

New Reorganization and Bankruptcy Act

04.01.2021 1 min read

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Bankruptcy Act Natalia Yazbek

The President of the Republic of Brazil sanctioned with vetoes the bill amending the Reorganization and Bankruptcy Act.

On 12/24/2020, in an extra edition of the Official Gazette, the president has published the Act no. 14,112/2020, which updates and amends the law relating to court-supervised reorganization ("RJ"), out-of-court reorganization ("RE") and bankruptcy, insolvency proceedings regulated by Act No. 11,101/2005 ("LRF"). In short, the new act reflects the text of the Bill No. 4,458/2020, which had been passed by the Federal Senate and the Brazilian House of Representatives, with some relevant vetoes exercised by the President of the Republic of Brazil.

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The main changes to the Reorganization and Bankruptcy Act

Many are the changes introduced by the new act, among which, in relation to the restructuring of companies, it is worth highlighting the rules that are (1) providing greater legal certainty to financing for companies under RJ and disposal of assets; (2) regulating cross-border insolvency; (3) allowing creditors to propose a court-supervised reorganization plan ("PRJ"); (4) authorizing the restructuring of labor claims in RE proceedings; and (5) decreasing the support quorum required for approval of an out-of-court reorganization plan.

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