppliers increased trade credit following Chapter 15 adoption. Although improved bankruptcy coordination may raise expected recovery rates, trade creditors are typically subordinated and less able to participate in multi-jurisdictional proceedings. Consistent with this view, trade credit increases only slightly for treated firms and is not statistically significant. Overall, Table 10 suggests that firms more exposed to Chapter 15 increased leverage primarily through long-term unsecured senior debt.

We next examine whether Chapter 15 affects loan issuance. Because geographically proximate lenders have informational advantages in monitoring foreign operations (Jang, 2017), foreign firms may increasingly rely on US-based lenders after Chapter 15 adoption. We proxy for US-based lending using loans denominated in US dollars. Using Dealscan data from January 2003 to June 2007, our final sample includes 6,166 loan packages issued by 3,040 borrowers from 40 non-US countries. We then estimate the following regression:

$$\begin{aligned}
Loansize_k = & \alpha + \beta_1 Post\ Chapter15_t \times USD\ denominated_k \times Treated_c \\
& + \beta_2 Post\ Chapter15_t \times USD\ denominated_k + \beta_3 Post\ Chapter15_t \times Treated_c \\
& + \beta_4 USD\ denominated_k \times Treated_c + \beta_5 Post\ Chapter15_t \\
& + \beta_6 USD\ denominated_k + \mathbf{X}'_{i,t-1} \cdot \lambda + \gamma_{c \times t} + \tau_{m \times t} + \epsilon_k,
\end{aligned} \tag{7}$$

where k , m , c , i , and t index loans, industries, parent countries, borrowers, and the year of issuance, respectively. *Post Chapter15* equals one after October 17, 2005; *Treated* identifies

countries with predicted Chapter 15 usage above the median; and *USD denominated* indicates loans denominated in US dollars. The specification includes country-year and industry-year fixed effects, as well as controls for loan and borrower characteristics. The coefficient of interest β_1 captures changes in loan size for treated firms receiving USD-denominated loans after Chapter 15 adoption.

— Table 11 about here —

Table 11 reports the results. Columns (1) and (2) show that the coefficient on *PostChapter15* $\times$ *USD denominated* $\times$ *Treated* is positive and statistically significant, implying that firms from countries more exposed to Chapter 15 receive USD-denominated loans that are approximately 43% larger after adoption. Columns (3) and (4) show no change in loan spreads. Combined with the results in Table 10, this evidence complements the staggered cross-country Model Law analysis by providing direct firm-level evidence on debt financing. Firms more exposed to Chapter 15 increased long-term borrowing, particularly bond issuance and USD-denominated loans without facing higher borrowing costs.

6. Conclusion

This paper studies how reducing legal uncertainty in cross-border insolvency affects international capital allocation. Exploiting the staggered adoption of the UNCITRAL Model Law on Cross-Border Insolvency across 21 countries, we provide novel evidence that legal harmonization and improved judicial coordination increase cross-border acquisitions, foreign direct investment, and cross-border lending. The effects are stronger when acquiring countries have more efficient bankruptcy systems, highlighting the role of legal uncertainty and institutional asymmetry in shaping international investment decisions.

The introduction of Chapter 15 to the US Bankruptcy Code provides a setting to examine the mechanisms underlying these effects. Firm-level evidence shows that the availability of Chapter 15 encourages foreign firms to acquire US assets by increasing their debt capacity, consistent with lower perceived insolvency risk and reduced costs of financial distress.

The benefits are concentrated among firms from countries with stronger debt enforcement regimes, as Chapter 15 allows them to anchor insolvency proceedings in their home jurisdictions while obtaining recognition and asset protection in the United States.

Overall, our findings suggest that strengthening cross-border insolvency coordination and judicial cooperation can facilitate capital mobility and financial integration. More broadly, the results highlight the importance of international legal infrastructure in shaping global capital flows and suggest that greater convergence toward cross-border insolvency frameworks may yield meaningful economic benefits.

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Fig. 1. The UNCITRAL Model Law on Cross-Border Insolvency around the World as of 2020

This figure illustrates the global adoption of the UNCITRAL Model Law on Cross-Border Insolvency from 1997 to 2020. Dark gray indicates countries that had adopted the Model Law by 2020.

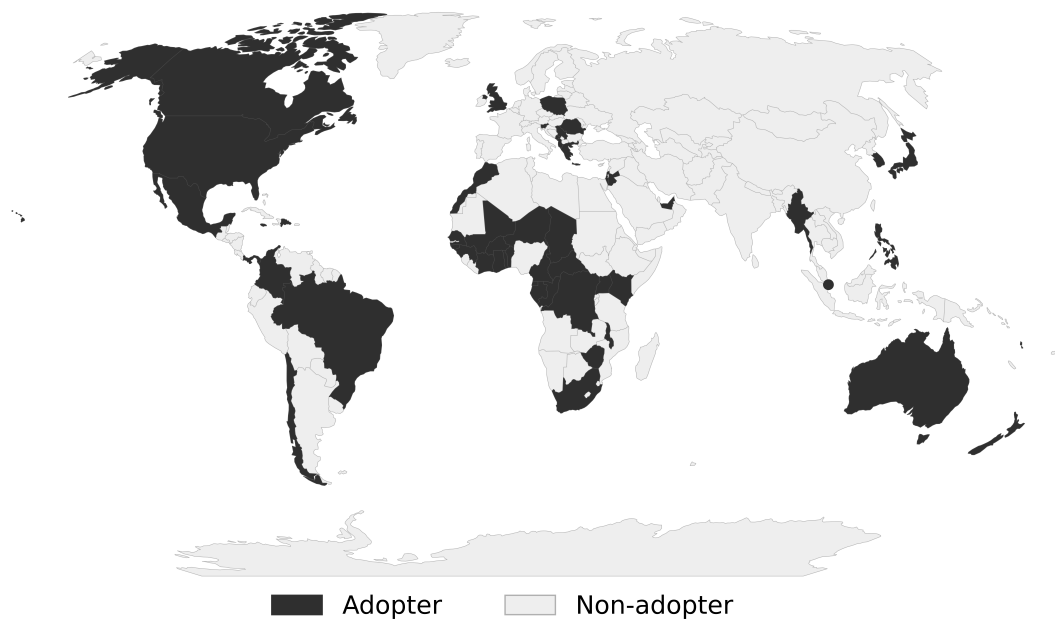
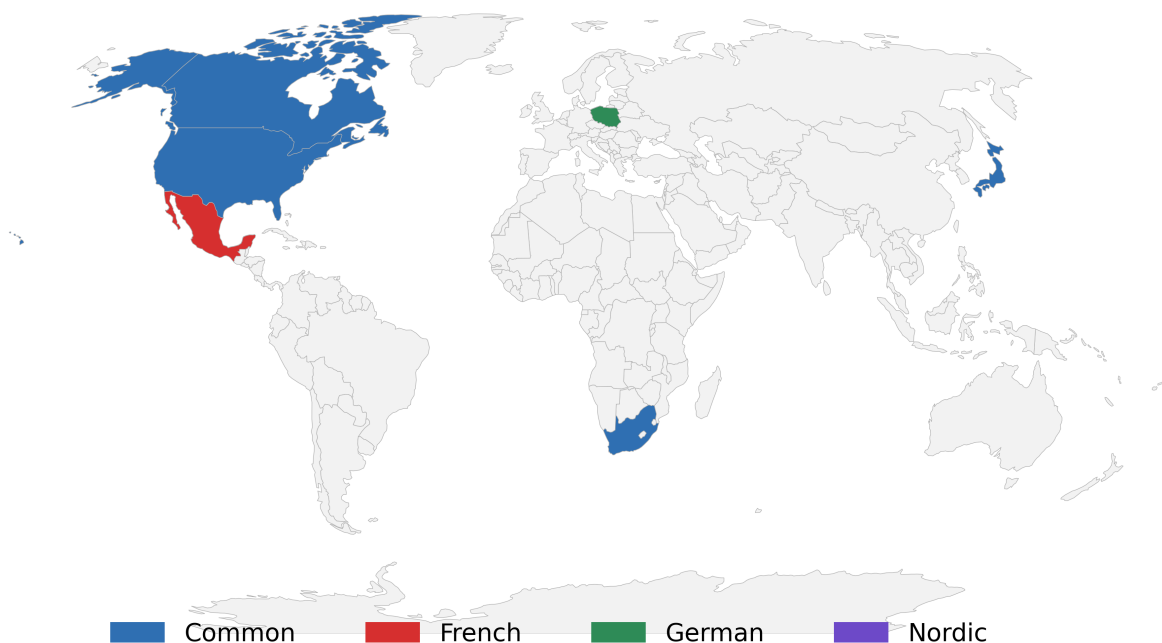


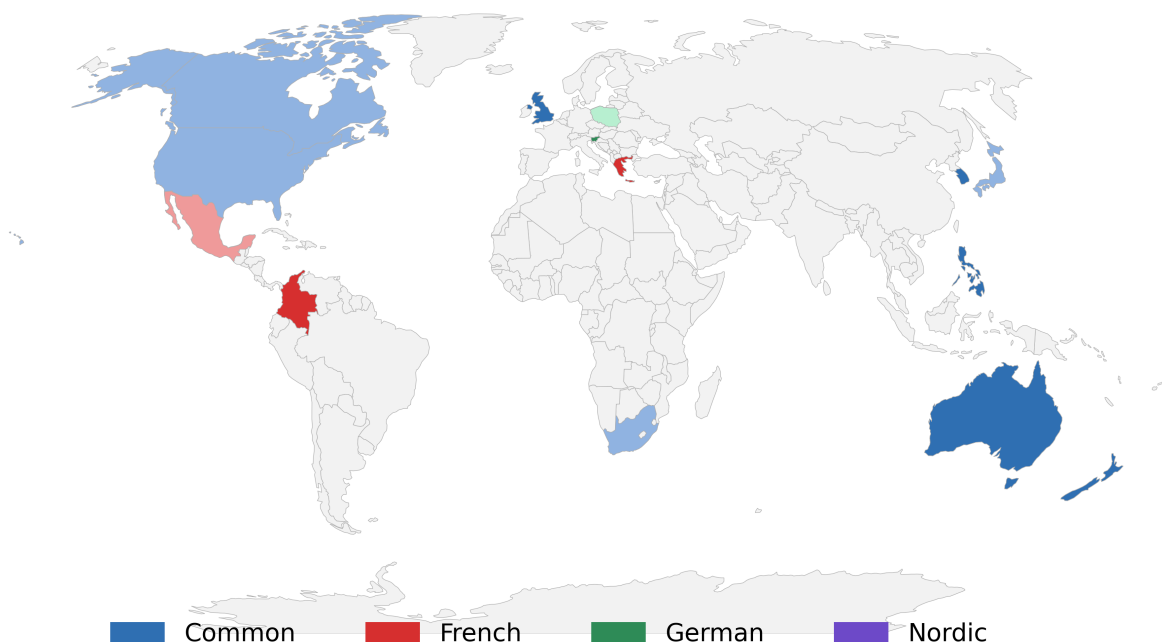
Fig. 2. Global Diffusion of the UNCITRAL Model Law on Cross-Border Insolvency by Legal Origin (1997-2020)

This figure illustrates the global diffusion of the UNCITRAL Model Law on Cross-Border Insolvency from 1997 to 2020 for countries with available legal origin information from [Djankov et al. \(2008\)](#). The darkest color indicates countries that adopted the Model Law within the corresponding five-year period, lighter colors indicate countries that adopted earlier, and light gray indicates non-adopters.

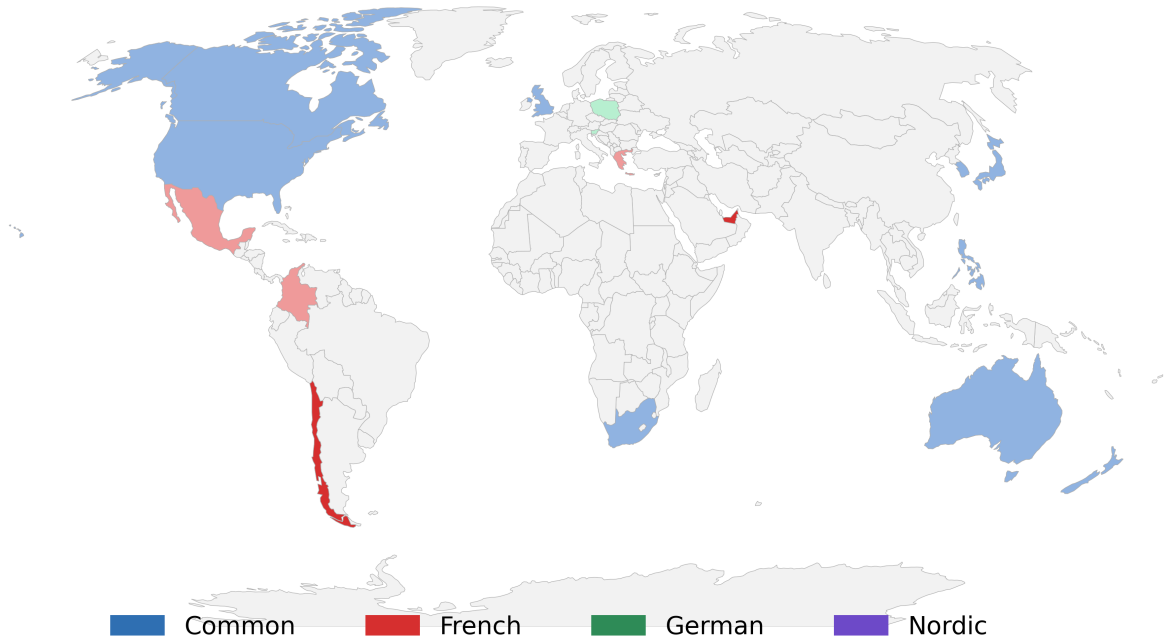
(A) As of 2005



(B) As of 2010



(C) As of 2015



(D) As of 2020

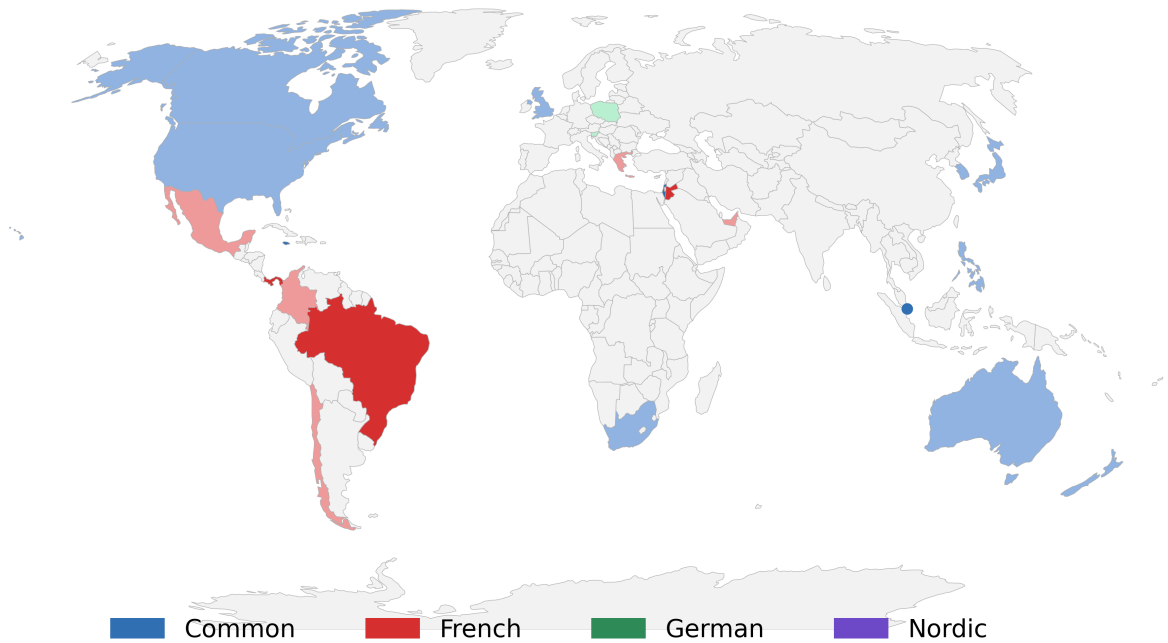


Figure 3. Time Series Dynamics: Staggered Adoption of UNCITRAL Model Law and Cross-border Acquisitions

This figure plots the estimated coefficients of pre- and post-treatment trends (i.e., coefficients for $\beta_{<-3}, \beta_{-3}, \beta_{-2}, \beta_{-1}, \beta_1, \beta_2, \beta_3, \beta_{>3}$) using the following regression specification:

$$\begin{aligned} \%Cross\text{-}border\ Acq_{a,j,t} = & \alpha + \beta_{<-3} UNCITRAL_{j,t}^{<-3} + \sum_{k=-3}^3 \beta_k UNCITRAL_{j,t}^k + \beta_{>3} UNCITRAL_{j,t}^{>3} \\ & + \Delta Country\ characteristics_{a-j,t-1} + \lambda_{a \times j} + \gamma_{a \times t} + \epsilon_{a,j,t}, \end{aligned} \quad (8)$$

where $Cross\text{-}border\ acq_{a,j,t}$ equals 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 domestic deals in the target country and cross-border deals between the two countries. $UNCITRAL_{j,t}^k$ is an indicator equal to one if country j is k years relative to its adoption of the UNCITRAL Model Law, and zero otherwise, where $k = -3, -2, -1, 1, 2, 3$. $UNCITRAL_{j,t}^{<-3}$ and $UNCITRAL_{j,t}^{>3}$ are binned indicators representing all years at least four years before and four years after adoption, respectively. The specification includes country-pair and acquiring country-year fixed effects and the same set of control variables in Table 2. Dots represent point estimates, and vertical lines denote 95 percent confidence intervals.

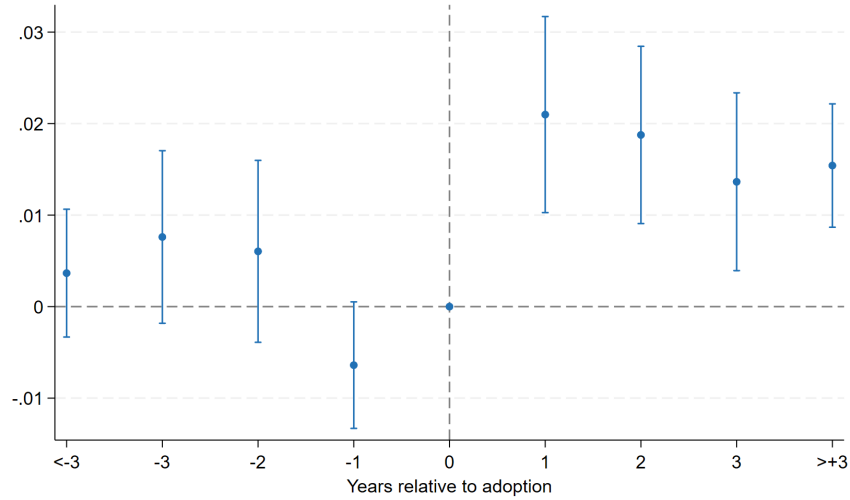


Figure 4. Number of Chapter 15 and Chapter 11 Filings by Year and Country

The figure presents the number of Chapter 15 and Chapter 11 filings by year (Panel A) and country (Panel B). The sample includes all Chapter 15 and Chapter 11 filing by non-US firms from 2005–2020 in Panel A, and filings from the sample of 40 countries studied by [Djankov et al. \(2008\)](#) in Panel B. The location of a debtor’s country is defined as the country of incorporation for Chapter 11 debtors and COMI for Chapter 15 debtors. “Other countries” in Panel B include those that filed for only one Chapter 15 filing without any Chapter 11 filings over the sample period, including Switzerland, Sweden, the Czech Republic, Peru, Romania, Serbia, Honduras, Malaysia, and Ukraine.

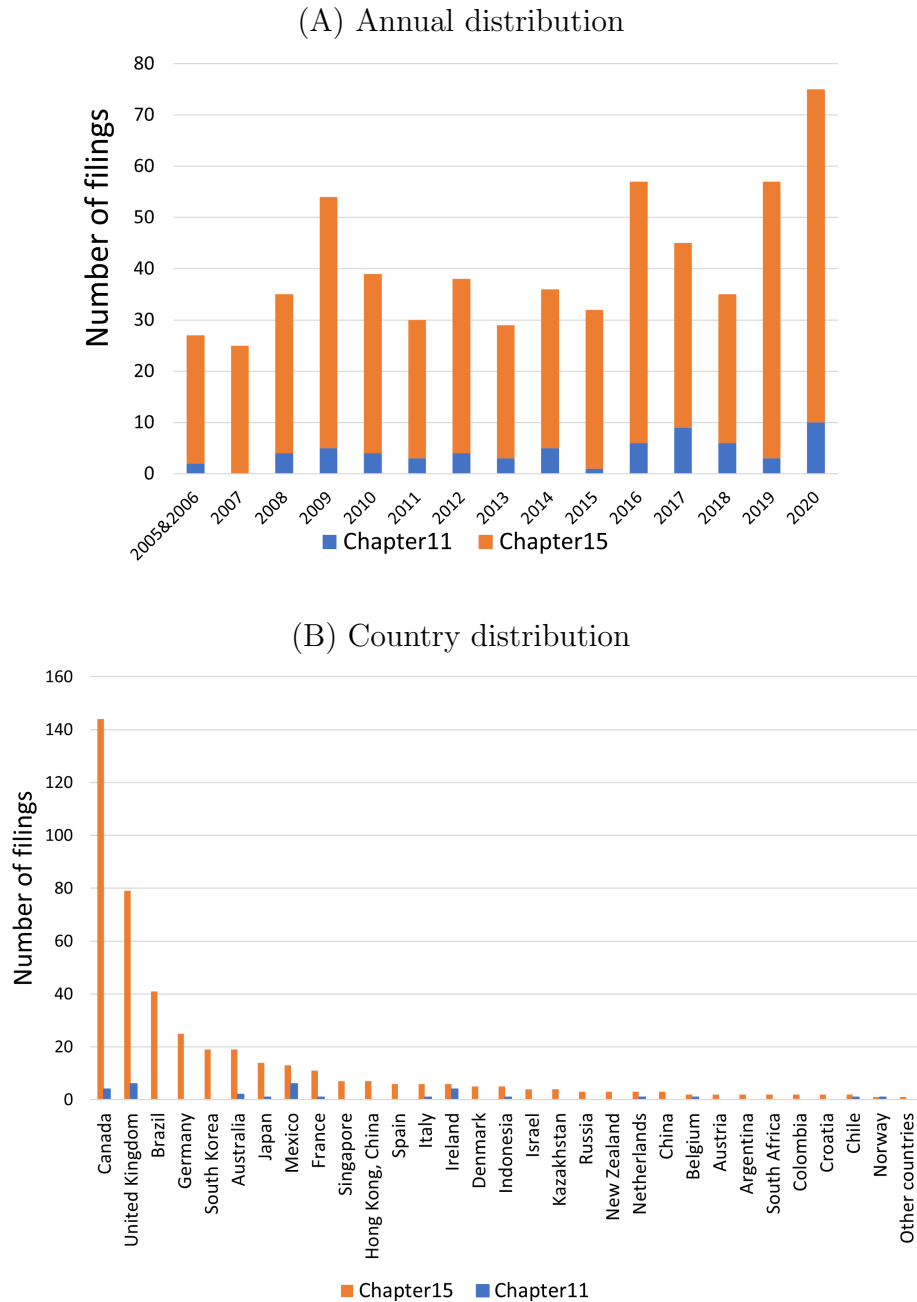


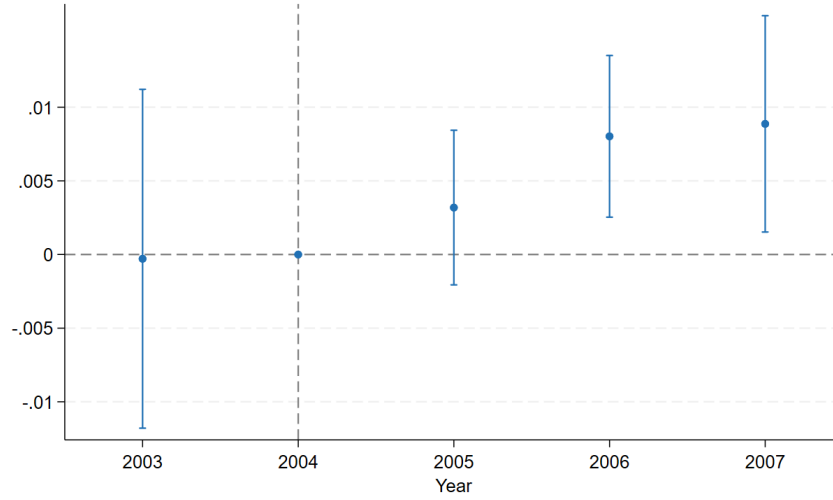
Figure 5. Time Series Dynamics: Chapter 15 and US Acquisitions

This figure plots the estimated coefficients of pre- and post-treatment trends (i.e., coefficients for $\beta_{2003}, \beta_{2005}, \beta_{2006}, \beta_{2007}$) from the following propensity score matching regression specification:

$$Y_{i,t} = \alpha + \sum_{k=2003}^{2007} \beta_k \text{Year}_k \times \text{Treated}_c + \mathbf{X}'_{i,t-1} \lambda + \gamma_i + \mu_{m \times t} + \varepsilon_{i,t}. \quad (9)$$

where $Y_{i,t}$ is *I.US* in Panel A and $\ln(\#US)$ in Panel B. The specification includes firm and industry-year fixed effects and the same set of control variables as in Table 9. Dots represent point estimates, and vertical lines denote 95 percent confidence intervals.

(A) Probability of US acquisitions



(B) Number of US acquisitions

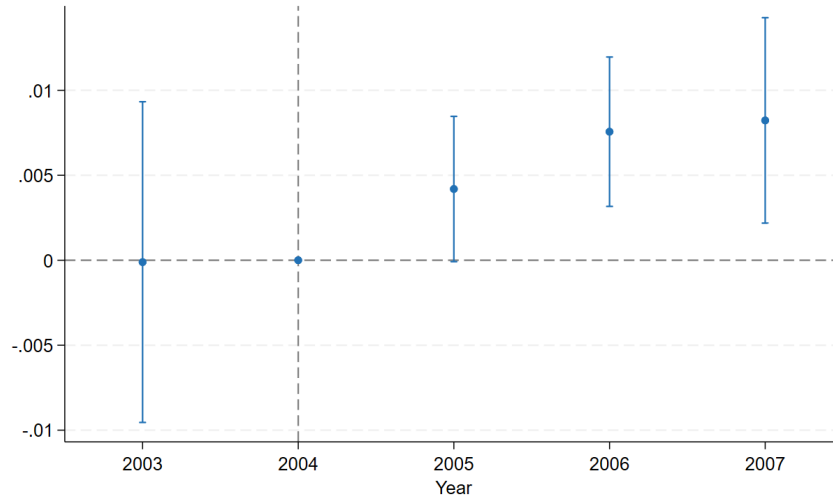


Table 1: Summary Statistics of Country-Pair-Year Observations

This table presents summary statistics of the variables included in the empirical analyses for the effect of staggered adoption of the UNCITRAL Model Law on cross-border acquisitions using country-pair-year observations from 1997–2020. The sample consists of 66 countries covered by [Djankov et al. \(2008\)](#), 21 of which adopted the UNCITRAL Model Law during the sample period. We include only country pairs with at least one cross-border deal during the sample period. Definitions and sources of the variables are provided in Appendix Table [A1](#).

Variable	Obs	Mean	P25	Med	P75	SD
Cross-border acq _{a,j}	45,132	0.039	0.000	0.000	0.014	0.120
Δ GDP growth _{a,j}	45,132	-0.001	-0.022	-0.001	0.020	0.037
Δ GDP per capita	45,132	0.145	-0.452	0.131	0.765	0.930
Δ Population _{a,j}	45,132	-0.048	-1.497	-0.048	1.355	1.982
Bilateral trade _{a,j}	45,132	0.030	0.004	0.011	0.032	0.048
Δ Market return _{a,j}	45,132	-0.002	-0.142	0.000	0.141	0.282
Δ Currency return _{a,j}	45,132	-0.002	-0.046	-0.001	0.042	0.087
Δ Creditor rights _{a,j}	45,078	0.109	-1.000	0.000	1.000	1.509
Δ Cost _{a,j}	45,078	-0.009	-0.08	0.000	0.055	0.116
Δ Time _{a,j}	45,078	-0.229	-1.200	-0.100	0.900	2.103
Δ Going concern _{a,j}	45,078	0.063	0.000	0.000	1.000	0.698
Δ Creditor recovery _{a,j}	45,078	0.048	-0.203	0.037	0.355	0.377

Table 2: Staggered Adoption of the UNCITRAL Model Law and Cross-border Acquisitions: Baseline Regressions

This table examines the effect of the staggered adoption of the UNCITRAL Model Law on cross-border acquisitions using country-pair-year observations from 1997–2020. The sample consists of 66 countries covered by [Djankov et al. \(2008\)](#), 21 of which adopted the UNCITRAL Model Law during the sample period. We include only country pairs with at least one cross-border deal during the sample period. The table reports the regression results on the effect of UNCITRAL Model Law adoption on cross-border acquisitions. The dependent variable, *Cross-border acq_{a,j}*, equals 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 domestic deals in the target country and cross-border deals between the two countries, as defined in [Erel et al. \(2012\)](#). *Post UNCITRAL* equals one for years following the enactment of the UNCITRAL Model Law in country j . Columns (1) and (2) uses the full country-pair-year sample. Column (3) implements a stacked difference-in-differences (DiD) design using a 10-year window centered on the adoption year, with country-pair cohort and acquirer-year cohort fixed effects. Column (4) reports estimates from a Poisson Pseudo Maximum Likelihood (PPML) model using the specification in column (2). Standard errors are corrected for the clustering at the country-pair level, and the associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

	(1)	(2)	(3)	(4)
	Baseline		Stacked DiD	PPML
Dep. Var. = %Cross-border acq				
Post UNCITRAL	0.015*** (6.34)	0.014*** (5.79)	0.013*** (5.68)	0.341*** (4.88)
Δ GDP growth _{a,j}	0.036* (1.89)	-0.006 (-0.20)	0.044*** (2.97)	0.062 (0.11)
Δ GDP per capita _{a,j}	0.025*** (4.51)	0.025*** (3.02)	0.020*** (3.91)	0.764*** (4.09)
Δ Population _{a,j}	0.021*** (2.99)	0.003 (0.18)	-0.002 (-0.15)	0.509 (1.61)
Bilateral trade _{a,j}	0.195** (2.13)	0.105 (0.87)	0.138** (2.26)	0.958 (1.01)
Δ Market return _{a,j}	-0.000 (-0.13)	-0.003 (-0.91)	-0.006*** (-4.63)	-0.042 (-0.78)
Δ Currency return _{a,j}	0.011* (1.90)	0.009 (0.97)	0.016*** (3.43)	0.186 (0.99)
Country pair FE	Yes	Yes	Yes	Yes
Year FE	Yes	No	No	No
Acquirer-Year FE	No	Yes	Yes	Yes
Number of Observations	45,168	45,132	228,879	42,873
Adjusted (Pseudo) R-squared	0.34	0.35	0.37	0.29

Table 3: Staggered Adoption of the UNCITRAL Model Law and Cross-border Acquisitions: Instrumental Variable Regressions

This table reports the two-stage least-squares (2SLS) regression results for the effect of the staggered adoption of the UNCITRAL Model Law on cross-border acquisitions using country-pair-year observations from 1997–2020. The sample consists of 66 countries covered by [Djankov et al. \(2008\)](#), 21 of which adopted the UNCITRAL Model Law during the sample period. We include only country pairs with at least one cross-border deal during the sample period. The instrumental variable, *Peer adoption*, in column (1) is measured as the lagged share of countries in the same legal origin family as country i that had adopted the UNCITRAL Model Law by year $t - 1$. In column (3), *Peer adoption* is constructed in the same manner, except that the peer group is limited to countries in the same legal origin family that are located on different continents from country i . The dependent variable in columns (1) and (3) is *Post UNCITRAL*, which equals one for years following the enactment of the UNCITRAL Model Law in country j . The dependent variable in columns (2) and (4) is *Cross-border acq_{a,j}*, defined as 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 domestic deals in the target country and cross-border deals between the two countries, following [Erel et al. \(2012\)](#). Columns (1) and (3) report first-stage regressions of UNCITRAL adoption on the peer adoption instrument. Columns (2) and (4) report the corresponding second-stage estimates. All specifications include country-pair fixed effects and acquiring country-year fixed effects. Standard errors are clustered at the country-pair level, and the associated t-statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of variables are provided in Appendix Table A1.

IV = Dep. Var. =	(1)	(2)	(3)	(4)
	All peers		Excl. peers in the same continent	
	Post UNCITRAL	%Cross-border acq	Post UNCITRAL	%Cross-border acq
Post UNCITRAL		0.025*** (2.73)		0.038*** (2.85)
Peer adoption	0.915*** (17.04)		0.579*** (12.60)	
Δ GDP growth _{a,j}	0.356*** (5.14)	-0.012 (-0.36)	0.459*** (6.76)	-0.016 (-0.48)
Δ GDP per capita _{a,j}	0.240*** (7.92)	0.022*** (2.78)	0.269*** (8.36)	0.016* (1.74)
Δ Population _{a,j}	-0.138** (-2.47)	0.009 (0.45)	-0.147** (-2.50)	0.011 (0.54)
Bilateral trade _{a,j}	0.539* (1.83)	0.101 (0.83)	0.595** (1.96)	0.102 (0.81)
Δ Market return _{a,j}	-0.005 (-1.04)	-0.003 (-0.79)	-0.011* (-1.93)	-0.003 (-0.86)
Δ Currency return _{a,j}	0.173*** (11.23)	0.008 (0.83)	0.180*** (11.85)	0.007 (0.69)
Country pair FE	Y	Y	Y	Y
Acquirer-Year FE	Y	Y	Y	Y
Number of Observations	45,132	45,132	41,483	41,483
Adjusted R-squared	0.66	-0.03	0.65	-0.04
F-stat for Instrument	290.22		158.88	

Table 4: Staggered Adoption of the UNCITRAL Model Law and Cross-border Acquisitions: Cross-Sectional Results

This table examines heterogeneous effects of the UNCITRAL Model Law adoption based on cross-sectional differences in country-level creditor rights and enforcement efficiency measures using country-pair-year observations from 1997–2020. The sample consists of 66 countries covered by Djankov et al. (2008), 21 of which adopted the UNCITRAL Model Law during the sample period. We include only country pairs with at least one cross-border deal during the sample period. The dependent variable, *Cross-border acq_{a,j}*, equals 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 domestic deals in the target country and cross-border deals between the two countries, as defined in Erel et al. (2012). Standard errors are corrected for the clustering at the country-pair level, and the associated t-statistics are in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

	(1)	(2)	(3)	(4)	(5)
Dep. Var. = %Cross-border acq					
Post UNCITRAL $\times$ Δ Creditor rights _{a,j}	0.002 (1.51)				
Post UNCITRAL $\times$ Δ Cost _{a,j}		-0.019 (-1.33)			
Post UNCITRAL $\times$ Δ Time _{a,j}			-0.002*** (-2.65)		
Post UNCITRAL $\times$ Δ Going concern _{a,j}				0.005** (2.16)	
Post UNCITRAL $\times$ Δ Creditor recovery _{a,j}					0.011** (2.31)
Controls	Yes	Yes	Yes	Yes	Yes
Country pair FE	Yes	Yes	Yes	Yes	Yes
Acquirer-Year FE	Yes	Yes	Yes	Yes	Yes
Target-Year FE	Yes	Yes	Yes	Yes	Yes
Number of Observations	45,078	45,078	45,078	45,078	45,078
Adjusted R-squared	0.70	0.70	0.70	0.70	0.70

Table 5: Staggered Adoption of the UNCITRAL Model Law and FDI Flows

This table reports both OLS and 2SLS regression results for the effect of the staggered adoption of the UNCITRAL Model Law on bilateral foreign direct investment (FDI) flows using country-pair-year observations from 2001–2020. The sample consists of the 66 countries in [Djankov et al. \(2008\)](#), of which 21 adopt the UNCITRAL Model Law during the sample period. Column (1) reports OLS estimates where the dependent variable is $\ln(FDI_{ajt})$, the natural logarithm of bilateral inward FDI flows (measured in millions of US dollars) from origin country a to destination country j in year t . Columns (2) and (4) report the first-stage regressions where the dependent variable is *Post UNCITRAL*. Columns (3) and (5) report the associated second-stage (2SLS) estimates with $\ln(FDI_{ajt})$ as the dependent variable. In columns (2) and (3), *Post UNCITRAL* is instrumented using the lagged share of peer countries that have adopted the UNCITRAL Model Law (IV1). In columns (4) and (5), the instrument excludes peers located in the same continent as the adopting country (IV2). Column (6) reports Poisson Pseudo Maximum Likelihood (PPML) estimates where the dependent variable is raw bilateral inward FDI flows. All specifications include country-pair fixed effects and acquirer-year fixed effects. Standard errors are clustered at the country-pair level, and t-statistics are reported in parentheses. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. Variable definitions and data sources are provided in Appendix Table A1.

	(1) OLS	(2)	(3) 2SLS (IV)	(4)	(5)	(6) PPML
		All peers		Excl. peers in same continent		
Dep. Var. =	$\ln(\text{FDI})$	Post UNCITRAL	$\ln(\text{FDI})$	Post UNCITRAL	$\ln(\text{FDI})$	FDI
Post UNCITRAL	0.116* (1.95)		0.530* (1.86)		0.407 (1.25)	0.124* (1.76)
Peer adoption		0.823*** (10.75)		0.570*** (8.62)		
Δ GDP growth $_{a,j}$	-2.036*** (-4.07)	0.102 (1.04)	-2.114*** (-4.17)	0.156 (1.60)	-2.159*** (-4.23)	-2.885*** (-3.90)
Δ GDP per capita $_{a,j}$	-0.042 (-0.27)	0.177*** (4.83)	-0.120 (-0.76)	0.212*** (5.50)	0.001 (0.01)	-0.569*** (-3.24)
Δ Population $_{a,j}$	-0.836** (-2.18)	-0.292*** (-3.69)	-0.604 (-1.41)	-0.274*** (-3.22)	-0.592 (-1.34)	-1.773*** (-3.78)
Bilateral trade $_{a,j}$	-0.116 (-0.10)	0.475 (1.34)	-0.248 (-0.22)	0.548 (1.50)	0.001 (0.00)	2.357** (2.28)
Δ Market return $_{a,j}$	0.029 (0.61)	0.022*** (2.79)	0.027 (0.57)	0.025*** (3.15)	0.018 (0.38)	-0.014 (-0.21)
Δ Currency return $_{a,j}$	-0.295* (-1.81)	0.095*** (4.28)	-0.312* (-1.90)	0.109*** (4.72)	-0.339** (-2.05)	-0.135 (-0.64)
Country pair FE	Y	Y	Y	Y	Y	Y
Acquirer-Year FE	Y	Y	Y	Y	Y	Y
Number of Observations	20,857	20,857	20,857	19,491	19,491	29,660
Adjusted (Pseudo) R-squared	0.72	0.76	-0.06	0.75	-0.06	0.72
F-stat for Instrument		115.61		74.23		

Table 6: Staggered Adoption of the UNCITRAL Model Law and Cross-border Lending

This table reports both OLS and 2SLS regression results for the effect of the staggered adoption of the UNCITRAL Model Law on cross-border lending using country-pair-year observations from 1997–2020. The sample consists of 24 origin countries and 66 destination countries covered by Djankov et al. (2008), where 21 of destination countries adopted the UNCITRAL Model Law during the sample period. Column (1) reports baseline results using OLS. The instrument, *Peer adoption*, in column (2) is measured as the lagged share of countries in the same legal origin family as country i that had adopted the UNCITRAL Model Law by year $t - 1$. In column (4), *Peer adoption* is constructed in the same manner, except that the peer group is limited to countries in the same legal origin family that are located on different continents from country i . Columns (2) and (4) report first-stage regressions of UNCITRAL adoption on the peer adoption instrument. Columns (3) and (5) report the corresponding second-stage estimates. The dependent variable in columns (1), (3), and (5) is *Cross-border lending growth* $_{a,j}$, defined as the annual growth in net lending. It is measured as the annual flow of total cross-border claims by reporting country a on net loans and deposits to the non-banking sector of country j (where $a \neq j$). The measure is adjusted for exchange rate fluctuations and structural breaks in the data and is normalized by the lagged outstanding total claims of reporting country a on country j in year $t - 1$. All specifications include country-pair fixed effects and acquiring country-year fixed effects. Standard errors are clustered at the country-pair level, and the associated t-statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of variables are provided in Appendix Table A1.

	(1) OLS	(2)	(3)	(4)	(5)
		2SLS (IV)			
		All peers		Excl. peers in same continent	
Dep. Var. =	Cross-border lending growth	Post UNCITRAL	Cross-border lending growth	Post UNCITRAL	Cross-border lending growth
Post UNCITRAL	0.051** (1.99)		0.191* (1.93)		0.288** (2.25)
Peer adoption		0.781*** (7.94)		0.507*** (6.10)	
Δ GDP growth $_{a,j}$	-1.382*** (-5.11)	0.409*** (3.38)	-1.453*** (-5.32)	0.497*** (4.15)	-1.479*** (-5.24)
Δ GDP per capita $_{a,j}$	-0.097 (-1.60)	0.206*** (3.47)	-0.121* (-1.91)	0.235*** (3.78)	-0.169** (-2.47)
Δ Population $_{a,j}$	-0.141 (-1.49)	-0.124 (-1.23)	-0.088 (-0.87)	-0.105 (-1.01)	-0.083 (-0.80)
Bilateral trade $_{a,j}$	0.392 (0.85)	0.168 (0.37)	0.391 (0.86)	0.253 (0.56)	0.334 (0.70)
Δ Market return $_{a,j}$	-0.005 (-0.17)	-0.020** (-2.21)	0.000 (0.00)	-0.022** (-2.26)	-0.024 (-0.71)
Δ Currency return $_{a,j}$	-0.081 (-1.02)	0.165*** (6.05)	-0.098 (-1.22)	0.172*** (6.28)	-0.134* (-1.66)
Country pair FE	Y	Y	Y	Y	Y
Origin country-Year FE	Y	Y	Y	Y	Y
Number of Observations	13,875	13,875	13,875	12,779	12,779
Adjusted R-squared	0.05	0.74	-0.03	0.73	-0.04
F-stat for Instrument		63.05		37.22	

Table 7: The Likelihood of Chapter 15 Usage by Non-US Countries

Panel A reports summary statistics for the 1,024 country-year observations from 65 non-US countries over the period 2005–2020. Panel B presents logit estimates of the effect of non-US countries’ characteristics on the likelihood of their companies using Chapter 15 to resolve insolvency from 2005–2020. The regressions include country-year observations of 65 non-US countries. The dependent variable equals one if at least one Chapter 15 case is filed by firms headquartered in a non-US country in a given year. *Common law* is an indicator variable equal to one if the legal origin of the bankruptcy law is common law. *English language* is an indicator variable equal to one if English is the official language. *Creditor rights* is an index aggregating creditor rights. *Cost* measures the cost of resolving insolvency, and is recorded as a percentage of the value of the debtor’s estate. *Time* measures the time to resolve insolvency, capturing the time for creditors to recover their credit and is recorded in calendar years. *Going concern* is recorded as one if a firm emerges from the proceedings as a going concern, and zero if the company’s assets are sold piecemeal. *Creditor recovery* is recorded as cents on the dollar par value recovered by secured creditors through judicial reorganization, liquidation, or debt enforcement. All specifications include continent and year fixed effects. Standard errors are clustered at the country level, with associated t-statistics reported in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

Panel A. Summary Statistics						
Variable	Obs	Mean	P25	Med	P75	SD
I.Chapter 15	1,024	0.173	0.000	0.000	0.000	0.378
Common law	1,024	0.281	0.000	0.000	1.000	0.450
Same language	1,024	0.188	0.000	0.000	0.000	0.391
Creditor rights	1,024	1.977	1.000	2.000	3.000	1.102
Cost	1,024	0.127	0.070	0.10	0.180	0.080
Time	1,024	2.246	1.300	2.000	3.000	1.302
Going concern	1,024	0.484	0.000	0.000	1.000	0.500
Creditor recovery	1,024	0.528	0.317	0.468	0.797	0.252
GDP growth	1,024	0.031	0.014	0.029	0.050	0.033
GDP per capita	1,024	10.100	9.535	10.180	10.660	0.694
Population	1,024	2.844	1.696	2.618	3.881	1.380
Bilateral trade	1,024	0.017	0.001	0.005	0.017	0.037
Market return	1,024	0.059	-0.083	0.028	0.182	0.239
Currency return	1,024	0.004	-0.038	0.002	0.045	0.073

Panel B. Regression estimates								
Dep. Var. = I.Chapter15	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Common law	2.061*** (4.24)							1.643*** (3.11)
English language		2.037*** (4.20)						
Creditor rights			0.608*** (2.71)					0.470** (2.49)
Cost				-5.267* (-1.72)				
Time					-0.667** (-2.44)			
Going concern						1.611*** (4.23)		
Creditor recovery							3.138*** (3.39)	1.738* (1.86)
GDP growth	-8.758* (-1.79)	-10.828** (-2.34)	-9.171 (-1.63)	-7.435 (-1.49)	-7.256 (-1.59)	-5.949 (-1.16)	-6.478 (-1.29)	-7.472 (-1.51)
GDP per capita	2.435*** (5.27)	2.483*** (5.50)	2.692*** (4.80)	2.406*** (4.70)	2.439*** (4.68)	2.464*** (4.77)	2.192*** (4.31)	2.009*** (4.06)
Population	1.300*** (6.06)	1.353*** (5.85)	1.261*** (6.16)	1.175*** (5.44)	1.231*** (4.84)	1.192*** (5.40)	1.274*** (5.16)	1.402*** (6.23)
Bilateral trade	-1.441 (-0.38)	-3.078 (-0.61)	2.042 (0.37)	1.951 (0.41)	-4.381 (-0.79)	-0.511 (-0.13)	-4.056 (-0.88)	-3.627 (-0.88)
Market return	-0.405 (-0.59)	-0.302 (-0.48)	-0.402 (-0.64)	-0.417 (-0.67)	-0.420 (-0.69)	-0.577 (-0.91)	-0.527 (-0.85)	-0.530 (-0.80)
Currency return	2.150 (1.03)	1.395 (0.67)	1.118 (0.55)	1.287 (0.66)	2.743 (1.41)	1.833 (0.98)	2.150 (1.12)	2.077 (0.99)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Continent FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	1,024	1,024	1,024	1,024	1,024	1,024	1,024	1,024
Pseudo R-squared	0.40	0.39	0.38	0.36	0.37	0.39	0.38	0.42

Table 8: Summary Statistics of Non-US Firms in Chapter 15 setting

This table reports summary statistics for the variables used in our Chapter 15 empirical analyses. It is based on 75,647 firm-year observations from 65 non-US countries over the period 2003—2007. Definitions and data sources for all variables are provided in Appendix table [A1](#).

Variable	Obs	Mean	P25	Med	P75	SD
I.US	75,647	0.020	0	0	0	0.141
Ln(#US)	75,647	0.018	0	0	0	0.133
I.Non-US CB	75,647	0.050	0	0	0	0.218
Ln(#Non-US CB)	75,647	0.045	0	0	0	0.212
I.Domestic	75,647	0.089	0	0	0	0.285
Ln(#Domestic)	75,647	0.076	0	0	0	0.259
Sales growth	75,647	0.150	-0.025	0.080	0.243	0.330
ROA	75,647	0.017	0.008	0.049	0.096	0.219
Size	75,647	4.888	3.610	4.853	6.105	2.004
Tangibility	75,647	0.312	0.125	0.279	0.457	0.225
Cash	75,647	0.122	0.028	0.075	0.160	0.143
GDP growth	75,647	0.040	0.018	0.032	0.057	0.027
GDP per capita	75,647	10.207	9.809	10.484	10.650	0.666
Population	75,647	3.857	2.990	3.889	4.852	1.477
Bilateral trade	75,647	0.053	0.017	0.025	0.082	0.057
Market return	75,647	0.083	-0.059	0.122	0.209	0.197
Currency return	75,647	0.027	-0.016	0.012	0.062	0.067
Leverage	75,475	0.216	0.044	0.185	0.331	0.197
LT leverage	75,475	0.104	0.000	0.050	0.162	0.134
Bond financing	49,379	0.036	0.000	0.000	0.016	0.086
Trade credit	68,690	0.285	0.099	0.170	0.272	0.583

Table 9: Chapter 15 and Cross-border Acquisitions

This table reports OLS estimates of the effect of Chapter 15 enactment on acquisition activities of non-US firms. The sample includes 75,647 firm year observations from 65 countries from 2003–2007. The dependent variables capture cross-border acquisitions of US targets in columns (1)–(2), cross-border acquisitions of non-US targets in columns (3)–(4), and domestic acquisitions in columns (5)–(6). The dependent variables in columns (1), (3), and (5) are indicator variables that equal to one if a non-US firm acquires any US, non-US non-domestic, and domestic acquisitions in a given year, respectively. The dependent variables in columns (2), (4), and (6) capture the natural logarithm of the number of US, non-US non-domestic, and domestic acquisitions in a given year, repetitively. Panel A reports baseline results where *Treated* equals one if a firm is headquartered in a country with a higher likelihood of filing for Chapter 15 in 2004, as estimated in column (8) of Table 7. Panels B–E report robustness tests for the results in Panel A. Panel B excludes countries that implemented major local bankruptcy law reforms during the sample period (e.g., Brazil, Spain, Italy, and China). Panel C presents propensity score matching results. For each firm from treated countries, a closest match is found based on all control variables as of 2004 within the same industry (one-digit SIC) with replacement and a caliper of 0.01. In Panels A, B, and C, *Treated* equals one if a firm is headquartered in a country with a higher likelihood of filing for Chapter 15 as of 2004, as estimated in column (8) of Table 7. Panel D reports results using an alternative *Treated* indicator, re-estimated from column (8) of Panel A in Internet Appendix Table IA5, which equals one if the predicted number of Chapter 15 filings in 2004 is above the median. Panel E uses an alternative *Treated* variable, which equals one if the actual number of Chapter 15 filings during 2005–2020 is above the median. *Post Chapter15* is an indicator variable that equals to one for years after the 2005 enactment of Chapter 15. All control variables *Sales growth*, *ROA*, *Size*, *Tangibility*, *Cash*, *GDP growth*, *GDP per capita*, *Population*, *Bilateral trade*, *Market return* and *Currency return* are lagged one year. All regressions include firm and industry–year fixed effects, where industry is defined by two-digit SIC codes. Standard errors are clustered at the firm level, and t-statistics are reported in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

Dep. Var. =	(1) I.US	(2) Ln(#US)	(3) I.Non-US CB	(4) Ln(#Non- US CB)	(5) I.Domestic	(6) Ln(#Domestic)
Panel A. Baseline						
Post Chapter15 × Treated	0.005** (2.55)	0.005*** (2.98)	-0.001 (-0.24)	-0.000 (-0.16)	0.002 (0.48)	0.001 (0.26)
Number of Observations	75,647	75,647	75,647	75,647	75,647	75,647
Adjusted R-squared	0.31	0.42	0.32	0.42	0.25	0.30
Panel B. Excluding countries with bankruptcy reforms						
Post Chapter15 × Treated	0.005** (2.26)	0.005*** (2.80)	0.002 (0.50)	0.003 (0.82)	0.002 (0.52)	0.001 (0.26)
Number of Observations	64,067	64,067	64,067	64,067	64,067	64,067
Adjusted R-squared	0.31	0.43	0.31	0.41	0.25	0.31
Panel C. Propensity score matching						
Post Chapter15 × Treated	0.007*** (2.66)	0.006*** (2.66)	-0.008 (-1.41)	-0.005 (-1.12)	0.002 (0.41)	0.003 (0.66)
Number of Observations	114,790	114,790	114,790	114,790	114,790	114,790
Adjusted R-squared	0.40	0.50	0.41	0.48	0.36	0.40
Panel D. Treated estimated using #Chapter15 as of 2004						
Post Chapter15 × Treated	0.006*** (2.94)	0.006*** (3.43)	-0.005 (-0.94)	-0.004 (-0.88)	-0.009 (-1.59)	-0.007 (-1.50)
Number of Observations	75,647	75,647	75,647	75,647	75,647	75,647
Adjusted R-squared	0.31	0.42	0.32	0.42	0.25	0.30
Panel E. Treated estimated using actual Chapter 15 over 2005–2020						
Post Chapter15 × Treated	0.005*** (2.69)	0.005*** (3.28)	-0.003 (-0.73)	-0.003 (-1.00)	0.004 (1.00)	0.002 (0.70)
Number of Observations	75,647	75,647	75,647	75,647	75,647	75,647
Adjusted R-squared	0.31	0.42	0.32	0.42	0.25	0.30

Table 10: Chapter 15 and Debt Financing

This table reports OLS estimates of the effect of Chapter 15 enactment on capital structures and debt financing of non-US firms located in 65 countries from 2003–2007. Columns (1)–(4) use the following dependent variables: Leverage = total debt/book assets; LT leverage = long-term debt/book assets; Bond financing = total value of bond financing/book assets; Trade credit = accounts payable/cost of goods sold. *Post Chapter15* is an indicator variable equal to one for years after the 2005 enactment of Chapter 15. *Treated* equals one if a firm is headquartered in a country with a higher likelihood of filing for Chapter 15 as of 2004, as estimated in column (8) of Table 7. All control variables are lagged one year. All regressions include firm and industry–year fixed effects, where industry is defined by two-digit SIC codes. Standard errors are clustered at the firm level, and t-statistics are reported in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. Variable definitions and sources are provided in Appendix Table A1.

Dep. Var. =	(1) Leverage	(2) LT leverage	(3) Bond financing	(4) Trade credit
Post Chapter15 $\times$ Treated	0.005* (1.74)	0.006*** (2.97)	0.004** (2.05)	0.011 (1.30)
Firm FE	Yes	Yes	Yes	Yes
Ind-Year FE	Yes	Yes	Yes	Yes
Number of Observations	75,475	75,475	49,379	68,690
Adjusted R-squared	0.76	0.70	0.66	0.53

Table 11: Chapter 15 and Bank Loans

This table reports OLS estimates of the effect of Chapter 15 enactment on the size and spread of US dollar-denominated loans, using loans originated between January 1, 2003 and July 1, 2007 (pre-GFC period) to borrowers from 40 non-US countries. The dependent variable in columns (1) and (2) is the natural logarithm of the loan amount (in millions of USD). In columns (3) and (4), the dependent variable is the natural logarithm of the value-weighted all-in-drawn spread of a loan package, where weights are based on loan facility amount. *Post Chapter15* is an indicator variable equal to one for loans issued after October 17, 2005 (i.e., the enactment date of Chapter 15 in the US). *Treated* equals one if a firm is headquartered in a country with a higher likelihood of filing for Chapter 15 as of 2004, as estimated in column (8) of Table 7. *USD denominated* is a binary variable equal to one if the loan is denominated in US dollars. All regressions include borrower-level controls, and industry-year and country-year fixed effects. Standard errors are clustered at the country level, and t-statistics are reported in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

Dep. Var. =	(1) Loan size	(2) Loan size	(3) Loan spread	(4) Loan spread
Post Chapter15 $\times$ USD denominated $\times$ Treated	0.511*** (2.96)	0.358** (2.66)	-0.042 (-0.30)	-0.086 (-0.51)
Post Chapter15 $\times$ USD denominated	-0.430*** (-2.88)	-0.365*** (-3.38)	-0.061 (-0.45)	-0.088 (-0.59)
Post Chapter15 $\times$ Treated	0.033 (0.25)	0.128 (1.10)	-0.009 (-0.05)	-0.036 (-0.14)
USD denominated $\times$ Treated	0.041 (0.15)	-0.090 (-0.38)	0.061 (0.56)	-0.066 (-0.39)
Post Chapter15	0.004 (0.04)	-0.071 (-0.65)	0.052 (0.41)	0.170 (0.71)
USD denominated	-0.032 (-0.13)	0.174 (0.77)	0.002 (0.05)	0.219* (1.86)
Num fac		0.670*** (7.13)		0.270*** (3.44)
Term loan		-0.230*** (-3.60)		0.145** (2.08)
Revolver		0.250*** (4.84)		0.048 (0.63)
Secured		-0.011 (-0.11)		0.507*** (6.09)
Rated		0.018 (0.42)		0.076 (1.09)
Loan maturity		-0.007 (-0.13)		0.007 (0.12)
Loan size				-0.102*** (-3.72)
Borrower controls	Yes	Yes	Yes	Yes
Industry-Year FE	Yes	Yes	Yes	Yes
Country-Year FE	Yes	Yes	Yes	Yes
Number of Observations	6,166	6,045	1,081	1,059
Adjusted R-squared	0.63	0.67	0.45	0.58

Table A1: Description of Variables

Variable	Definition and source
UNCITRAL Model Law analysis	
Post UNCITRAL	Indicator equal to one for years after UNCITRAL Model Law enactment (Source: UNCITRAL).
%Cross-border acq _{a,j}	Cross-border deals in year t where target is j and acquirer is a scaled by domestic deals in j plus cross-border deals between a and j (Source: SDC; definition follows Erel et al. (2012)).
FDI _{a,j}	Inward FDI flow from origin a to destination j (Source: World Bank; Steenbergen et al. (2022)).
Δ Creditor rights _{a,j}	Difference in creditor rights index between acquirer country a and target country j .
Δ Cost _{a,j}	Difference in insolvency costs between a and j .
Δ Time _{a,j}	Difference in time to resolve insolvency between a and j .
Δ Going concern _{a,j}	Difference in going-concern indicator between a and j .
Δ Creditor recovery _{a,j}	Difference in creditor recovery rates between a and j .
Δ GDP per capita _{a,j}	Difference in log real GDP per capita between a and j .
Δ GDP growth _{a,j}	Difference in GDP growth between a and j .
Δ Population _{a,j}	Difference in log population between a and j .
Bilateral trade _{a,j}	Maximum of bilateral imports and exports between the pair (Source: UN Statistics Division).
Δ Market return _{a,j}	Difference in annual stock market returns between a and j .
Δ Currency return _{a,j}	Difference in real USD exchange-rate returns between a and j .
Court docket variables	
Chapter 15 only	Source: PACER
Days until first relief granted	The number of days from the filing of a motion for the first relief until it is granted by the U.S. Bankruptcy Court.
Days until recognition as an FP	The number of days from the filing of a Chapter 15 petition until it is recognized as a foreign proceeding by the U.S. Bankruptcy Court.
Chapter 11 only	Source: PACER
Days until plan confirmed/converted	The number of days from the filing of a Chapter 11 petition until confirmation of a reorganization plan or conversion to Chapter 7.
Both Chapter 15 and Chapter 11	Source: PACER
Days until last active docket	The number of days from the filing date until the date of the last active docket entry.
Days until granting sale of assets	The number of days from filing a motion for the sale of assets until it is granted by the U.S. Bankruptcy Court.
#Court dockets	The number of docket entries for a given case filing.
#Objections	The number of objections raised by parties involved in the case (identified using docket entries containing “objection” or “opposition”).

Table A1 (continued)

Variable	Definition and source
Country-level variables	
I.Chapter15	Indicator equal to one if any Chapter 15 cases are filed by firms headquartered in a given country-year (Source: New Generation Research; Global Insolvency).
#Chapter15	Number of Chapter 15 cases filed by firms headquartered in a given country-year (Source: New Generation Research; Global Insolvency).
Common law	Indicator equal to one if the legal origin of bankruptcy law is common law (Source: Djankov et al. (2008)).
English language	Indicator equal to one if English is an official language.
Creditor rights	Creditor rights index computed as of January 2003 (Source: Djankov et al. (2007)).
Cost	Cost of resolving insolvency as a percentage of the debtor's estate (Source: World Bank).
Time	Time to resolve insolvency, recorded in calendar years (Source: World Bank).
Going concern	Indicator equal to one if the firm emerges as a going concern and zero if assets are sold piecemeal (Source: World Bank).
Creditor recovery	Recovery rate (cents on the dollar) for secured creditors through insolvency or enforcement proceedings (Source: World Bank).
GDP per capita	Natural logarithm of real GDP per capita (Source: Penn World Table).
GDP growth	Annual GDP growth rate (Source: Penn World Table).
Population	Natural logarithm of population (in millions) (Source: Penn World Table).
Bilateral trade	Maximum of imports from the U.S. and exports to the U.S. as a share of total imports or exports (Source: UN Statistics Division).
Market return	Annual stock market index return deflated by CPI (Source: S&P Global Equity Indices and Bloomberg).
Currency return	Real USD exchange rate return deflated by CPI (Source: Global Macro Database).
Firm-level variables	
I.US acq	Indicator equal to one if a non-U.S. firm makes at least one acquisition of a U.S. target in a given year.
#US acq	Natural logarithm of the number of U.S. acquisitions made by a non-U.S. firm in a given year.
I.Non-US CB acq	Indicator equal to one if a non-U.S. firm makes at least one non-U.S. cross-border acquisition in a given year.
#Non-US CB acq	Natural logarithm of the number of non-U.S. cross-border acquisitions made by a non-U.S. firm in a given year.
I.Domestic acq	Indicator equal to one if a non-U.S. firm makes at least one domestic acquisition in a given year.
#Domestic acq	Natural logarithm of the number of domestic acquisitions made by a non-U.S. firm in a given year.
Other variables	
	Source: Compustat Global; Capital IQ

Table A1 (continued)

Variable	Definition and source
Leverage	(Long-term debt + short-term debt) / book assets.
LT leverage	Long-term debt / book assets.
Cash	Cash / book assets.
Capex	Capital expenditure / book assets.
Bond financing	(Commercial paper + all types of bonds) / book assets.
Trade credit	Accounts payable / cost of goods sold.
ROA	EBIT / total assets.
Size	Natural logarithm of total assets converted to USD.
Tangibility	Net PP&E / total assets.
Sales growth	(Sales - lagged sales) / lagged sales.
Loan-level variables	Source: DealScan; Capital IQ
USD denominated	Indicator equal to one if a loan is denominated in U.S. dollars.
Num fac	Natural logarithm of the number of facilities in a loan package.
Term loan	Indicator equal to one for term loans.
Revolver	Indicator equal to one for revolvers.
Secured	Indicator equal to one if a loan is secured.
Rated	Indicator equal to one if the firm has a credit rating.
Loan maturity	Natural logarithm of maturity (months).
Loan spread	Natural logarithm of the value-weighted all-in-drawn spread.
Loan size	Natural logarithm of loan amount (USD millions).

Internet Appendix

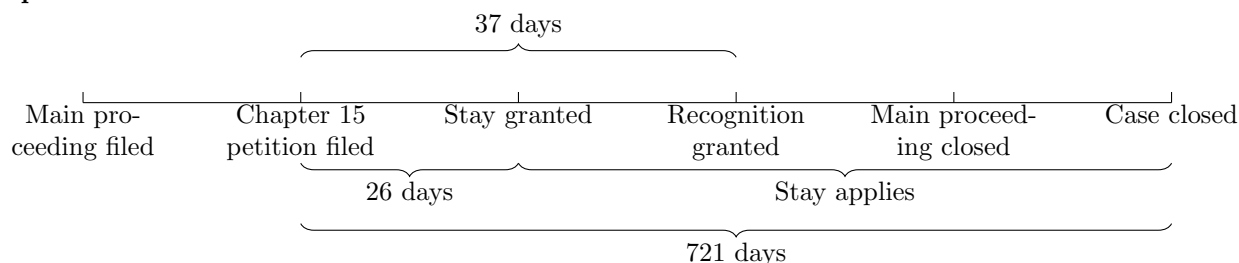
GLOBAL INSOLVENCY AND CROSS-BORDER CAPITAL FLOWS

This Internet Appendix contains additional figures and tables referenced in the paper and is intended for online publication only.

Figure IA1. Timeline of Chapter 15 and Chapter 11 Processes

The figure shows the timelines for Chapter 15 and Chapter 11 processes. The first timeline illustrates the process of a typical Chapter 15 case, commencing with an insolvent non-US 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 (foreign) main insolvency proceeding in a US 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 US. 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 US bankruptcy court to safeguard against any attack on the foreign debtor's US assets. Upon termination of the main insolvency proceeding, the foreign representative typically requests that the US court closes 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 a US 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. The court subsequently closes the Chapter 11 case. The numbers displayed represent the median number of days sourced from Table [IA4](#).

Chapter 15



Chapter 11

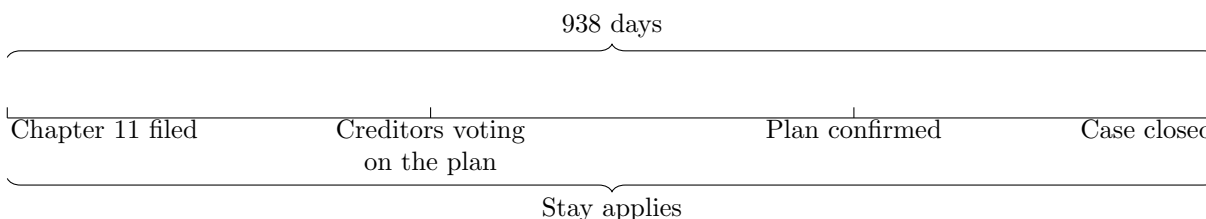


Figure IA2. Chapter 15 Filings by Differences in Creditor Rights and the Efficiency of Debt Enforcement

The figure shows the number of Chapter 15 filings over 2005–2020, plotted against differences in *Creditor rights*, *Cost*, *Time*, and *Creditor recovery* between the countries of Chapter 15 filing firms and the US. *Creditor rights* represents an index aggregating creditor rights from [Djankov et al. \(2007\)](#). *Cost*, *Time*, and *Creditor recovery* are debt enforcement efficiency measures adopted from World Bank Doing Business. Specifically, *Cost* measures the expense involved in resolving insolvency, which is recorded as a percentage of the debtor's estate value; *Time* measures the duration required to resolve insolvency in calendar years; *Creditor recovery* is measured as the cents on the dollar par value recovered by secured creditors through judicial reorganization, liquidation, or debt enforcement proceedings. A value of zero on the horizontal axis in each graph indicates that the measure has identical values between the US and the non-US country. Definitions and sources of the variables are provided in Appendix A1.

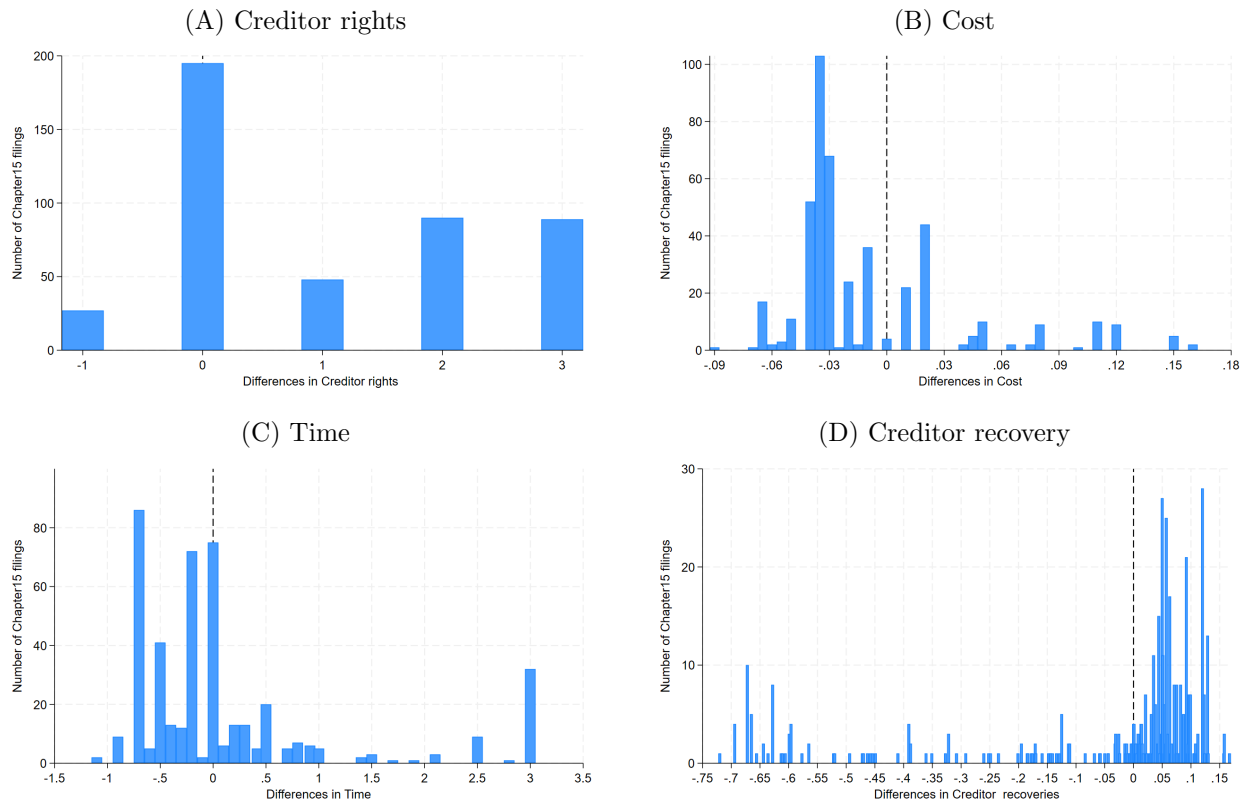


Table IA1: UNCITRAL Model Law Adoption and Data Coverage

This table presents a comprehensive list of countries that adopted the UNCITRAL Model Law on Cross-Border Insolvency between 2000 and 2020. The *Year* column indicates the year of adoption. *Covered by Djankov* column shows whether the country is covered by [Djankov et al. \(2008\)](#). *Covered by World Bank* column indicates whether the country is covered by the World Bank's Doing Business Insolvency database.

Country	Year	Covered by Djankov et al.	Covered by the World Bank
Japan	2000	✓	✓
Mexico	2000	✓	✓
South Africa	2000	✓	✓
Montenegro	2002		✓
Romania	2002	✓	
British Virgin Islands	2003		
Poland	2003	✓	✓
Serbia	2004		✓
Canada	2005	✓	✓
United States of America	2005	✓	✓
Colombia	2006	✓	✓
New Zealand	2006	✓	✓
Republic of Korea	2006	✓	✓
Great Britain, UK	2006	✓	✓
Slovenia	2007	✓	✓
Australia	2008	✓	✓
Mauritius	2009		✓
Greece	2010	✓	✓
Philippines	2010	✓	✓
Uganda	2011		✓
Chile	2013	✓	✓
Seychelles	2013		✓
Vanuatu	2013		✓
Gibraltar, UK	2014		
Benin	2015		✓
Burkina Faso	2015		✓
Cameroon	2015		✓
Central African Republic	2015		✓
Chad	2015		✓
Comoros	2015		

Country	Year	Covered by Djankov et al.	Covered by the World Bank
Congo	2015		
Côte d'Ivoire	2015		✓
Democratic Republic of the Congo	2015		
Dominican Republic	2015	✓	✓
Equatorial Guinea	2015		
Gabon	2015		✓
Guinea	2015		✓
Guinea-Bissau	2015		
Kenya	2015		✓
Malawi	2015		✓
Mali	2015		✓
Niger	2015		✓
Senegal	2015		✓
Togo	2015		✓
UAE	2015	✓	✓
Albania	2016		✓
Jamaica	2016	✓	✓
Panama	2016	✓	✓
Singapore	2017	✓	✓
Bahrain	2018		
Israel	2018	✓	✓
Jordan	2018	✓	✓
Marshall Islands	2018		✓
Morocco	2018		✓
Zimbabwe	2018		✓
Brazil	2020	✓	✓
Ghana	2020		✓
Myanmar	2020		✓

Table IA2: Staggered Adoption of the UNCITRAL Model Law and Cross-border Acquisitions: Instrumental Variable Regressions (Robustness Tests)

This table reports instrumental variable (IV) estimates of the effect of the staggered adoption of the UNCITRAL Model Law on cross-border acquisitions using country-pair-year observations from 1997–2020. The sample includes 66 countries covered by Djankov et al. (2008), of which 21 adopted the UNCITRAL Model Law during the sample period. We restrict the sample to country pairs with at least one cross-border deal during the sample period. The primary instrument, *Peer adoption*, is defined as the lagged share of countries within the same legal origin family as target country j that had adopted the UNCITRAL Model Law by year $t - 1$. The secondary instrument, *BIT*, measures the cumulative number of distinct partner countries with which target country j has signed a bilateral investment treaty (BIT) up to and including year $t - 1$, excluding any BIT signed with the acquiring country a . Columns (1), (3), and (5) report first-stage regressions of UNCITRAL adoption on the instruments. Columns (2), (4), and (6) report the corresponding second-stage estimates. In columns (1) and (2), acquiring and target countries that share the same legal origin family are excluded. In columns (3) and (4), target's continent-by-year fixed effects are additionally included. In columns (5) and (6), both *Peer adoption* and *BIT* are used as instruments. All specifications include country-pair fixed effects and acquiring-country-by-year fixed effects. Standard errors are clustered at the country-pair level, and t-statistics are reported in parentheses. *, **, and *** denote statistical significance at the 10%, 5%, and 1% levels, respectively. Variable definitions and data sources are provided in Appendix Table A1.

	(1)	(2)	(3)	(4)	(5)	(6)
	Peer adoption + excl. pairs		Peer adoption + continent FE		Peer adoption + BIT	
Dep. Var. =	Post UNCITRAL	%Cross- border acq	Post UNCITRAL	%Cross- border acq	Post UNCITRAL	%Cross- border acq
Post UNCITRAL		0.023** (2.14)		0.066*** (4.52)		0.021*** (2.65)
Peer adoption	0.850*** (12.35)		0.820*** (14.45)		0.824*** (14.47)	
BIT					-0.004*** (-7.96)	
Δ GDP growth $_{a,j}$	0.319*** (3.69)	-0.051 (-1.43)	0.494*** (6.48)	-0.017 (-0.47)	0.443*** (6.36)	-0.010 (-0.30)
Δ GDP per capita $_{a,j}$	0.247*** (7.12)	0.028*** (2.80)	0.177*** (5.44)	0.006 (0.61)	0.203*** (6.73)	0.023*** (2.85)
Δ Population $_{a,j}$	-0.154** (-2.20)	0.004 (0.19)	0.185*** (3.23)	-0.037* (-1.87)	-0.181*** (-3.27)	0.007 (0.35)
Bilateral trade $_{a,j}$	0.776** (2.13)	0.127 (0.92)	0.298 (1.15)	0.084 (0.72)	0.504* (1.69)	0.102 (0.85)
Δ Market return $_{a,j}$	-0.001 (-0.17)	-0.003 (-0.81)	0.003 (0.51)	-0.006* (-1.75)	-0.005 (-0.97)	-0.003 (-0.83)
Δ Currency return $_{a,j}$	0.173*** (8.64)	0.011 (0.98)	0.188*** (10.33)	-0.003 (-0.23)	0.174*** (11.78)	0.008 (0.88)
Country pair FE	Y	Y	Y	Y	Y	Y
Acquirer-Year FE	Y	Y	Y	Y	Y	Y
Target Continent-Year FE	N	N	Y	Y	N	N
Number of Observations	29,782	29,782	45,132	45,132	45,132	45,132
Adjusted R-squared	0.67	-0.05	0.72	-0.05	0.67	-0.03
F-stat for Instrument	152.48		208.85		190.51	

Table IA3: Comparisons between Chapter 11 and Chapter 15 Filers

This table shows comparisons of firm characteristics between non-US debtors that filed for Chapter 15 versus those that filed for Chapter 11 in the US Bankruptcy Courts in Southern District of New York and the District of Delaware from 2005–2020. *Size* is the natural logarithm of book assets (in USD). *ROA* is EBIT divided by book assets. *Leverage* is total debt divided by book assets. *Cash* is cash divided by book assets. *%Foreign sales* is foreign sales divided by total sales. *%US sales* is sales in the US segment divided by total sales. *%US assets* is assets in the US segment divided by book assets. All variables are measured one year prior to filing; if unavailable, two or three years prior. Differences in means are tested using t-tests; differences in medians are tested using Wilcoxon rank-sum tests. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

Variable	Chapter 15			Chapter 11			Difference	
	Obs.	Mean	Median	Obs.	Mean	Median	Mean	Median
Size	142	13.898	13.718	36	13.961	14.002	-0.063	-0.284
ROA	135	-0.110	-0.044	36	-0.109	-0.057	-0.001	0.013
Leverage	142	0.510	0.495	36	0.616	0.547	-0.105	-0.052**
Cash	139	0.099	0.076	36	0.110	0.071	-0.011	0.005
% Foreign sales	103	0.517	0.535	22	0.581	0.719	-0.063	-0.184
% US sales	107	0.161	0.000	22	0.291	0.108	-0.130	-0.108**
% US assets	80	0.094	0.000	14	0.162	0.000	-0.069	0.000

Table IA4: Case Process: Chapter 15 vs. Chapter 11

This table presents statistics on several case process measures of both Chapter 15 and Chapter 11 filings by non-US firms (at the primary case level), constructed using court dockets obtained from US Bankruptcy Courts in the Southern District of New York and the District of Delaware. The sample includes 66 of all 130 Chapter 15 filings from 2005–2009 and 17 of all 24 Chapter 11 filings from 2001 to 2009. Countries for which cases are covered by the two bankruptcy courts include Russia, Bahrain, Belgium, Bermuda, Brazil, Canada, Cayman Islands, Denmark, France, Germany, Iceland, Italy, Japan, Mexico, Singapore, South Korea, Spain, and the UK for Chapter 15 filings; Bermuda, Cayman Islands, Chile, Cyprus, Dominican Republic, Mexico, Netherlands, Norway, and the UK for Chapter 11 filings. *Days until first relief granted* and *Days until recognition as an FP* 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 Table A1.

Variable	Chapter 15				Chapter 11			
	N	Mean	Median	SD	N	Mean	Median	SD
Days until first relief granted	64	30.9	26.0	34.0	–	–	–	–
Days until recognition as an FP	63	48.9	37.0	36.6	–	–	–	–
Days until plan confirmed/converted	–	–	–	–	16	342.3	269.0	282.5
Days until last active docket	66	1412.1	720.5	1554.7	17	1278.1	938.0	1387.7
Days until granting sale of assets	6	26.7	9.0	42.7	8	38.6	25.0	30.0
# Court dockets	66	66.6	36.5	96.2	17	921.8	494.0	1242.0
% Objections	66	0.00	0.00	0.10	17	0.05	0.05	0.03

Table IA5: Number of Chapter 15 Filings

The table presents estimates of the effect of non-US countries' insolvency characteristics on the number of Chapter 15 filings by their companies to resolve insolvency from 2005–2020. The dependent variable equals the number of Chapter 15 cases filed by firms headquartered in a given country-year. The regressions are estimated on a country-year panel of 65 non-US countries from Djankov et al. (2008) by Poisson pseudo-maximum likelihood (PPML). The main explanatory variables of interests include *Common Law*, *English language*, *Creditor rights*, *Cost*, *Time*, *Going concern*, and *Creditor recovery*. All explanatory variables are lagged one year. All specifications include continent and year fixed effects. Standard errors are clustered at the country level, with associated t-statistics reported in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

Dep. Var. = #Chapter15	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Common law	1.916*** (10.88)							1.417*** (7.16)
English language		1.952*** (12.05)						
Creditor rights			0.701*** (3.52)					0.335*** (2.68)
Cost				-9.312*** (-2.80)				
Time					-0.451 (-1.23)			
Going concern						1.423*** (4.66)		
Recovery							2.435** (1.98)	0.264 (0.42)
GDP growth	-2.628 (-0.77)	-5.785* (-1.93)	-5.615 (-1.40)	-0.780 (-0.21)	-0.823 (-0.20)	0.604 (0.15)	0.276 (0.06)	-3.208 (-0.87)
GDP per capita	1.930*** (6.01)	2.270*** (7.09)	2.695*** (6.52)	2.162*** (5.76)	2.699*** (5.40)	2.737*** (5.20)	2.546*** (4.48)	1.887*** (6.36)
Population	1.121*** (8.28)	1.253*** (10.42)	1.127*** (6.88)	1.133*** (6.05)	1.189*** (4.91)	1.081*** (5.65)	1.218*** (5.04)	1.067*** (8.43)
Bilateral trade	-3.425 (-1.37)	-5.224** (-2.21)	2.637 (0.90)	1.741 (0.79)	-3.209 (-0.73)	-0.045 (-0.02)	-4.254 (-1.04)	-1.707 (-0.68)
Market return	-0.090 (-0.20)	0.022 (0.06)	-0.327 (-0.75)	-0.464 (-0.95)	-0.332 (-0.75)	-0.361 (-0.80)	-0.413 (-0.86)	-0.147 (-0.34)
Currency return	0.693 (0.59)	0.671 (0.55)	0.274 (0.23)	-0.086 (-0.08)	0.590 (0.64)	0.158 (0.16)	0.339 (0.34)	0.719 (0.62)
Year FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Continent FE	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
Number of Observations	1,024	1,024	1,024	1,024	1,024	1,024	1,024	1,024
Pseudo R-squared	0.59	0.59	0.56	0.54	0.53	0.54	0.53	0.60

Table IA6: Chapter 15 and Cross-border Acquisitions: Dollar Volume

This table reports OLS estimates of the effect of Chapter 15 enactment on the dollar volume of US acquisitions by non-US firms from 65 countries during 2003–2007. The dependent variable is the natural logarithm of the total transaction value of US acquisitions, measured in US dollars. Column (1) presents estimates using the specification in Table 9. Column (2) excludes countries that implemented major local bankruptcy law reforms during the sample period (e.g., Brazil, Spain, Italy, and China). Column (3) presents propensity score matching results. For each firm from treated countries, a closest match is found based on all control variables as of 2004, within the same industry (one-digit SIC), with replacement and a caliper of 0.01. In Columns (1)–(3), *Treated* equals one if a firm is headquartered in a country with a higher likelihood of filing for Chapter 15 as of 2004, as estimated in Column (8) of Table 7. Column (4) reports results using an alternative *Treated* indicator, re-estimated from Column (8) of Panel A in Appendix Table IA5, which equals one if the predicted number of Chapter 15 filings in 2004 is above the median. Column (5) uses an alternative *Treated* variable, which equals one if the actual number of Chapter 15 filings during 2005–2020 is above the median. All control variables are lagged one year. All regressions include firm and industry–year fixed effects. Standard errors are clustered at the firm level, and t-statistics are reported in parentheses. *, **, and *** denote significance at the 10%, 5%, and 1% levels, respectively. Definitions and sources of the variables are provided in Appendix Table A1.

	(1)	(2)	(3)	(4)	(5)
Dep. Var. = Ln(\$US)					
Specification =	Baseline	Excluding reforms	PSM	#Chapter15	Actual Chapter 15
Post Chapter15 × Treated	0.020** (2.49)	0.022** (2.50)	0.021** (2.52)	0.024*** (2.81)	0.017** (2.55)
Mean of Dep. Var.			0.054		
Controls	Yes	Yes	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes	Yes	Yes
Ind-Year FE	Yes	Yes	Yes	Yes	Yes
Number of Observations	75,647	64,067	114,790	75,647	75,647
Adjusted R-squared	0.22	0.22	0.3305	0.22	0.22

Table IA7: Placebo tests: Chapter 15 and the acquisition by US firms

This table presents OLS estimates of the effect of the enactment of Chapter 15 on the acquisition activities of US firms from 2003–2007, using a firm-year panel. The dependent variable is the indicator variable equal to one if a firm makes any US acquisitions in a given year in column (1), the natural logarithm of the total number of US acquisitions in a given year in column (2), and the natural logarithm of the total transaction value (in USD dollars) of US acquisitions in column (3). *Post Chapter15* is a binary variable equal to one for years after the enactment of Chapter 15 in 2005 and zero otherwise. All control variables are lagged by one year. Firm fixed effects are included in all specifications. Standard errors are clustered at the firm level, and the associated t-statistics are reported in parentheses. *, **, and *** indicate statistical significance at the 10%, 5%, and 1% levels, respectively.

Dep. Var. =	(1) I.US	(2) Ln(#US)	(3) Ln(\$US)
Post Chapter15	0.012 (0.82)	-0.002 (-0.16)	-0.001 (-0.01)
Controls	Yes	Yes	Yes
Firm FE	Yes	Yes	Yes
Number of Observations	21,483	21,483	21,483
Adjusted R-squared	0.28	0.38	0.23