

Chapter 11 goes global: what EU creditors need to know

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Chapter 11 is a U.S. legal framework that allows financially troubled companies to reorganise under court supervision while continuing to trade. It provides a structured process aimed at preserving value rather than forcing liquidation. Key features include the automatic stay, which halts most collection actions; debtor-in-possession status, which keeps management in place under oversight; and restructuring tools that enable renegotiation of obligations and access to fresh financing.

These tools make Chapter 11 attractive for large international groups looking for global solutions. Crucially, foreign companies can also file if they meet the U.S. eligibility threshold. This requires only a minimal presence, such as a place of business, a bank account or a retainer with U.S. counsel. This raises a pressing question for European creditors: how far does U.S. bankruptcy law reach?

Why this matters for Europe

U.S. court rulings aren't automatically enforceable in the EU, even if they involve European subsidiaries. Yet Chapter 11 decisions can still have practical significant effects abroad, and creditors may need to respect certain restrictions.

Take the example of a U.S. group with EU subsidiaries. If the parent company files for Chapter 11, what happens to its European arms and their creditors? Under the EU Insolvency Regulation, a company's Centre of Main Interests (COMI) determines where main proceedings can be opened. EU subsidiaries with a COMI inside the Union would normally require separate local proceedings to secure creditor protection and recognition.

How U.S. courts extend their reach

Even so, U.S. bankruptcy courts often claim jurisdiction over foreign subsidiaries when the parent files. Under U.S. law, a debtor's property includes assets "wherever located". This means the automatic stay applies worldwide to actions against the debtor's estate. In practice, subsidiaries named in the petition may be covered even if they haven't filed locally. This approach reflects the broad nature of U.S. jurisdiction and the low eligibility threshold.

To understand why U.S. orders can affect foreign entities, it helps to distinguish two ideas:

- Subject matter jurisdiction: the court's authority to hear bankruptcy cases nationwide
- Personal jurisdiction: the court's power to make binding decisions on a specific entity, which requires "minimum contacts" with the U.S., such as business operations or assets

If a European subsidiary has such ties to the U.S., the court can assert personal jurisdiction. That makes its orders effectively binding, even if EU law doesn't formally recognise them.

Enforcement abroad depends on local recognition, but many foreign creditors comply voluntarily. They don't want to risk losing access to U.S. markets. Ignoring U.S. court orders, such as pursuing

debts covered by the automatic stay, can lead to serious consequences. These include contempt rulings, fines, or restrictions on U.S. business activity. This global impact is often emphasized by U.S. practitioners and, while partly a legal reality, also serves as a strategic advantage for debtors seeking worldwide protection under Chapter 11.

Once Chapter 11 is filed, the automatic stay blocks all collection efforts on pre petition invoices. Debtors can't pay those debts unless the Bankruptcy Code or the court allows it. Creditors may negotiate repayment as part of the reorganisation plan, but any settlement needs approval. Filing a claim in U.S. bankruptcy court signals acceptance of the process and can open the door to negotiations over repayment and future business.

The bigger picture

Cross border insolvency is complex and high stakes. For creditors and suppliers, understanding Chapter 11's global impact is essential. When in doubt, seek expert legal advice. In today's interconnected world, U.S. bankruptcy can have European consequences.

To explore how to strengthen your own credit risk strategy, [get in touch](#) with us and see how we can help you stay ahead.