

## INSOLVENCY REFORM

Australia's insolvency laws will undergo a series of far-reaching reforms according to an announcement made on 12 October 2005 by the Treasurer's Department.

The new proposals presented as an integrated package of reforms, reflect the Federal Government's response to a number of Reviews and Reports as well as the lessons learned from the high profile company failures of HIH and Ansett.

Some of the key reforms include:

- the allocation of \$62 million to enhance entitlements to the General Employee Entitlements and Redundancy Scheme (GEERS).
- greater levels of protection to Creditors through the implementation of statutory pooling mechanisms for administrators and liquidators.
- the adoption by the Government of the United Nations Commission on International Trade Law (UNCITRAL) Model Law on cross border insolvency.
- protection to personal injury claimants.
- Deeds of Company Arrangements will no longer lower the priority given to employee entitlements unless the employees agree to waive their priority.
- ASIC will administer a fund ("assetless administration fund") to pay grants of approximately \$10,000 to allow liquidators to investigate a company's

collapse, when the company's assets are unable to meet the liquidator's fees.

- improvements to the regulation of insolvency practitioners to address concerns of independence, remuneration and to also strengthen the requirements of registration.
- the fine tuning of the voluntary administration process to enhance efficiencies and cost effectiveness.

The Government has indicated that the reforms will "provide an integrated and comprehensive response that will improve protections and address regulatory gaps while avoiding additional costs to business."

Exposure draft legislation will be prepared in consultation with industry groups. It is anticipated that the draft legislation for public comment will be circulated in early 2006 and a Bill to follow later in the year.

Further details about the reform package can be obtained from the Treasury website at: <http://www.treasury.gov.au/contentitem.asp?pagelD=&ContentID=1022>

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