

**Keynote Address by Mr K Shanumgam, Minister for Home Affairs and Minister for Law, at the Singapore Insolvency Conference 2017**

**Thursday, 24 August 2017**

Esteemed Judges,  
Distinguished guests,  
Ladies and gentlemen,

I. INTRODUCTION

1. I am glad to be here with everyone today.
2. I like to congratulate the organisers and supporters of this Conference.
3. Since its inception 6 years ago, this Conference has grown from strength to strength. This year, I was told the attendance is quite exceptional.
4. The approach you are taking – trying to have breakout sessions, master classes, smaller groups, exchanging ideas – is a very good one.
5. I think the support for this Conference shows the recognition in this region of the need for an effective restructuring and insolvency framework and industry. These conversations can only take place in a few places in Asia.

II. WHAT WE HAVE DONE

6. I will sketch out the developments in this area, in the last few years, which have led us here; and also talk about our philosophy and approach.
7. The Insolvency Law Reform Committee (“ILRC”) which we had set up recommended several reforms to strengthen our legal framework. It highlighted opportunities in the region for Singapore to be a centre for international debt restructuring.
8. We followed that up by establishing the Committee to Strengthen Singapore as an International Centre for Debt Restructuring. The recommendations were released in 2016.
9. We then looked at it, and in March this year, the Companies Act amendments were passed. The bankruptcy legislation had also been amended earlier. As part of a phased approach, next year, there will also be a further piece of legislation – the omnibus Insolvency Bill.

10. Even as it stands today, it is generally accepted that Singapore now has one of the most forward looking and flexible corporate debt restructuring regimes in Asia.
11. The reforms, we hope, will be a game-changer. They strengthen our corporate rehabilitation processes and also our capability to deal with cross-border restructuring and insolvency cases.
12. This process can only work if we have with the right framework which we are putting in place, and the right judicial philosophy. We have Judges here who are very experienced.
13. We also have an ecosystem of practitioners and lawyers; and a financial centre where there is a lot of financial activity taking place.
14. Our original system was based on the English law model. It worked well for many years. But it did not cater to features vital in debt restructuring, such as rescue financing.
15. In the latest enhancements, we have taken on features of US Chapter 11 to our restructuring framework, which should help substantially.
16. We now have a tailor-made, bespoke framework that includes:
  - (1) super-priority provisions, where court may grant super-priority status to rescue financing, to help debtors when working capital dries up; and also
  - (2) enhanced protection from creditor action, in schemes of arrangement, for debtors and their related entities.
17. We are not being pro-creditor or pro-debtor, we are trying to create a framework that works for everyone.
18. For cross-border restructuring and insolvency, we have:
  - (1) adopted the UNCITRAL Model Law on Cross-Border Insolvency, with 42 other countries.
  - (2) abolished ring-fencing requirements in liquidation, save for specified financial entities. Previously, liquidators of registered foreign companies were required to pay debts incurred in Singapore before transferring any assets to the foreign liquidation. That's no longer the case after these changes.
19. In October 2016, the Judicial Insolvency Network, which was organised at the suggestion of our Chief Justice, worked on a set of guidelines. The guidelines have been adopted by the Singapore Supreme Court and the Courts of key partner jurisdictions, including England and Wales, Delaware and Southern District of New York.

20. These guidelines will facilitate court-to-court communication and cooperation on cross-border insolvency matters.
21. A lot of the credit for these changes should go to the members of both committees, and the officers under Second Director General Joan Janssen in the Ministry of Law. We saw that these changes were needed, so we talked to the courts and the insolvency practitioners. Senior Minister of State Indranee Rajah is on one of the committees; and so is Justice Kannan Ramesh, who understands the market and the issues, being a former practitioner himself. They were assisted by Joan Janssen. These people understand what is needed.

### III. VALUE OF THE MARKET

22. Why have we taken these steps? It is because of our assessment of the needs of the market.
23. We are seeing the highest levels of global corporate default rates in the past years. There were defaults of nearly US\$1 billion in Singapore bond market since November 2015.
24. So the total amount of debt available for restructuring across key Asia-Pacific markets is estimated at US\$250 billion. This is based on a study by Oliver Wyman. Out of this, a substantial sum is accessible to Singapore-based service providers.
25. There are very substantial opportunities for professionals in Singapore and outside of Singapore in the restructuring eco-system: accountants, auditors, valuers, financiers, lawyers, specialist turnaround managers.
26. It will impact not just the professionals, but also the industry, the companies, the financiers, to know that there is a system that will help the companies through. Overall, people may take a haircut, but it is probably better than if the company has to go insolvent.
27. There will also be further opportunities *beyond* the restructuring industry for others:
  - (1) There will be opportunities to invest in distressed companies. Under our new framework, funds are now able to invest in distressed assets, with the protection of a court order. Previously this was only available in the US.
  - (2) There is also a possibility of increased corporate activity, such as loans and M&A of companies. Financial restructuring is often done in tandem with the restructuring of operations.
  - (3) There will also be a lot more work in the dispute resolution sphere. Going back to 2008, the financial crisis, and the collapse of Lehman Brothers

in particular, has engendered more than 75 proceedings, across many jurisdictions. Even now, work is still ongoing today. It is not that we hope for collapses of that nature, but the reality is these things happen; so our system must be ready, and we must have the right professionals, ecosystem, and judicial philosophy.

#### IV. SINGAPORE AS AN INTERNATIONAL CENTRE FOR CROSS-BORDER DEBT RESTRUCTURING

28. So what's the end-goal? We are clear about where we want to be. Singapore wants to be an international centre for cross-border debt restructuring in Asia. There are very few places where this can take place. The surrounding circumstances, and legal framework we have in place, make it opportune and likely, that Singapore will not just be a centre, but *the centre* in this field.
29. Even prior to the reforms, we have been attracting regional debt restructuring work, mainly because of our status as global financial centre, and a leading centre for professional services.
30. We are a trusted global exchange for international commercial transactions.
31. And arising from these changes, I think our position will be strengthened.
32. There has been international recognition of these efforts as well. At the *Global Restructuring Review Inaugural Awards* in June this year:
  - (1) Singapore won the "*Most Improved Jurisdiction*" award;
  - (2) Two Singapore High Court judgments were nominated for two other award categories; and
  - (3) the Judicial Insolvency Network Guidelines won the "*Most Important Overall Development*" award.
33. There is much more work to be done.
34. We will focus on two aspects in the immediate term:
  - (1) we will have a new Insolvency Bill; and
  - (2) we will strongly support opportunities for training and education.
35. The new Insolvency Bill will combine personal and corporate restructuring and insolvency, now in two separate statutes, into a single piece of legislation, an omnibus legislation.
36. It will also streamline our legislation to ensure consistency and clarity.

37. It will implement the remaining recommendations of the ILRC, which were not covered in the existing two pieces of legislation. This will include introducing a framework for the regulation of insolvency professionals.
38. The target is for the legislation to be out in the second half of next year.
39. We will also support opportunities for professional training and education, which we hope will increase existing talent pool and build multi-disciplinary skills.
40. We have encouraged cross-accreditation of professional development courses, between the legal and accounting sectors. My Ministry hopes to see more professional bodies responsible for CPD to move on this, to encourage professionals to broaden their technical knowledge.
41. It is crucial for existing professionals and those interested in joining the industry to master these multi-disciplinary skills.
42. Our pipeline of talent – university students – will be encouraged to develop cross-disciplinary skills. SMU is collaborating with IPAS, and they will offer a cross-disciplinary restructuring and insolvency module to SMU undergraduates for January 2018.
43. Last but not least, the Singapore Accountancy Commission is setting up a taskforce to study the restructuring industry with a focus on training and ensuring high quality professionals.

#### V. CONCLUSION

49. We have done a fair bit, but this is a dynamic environment. The only way to stay on top is to continue to be dynamic, to make changes, and adapt to the industry as it moves.
50. We look at it as a partnership between the Government, the professionals, the finance industry, and the corporate industry, working together to achieve a framework that will help companies get to where they need to get to.
51. In the course of it, if everyone understands the rules, and everyone is professional about this, then we may not need long-drawn litigation to get to the desired outcome, and that is to be welcomed.
52. Thank you again for inviting me here. I wish you all a very fruitful and successful conference.

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