

## The German Act on the Stabilisation and Restructuring Framework for Businesses (StaRUG) and What It Means for Company Bodies

On 1 January 2021 the Act on the Stabilisation and Restructuring Framework for Businesses (StaRUG) came into force. The stabilisation and restructuring framework has led to a profound change in the German restructuring landscape. It provides a statutory framework for the restructuring of companies from the time of imminent illiquidity.

On the one hand, this reform brings with it increased obligations for directors and supervisory bodies; on the other hand, uncertainties for board members in crisis situations are also eliminated by clear legal provisions.

From now on, as a result of the German Act on the Stabilisation and Restructuring Framework for Businesses (StaRUG), directors are subject to an increased duty to conduct preventative monitoring and to detect crises early. In addition, duties to report to the supervisory bodies have been standardised. This, in turn, brings with it increased monitoring obligations. Specific duties of the supervisory bodies to take action have now also been standardised for the future by way of legislation.

However, the restructuring procedure regulated in the German Act on the Stabilisation and Restructuring Framework for Businesses (StaRUG) also provides corporate bodies with a long overdue framework for proper conduct in crisis situations. This eliminates regulatory gaps involving what are in some cases enormous personal liability risks providing that corporate bodies address corporate crises at a very early stage.

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We would be happy to discuss the following topics, in particular, with you in detail:

- Duties of directors with regard to early crisis detection
- Competences and duties of the supervisory board to act in a crisis which are regulated by statute
- Establishing and certifying monitoring and early detection systems
- Protecting against risks of liability in the event of corporate crises