



**PRINCIPLES & GUIDELINES FOR
RESTRUCTURING OF CORPORATE DEBT**

THE SINGAPORE APPROACH

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The Singapore Approach

- The Singapore Approach is intended to provide a non-statutory framework for Lenders (i.e. banks and other providers of finance) to assist and where necessary to mount temporary support operations to a Company/Group in financial difficulties whilst the feasibility of a restructuring is considered.
- Its ultimate object is to promote a "Rescue Culture" and to avoid unnecessary corporate collapses so as to enhance the rate of recovery than otherwise would be achieved through formal insolvency procedures.
- Whilst it does not establish legally binding obligations, lenders are expected to adopt and apply its principles which carry the support of The Association of Banks in Singapore.

1. Principles

1.1 Lenders should encourage a "Rescue Culture".

- Lenders are encouraged to have a reasonable and supportive attitude to a Company/Group in financial difficulties which merits a rescue or restructuring.
- The collective aim should be to avoid precipitating insolvency proceedings when a rescue is a feasible and realistic option.

1.2 Information.

- The "Rescue Culture" depends upon the early provision by the Company/Group of complete and accurate information, which is independently verified to ensure transparency.
- This information should be made available to all Lenders equally.

1.3 An initial breathing space (The "Standstill").

- For a rescue to be properly assessed, a breathing space or Standstill will usually be required to allow time for the preparation and analysis of detailed information and accompanying discussions and negotiations.
- Before agreeing to a Standstill, Lenders will need to be satisfied that:

- * There is a reasonable prospect of delivering a more advantageous solution than through formal insolvency.
- * That a Standstill will not carry excessive risk of deterioration.
- * That the Lenders' security position relative to one another and other creditors will be preserved, and that each lender should not improve its position during the Standstill.
- * That the Company/Group is prepared to co-operate with the Lenders.

1.4 Commercial Judgement.

- Each Lender is entitled to exercise its own commercial judgement but must be realistic and pragmatic and recognise the impact of its decision on other Lenders and the Company/Group.

1.5 Senior Management.

- Both Lenders and Company/Group should ensure active senior management involvement (where achievable, using individuals with prior "Rescue" experience) before and throughout any Standstill period and during the life of any agreed restructuring.
- All parties should appreciate the necessity for responses and comments to be provided both clearly and promptly.

1.6 Existing Collateral.

- Lenders with existing collateral rights should retain those rights.

1.7 The Company/Group.

- The Company/Group should undertake to be open minded, flexible and to act as quickly as circumstances permit. It must show genuine commitment to the "Rescue" process to justify the continued support of its Lenders.
- The Company/Group should work towards producing a detailed package that is both manageable for the Company/Group and acceptable to the Lenders in the spirit of "Unanimity" in the workout or restructure.
- The Company/Group should report to the Lenders with a considered and realistic plan of action and make itself available to discuss the plan and answer questions if so required.

1.8 Existing Compliance Structures.

- The "Rescue Culture" will need to operate within the existing legal and regulatory framework and pay heed to the sensitivity of information.

2. Practical Applications

2.1 The "Standstill".

- When a Company/Group is faced with serious financial difficulties, it will normally call a meeting of all Lenders to describe its problems and tentatively propose measures to deal with them.
- The Company/Group is also likely to ask for a Standstill, but should continue to service its obligations where cash flow permits.
- During the Standstill, Lenders may require additional controls over cash flows and further conditions may also be imposed to reduce the risk of deterioration.
- The length of the Standstill will depend upon a number of factors and may include a mechanism for periodic review.
- To make the Standstill work, all other creditors and suppliers should be encouraged to refrain from hasty action towards bankruptcy or foreclosure.

2.2 Unanimity.

- A "Rescue" will benefit from the unanimous support of the Lenders.
- Co-operation at all stages of the workout

will tend to reduce the Standstill period, lower associated costs and enhance the prospect of a positive solution, with possible improved recovery quantum.

2.3 Equitable Treatment.

- Each case raises a different set of problems, but it is essential in every case for the Lenders to assess their respective positions and the most equitable way forward.
- A starting point would be to analyse the likely relevant positions of the Company/Group's creditors if insolvency were to ensue; it is acknowledged that this approach may need to be refined to take account of a number of variables.

2.4 Appointment of a Lead Bank.

- It is helpful if a Lead Bank is appointed early in the restructuring procedure to manage and co-ordinate the entire process.
- The Lead Bank's performance will be a key factor in the success of any rescue.
- The Lead Bank need not be the largest creditor but should have the relevant experience and resources to carry out its duties proficiently.
- The Lead Bank should be aware of the

need to ensure that all classes of Lenders are treated equitably and are kept fully informed in the rescue process.

2.5 Appointment of a Steering Committee and its Chairman.

- Where there are a large number of Lenders it may be helpful for a Steering Committee to be formed.
- The Chairman of a Steering Committee should be both experienced and respected, particularly within the banking community.
- The Steering Committee should be a manageable group and fully representative of all the various interests of the Lenders.

2.6 Appointment of a Special Accountant/Independent Financial Advisor ("SA/IFA").

- A "Rescue" can sometimes involve the appointment of a SA/IFA. Ideally, this account/advisor should have a good understanding of the Company/Group's business and marketplace.
- The scope of work of the SA/IFA will need to be agreed at the outset, and would usually include:
 - * Reviewing the Company/Group's financial controls and systems.
 - * Reviewing and commenting on the

Company/Group's projections and financial information presented with the plan of action, with specific reference to future possible cash requirements.

- * Preparation of an estimated valuation of the Company/Group in liquidation and the expected dividend to each bank.
- The SA/IFA fees are normally paid by the Company/Group.

2.7 New Money.

- Frequently, a Company/Group may require additional financing during the Standstill to continue its operations.
- Any additional funding is likely to require particular protection or priority to reflect the uncertain circumstances in which it is provided. This could be accommodated by way of new security or some other appropriate arrangement agreed amongst the Lenders.

2.8 Fees and Costs emanating from the "Rescue".

- The costs associated with negotiating and finalising a "Rescue" will normally be borne by the Company.
- Lenders should help to minimise expenses.

- Where feasible, the sharing of resources and appointment of advisors with appropriate expertise should be encouraged.

2.9 Sale of Debt/Debt Trading.

- A Lender who sells its debt should advise the Lead Bank/Steering Committee promptly of its actions.
- The seller of the debt should encourage the buyer to be supportive of the restructuring process and inform the Lead Bank/Steering Committee if any of the debt is subsequently sold-on.

2.10 Confidentiality.

- Disclosure of customer information amongst Lenders, whilst a pre-requisite of any meaningful attempt to achieve a "Rescue", does not override the regulatory requirement to preserve customer confidentiality.
- All interest parties will need to avoid breaching the insider trading rules when a quoted Company/Group is involved.

2.11 Conflicts of Interest.

- Any conflicts of interest should be declared openly and properly and at the earliest opportunity.

2.12 Mediation.

- Where the Lenders are unable to agree a unanimous approach and this threatens the success of a rescue, it may be appropriate to involve an independent mediator to seek to facilitate discussions between the relevant parties.
- The facilitator should be an impartial individual or organisation that carries the respect of the banking community and has the requisite resources and expertise to perform its role.
- The facilitator should encourage all parties to resolve differences and formulate solutions where a dispute or deadlock has arisen. Lenders, in turn, are encouraged to support and co-operate in the mediation process.