

Accepted Manuscript

Title: Determinants Of Bankruptcy Regime choice for canadian public firms

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PII: S0275-5319(16)30232-X
DOI: <http://dx.doi.org/doi:10.1016/j.ribaf.2017.04.043>
Reference: RIBAF 659

To appear in: *Research in International Business and Finance*

Received date: 13-8-2016
Accepted date: 26-4-2017

Please cite this article as: Ayadi, M.A., Lazrak, S., Welch, R., Determinants Of Bankruptcy Regime choice for canadian public firms, *Research in International Business and Finance* (2017), <http://dx.doi.org/10.1016/j.ribaf.2017.04.043>

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DETERMINANTS OF BANKRUPTCY REGIME CHOICE FOR CANADIAN PUBLIC FIRMS

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Current Version: August 12, 2016

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Abstract

Distressed Canadian public firms usually file for bankruptcy protection under either the Bankruptcy and Insolvency Act (BIA) or the more flexible Companies Creditors Arrangement Act (CCAA). The latter targets reorganization while the BIA focuses on both reorganization and liquidation. This paper examines the factors that enter into the choice of either of these two regimes by bankrupt filing public firms. We document that firms are more likely to file under the CCAA when the global stock market is bullish. Larger firms, more leveraged firms and firms with higher quality bankruptcy trustees are more likely to file under CCAA. The worst performing firms also tend to file under the CCAA. Finally firms in Ontario and Quebec have a tendency to file more frequently under the BIA compared to other provinces.

Keywords: bankruptcy; bankruptcy protection; legal framework; logistic regression.

JEL Classification: G11, G12, K22.

1. Introduction

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