

International: Insights from INSOL Hong Kong 2025

In brief

On 17-19 March 2025, the restructuring and insolvency industry gathered in Hong Kong for the annual INSOL International conference.

At the conference

As INSOL International stated in the lead up to the conference, "The global economic landscape continues to be marked by volatility and uncertainty. While some sectors and regions are experiencing relative stability or even growth, the overall picture remains mixed. Disrupted supply chains and geopolitical tensions persist, as high inflation continues to undermine consumer purchasing power and pressure central banks to *maintain restrictive monetary policies*. *Navigating this challenging climate, businesses across various industries are facing difficult decisions... Against this backdrop, the role of insolvency and restructuring professionals has never been more essential.*"

Baker McKenzie was pleased to once again sponsor and attend the conference. Our Global Chair of Restructuring & Insolvency at Baker McKenzie, Kwun Yee Cheung, also participated in the planning of INSOL Hong Kong as a member of the Organising Committee. A team from across the globe joined, representing our offices in Brisbane, Hong Kong, Kuala Lumpur, London, Miami, New York, Singapore and Tokyo joined the event.

Below we provide the team's key insights based on discussions with market participants, sentiment and the conference programme.

Key Insights

Economic Outlook

- **Geopolitical Instability:** Geopolitical instability, trade policy, and political leadership tensions were identified as leading risks to economic growth, surpassing inflation. The session focused on the implications of US-China strategic competition, the potential shifts in the "special relationship" between Trump, Europe, and the UK, and the future of climate policy. These geopolitical factors pose significant risks and opportunities for businesses and practitioners in the restructuring field.
- **Increasing Influence of Asian Market:** The conference highlighted the significant impact of cross-border restructurings in China on APAC economies where remarkable economic growths have been observed. Stakeholders in distressed credits and insolvency procedures across Asia often have disparate expectations, leading to a complex tug-of-war. Key trends and challenges in the financial and restructuring markets in Hong Kong SAR and Mainland China were discussed, emphasising the need for strategic approaches to navigate these complexities.
- **Europe's Economic Turmoil:** Europe is facing significant economic and political instability, driven by tariffs and reduced demand from China. This has particularly impacted the German industrial sector and automotive industry, with major automobile companies experiencing layoffs and shutdowns. Also, there is a potential recession looming in Europe, with

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minimal GDP growth expected. The economic fragility is underscored by the importance of consumer spending in retail businesses.

- **Trends of Capital Movement:** Geopolitical factors have led to defaults among Chinese real estate developers, affecting general industries and making it difficult for private equity firms to deploy capital. Significant drops in valuations in China present opportunities for intrepid investors but pose challenges in securing LP support. Capital is moving from China to India and Vietnam, with stress observed in the Australian real estate market.

Key Legal Developments

- **Purdue Pharma Ruling:** The landmark ruling by the US Supreme Court in Purdue Pharma, which declared non-consensual third-party releases invalid under the U.S. Bankruptcy Code, has profound implications for US mass tort cases and restructurings. The panel explored the decision's impact on future US restructurings, the recognition of foreign restructurings involving third-party releases, and comparisons with approaches in the UK, Hong Kong, and Dutch courts.
- **Liability Management Transactions:** Recent trends in liability management transactions were discussed, highlighting how stressed or distressed issuers have obtained new capital, maturity extensions, and debt reductions to avoid or delay restructuring. The panel examined the structure of these transactions in the US, the rise of cooperation agreements, and the potential impact of judicial decisions. At the moment, liability management is more prevalent in the US due to psychological and legal factors (such as considerations of risk of board liability and avoidance of fraudulent transactions), while financing in non-US countries tends to be more long-term and relationship-based, with varying insolvency regimes impacting transaction timing and structure.

Changes in the Restructuring Market/Profession

- **Artificial Intelligence (AI):** AI is transforming the restructuring and insolvency profession. The panel provided practical tips, live demos, and considerations around AI regulation and governance. Current AI applications in practice were showcased, along with predictions for future developments. This session emphasised the importance of responsible and effective use of AI in restructuring work.
- **Alternative Dispute Resolution (ADR):** ADR tools, such as mediation, arbitration, and negotiation, are under-utilised in insolvency and restructuring. The session explored the benefits and challenges of incorporating ADR into these processes, both out-of-court and within formal court frameworks. Insights from international negotiations were shared, highlighting the potential for ADR to resolve debt and related disputes effectively and equitably.
- **Expansion of Liability Management Deals outside US:** Liability management may become more prevalent not only in the US but also in Europe and Asia in the future, driven by market dynamics and legal considerations. The club-deal mentality in Europe may slow adoption, but market pressures could lead to changes in behaviour. Protective relationships in Asian banking, particularly with traditional lenders, contrast with more flexible high-yield bond documents. The Americanisation of finance may impact Asian markets, with potential for similar dynamics in liability management exercises.
- **Cross-Border Cooperation:** Cross-border restructurings have continued to increase, with examples of court-to-court cooperation protocols in practice, the recognition of insolvency proceedings across borders, as well as efforts to harmonize insolvency and restructuring laws, including the following:
 - significant progress in judicial collaboration in Asia, with examples of cooperation between courts in South Korea, Singapore, and Malaysia and high expectations for a Pan-Asian approach to restructuring;
 - the logistics and benefits of joint hearings between Australia and New Zealand, emphasizing the importance of consistent outcomes in cross-border cases, the use of technology facilitate joint hearings and the challenges of issuing a single judgment due to different statutory regimes;
 - the role of international judges in the SICC and the court's approach to international insolvency cases, such as recognition and enforcement of the Indonesian PKPU process in the Garuda case, aligning Singapore's approach with US principles.
 - the cooperation mechanism for mutual recognition of insolvency processes between Hong Kong SAR and Mainland China, noting the challenges and progress in its implementation.

- **International Asset Recovery:** The session discussed trends in international asset recovery, the development of litigation funding in new regions, and lessons learned from high-profile cases like FTX, highlighting the challenges and complexity of cross-border asset recovery involving multiple legal actions and adversary proceedings, particularly in funding crypto-related claims due to the difficulty in tracing digital assets. The importance of direct communication between courts to resolve complex legal challenges, citing the Lehman Brothers case as an example, was also discussed.

Actions

As we look forward to the coming year, several key areas stand out as critical for professionals in the restructuring and insolvency field:

- **Geopolitical and Economic Shifts:** US-China strategic competition and changes in international relations will impact global trade and economic stability.
- **Legal Developments:** The Purdue Pharma ruling on third-party releases will shape future US restructurings and international recognition of foreign restructurings. Also, evolving liability management practices will influence how distressed issuers manage their debt and capital structures.
- **Technological Advancements:** AI integration in restructuring and insolvency will enhance efficiency and decision-making. Creative use of ADR tools in insolvency processes will offer innovative solutions for dispute resolution.
- **Cross-Border Cooperation:** Increasing cross-border restructurings and court-to-court cooperation protocols will require practitioners to stay informed about international trends.
- **Private Equity:** Strategic approaches to managing distressed portfolio companies will be key for private equity firms amidst economic pressures.

Attending INSOL Hong Kong 2025 has provided us with a wealth of knowledge and strategic insights that will undoubtedly enhance our practice and profile within the restructuring and insolvency community. We look forward to leveraging these insights to better serve our clients, effectively navigate the complexities of the fast developing markets, and contribute to the ongoing evolution of the profession.

Further Resources and Information

Read more analysis from our Global Restructuring & Insolvency experts on [InsightPlus](#), or visit our [website](#) to learn more about the team.

Relevant articles include:

- [Australia: Hard to say no - Australian courts sanction examinations for foreign insolvencies](#)
- [Australia: Garuda airlines wins argument for foreign state immunity in the Australian High Court](#)
- [European Union: Commission's proposal for a Directive on the harmonisation of certain aspects of Insolvency Law - Update](#)
- [Singapore: Singapore International Commercial Court recognises Garuda's Indonesian restructuring in landmark decision](#)
- [Australia: Far reaching questions - Examination powers to assist Cross-Border liquidation](#)
- [Australia: Garuda Indonesia and foreign state immunity - An explainer](#)
- [International: Uptiering in European leveraged finance - does the Serta decision move the needle?](#)
- [Hong Kong: Judicial guidance on schemes of arrangement in cross-border insolvencies](#)
- [Hong Kong: Common law regime for recognizing and assisting foreign insolvency officeholders reconsidered](#)
- [International: Chapter 15 Bankruptcy Update - Broad relief may be available upon recognition without establishing COMI in the jurisdiction of the foreign proceeding](#)
- [China and Hong Kong: Mainland and Hong Kong agree framework for mutual judicial recognition and assistance in corporate insolvency and debt restructuring](#)

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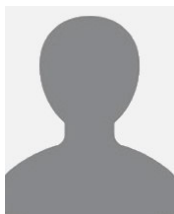
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