The New Tool in the Insolvency Toolkit

What Malaysia's cross-border insolvency regime means for asset recovery

Malaysia's new cross-border insolvency regime gives officeholders a clearer framework for recognition, relief and cooperation. Its value lies in how those tools can be built into recovery planning from the outset.

Introduction

Insolvency practitioners are often appointed after value has already begun to move. Assets may sit in another jurisdiction, records may be incomplete and the parties needed to achieve a recovery may be beyond the appointing court's immediate reach. In that context, establishing a claim is only part of the task. The other critical part is how the claim can be converted into value for creditors.

Malaysia's Cross-Border Insolvency Act 2026 adds an important tool. In force since 28 August 2026, with procedural rules operating from 3 September 2026, the Act adopts the principles of the UNCITRAL Model Law on Cross-Border Insolvency with Malaysian modifications. It creates a statutory framework for access, recognition, relief, cooperation and coordination in corporate cross-border insolvencies.[1][2]

The practical point is simple: where a recovery pathway runs through Malaysia, officeholders and their advisers now have a clearer framework within which to plan and act.

Before and after the reform

Before the Act, cross-border recovery involving Malaysia lacked a dedicated Model Law-based statutory regime. Practitioners could still investigate claims and pursue local remedies, but a foreign officeholder had to factor uncertainty about recognition, available assistance and the interaction between proceedings into the recovery plan.

The new regime does not create assets or guarantee collection. It does, however, provide a defined route for a foreign representative to seek recognition in Malaysia, obtain provisional or post-recognition relief, and engage with a statutory framework for cooperation between courts and insolvency representatives. Recognition of a foreign main proceeding also carries automatic consequences, including a stay of proceedings and execution against the debtor's property (and a suspension of the right to transfer, encumber or other dispose of the property), in each case subject to Malaysian insolvency law.

The practical benefit is a clearer basis for planning recovery where assets are in Malaysia. A foreign officeholder can assess whether to seek recognition of the foreign insolvency proceedings in which the officeholder was appointed and what relief may be available to protect those assets. That assessment can inform the proposed recovery strategy. While Malaysian assets could be considered as part of the recovery strategy prior to the legislative amendments, there is now a dedicated statutory framework for seeking assistance.

A recovery-first framework

The reform is most useful when treated as part of a recovery framework, rather than as an isolated procedural development. Four questions should be tested early:

1 ASSET LOCATION	Where is the value now, and where could it move?
2 CONTROL	Who controls the assets, records and entities needed to achieve a recovery?
3 RECOGNITION	What recognition, protective relief or cooperation may be required in Malaysia or elsewhere?
4 REALISATION	How will any judgment, award, order or settlement be enforced and returned to creditors after costs, priorities and competing claims?

The value of this framework is sequencing. Waiting until after judgment to investigate asset location and control risks substantial expense pursuing a claim with little or no prospect of recovery. Delaying consideration of recognition until urgent relief is needed may limit or eliminate the opportunity to recover.

This recovery-first approach guides Omni Bridgeway's assessment of complex insolvency, recovery and enforcement matters. We assess merits, quantum, cost, duration and recoverability early, focusing on issues that could change the commercial case before substantial costs are incurred. Our in-house investigation and asset recovery specialists help identify those issues. Where the available information, including the preliminary merits, recovery prospects and the overall economics of the case justifies targeted investigation, we are open to providing seed capital for that work.

Recognition is a recovery issue

A statutory recognition route may help an officeholder seek protective relief, participate in Malaysian proceedings and coordinate action with local courts and practitioners. The Act also provides for direct communication and cooperation between the Malaysian Court, foreign courts, foreign representatives and Malaysian insolvency officeholders. These tools are critical where assets can be transferred, security enforced or competing proceedings advanced while the estate is still determining its position. Their application will depend on the facts and the operation of Malaysian law and have yet to be tested in practice, but they provide a clearer framework for determining strategy and sequencing.

What this means in practice

Where a matter has a Malaysian connection, early assessment should consider:

- the location of Malaysian and non-Malaysian assets, records and decision-makers;
- whether the foreign proceeding may qualify for recognition as a main or non-main proceeding;
- whether interim protection may be needed before recognition is determined;
- how Malaysian and foreign proceedings will interact; and
- whether the proposed budget remains proportionate to the realistic net recovery.

Omni Bridgeway's experience in cross-border insolvency, recovery and enforcement matters brings a practical perspective beyond capital. Working alongside officeholders and their advisers, our investment and investigation teams help assess asset location, jurisdictional obstacles and evidential gaps, shaping claim strategy around a realistic route to recovery.

Conclusion

Malaysia's reform expands the options available to officeholders; the challenge is deciding which are worth pursuing. That requires legal advice, investigation and commercial judgment to work together, with the focus being what each of these steps could realistically deliver for creditors.

A more effective cross-border insolvency toolkit is not simply a larger set of remedies. It is the ability to choose and sequence them well - and to recognise when the likely return does not justify the next step. That is how procedural reform can translate into meaningful recoveries.

Note: This article provides general information only and is not legal advice. The application of the regime will depend on the facts and relevant Malaysian law.

Authors



Anthony Ellwood-Russell
Investment Manager
SINGAPORE, HONG KONG
T: +65 8660 4800
E: aellwoodrussell@omnibridgeway.com



Chee Chong Lau
Investment Manager and Senior Legal Counsel
SINGAPORE
T: +65 8608 7637
E: cclau@omnibridgeway.com

Restructuring & Insolvency contact for Asia Pacific



Adam Silverman
Investment Manager
SINGAPORE
T: +65 8647 2740
E: asilverman@omnibridgeway.com