EUROPEAN INSOLVENCY LAW:
STATUTORY SCHEME OR MESSY MIXTURE ?

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1. European Insolvency Law as a scheme

For European insolvency law the 21st century has started with a merry fivesome years. In 2000 birth was given to the Regulation (EC) nr. 1346/2000 of 29 May 2000 on insolvency proceedings which entered into force 31 May 2002. For several financial institutions, falling outside the Regulation’s scope, 2001 is a good year. Directive 2001/17 of 19 March 2001 on the reorganization and winding-up of insurance undertaking and Directive 2001/24 of 4 April 2001 on the reorganization and winding-up of credit institutions have seen light. Where a Regulation is a European Community law measure binding fully the EU Member States (except for Denmark), a Directive has to go through a legislative implementation process in each individual EC Member State. The implementation date for Directive 2001/24 is 20 April 2003 and for Directive 2001/24 it is 5 May 2004. Some countries are still drafting, though.1

The Insolvency Regulation in a way reflects the fact that as a result of widely differing substantive laws ‘……it is not practical to introduce insolvency proceedings with universal scope in the entire Community’ (recital 13). The differences mainly lie in the widely differing laws on security interests to be found in the Community and the very different preferential rights enjoyed by some creditors in the insolvency proceedings. The goals of the Regulation, with 47 Articles, are to enable cross-border insolvency proceedings to operate efficiently and effectively, to provide for co-ordination of the measures to be taken with regard to the debtor’s assets and to avoid forum shopping. The Insolvency Regulation, therefore, provides rules for the international jurisdiction of courts in a Member State for the opening of insolvency proceedings, the (automatic) recognition of these proceedings in other Member States and the powers of the ‘liquidator’ in the other Member States. The Regulation also deals with important choice of law (or: private international law) provisions. These contain special rules on applicable law in the case of particularly significant rights and legal relationships (e.g. rights in rem and contracts of employment). On the other hand, national proceedings (secondary proceedings) covering only assets situated in the State of opening should also be allowed alongside main insolvency proceedings with universal scope. The Regulation applies entirely and directly to the ten Member States, which joined the EU as of 1 May 2004.2

It should be noticed that the Insolvency Regulation itself aims to fill a gap that deliberately was left, nearly forty years ago, in the 1968 Brussels Convention on Jurisdiction and the Enforcement of Judgments in


2 Some smaller changes, based on Article 20 of the Act of Accession (O.J. L 236 of 23 September 2003) have led to a consolidated version of the Insolvency Regulation, see http://europa.eu.int/eur-lex/en/consleg/reg/en_register_1920.html. See Appendix I.
Civil and Commercial Matters. Art. 1(1) of this Convention excluded from its scope insolvency proceedings relating to the winding-up of insolvent companies or other legal persons, judicial arrangements, compositions and analogous proceedings. The EU Insolvency Regulation has closed this gap, while the Brussels Convention has been transformed into a Regulation as of 1 March 2002. Art. 1(2) Brussels I Regulation 2002 contains the same exclusion. Art. 1(1) EU Insolvency Regulation, in its turn, excludes from its scope insolvency proceedings concerning insurance undertakings, credit institutions, investment undertakings, holding funds or securities for third parties, and collective investment undertakings. The Winding-Up Directives for both groups of financial institutions, the insurance undertakings and the credit institutions, are generally seen as to fill the gap left by the Insolvency Regulation (InsReg). Art. 25 InsReg aligns the recognition and enforceability of insolvency related judgments (concerning the course and the closure of insolvency proceedings and court approved compositions) with the Brussels I Regulation 2002. Systematically judgments, which are not covered by the Winding-Up Directives, fall within the scope of the Brussels I Regulation 2002.

In their recent book Virgós and Garcimartin refer to the Insolvency Regulation as constituting the general rule, where the Directives form special rules, but ‘…. they all form the “hermeneutic circle” within which interpretations should be made. The idea that all these rules must be seen as parts of a consistent (although unfinished) statutory scheme is important’. In this brief survey I want to highlight some differences between the Regulation and the Directives, although I will mainly use illustrations with regard to Directive 2001/24 (banks). At the conclusion the quoted characterization as ‘statutory scheme’ will be briefly discussed.

2. A special position for financial institutions

The aforementioned Directives 2001/17 and 2001/24 are the logic result from the fact that the EU Insolvency Regulation expressly excludes from its scope insolvency proceedings concerning banks and insurance companies. According to recital 9 to the Insolvency Regulation the Regulation should apply to insolvency proceedings, whether the debtor is a natural person or a legal person, a trader or an individual. Insolvency proceedings concerning the aforementioned institutions and undertakings ‘…… should be excluded from the scope of this Regulation. Such undertakings should not be covered by this Regulation since they are subject to special arrangements and, to some extent, the national supervisory authorities have extremely wide-ranging powers of intervention.’ From the Virgós/Schmit Report (1996), para. 55, it can be taken that the exclusion of credit institutions and insurance undertakings was agreed to by all Member States only after a statement by the Council and the Commission regarding the need to step up work on insolvency proceedings involving institutions and undertakings referred to in Art. 1(2) InsReg.

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4 O.J. L 110 of 20 April 2001. See Appendix II.
7 The insolvency proceedings to which the Insolvency Regulation applies are listed in the Annexes A and B to the Regulation.
The interpretation of the excluded entities and undertakings in Art. 1(2) InsReg are not defined by the Regulation itself, but by definitions in other instruments of Community law. The reasons for this special position of credit institutions lay in the typically financial nature of a bank as a debtor (highly liquid liabilities) and its specific role in a country’s economy, see Hüpkes. Generally, these are the main reasons to treat banks differently. In the banking community it is furthermore generally recognized that one bank’s failure may lead to the failure of many banks, thus causing a chain reaction and widespread failures and the realization of systemic risk. The Underpinnings Contact Group, in its 2002-report on ‘Insolvency Arrangements and Contract Enforceability’, defines systemic risk as ‘... the risk that the failure of a participant to meet its contractual obligations may in turn cause other participants to default, with the chain reaction leading to broader financial difficulties’. The Group adds: ‘Adequate insolvency regimes can contribute to the avoidance of such chain reactions, and thereby systemic risk, by allowing for orderly liquidation or appropriate reorganisation measures and by ensuring that collateral security rights can be enforced and the performance of contracts honoured.’ For these reasons credit institutions should be treated differently with regard to insolvency issues in comparison with ‘common’ businesses.

3. Applicable sector principles

The work regarding the Directive 2001/24 flows from the First Banking Directive of 1978 on the harmonization of the rules of authorization, during which the need for appropriate rules dealing with insolvency already was felt. The EC Commission’s objective was to transpose the principle of ‘home country control’, laid down in the First Banking Directive, to the regulatory framework for the reorganization and winding-up of credit institutions. Aforementioned financial institutions operate according to the principle of one single license, issued by one Member State, but applicable in all Member States, allowing the institution to carry out its activities in the Community by means of establishment or free provision of services without any further authorization by the host Member State and under the sole prudential supervision of the home Member State supervisory authorities (therefore: ‘home country control’). The single license idea relates to the credit institution in one Member State and its branches in other Member States (so called ‘single entity’). For this reason the Directives provide for only one main

10 According to The Economist January 24th 2004, Italian banks’ lending exposure to Parmalat is an estimated €2.3 billion, about half the lending exposure of all banks in Italy. Nevertheless, there is ‘little systemic risk for Italy’s banks as a whole’, while the loans are spread among many institutions, including some 15 Italian banks.
insolvency proceedings, to avoid unnecessary interference because of a secondary insolvency proceeding in another member State.

Furthermore, it should be kept in mind that both Directives broaden the regulatory framework with regard to (prudential) supervision on insurance undertakings and credit institutions. Directive 2001/17 states in recital 3, that the insurance directives, which are providing a single authorization with a Community scope to the insurance undertakings, do not contain coordination rules in the event of winding-up proceedings. It follows: ‘Insurance undertakings as well as other financial institutions are expressly excluded from the scope of Council Regulation (EC) No 1346/2000 of 29 May 2000 on insolvency proceedings. It is in the interest of the proper functioning of the internal market and of the protection of creditors that coordinated rules are established at Community level for winding-up proceedings in respect of insurance undertakings.’ These rules will be in line with the existing system of the European Community legislative framework on the coordination of laws, regulations and administrative provisions with regard to the taking up and pursuit of the business of these institutions. The Italian author Galanti submits that the rules concerning private international law, which are included in Directive 2001/24, are placed in a more important and overall framework of exchange of information and cooperation among authorities: ‘The circumstance that banks and insurance undertakings are subject to prudential supervision accounts for the allocation of the crisis directives in the EC law derived law in these sectors, thus giving to the rules on private international law a secondary role.’

A step further is the opinion of the Belgian author Torremans who states: ‘The final aim is therefore not so much to exclude these entities from the scope of the [Insolvency] Regulation, as to put in place a tailor-made special regime for them’. Within the banking sector this view is held too. The Underpinnings Contact Group, in its 2002-report on ‘Insolvency Arrangements and Contract Enforceability’ underlines the backup function of the rules with regard to insolvency of banks to the rules with regard to prudential supervision: ‘The principles of home country control, minimum harmonization and mutual recognition - forming the core of the market integration principles for financial markets - have also been transposed in the field of insolvency procedures and constitute the basis of the Winding-up Directive for insurance undertakings and the Winding-up Directive for credit institutions. In particular, the home country and mutual recognition principles – being introduced by the First and Second Banking Co-ordination Directives, respectively – are extended to the insolvency of credit institutions’.

It can be taken from the above that Directive 2001/24 therefore forms an integral part of the EU’s legislative framework on the coordination of laws, regulations and administrative provisions with regard to the taking up and pursuit of the business of credit institutions as evolved into the 2000 Banking Directive. The Directive is to be seen as to complement the Banking directives (in addition to taking up business and pursuit of business, now: the winding up or reorganization of the activities) and to fill the legal vacuum. In the text of Directive 2001/24, its complementary function to the 2000 Banking Directive is easy to recognize in adopted definitions (e.g. home Member State; host Member State; branch; competent authorities) and in provisions relating to information with regard to branches of third-countries or the procedure with regard to the withdrawal of authority.

4. Different basis in the EC Treaty

The preamble to Directive 2001/24 refers to the Directive’s legal foundation within the EC Treaty and especially Art. 47(2) EC Treaty and the directives for the coordination of the national laws with regard to the taking up and pursuit of activities as self-employed persons. Its foundation, therefore, is the principle of free establishment or of free provision of services without any further authorization by the host Member State. In general this legal basis is supported by a well-established broad interpretation of this norm, which was already employed as legal basis for the Banking Directives since the 70s, which preceded the 2000 Banking Directive. During the preparatory work it has been recognized that the main topic of the Directive would be its rules on private international law, which would – like with the EU Insolvency Regulation – bring the subject matter within the area of judicial cooperation in civil matters in order to establish progressively an area of freedom, security and justice (Art. 61(c) EC Treaty). This would, amongst other, mean that the European Court of Justice only would be able to provide guidance for interpretation when in a Member State the court of the highest instance would approach the ECJ. It was nevertheless considered that Art. 47(2) EC Treaty could be a suitable legal basis as far as such norms on insolvency law and civil law could be regarded as just accessories and not at the main topic of the Directives. In cases, covered by the Directives, therefore courts in the first instance are authorized to refer questions to the ECJ.

5. Main universal proceeding; no secondary proceedings

The applicable sector principles with regard to banks and insurance companies are the main point of views for a different model than the model adopted for the Insolvency Regulation. The Regulation is based of a system of what is called ‘mitigated universality’. Jurisdiction of courts of a Member State according to the Insolvency Regulation is based on the general principle that ‘the courts of the Member State within the territory of which the centre of the debtor’s main interests is situated shall have jurisdiction to open insolvency proceedings’, see Art. 3(1). For a company or legal person, the presumption is that the centre of the debtors’ main interests (COMI) is the place of its registered office, but this presumption may be rebutted (Art. 3(1) last line). The insolvency proceeding opened is called a main proceeding. Experience learns that the outcome of the determination of COMI is hard to predict. Its most important consequence is that the law applicable to insolvency proceedings under the Regulation is that ‘of the Member State within the territory of which such proceedings are opened’, see Art. 4(1), known as: lex concursus or lex forum concursus. Main proceedings, opened in the jurisdiction where the debtor has its centre of main interest will lead to one proceeding, the legal effects of which are ‘exported’ abroad and therefore are effective erga omnes in the other Member States in which the insolvent debtor may have assets. The Regulation allows, though, to open secondary proceedings in other Member States. These proceedings only are

14 See: Galanti (note 12 above), 49.
15 Art. 43 InsReg (Applicability in time as per 31 May 2002) is a logical provision for a Regulation, as a Regulation is binding and directly applicable in Member States. The Directives both have to be implemented in the laws of the Member States. Although the ultimate implementation dates are given (Insurance Undertakings: 20 April 2003; Credit institutions: 5 May 2004), as indicated earlier, in practice not all Member States have succeeded to enact legislation before these dates.
effective within the limits of this State’s jurisdiction. Courts in related countries each will initiate proceedings, apply their own laws as lex fori concursus and all will appoint too their own liquidator in the respective proceedings.

In the single entity approach\textsuperscript{16} a bank is wound up as one legal entity and the supervision of the home Member State should not be interrupted. For this reason Art. 3(1) Directive 2001/24 captures the question of the exclusive international regulatory authority (‘jurisdiction’) and the principle of unity. Exclusive jurisdiction is provided to the home Member State’s administrative or judicial authorities to decide on the implementation of one or more reorganization measures. Decisive is (not COMI, but) the institution’s registered seat. The single entity approach follows from the addressees of the measures ‘in’ a credit institution ‘including branches established in other Member States’. Art. 9(1) with regard to winding-up proceedings contains too the provision of international jurisdiction and the single entity approach, see recital 10: ‘Only the competent authorities of the home Member State should be empowered to take decisions on winding-up proceedings concerning insurance undertakings (principle of unity). These proceedings should produce their effects throughout the Community and should be recognised by all Member States. All the assets and liabilities of the insurance undertaking should, as a general rule, be taken into consideration in the winding-up proceedings (principle of universality).’ The assets of the bank in its home State jurisdiction are therefore encompassed in the liquidation, which assets include the assets of branches in a host State jurisdiction.\textsuperscript{17}All worldwide creditors can prove their claims in the unified proceeding, to which the lex concursus of the opening State applies. As secondary proceedings under the applicable unity principle are not allowed, Art. 27 – 38 InsReg (Secondary proceedings) are not mirrored in the Winding-Up Directives, which makes sense. For this reason the duty to cooperate and communicate information between insolvency liquidators (Art. 31 InsReg) has no mirror rule in the Directives, as these do not provide a system of main and secondary proceedings. Finally, the public policy defence of Art. 26 InsReg, which is aimed at the refusal to recognize insolvency proceedings opened in another Member State or a judgment handed down in this context, does not work in the single entity approach. This approach presumes automatic recognition and does not allow a host Member State to call in its public policy against a reorganization measure of a winding-up decision which has its source in the home Member State.

6. Effects outside the Community

\textsuperscript{16}Recital 4 Directive 2001/24 states that where, while in operation, a credit institution and its branches form a single entity, which is subject to the supervision of the competent authorities of the State where authorization valid throughout the Community was granted, it would be ‘.... particularly undesirable to relinquish such unity’ between an institution and its branches where it is necessary to adopt reorganization measures or open winding-up proceedings.

\textsuperscript{17}See art. 1 point 7 of the 2000 Banking Directive: host Member State is the Member State in which a credit institution has a branch or in which it provide services.
The Insolvency Regulation deals primarily with intra-Community effects of cross-border insolvency matters. Virgós and Garcimartín use the ‘Dan Brownisch’ expression: ‘The Community Connection’. The territorial scope of the Directives 2001/17 and 2004/24 is wider and include all 25 Member States, therefore including Denmark. In addition, the single entity-approach, with one European license, includes all of the EEA (European Economic Area), which would be the EU Member States plus Norway, Iceland and Liechtenstein.

Now, to the non-EU banks. The provisions of Directive 2001/24 concerning the branches of a credit institution having a head office outside the Community shall apply, but only where that institution has branches in at least two Member States of the Community, see Art. 1(2) providing a de minimis-rule when it comes to the reach of this Directive beyond the EC Community. Directive 2001/24 applies to the branches of a non EC bank when such bank ‘has branches in at least two Member States of the Community’. The way it applies has to be taken from recital 22: ‘Where a credit institution which has its head office outside the Community possesses branches in more than one Member State, each branch should receive individual treatment in regard to the application of this Directive….’

7. Specific types of measures

Art. 1(1) InsReg defines the scope of the applicability of the Insolvency Regulation. It shall apply to ‘collective insolvency proceedings which entail the partial or total divestment of a debtor and the appointment of a liquidator.’ Several key definitions with regard to the Directives relate to ‘reorganisation measures’ which fall outside the scope of the definition of an ‘insolvency proceeding’. Reorganisation measures shall mean measures ‘….. which are intended to preserve or restore the financial situation of a credit institution and which could affect third parties’ pre-existing rights, including measures involving the possibility of a suspension of payments, suspension of enforcement measures or reduction of claims’ (art. 2, 7th dash WUD Banks). In the definition of ‘reorganisation measures’ the principle elements are (i) the aim of the measure, as a measure, which is intended to preserve or restore the financial situation of a credit institution, and (ii) the effect of the measure, as a measure could affect third parties’ pre-existing rights. Measures of this type include measures involving the possibility of a suspension of payments, suspension of enforcement measures or reduction of claims. The second set of activities to be initiated under the Directives are: winding-up proceedings. The words ‘winding-up proceedings’ shall mean ‘collective proceedings opened and monitored by the administrative or judicial authorities of a Member State with the aim of realising assets under the supervision of those authorities, including where the proceedings are

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18 Virgós / Garcimartín, o.c., 22.
19 Based on figures presented in the European Central Bank report ‘Structural Analysis of the EU Banking Sector, Year 2001’ (November 2002) one may deduce that in the beginning of 2004 in 15 EU Member States some 7500 credit institutions operate. The number of branches of credit institutions from EEA countries will be over 500.
20 It is discussed whether it is the intention in a situation of a non-EC bank with two or more branches to provide for a single insolvency proceeding in relation to all the branches within a Member State. The text of Directive 2001/24 is unclear and therefore it is uncertain which court should open unitary insolvency proceedings and whether assets of both branches should be pooled together in one single proceeding, see Wessels, Non-EU Insurance Companies and Banks and the EU Directives 2001/17 and 2001/24 on Reorganisation and Winding-Up of Insurance Undertakings and Credit Institutions, Current Topics of International Insolvency Law, Kluwer, Deventer, 2004, 309.
terminated by a composition or other, similar measure’ (art. 2, 8th dash Directive 2001/24). It seems there may be some detailed differences between the latter one and ‘insolvency proceedings’, which include ‘winding-up proceedings’ (as meant in Art. 2(c) InsReg). For the purposes of this article it is sufficient to note the different types of proceedings. It can be noted here that descriptions of ‘measures’ and ‘proceedings’ in the Directives are not supported by Annexes, which lists mentions in each Member State’s authentic language, the type of measures or proceedings concerned, as Annexes A and B to the Insolvency Regulation do.

8. Conflict of Law Rules: Lex Domus

Art. 4(1) InsReg to insolvency proceedings, which concern natural persons or (non-financial) legal persons, lays down the rules on applicable law to the main insolvency proceedings. This law is the so-called lex concursus, the law of the Member State of which the court has opened these proceedings. This law governs all the conditions for the opening, conduct and closure of the insolvency proceedings, the admissibility of claims and the rules on distribution and preferences, etc., in all 24 Member States. Art. 10(1) Directive 2001/24 contains a similar rule of the applicable law to the winding-up proceeding. A credit institution is wound up in accordance with ‘…… the laws, regulations and procedures’ applicable in its home Member State insofar as the Directive 2001/24 does not provide otherwise. The first part lays down the same rule as applies ex Art. 4(1) InsReg. There is one difference, though. Art. 10(1) Directive 2001/24 does not determine that the ‘law’ of the home Member State is universally applicable, it provides that ‘the laws’ (plural) and ‘…… regulations and procedures’ of the home Member State are applicable. To symbolize (at least in its wording) this broader regime I suggest to refer to ‘laws, regulations and practices’ as the ‘lex domus’, in contrast to the lex concursus as meant in Art. 4(1) InsReg. These procedural and substantive effects of the lex domus are in a broad sense quite typical for insolvency law and are also necessary for the insolvency proceedings to fulfill its aims, but it is submitted that it has a much wider effect in that it applies to ‘regulations’ and ‘procedures’ not being ‘law’ in a strict sense, e.g. regulations following from capital adequacy standards, from information standards to use in reporting lines to the supervisory authorities, preventive procedures with regard to safety in use of technology or supervisory procedures based on a cross-border Memorandum of Understanding concerning coordination and cooperation between supervisory authorities in different (Member) States.


The central starting point of Directive 2001/24 is that the ‘laws, regulations and procedures’ applicable in the home country (lex domus) determine reorganization measures or winding-up proceedings. During the final negotiations of the draft-Directive a group of exceptions to the applicability of the lex domus has been inserted, e.g. employment contracts remain subject to the law of the Member State whose legislation

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21 The definitions of ‘winding-up proceedings’ in both Directives differ. The definition in Art. 2(d) Directive 2001/17 adds to the wordings in Art. 2, 9th dash Directive 2001/24, ending with ‘……by a composition or other, similar measure’, the wording ‘……by a composition or other analogous measure, whether or not they are founded on insolvency or are voluntary or compulsory’. 
was applicable to the employment contract, a contract conferring the right to make use of or acquire immovable property is governed by the law of the Member State in whose territory the immovable property is situated (lex rei sitae), and rights with respect to immovable property (including ships and aircrafts), subject to registration, are governed by the law of the Member State under the authority of which the register is kept, see Art. 20(a) – 20(c) Directive 2001/24. Both in these situations as with regard to rights in rem, reservation of title and the right to set-off (Art. 21 – 23 Directive 2001/24) the Directive adopted in principle the rules as arranged in the Insolvency Regulation. Hüpkes notes that there is concern that such a conflict of law rule is not specific enough and would need further elaboration.22 These concerns equally relate to the interpretation of e.g. Art. 5 – 7 InsReg and therefore literature and court cases analyses on applying these articles are of interest for the proper understanding of the conflict of law rules in the Directives.

In the banking sector three other Directives are paramount with regard to insolvency questions, the EU Directive on Deposit-guarantee schemes (1994/19), the Settlement Finality Directive (1998/26) and the June 2002 Directive 2002/47 on financial collateral arrangements (the EU Collateral Directive). The two latter ones create specific legal regimes which in general are forthcoming to the international banking practice. This approach seems to have been followed in the Directive 2001/24 in that protection is offered to positions based on specific financial contracts, e.g. with regard to netting and repurchase agreements, see Art. 24 – 27 Directive 2001/24. The Insurance Directive 2001/17 contains certain provisions with regard to harmonizing the system of protection of rights of policy holders, see Art. 10-12 with regard to the protection of insurance claims, including these of policyholders.23

10. Conclusion

Now back to the contention of the Spanish professors Virgós and Garcimartín in that the Insolvency Regulation constitutes the general rule, where the Directives 2001/17 and 2001/24 form special rules, but ‘.... they all form the “hermeneutic circle” within which interpretations should be made. The idea that all these rules must be seen as parts of a consistent (although unfinished) statutory scheme is important’.

It is submitted that within the field of the regulation of insolvency or ‘near-insolvency’ situations the Winding-Up Directives 2001/17 and 2001/24 form an important part of the legal and regulatory framework concerning the European single market for the insurance and the banking sector. I have demonstrated though that both Directives encompass three principles, namely (i) ‘single entity’, the credit institution in the home Member State and the branch in another Member State form one legal entity, (ii) ‘unity’, resulting in only one competent authority, exclusively empowering the home country authority, or

22 Hüpke, o.c., 168, explains that the status of rights in rem and reservation of title rights are typically determined not only by the law of the location of the assets, but also by the law governing the underlying contract. In the insolvency context, the law governing the insolvency proceedings ultimately determines the extent to which those rights can effectively be realized in a winding-up, sometimes resulting in a preferred treatment of holders of these rights.

one winding-up proceeding with no secondary proceedings elsewhere, and (iii) ‘universality’, the effects of reorganization measures or winding-up proceedings and its applicable law (lex domus being the ‘lex concursus’) shall in principle apply throughout the whole Community. Both Directives add an important component to the rather fresh EU rules regarding jurisdiction, recognition and conflict of law rules concerning insolvency proceedings. The Directives require an early exchange of information between supervising authorities and enable for coordination of reorganization measures or winding-up proceedings for insurance undertakings and banks with branches in other Member States. Both Directives are EU legal measures and therefore obviously the natural limitation applies: the Directives mainly focus on Europe, including the other EEA countries, although they both contain several provisions, which are of importance for branches of non-EU insurance undertakings and credit institutions.

The last five years indeed in Europe a framework for insolvency has been established. When European insolvency legislation (including supervisory rules and insolvency law) would be seen as one painting, it strikes that it is still unfinished (lacking rules for (collective) investment undertakings), with some conflicting lines (doubtful justification for different treatment of financial institutions), some mismatching colors (principle of coordinated universality, which includes secondary proceedings, in the Insolvency Regulation versus the principle of unity and universality in both Directives) and some parts which differ in its perspective of the daylight (certain elements of Directive 2001/24 need to be interpreted in the context of the 2000 Banking Directive). Taste and appreciation comes into play when answering the question whether the painting is realistic. Quite some corporations and banking organizations conduct their business in corporate groups, operating cross-border and – for financial institutions - cross-sector (‘bankassurance’). Certainly, there is a ‘hermeneutic circle’ in the context of general rule – special rules (Regulation – Directives). In this respect the Directives should be interpreted in alignment with the EU Insolvency Regulation (e.g. type of proceedings; conflict of law rules). In addition one will have to swing around that circle in that with regard to financial institutions specific community principles (free establishment), particular financial sector principles (‘single entity’; ‘unity’) and norms (‘lex domus’) come into play in a wider pitch (EEA countries; branches of non EU banks).

24 Including specificity, see e.g. recital 16 Directive 2001/24, which provides a foundation for the rule of international jurisdiction that Art. 9(1) Directive 2001/24 introduces with regard to the opening of winding-up proceedings: ‘Equal treatment of creditors requires that the credit institution is wound up according to the principles of unity and universality, which require the administrative or judicial authorities of the home Member State to have sole jurisdiction and their decisions to be recognized and to be capable of producing in all the other Member States, without any formality …’

25 Leaving aside suggestions for general improvements, see Wessels, The European Insolvency Regulation: Three Years Later, in: European Company Law 2005/02 (forthcoming) and the contributions of Omar and Virgós in this Special.

26 In the opinion of the European Monetary Institute (EMI), published O.J. C 332/13 of 30 October 1998, the EMI already encouraged further proposals for Directives relating to non-credit institution financial entities and on reorganization and winding up of a branch of one undertaking on other entities within the same corporate group.