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SIMPLIFIED INSOLVENCY PROGRAMME (SINGAPORE)

INTRODUCTION

*The Simplified Insolvency Programme (SIP) has been instituted to facilitate the restructuring or liquidation of micro and small companies (MSCs). The SIP was ushered in by the **Insolvency, Restructuring and Dissolution (Amendment) Act 2020 (IRDA Amendment Act)**, with the relevant provisions recently commencing on 29 January 2021.*

There is existence of prepack scheme in Singapore but then also to support the MSME Singapore have come out with Simplified Insolvency Programme (SIP).

EFFECTIVE DATE

The SIP will be available to qualifying MSCs for a period of 6 months from 29 January 2021 to 28 July 2021, unless such period is further extended by the Minister for Law.

PURPOSE OF THE SIP

The SIP is in fact part of a suite measures to help micro and small companies in view of the COVID - 19. It provides simpler, faster, and lower cost processes for:

- *Debt Restructuring*
- *Winding Up*



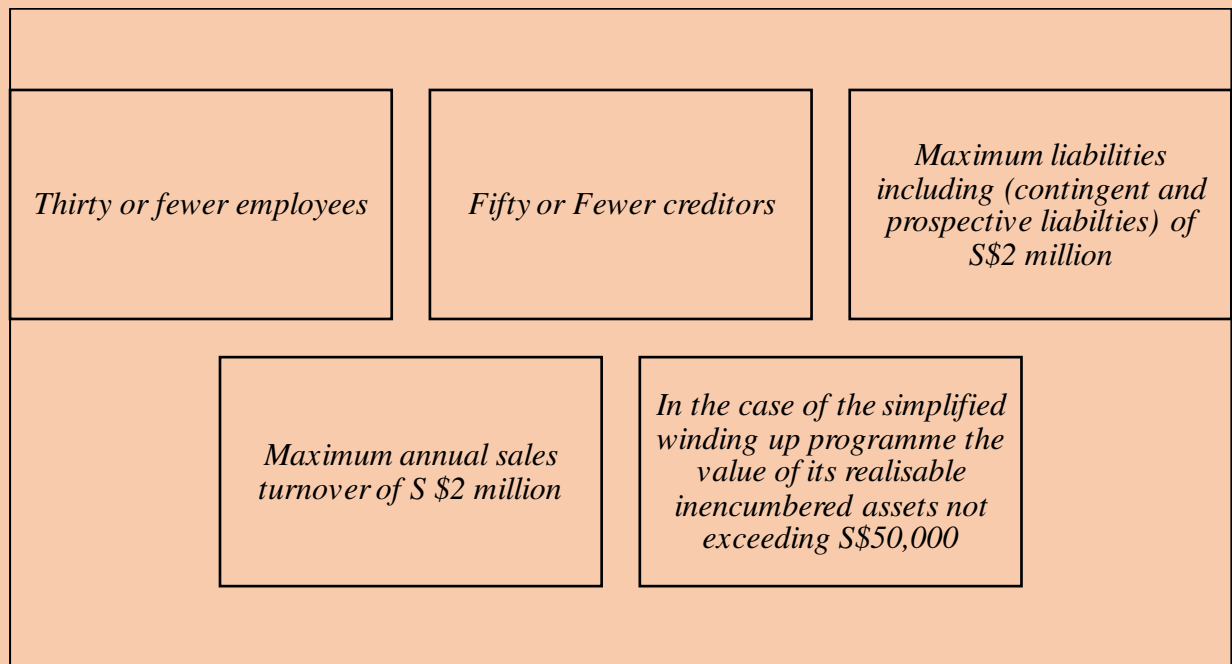
With much of the economy continuing to reel from the shockwaves of COVID-19, the SIP seeks to tailor a more cost-efficient process for struggling MSCs. MSCs which have explored other options may be looking to restructure or to liquidate where there are no better alternatives. The IRDA Amendment Act unfortunately cannot stand in way of the inevitable, where liquidation is the only real option. In this case, it meets the grim reality by providing a winding up framework that allows the MSC to be wound up expeditiously at minimum costs.

COMPANY TO APPLY FOR SIP

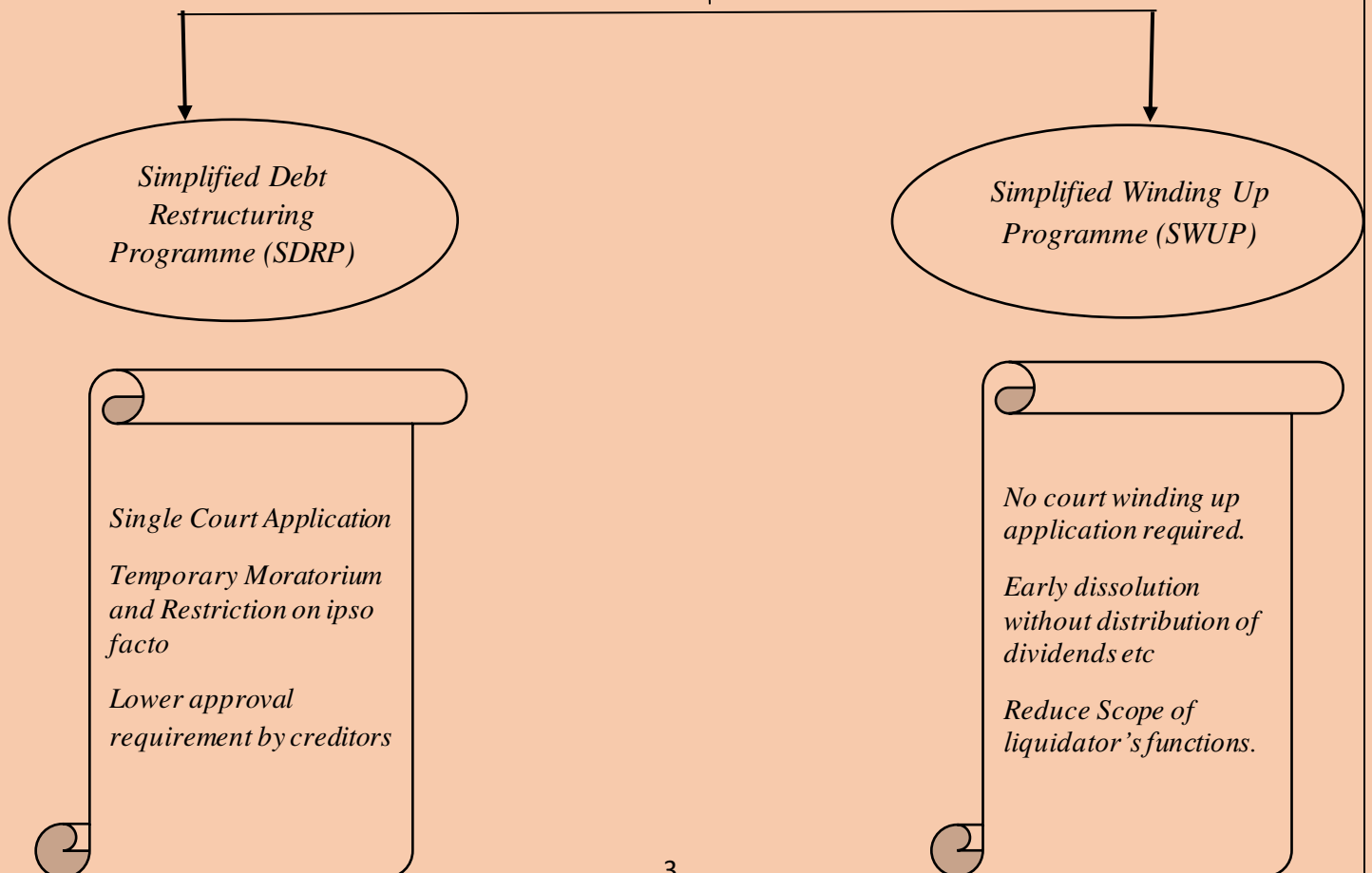
A company will need to submit an online application, with the required documents and information, via the Ministry of Law's.



ELIGIBILITY FOR SIMPLIFIED INSOLVENCY PROGRAMME



SIMPLIFIED INSOLVENCY PROGRAMME PROCESS



A. Simplified Debt Restructuring Programme (SDRP) (for viable businesses)

- i. **Single Court application:** The SIP is adapted from the existing pre-packaged scheme of arrangement under the IRDA and requires only one application to the High Court.
- ii. **Temporary moratorium and restriction on *ipso facto* clauses:** Once a company has been accepted into the SDRP (until the date of its discharge), no creditor actions will be allowed in court to give company time to formulate the restructuring plan. Clauses that lead to an automatic default or termination of contracts on insolvency in supplier and third-party contracts (also called *ipso facto* clauses) will also be rendered ineffective.
- iii. **Lower approval requirement by creditors:** Only two-thirds in value approval (with no requirement of a majority in number) is required for the debt restructuring plan as compared with a majority in number representing 75% in value required for a scheme of arrangement under section 210 of the Companies Act.

B. Simplified Winding Up Programme (SWUP) (for non-viable businesses)

- i. **No Court winding up application required:** The process is fashioned on the voluntary winding up regime under the IRDA and does not require a court application to wind up the company.
- ii. **Early dissolution without distribution of dividends, etc.:** The company can also be dissolved quickly without steps such as the distribution of dividends, when the liquidator is of the view that the company's assets are not sufficient to meet its liabilities, and there is no necessity for any further investigation into the affairs of the company.
- iii. **Reduced scope of liquidator's functions (no creditors' meeting):** The liquidator's functions are reduced, for example, doing away with the need for creditors' meetings.

The winding up will be administered by the Official Receiver (OR) or assigned to private liquidators.

FEES PAYABLE UNDER THE SIMPLIFIED INSOLVENCY PROGRAMME

Sr No	APPLICABLE FEES UNDER THE SIP	SDRP	SWUP
1	Application Fee To be paid upon submission of application	\$450	
2	Administration fees To be paid to the OR in the form of deposit upon the acceptance into the SIP	\$18,750	\$2,700
3	Fees for the additional service e.g., legal advice, valuation etc To be paid directly to the service provider	To be borne entirely by the company as incurred.	

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