

**Kobre & Kim's Cross-Border
Disputes Team**

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Cypriot Insolvencies: Leveraging Cross-Border Tools

As high energy prices and a wider global weakening economy threaten the shipping and maritime industries, many Cyprus-based companies face serious financial distress. This poses a risk for creditors or those with deep financial ties to those companies as they increasingly default on their bonds and bilateral loans. Below, we explain how creditors of Cypriot companies in those situations can achieve recovery taking a multijurisdictional approach.

As high energy prices and a wider global weakening economy threaten the shipping and maritime industries, many Cyprus-based companies face serious financial distress. This poses a risk for creditors or those with deep financial ties to those companies as they increasingly default on their bonds and bilateral loans. Creditors of Cypriot companies in those situations should focus on a multijurisdictional approach to achieve recovery.

While Cyprus is yet to adopt the UNCITRAL Model Law on Cross-Border Insolvency, restructuring and insolvency regimes have undergone recent reforms to protect investors and creditors. These changes include the implementation of EU Directive 2019/1023 on preventive restructurings and measures to make restructuring and insolvency more efficient.

Though there may now be a better path for monetizing distressed credit in Cyprus, efficient collections still benefit from a multijurisdictional toolkit and approach, including:

- **Bringing Proceedings Offshore.** Cypriot companies often use holding structures in offshore jurisdictions, including the Cayman Islands and the British Virgin Islands. Creditors can often obtain information in those places without having to notify the debtor. Many offshore jurisdictions also offer powerful provisional orders, such as injunctions and interim receivers, in certain circumstances.

- **Leveraging U.S. and UAE Insolvency Tools.** Many Cypriot companies have interests in the U.S. and the UAE, creating opportunities for international creditors to leverage creditor-friendly insolvency and discovery regimes. This includes broad U.S. discovery powers allowing creditors to pursue bank records from U.S. clearing banks and new powers under the UAE's newly enacted **Bankruptcy Law**.

- **Conducting a Worldwide Information Gathering and Targeting Campaign.** Identifying the debtor company's worldwide structures and assets and implicated third parties can not only provide creditors with a clearer picture of what to target—such as overseas receivables and IP—but can also be relevant in identifying deep-pocketed third parties.

As a challenging macroeconomic environment continues to cause financial distress to Cyprus-based shipping and maritime companies, international investors and creditors have fresh options to recover successfully.

About Kobre & Kim

Kobre & Kim is a global law firm focusing on cross-border disputes and investigations, often involving fraud and misconduct. Our capabilities include:

- Provides offensive and defensive cross-border litigation and crisis management strategies in and out of court.
- Collaborates closely with its affiliate in Cyprus dedicated to providing navigation, coordination, and trusted tailored local resources to clients with Cyprus-specific interests.
- Brings together roughly a dozen former U.S. and UK government lawyers across Asia, EMEA, and the U.S., including former prosecutors from the U.S. Department of Justice (DOJ) and UK Serious Fraud Office (SFO).