Updating the law

The Ministry of Law's moves to tweak Singapore's legislative framework

1967

- Schemes of arrangement introduced, allowing corporate work-outs to take place with debtor company remaining in possession

1980s

Economic trigger – 1985

Collapse of Pan Electric Industries Limited in 1985, leading to an unprecedented three-day closure of the Singapore Stock Exchange

Legislative response – 1987

- Judicial management enacted based on the English administration regime
- Distressed firms are put under the care of court-appointed supervisors to restructure their liabilities and/or rehabilitate their businesses

2010s

Economic trigger – from 2014 onwards

The 2014 oil price crash spelt the beginning of a protracted offshore and marine downturn. In 2016, Swiber Holdings winding up petition shook up Singapore's stock market before the listed group reversed it in favour of seeking judicial management

Legislative response – 2017

- Companies Act updated to enhance law for restructuring via schemes and judicial management with features imported from the US bankruptcy code including
  - Super-priority for rescue financing over creditor claims
  - Cross-class cram-down on dissenting creditors
  - Fast-track for pre-negotiated, pre-packed schemes
  - Relax judicial management to allow early entry for companies turning insolvent

2020s

Economic trigger – coronavirus outbreak

Legislative updates and responses

Jul 2020

- Insolvency, Restructuring and Dissolution Act (IRDA) launched, which includes further enhancements such as
  - Restriction on Ipso facto clauses permitting business contract termination or modification as a result of trigger events including insolvency or restructuring of a debtor company
  - New entry mode for judicial management by way of creditors resolution to speed up and lower cost of proceedings
  - Extended flexibility for judicial managers to discharge pre-existing debts

Nov 2020

- Sole Proprietor and Partnership launched, developed and administered by a registered charity, Credit Counselling Singapore, to provide an avenue for fast-tracking resolution of debts small businesses operating as sole proprietorships or partnerships owed to multiple creditors

Jan 2021

- Simplified Insolvency Programme launched, to provide financially distressed micro and small companies, with a low-cost, faster and more efficient avenue to restructure their debts, to rehabilitate their businesses, or wind up their businesses

Source: The Ministry of Law, BT