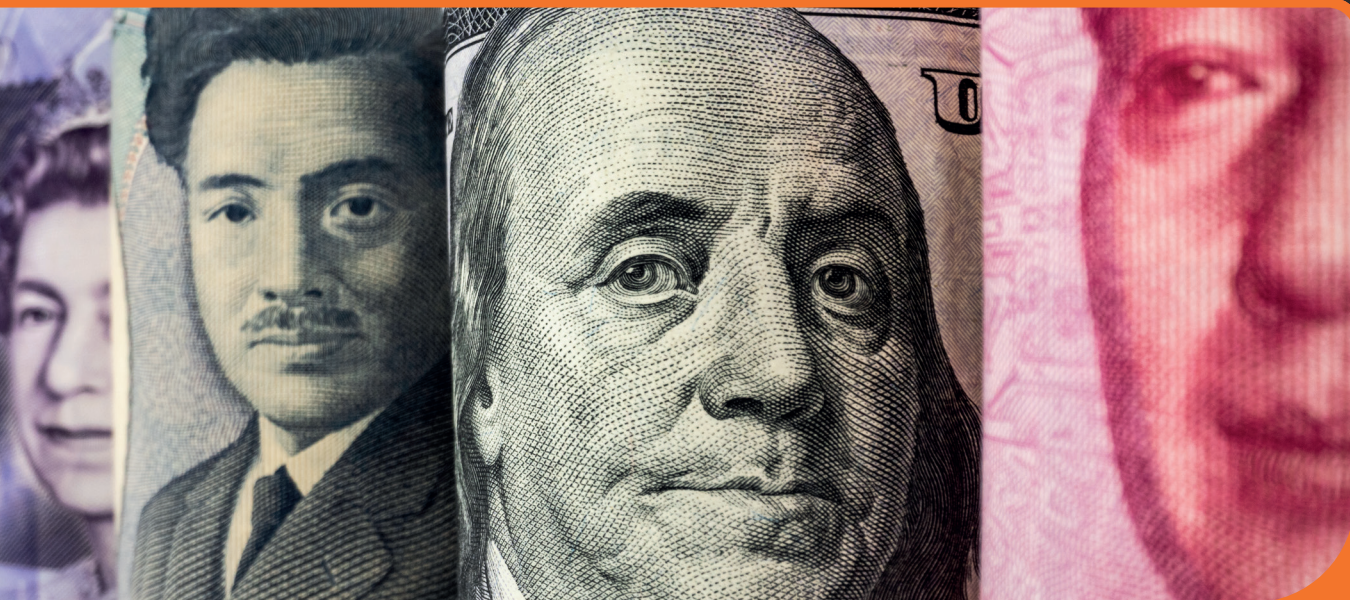


# International Comparative Legal Guides



Practical cross-border insights into lending and secured finance

## Lending & Secured Finance 2022

10<sup>th</sup> Edition

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## Editorial Chapters

- 1** **Loan Syndications and Trading: An Overview of the Syndicated Loan Market**  
Bridget Marsh & Tess Virmani, Loan Syndications and Trading Association
- 7** **Loan Market Association – An Overview**  
Hannah Vanstone, Loan Market Association
- 13** **Asia Pacific Loan Market Association – An Overview**  
Andrew Ferguson & Rosamund Barker, Asia Pacific Loan Market Association

## Expert Analysis Chapters

- 16** **An Introduction to Legal Risk and Structuring Cross-Border Lending Transactions**  
Thomas Mellor, Marcus Marsh & Jasmine Badreddine, Morgan, Lewis & Bockius LLP
- 21** **Global Trends in Leveraged Lending**  
Joshua Thompson, James Crooks & Bryan Robson, Sidley Austin LLP
- 32** **Looking Back at the Year in SPACs**  
Michael Steinberg & Alain Dermarkar, Shearman & Sterling LLP
- 39** **The Increasing Use of Preferred Equity in Financing Acquisitions**  
Meyer Dworkin, Scott Herrig, Randy Dorf & Phoebe Jin, Davis Polk & Wardwell LLP
- 43** **2022: A Regulatory Perspective**  
Bill Satchell & Elizabeth Leckie, Allen & Overy LLP
- 49** **Acquisition Financing in the United States: A Strong Recovery**  
Geoffrey Peck & Mark S. Wojciechowski, Morrison & Foerster LLP
- 55** **A Comparative Overview of Transatlantic Intercreditor Agreements**  
Miko Bradford & Benjamin Sayagh, Milbank LLP
- 63** **A Comparison of Key Provisions in U.S. and European Leveraged Loan Agreements**  
Tracey L. Chenoweth & Clive J. Wells, Skadden, Arps, Slate, Meagher & Flom LLP
- 81** **Fund Finance: The Transition to 2022**  
Michael C. Mascia, Cadwalader, Wickersham & Taft LLP
- 84** **Recent Developments in U.S. Term Loan B**  
Denise Ryan & Kyle Lakin, Freshfields Bruckhaus Deringer LLP
- 93** **The Continued Prevalence of European Covenant Lite**  
Jane Summers, Daniel Seale, Karan Chopra & Robert Davidson, Latham & Watkins LLP
- 98** **Analysis and Update on the Continuing Evolution of Terms in Private Credit Transactions**  
Sandra Lee Montgomery & Michelle L. Iodice, Proskauer Rose LLP
- 108** **Trade Finance on the Blockchain: 2022 Update**  
Josias Dewey, Holland & Knight LLP
- 115** **Financing Your Private Debt Platform**  
Global Finance Group, Dechert LLP
- 125** **Developments in Midstream Oil and Gas Finance in the United States**  
Elena Maria Millerman & Derrick Sweeney, White & Case LLP
- 134** **More Money, More Problems: Considerations for Perfection and Control of Virtual Currency**  
Kalyan (“Kal”) Das, Anthony Tu-Sekine, Gregg Bateman & Y. Daphne Coelho-Adam, Seward & Kissel LLP
- 140** **2022 Private Credit and Middle Market Update: Key Trends and Developments**  
Jeff Norton, Sung Pak, Jennifer Taylor & Adam Longenbach, O’Melveny & Myers LLP
- 144** **Core-Plus Infrastructure and Leveraged Financing: The Continued Convergence of Terms**  
Ben Thompson, Travers Smith LLP
- 148** **Recent Trends in Sustainable Finance**  
Lara M. Rios, Kevin L. Turner & Allison N. Skopec, Holland & Knight LLP

## Expert Analysis Chapters Continued

**156** **SONIA: Transitioning to a New Era**  
Tim Rennie, Darren Phelan, Katharine Tuohy & Sarah Curry, Ashurst LLP

**162** **Hedging the Refinanced Cross-Border Credit Agreement**  
Felicity Caramanna, Credit Agricole Corporate and Investment Bank

## Q&A Chapters

**165** **Argentina**  
Marval O'Farrell Mairal: Juan M. Diehl Moreno & Diego A. Chighizola

**176** **Austria**  
Fellner Wratzfeld & Partners: Markus Fellner, Florian Kranebitter & Mario Burger

**188** **Belgium**  
Astrea: Dieter Veestraeten

**195** **Bermuda**  
Wakefield Quin Limited: Erik L. Gotfredsen & Jemima Fearnside

**203** **Bolivia**  
Criales & Urcullo: Luis Valda Yanguas, Adrián Barrenechea Bazoberry & Andrea Mariah Urcullo Pereira

**211** **Brazil**  
Pinheiro Neto Advogados: Ricardo Simões Russo & Leonardo Baptista Rodrigues Cruz

**220** **British Virgin Islands**  
Maples Group: Michael Gagie & Matthew Gilbert

**228** **Canada**  
McMillan LLP: Jeff Rogers, Don Waters, Maria Sagan & Christina Kim

**239** **Cayman Islands**  
Maples Group: Tina Meigh & Bianca Leacock

**247** **Chile**  
Carey: Diego Peralta, Fernando Noriega & Alejandro Toro

**256** **Croatia**  
Macesic and Partners LLC: Ivana Manovelo

**265** **England**  
Allen & Overy LLP: Oleg Khomenko & Jane Glancy

**276** **Finland**  
White & Case LLP: Tanja Törnkvist & Henna Viljakainen

**285** **France**  
Orrick Herrington & Sutcliffe LLP: Carine Mou Si Yan

**295** **Germany**  
SZA Schilling, Zutt & Anschutz  
Rechtsanwalts-gesellschaft mbH:  
Dr. Dietrich F. R. Stiller

**305** **Greece**  
Sardelas Petsa Law Firm: Panagiotis (Notis) Sardelas & Aggeliki Chatzistavrou

**314** **Ireland**  
Dillon Eustace LLP: Conor Keaveny, Jamie Ensor & Richard Lacken

**326** **Italy**  
Allen & Overy Studio Legale Associato:  
Stefano Sennhauser & Alessandra Pirozzolo

**336** **Japan**  
Mori Hamada & Matsumoto: Yusuke Suehiro

**344** **Jersey**  
Carey Olsen Jersey LLP: Robin Smith, Kate Andrews, Peter German & Nick Ghazi

**355** **Luxembourg**  
SJL Jimenez Lunz: Antoine Fortier Grethen & Iulia Gay

**364** **Malawi**  
Ritz Attorneys-at-Law: John Chisomo Kalampa, Chifundo Ngwira & Lozindaba Mbvundula

**373** **Mexico**  
Chevez Ruiz Zamarripa: Ana Sofía Ríos, Jimena González de Cossío & María Martínez Escobar

**383** **Netherlands**  
Freshfields Bruckhaus Deringer LLP: Mandeep Lotay & Tim Elkerbout

**391** **Nigeria**  
Famsville Solicitors: Dayo Adu, Woye Famojuro, Adeyemi Ayeku & Elu-Ojor Okoka

**401** **Singapore**  
Drew & Napier LLC: Pauline Chong, Renu Menon, Blossom Hing & Ong Ken Loon

**413** **South Africa**  
Allen & Overy (South Africa) LLP: Ryan Nelson & Cynthia Venter

**425** **Spain**  
Cuatrecasas: Héctor Bros & Manuel Follía

**437** **Sweden**  
White & Case LLP: Carl Hugo Parment & Magnus Wennerhorn

**445** **Switzerland**  
Bär & Karrer Ltd.: Frédéric Bétrisey, Lukas Roesler & Micha Schilling

**455** **Taiwan**  
Lee and Li, Attorneys-at-Law: Hsin-Lan Hsu & Odin Hsu

**464** **United Arab Emirates**  
Morgan, Lewis & Bockius LLP: Amanjit Fagura & Tomisin Mosuro

**480** **USA**  
Morgan, Lewis & Bockius LLP: Thomas Mellor, Katherine Weinstein & Rick Denhup

**493** **Venezuela**  
Rodner, Martínez & Asociados: Jaime Martínez Estévez

# Singapore



Pauline Chong



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## 1 Overview

### 1.1 What are the main trends/significant developments in the lending markets in your jurisdiction?

The banking system has shown continuing resilience, with two of Singapore's largest lenders surpassing analyst forecasts due to improved economic activity in the country despite the ongoing COVID-19 pandemic. As Singapore's vaccination rates soared, alongside those in other key markets, and the country gradually opened its borders to selected countries, the economy's expansion outdid estimations. The banking sector has largely maintained its productivity by ensuring the enduring functionality of all financial services. Investments in the digital transformation of Singapore's banking sector and related moves of activities to virtual platforms and open banking have put the industry in a resilient position notwithstanding the continuing government restrictions to tackle the pandemic and near-term uncertainties. The Monetary Authority of Singapore (*MAS*), for example, has awarded four digital banking licences, bringing technical innovation and liberalisation to Singapore's banking sector.

In terms of future outlook, economic prospects remain cautiously optimistic. The MAS revealed in its annual report for 2021 that Singapore's financial sector grew by a robust 5.1%, despite a 5.4% contraction in real GDP. The MAS further reported that the capital positions of key domestic banks are even stronger in comparison to their pre-pandemic positions. Additionally, these banks' non-performing loans remained stable at around 2.4% throughout early 2021.

There have been a few discernible trends in the financial sector. First, the accelerated move to widespread and deeper end-to-end digitalisation is expected to continue for institutions seeking a competitive advantage. Second, pandemic-related trends including safe management, pandemic risk insurance and impact investing in healthcare and supply-chain resilience are likely to be of heightened interest.

On the regulatory front, the Singapore Overnight Rate Average (*SORA*) has replaced the Singapore Swap Offer Rate as the effective interest rate benchmark. This is in preparation of the anticipated discontinuation of the London Interbank Offered Rate (*LIBOR*) after 31 December 2021. The SORA was the preferred benchmark for several reasons, including that: (1) it is based entirely on market transactions, underpinned by a deep and liquid overnight interbank funding market; (2) market participants have performed technical analyses and model trends based on it since the MAS started publishing it in 2005; and (3) the transition is in line with the shift towards overnight benchmark rates across global financial markets. Broadly, this transition promotes global participation in the Singapore financial markets.

Additionally, the Significant Infrastructure Government Loan Act 2021 (No. 15 of 2021) came into force on 3 August 2021. This new act will enable the government to borrow up to S\$90 billion to finance major national infrastructure projects with a lifespan of at least 50 years. An implication of this is that the cost of financing will be spread out over many years and borne by each generation that will benefit from such infrastructure.

Finally, the Banking Act (Cap. 19) (*Banking Act*) was amended on 1 July 2021 by the Banking (Amendment) Act 2020 to rationalise banking regulation by removing the requirement for banks and merchant banks to maintain two accounting units: the Domestic Banking Unit and the Asian Currency Unit, and to consolidate the licensing and regulation of merchant banks under the Banking Act. In addition, the expansion of the grounds for revoking bank licences and introduction of new powers to regulate banks' outsourcing agreements have enhanced the supervision of banks by the MAS.

To further complement the MAS' green finance action plan unveiled in 2019 and as an enhancement of the existing Enterprise Financing Scheme (*EFS*), Singapore has launched the EFS-Green scheme which will equip more small and medium enterprises or SMEs with green loans to differentiate themselves, build new capabilities and tap new markets. The EFS-Green scheme also aims to further catalyse growth in emerging sectors, including the clean energy and decarbonisation, circular economy, clean transportation and green infrastructure sectors. 2021 has also seen the opening of the Green Bonds Programme Office by the Ministry of Finance, to cooperate with statutory boards and build a framework, manage stakeholder relations and carry out sector engagement.

### 1.2 What are some significant lending transactions that have taken place in your jurisdiction in recent years?

Recent years have seen an unprecedented challenge in the form of the COVID-19 outbreak, leading to a slump across global markets and general lending activity. However, the years still saw landmark loan agreements as banks began to transition away from interbank offer rates to risk-free rates in line with global reforms as outlined under question 1.1 above.

On 23 June 2021, DBS Bank entered into Singapore's first USD Secured Overnight Financing Rate (*SOFR*) linked export financing transaction with Bunge. The S\$25 million transaction, priced off SOFR averages, represents a noteworthy milestone as the industry transitions away from the Interbank Offered Rate. Another industry milestone achieved by DBS Bank is the completion of Singapore's first trade finance transaction referencing the Bloomberg Short-Term Bank Yield Index (*BSBY*) with Reliance. The option of using the BSBY in addition to SOFR-based pricing is useful for trade finance transactions involving

straight-through processing. CapitaLand and UOB have also signed a two-year S\$200 million term loan pegged to the SORA, in a first-of-its-kind loan agreement. CapitaLand had also signed another agreement referencing the SORA, for a S\$150 million three-year corporate loan as part of the original S\$300 million sustainability-linked loan extended by OCBC Bank.

Singapore's increasing support of sustainable financing has translated into a number of significant green loan transactions. One example is the S\$3 billion Multicurrency Medium Term Note (MTN) Programme and Green Bond Framework recently established by the National Environment Agency (NEA). The purpose of this MTN programme is to finance the NEA's landmark Tuas Nexus Integrated Waste Management Facilities, making it the first of its kind in the region to, amongst other things, treat incinerable waste with enhanced efficiency.

Other significant deals in recent years include a S\$670 million club loan to Mapletree Commercial Trust, a Singapore-focused real estate investment trust which is listed on the Singapore Exchange Securities Trading Limited, to partially finance its acquisition of "Mapletree Business City Phase 2", a certified BCA Green Mark Platinum property designed with environmentally friendly features. The team of lenders consisted of DBS Bank and OCBC Bank (acting also as green loan coordinators) as well as the Singapore branches of the Bank of China, Citibank and Sumitomo Mitsui Banking Corporation. In its bid to promote sustainability as a core value of its business, the Mapletree Commercial Trust has established a green loan framework, guided by the Green Loan Principles from the Loan Market Association and the Asia Pacific Loan Market Association, to outline criteria for using the green loan proceeds.

Another green finance deal that took place in 2019 is the S\$332.5 million club loan to Ophir-Rochor Hotel Pte Ltd, a subsidiary of Singapore property developer Hoi Hup Realty Pte Ltd, marking the Hoi Hup group's maiden green loan. The green loan proceeds are to partially finance the acquisition of Andaz Hotel in Singapore, which has been certified and awarded for having environmentally friendly features such as efficient energy and water usage. The loan, which according to a joint statement from the Hoi Hup group and OCBC Bank is the first green loan for Southeast Asia's hospitality industry, was provided by OCBC Bank (acting also as the green loan adviser) as well as Maybank Singapore and United Overseas Bank. Some further sustainability-linked loans that OCBC Bank had participated in include large syndicated loans such as COFCO International's US\$2.3 billion senior unsecured facilities, as well as Louis Dreyfus Company Asia's US\$650 million revolving credit facility.

## 2 Guarantees

**2.1 Can a company guarantee borrowings of one or more other members of its corporate group (see below for questions relating to fraudulent transfer/financial assistance)?**

Yes, subject to there being sufficient corporate benefit and no contravention of specific rules under the Companies Act (Cap. 50) (CA); for example, relating to guarantee of loans to companies related to directors and provision of financial assistance.

S157 of the CA provides that a director of a company "shall at all times act honestly and use reasonable diligence in the discharge of the duties of his office". This statutory statement is in addition to the directors' duty under general law to exercise their discretion *bona fide* in what they consider is in the best interest of the company. The directors of a company have to ensure there is sufficient corporate benefit in giving any guarantee, including a guarantee for the borrowings of one or more members of its group.

A commonly asked question is whether directors can, in giving a guarantee, consider the interests of the corporate group as a whole. The theoretical rule is that companies within a group are separate legal entities. However, in practice, companies are often part of larger groups and it is generally accepted that there is corporate benefit on the face of a transaction involving a holding company guaranteeing the obligations of its subsidiary. It would be harder, however, to show corporate benefit in a subsidiary guaranteeing the debts of its holding or sister companies, and in such situations it would therefore be prudent to have the shareholders of the company sanction the giving of the guarantee.

In addition, companies have to be mindful of the prohibition under s163 of the CA relating to the guarantee of loans, quasi-loans or credit transactions to companies related to directors. Such prohibition does not apply to exempt private companies, which are essentially private companies owned wholly by individual shareholders not exceeding 20, or a government-owned private company gazetted as such. There are exceptions to this prohibition, including where the companies involved are in a subsidiary/holding company relationship or are subsidiaries of the same holding company in the legal sense. Members of a corporate group in the legal sense are therefore generally exempted from such prohibition. They are, however, not exempted if they are non-subsidiary affiliates and directors have to be careful then to conduct the necessary enquiry to ensure there is no contravention of the section. With effect from 3 January 2016, a new exception was introduced to allow for prior approval by the company in a general meeting to permit such transactions. Where practicable (for example, when dealing with private companies), lenders are likely to require such prior approval by shareholders to be obtained to do away with the risk of triggering this prohibition.

Regard also has to be given to the prohibition against giving of financial assistance and other considerations where a company is insolvent, as set out in sections 4 and 8 below.

**2.2 Are there enforceability or other concerns (such as director liability) if only a disproportionately small (or no) benefit to the guaranteeing/securing company can be shown?**

See question 2.1 above. In giving a guarantee, the directors of the company have to ensure there is sufficient corporate benefit. If the corporate benefit to the guaranteeing company is disproportionately small or there is no corporate benefit, then there may be an issue as to whether the directors in giving the guarantee are in breach of their fiduciary duties.

Where directors have given a guarantee in breach of their fiduciary duties, the guarantee may be set aside if the lender had knowledge of the impropriety and the offending directors may be both civilly and criminally liable for their breach.

Other considerations where a company is insolvent are set out in section 8 below.

**2.3 Is lack of corporate power an issue?**

Unless otherwise limited or restricted by the provisions of its own constitutive documents, a company has full capacity to perform any act, including entering into guarantees. Caution should be taken as there are, however, companies with old forms of constitutive documents that still contain restrictions and limits on the grant of guarantees and if so, such restrictions will continue to apply.

The effect of the lack of corporate power in the grant of a guarantee, whilst it does not invalidate the guarantee *per se*,

may be asserted or relied upon in, amongst others, proceedings against the company by any member of the company or, where the company has issued debentures secured by a floating charge over all or any of the company's property, by the holder of any of those debentures to restrain the doing of any act or transfer of any property by the company. The court may, in such a situation, exercise discretion to set aside and restrain the performance of the guarantee but allow for compensation for loss or damage sustained.

S25B of the CA deems the power of the directors to bind the company, or authorise others to do so, to be free of any limitation under the company's constitution, in favour of persons dealing with the company in good faith. It remains to be seen whether the Singapore courts will find that knowledge of an act being beyond the powers of the directors under the constitutive documents of the company will, by itself, be sufficient to establish a lack of good faith for purposes of this new provision.

#### 2.4 Are any governmental or other consents or filings, or other formalities (such as shareholder approval), required?

No governmental consents or filings are generally required.

A guarantee will be required to be lodged with the companies' registry in Singapore, the Accounting and Corporate Regulatory Authority (*ACRA*), only if by its terms it also seeks to create a charge or agreement to charge within the meaning of s131 of the CA.

In terms of formalities, a contract of guarantee has to be in writing and signed by the person sought to be rendered liable under the guarantee. Board resolutions approving the terms, execution and performance of the guarantee should be passed. Shareholders' approval should also be obtained if there is any potential issue of lack of corporate benefit and breach of directors' duties, or triggering of s163 of the CA, or where it is otherwise required by statute (for example, to whitewash the transaction) or the constitutive documents of the company.

#### 2.5 Are net worth, solvency or similar limitations imposed on the amount of a guarantee?

No, unless otherwise restricted by the constitutive documents of the company.

If, however, the amount guaranteed is clearly disproportionate to the corporate benefit received, the issues discussed in question 2.2 above would arise.

Other considerations where a company is insolvent are set out in section 8 below.

#### 2.6 Are there any exchange control or similar obstacles to enforcement of a guarantee?

There are no exchange controls in Singapore that would act as an obstacle to the enforcement of a guarantee.

## 3 Collateral Security

#### 3.1 What types of collateral are available to secure lending obligations?

Under Singapore law, all types of collateral may potentially be available to secure lending obligations, provided the grant thereof is not against public policy.

Common types of collateral that can be used include real property (land and buildings), personal chattels, debts and other receivables, stocks and shares and other choses in action.

#### 3.2 Is it possible to give asset security by means of a general security agreement or is an agreement required in relation to each type of asset? Briefly, what is the procedure?

It is possible to give asset security by means of a general security agreement; for example, by way of a debenture seeking to take security over different classes of assets, save to the extent that a statutorily prescribed form is required (e.g. to effect a legal mortgage over land under the Land Titles Act (Cap. 157) (*LTA*) or a Singapore registered ship under the Merchant Shipping Act (Cap. 179), or to take a legal assignment over book-entry securities under the Securities and Futures Act (Cap. 289)).

The main types of security interests that can be created under Singapore law are mortgages, charges, liens and possessory pledges, and the appropriate method of taking security would depend on the nature of the asset over which the security is to be taken and the extent of security required.

Different classes of assets will also be subject to different procedures and perfection requirements.

#### 3.3 Can collateral security be taken over real property (land), plant, machinery and equipment? Briefly, what is the procedure?

##### Land

Yes, a legal or equitable mortgage/charge or assignment of sale and purchase/lease/building agreement with mortgage-in-escrow is commonly granted over real property (land and to the extent immovable, plant and buildings thereon). The type of security will depend on, amongst other factors, whether title over the land has been issued, the land type and the type of holding.

There are two types of land in Singapore – common law titled land and land under the *LTA*. Virtually all land in Singapore has been brought under the *LTA*. A legal mortgage for land under the *LTA* has to be in a statutorily prescribed form and registered with the Singapore Land Authority (*SLA*). Where title has not been issued for land under the *LTA*, a lender would take an equitable mortgage over the sale and purchase agreement, lease or building agreement in relation to the land, with an accompanying mortgage-in-escrow for perfection upon issue of title.

Commonly, an appropriate caveat may also be lodged with the *SLA* against the land to protect the lender's interest during the time between the acceptance of the facility and the registration and perfection of the security.

Related security like an assignment over insurances, rental and sale proceeds and agreements and in the case of land under construction, assignment over construction contracts and performance bonds are usually also taken.

Procedure and perfection steps briefly include taking of relevant title documents, registration with the *SLA* (or Registry of Deeds, if applicable), registration of the charge with *ACRA* under s131 of the CA, stamping, consents from lessor of the land or other third parties (if applicable), corporate authorisations, whitewash/shareholders' approval (if applicable), etc. In practice, some banks require shareholders' approval where the assets to be mortgaged/charged constitute the whole or substantially the whole of the company's undertaking or property.

##### Machinery and equipment

A fixed charge granted by way of a debenture or charge is commonly taken over machinery and equipment.

Registration with ACRA will be required under s131 of the CA. Other perfection steps are (to the extent applicable) discussed above.

**3.4 Can collateral security be taken over receivables? Briefly, what is the procedure? Are debtors required to be notified of the security?**

Yes, security over receivables (being choses in action) can be taken by way of an assignment or charge (fixed or floating) through a deed of assignment/charge or a debenture, depending on the entire security package to be taken. Generally, lenders may also, for control purposes, obtain a charge (fixed or floating) over the accounts into which the receivables are paid (see question 3.5 below).

In order to take a legal assignment over receivables, express notice in writing has to be given to the debtor of the receivables. The giving of notice also enables the lender to secure priority.

A charge to be taken over receivables can be fixed or floating. Where the lender is able to control the receivables and they are not subject to withdrawals without consent, a legal assignment or fixed charge may be created over the subject receivables. Often, however, the receivables are part of the ongoing business of the security provider and the lender does not seek to take control over the same. In such a situation, only a floating charge may be created in substance, regardless of how the charge is termed or labelled in the documentation.

Registration with ACRA will be required if the charge is floating or the receivables fall under one of the prescribed categories of s131 of the CA. Other perfection steps are, to the extent applicable, discussed in question 3.3 above.

**3.5 Can collateral security be taken over cash deposited in bank accounts? Briefly, what is the procedure?**

Yes, security over cash deposited in bank accounts (being choses in action) can be taken in the same way as receivables and the principles and requirements in question 3.4 apply.

In practice, it may be difficult to obtain a legal assignment or fixed charge over cash deposited in a bank account unless the bank account is opened with and controlled by the lender. Where that is not practicable and/or it is necessary to enable the chargor to make withdrawals from the bank account freely, the lender may be left with taking only a floating charge over the account.

Registration with ACRA will be required if the charge is floating or if it falls under one of the prescribed categories of s131 of the CA. An express written notice of assignment must also be given to the account bank to perfect the security and preserve priority. Other perfection steps are, to the extent applicable, as discussed in question 3.3 above.

**3.6 Can collateral security be taken over shares in companies incorporated in your jurisdiction? Are the shares in certificated form? Can such security validly be granted under a New York or English law-governed document? Briefly, what is the procedure?**

Shares in Singapore may be in certificated/scrip or scripless form.

Where shares are certificated, a legal or equitable mortgage may be taken over the shares. A legal mortgage may be granted by way of a share mortgage, accompanied by a transfer and

registration of the shares and delivery of share certificates in the mortgagee's name. The procedures and restrictions for the transfer will be set out in the company's constitutive documents and the CA. An equitable mortgage/charge may be granted by way of a share mortgage/charge and deposit of share certificates together with a blank transfer executed by the mortgagor/chargor on the agreement that the mortgagee/chargee may complete the transfer forms upon occurrence of a default event under the facility or by notice.

Where shares are in scripless form (i.e. book-entry securities, being essentially listed shares of companies on the Singapore stock exchange – Singapore Exchange Securities Trading Limited), by statute, a different regime will apply. Security may be taken over such shares by way of a statutory assignment or statutory charge in prescribed form registered with the Central Depository (Pte) Limited in Singapore or by common law subject to certain prescribed requirements.

There is no specific restriction to prohibit the general terms of security over shares to be governed by New York or English law, but the creation and grant of security over shares should be governed by Singapore law as the shares of Singapore companies (and exercise of certain enforcement rights) are regulated by the CA and local property rules.

Registration with ACRA will be required if the charge is floating or if it falls under one of the prescribed categories of s131 of the CA. In the case of a statutory charge over shares in scripless form, an express written notice of assignment must also be given to the depository agent to perfect the security and preserve priority. Other perfection steps, to the extent applicable, are as discussed in question 3.3 above.

**3.7 Can security be taken over inventory? Briefly, what is the procedure?**

Yes, a floating charge is most commonly created over inventory. The chargor in this instance will generally be permitted to deal with the inventory in the ordinary course of its business until the occurrence of a default event under the facility or notice from the lender.

Registration with ACRA is required under s131 of the CA. Other perfection steps, to the extent applicable, are as discussed in question 3.3 above.

**3.8 Can a company grant a security interest in order to secure its obligations (i) as a borrower under a credit facility, and (ii) as a guarantor of the obligations of other borrowers and/or guarantors of obligations under a credit facility (see below for questions relating to the giving of guarantees and financial assistance)?**

Yes for both cases, subject to considerations such as the existence of corporate power and corporate benefit, s162/s163 of the CA (prohibition on loans, quasi-loans and credit transactions to directors and related companies) and financial assistance, etc., as set out in this chapter.

**3.9 What are the notarisation, registration, stamp duty and other fees (whether related to property value or otherwise) in relation to security over different types of assets?**

The fee for the registration of a charge/security instrument with ACRA in accordance with s131 of the CA is currently S\$60 per charge.

In addition, security interest over certain assets (e.g. aircraft, ships, intellectual property rights and land) will need to be registered at specialist registries and additional fees will be payable. For example, the fee payable for the registration of a mortgage over land with the SLA is currently S\$68.30 per mortgage.

Stamp duty is payable on a mortgage, equitable mortgage or debenture of any immovable property and stocks or shares. A legal mortgage is subject to *ad valorem* duty at the rate of 0.4% of the amount of facilities granted on the mortgage of immovable property or stocks and shares, subject to a maximum duty of S\$500. An equitable mortgage is subject to *ad valorem* duty at the rate of 0.2% of the amount of facilities granted on the mortgage of immovable property, subject to a maximum duty of S\$500.

Notarisation is not required for security documents which are executed and to be used in Singapore.

### 3.10 Do the filing, notification or registration requirements in relation to security over different types of assets involve a significant amount of time or expense?

The charge/security instrument to be lodged with ACRA under s131 of the CA must be lodged within 30 calendar days after the creation of the charge where the document creating the charge is executed in Singapore (or within 37 calendar days if executed outside Singapore). The filing (once filing forms are completed) is instantaneous and confirmation of registration from ACRA will normally take up to three business days.

The timeframe for registration at specialist registries differs according to each registry. For example, the registration of a mortgage with the SLA may take several weeks or even several months if complex and involving multiple units. In the interim, a lender may protect its interest by the lodgement of a caveat with the SLA.

Fees payable for such registrations are as discussed in question 3.9 above.

### 3.11 Are any regulatory or similar consents required with respect to the creation of security?

Regulatory consents may be required in certain circumstances; for example, where the subject land is state land leased from the government or government statutory boards like the SLA and Urban Redevelopment Authority.

### 3.12 If the borrowings to be secured are under a revolving credit facility, are there any special priority or other concerns?

Under Clayton's rule, security taken over a revolving loan may be "reducing" as the loan "revolves" as a result of the "first in first out" rule. In the absence of contrary indication, a secured revolving facility may technically lose the security once an amount equal to the original loan and any associated charges and interest has been paid into the account, even though sums have been paid out in the meantime. This is rarely an issue in practice, however, as finance documents will be drafted to provide for inverse order of payment and/or for security to be continuing notwithstanding any intermediate payments made as long as there is anything outstanding under the loan.

### 3.13 Are there particular documentary or execution requirements (notarisation, execution under power of attorney, counterparts, deeds)?

Execution requirements are predominantly set out in the company's constitutive documents and the CA. In addition, certain

instruments are also statutorily required to be in writing or executed by deed. For example, a legal mortgage over land must be by deed. Certain statutory remedies (e.g. power to sell the mortgaged property, to insure the property, to appoint a receiver, etc.) given to mortgagees will also not be available unless the mortgage is by deed. Commonly, it is prudent in any event for securities to be executed by deed so that there is no issue of past consideration. It is worth noting that amendments to the CA in 2015 introduced provisions allowing for the execution of deeds without the use of a common seal, thereby making the execution of deeds less administratively burdensome for local companies.

Where it is envisaged that the execution of the security instrument be completed by virtual means, it is also good practice for it to be done in line with the principles set out in the English case *R (on the application of Mercury Tax Group and another) v HMRC*.

## 4 Financial Assistance

### 4.1 Are there prohibitions or restrictions on the ability of a company to guarantee and/or give security to support borrowings incurred to finance or refinance the direct or indirect acquisition of: (a) shares of the company; (b) shares of any company which directly or indirectly owns shares in the company; or (c) shares in a sister subsidiary?

S76 of the CA provides, *inter alia*, that a public company or a company whose holding company or ultimate holding company is a public company, shall not, whether directly or indirectly, give any financial assistance for the purpose of, or in connection with, the acquisition by any person (whether before or at the same time as the giving of financial assistance) or proposed acquisition by any person of shares in the company or in a holding company or ultimate holding company (as the case may be) of the company. The prohibition does not extend to sister subsidiary companies. The CA further provides that financial assistance for the acquisition of shares may be provided by means of a loan, the giving of a guarantee, the provision of security, the release of an obligation or the release of a debt or otherwise.

These provisions may therefore be triggered in the event of the giving of guarantees/securities or other accommodation which may directly or indirectly provide "financial assistance" within the meaning of the CA. There are, however, whitewash provisions available under our laws, including short-form whitewash procedures that would enable the company to effect a whitewash through, *inter alia*, board approval if doing so does not materially prejudice the interests of the company or its shareholders or the company's ability to pay its creditors, or the passing of shareholders' and directors' resolutions and lodgement of solvency statements and papers with ACRA without the need for public notification and objection period or court order. Where the company is unable to effect a short-form whitewash, parties have to bear in mind that the need for public notification and objection period for a long-form whitewash will mean that a timeframe of six to eight weeks (assuming no objections) may be required.

## 5 Syndicated Lending/Agency/Trustee/Transfers

### 5.1 Will your jurisdiction recognise the role of an agent or trustee and allow the agent or trustee (rather than each lender acting separately) to enforce the loan documentation and collateral security and to apply the proceeds from the collateral to the claims of all the lenders?

Yes, Singapore recognises the role of an agent and trustee and these roles are normally taken up by the lead bank to whom

the borrower has granted the mandate to arrange the syndicated loan. An express trust will be created to ensure the desired consequences.

The creation of the trust must comply with the relevant formalities. For example, s7 of the Singapore Civil Law Act (Cap. 43) requires a trust in respect of immovable property to be manifested and proved in writing signed by the person who is able to declare such trust. In addition, a validly constituted express trust has to be certain as to the intention of the settlor to create the trust, the identity of the subject matter and the identity of the beneficiaries. Provided the relevant mechanics are set out in the finance documents and the trust is properly constituted, the security trustee will be able to hold the security on trust for the syndicated lenders and will have the right to enforce the finance documents and collateral security, including applying the proceeds from the collateral to the claims of the syndicated lenders in accordance with the finance documents.

**5.2 If an agent or trustee is not recognised in your jurisdiction, is an alternative mechanism available to achieve the effect referred to above, which would allow one party to enforce claims on behalf of all the lenders so that individual lenders do not need to enforce their security separately?**

This is not applicable. Please refer to question 5.1 above.

**5.3 Assume a loan is made to a company organised under the laws of your jurisdiction and guaranteed by a guarantor organised under the laws of your jurisdiction. If such loan is transferred by Lender A to Lender B, are there any special requirements necessary to make the loan and guarantee enforceable by Lender B?**

The right of Lender B to enforce the loan and guarantee exists provided the procedure for assignment or novation of Lender A's rights and obligations, as set out in the finance documents, are complied with (e.g. consent of borrower and guarantor if required) and the continuity of the guarantee is provided for expressly and preserved under the documents.

Where there are no proper procedures or transfer/preservation provisions within the finance documents or the security agency/trust is not properly constituted, an assignment or novation of the underlying loan may result in an assigned or new debt that is not covered by the guarantee. A transfer in such a situation may fail and the guarantee rendered unenforceable over the assigned or new debt. In such an instance, a fresh guarantee will be required for Lender B to be guaranteed. In practice, confirmation by the guarantor is often sought even if the documents provide expressly for preservation without consent.

## 6 Withholding, Stamp and Other Taxes; Notarial and Other Costs

**6.1 Are there any requirements to deduct or withhold tax from (a) interest payable on loans made to domestic or foreign lenders, or (b) the proceeds of a claim under a guarantee or the proceeds of enforcing security?**

Withholding tax is applicable by virtue of s12(6) read with s45 or s45A of the Singapore Income Tax Act (Cap. 134) (*ITA*), where a person is liable to pay another person not known to him to be tax resident in Singapore any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service

relating to any loan or indebtedness if such payments are either (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore), or (ii) deductible against any income accruing in or derived from Singapore. Interest and payments in connection with any guarantee or indebtedness that are made to foreign lenders would generally be subject to this withholding tax unless otherwise exempted. The current withholding tax rate on such s12(6) payments is 15% of the gross amount (assuming the payment is not derived by the non-resident from any trade, business, profession or vocation carried on or exercised by him in Singapore and is not effectively connected with any permanent establishment in Singapore of the non-resident).

There are, however, various exceptions to this. S12(6A) of the ITA excludes from the scope of s12(6) the following payments:

- (i) any payment made to a non-resident person for any arrangement, management or service relating to any loan or indebtedness where the arrangement, management or service is performed outside of Singapore for or on behalf of a person resident in Singapore or a permanent establishment in Singapore; and
- (ii) any payment made to a guarantor who is a non-resident person for any guarantee relating to any loan or indebtedness, where the guarantee is provided for or on behalf of a person resident in Singapore or a permanent establishment in Singapore.

For the purposes of s12(6A), a qualifying "non-resident" is a person who is not incorporated, formed or registered in Singapore and who does not, by himself or in association with others, carry on a business in Singapore and does not have a permanent establishment in Singapore; or if he does carry on a business in Singapore (by himself or in association with others) or has a permanent establishment in Singapore, the arrangement, management, service or giving of guarantee was not performed through, or effectively connected with, that business carried on in Singapore or that permanent establishment.

Since payments covered under s12(6A) are excluded from the scope of s12(6), the obligation to withhold tax does not arise for s12(6A) payments even though they are made to a non-resident person. In addition, s45(9)(c) of the ITA exempts from withholding tax interest that is paid to Singapore branches of non-resident foreign companies (e.g. non-resident foreign banks). If the non-resident bank is a resident of a country with which Singapore has an applicable tax treaty, the treaty may provide for a reduced withholding tax rate.

**6.2 What tax incentives or other incentives are provided preferentially to foreign lenders? What taxes apply to foreign lenders with respect to their loans, mortgages or other security documents, either for the purposes of effectiveness or registration?**

Singapore has various governmental agencies to assist foreign investors and creditors. The Economic Development Board is the lead governmental agency responsible for planning and executing strategies to attract foreign businesses and investments. Enterprise Singapore works to position Singapore as a base for foreign businesses to expand into the region, in partnership with Singapore-based companies.

Although incentives are generally industry-specific, and are not affected by the residency of the investors or creditors, there are selected schemes directed at attracting foreign investors and creditors. For example, interest payments on approved loans taken from non-resident lenders to purchase productive

equipment for the purposes of trade or business may enjoy an exemption from withholding tax or a reduced withholding tax rate.

Save for withholding taxes as discussed in question 6.1, no taxes specific to loans, mortgages or other security documents, either for the purposes of effectiveness or registration, are applicable. Stamp duty as discussed in question 3.9 will be applicable.

**6.3 Will any income of a foreign lender become taxable in your jurisdiction solely because of a loan to, or guarantee and/or grant of, security from a company in your jurisdiction?**

Where the bank is not a tax resident in Singapore, withholding tax as discussed in question 6.1 may apply.

Where the bank is a tax resident in Singapore or has a branch in Singapore, any interest, commission, fee or any other payment in connection with any loan or indebtedness or with any arrangement, management, guarantee, or service relating to any loan or indebtedness that is either (i) borne, directly or indirectly, by a person resident in Singapore or a permanent establishment in Singapore (except in respect of any business carried on outside Singapore through a permanent establishment outside Singapore or any immovable property situated outside Singapore), or (ii) deductible against any income accruing in or derived from Singapore, that accrues to or is derived by the bank or its Singapore branch will be deemed to be sourced in Singapore and subject to income tax in Singapore by virtue of s12(6) read with s10(1) of the ITA.

**6.4 Will there be any other significant costs which would be incurred by foreign lenders in the grant of such loan/guarantee/security, such as notarial fees, etc.?**

Apart from fees and tax payable as discussed above (i.e. questions 3.9 and 6.1), the provision of certain services, for example the provision of guarantee services, may be subject to Goods and Services Tax (*GST*) in Singapore if the provider of the service is registered for GST purposes pursuant to the Singapore Goods and Services Tax Act (Cap. 117A) unless the service qualifies as an international service or is an exempt supply on which no GST is chargeable. The rate at which GST is chargeable on standard-rated supplies of goods and services is presently 7% (and will be raised to 9% by 2025).

**6.5 Are there any adverse consequences for a company that is a borrower (such as under thin capitalisation principles) if some or all of the lenders are organised under the laws of a jurisdiction other than your own? Please disregard withholding tax concerns for the purposes of this question.**

Singapore tax laws do not contain thin capitalisation rules. However, should the banks be organised under the laws of a foreign jurisdiction, and no express choice of law is made in the finance documents, the applicable law governing the finance documents may be that of the foreign jurisdiction. In such a situation, the borrower may not be able to enjoy any rights and remedies that are available to a borrower in Singapore, but not in that foreign jurisdiction.

## 7 Judicial Enforcement

**7.1 Will the courts in your jurisdiction recognise a governing law in a contract that is the law of another jurisdiction (a "foreign governing law")? Will courts in your jurisdiction enforce a contract that has a foreign governing law?**

Provided that it is *bona fide* and legal and there is no reason for avoiding the choice on the grounds of illegality or public policy, the express choice of the laws made by the parties to a contract will be upheld as valid and binding in any action in the courts of Singapore and the courts will enforce a contract that has a foreign governing law.

In January 2015, the Singapore International Commercial Court (*SICC*) was established to hear international commercial disputes, including those governed by foreign laws.

The key features of the *SICC* are: (i) it is a division of the Singapore High Court, which means that *SICC* judgments can be enforced as judgments of the Supreme Court of Singapore; (ii) it has a diverse panel of judges that include eminent international jurists and existing Supreme Court Judges; (iii) its proceedings are open court proceedings although parties may apply for the proceedings to be confidential; (iv) there is flexibility for parties to seek leave of court to apply alternative rules of evidence (i.e. rules that differ from the existing Singapore rules of evidence) that they may be more familiar with; and (v) to appoint foreign-qualified lawyers to represent them in court where the cases have no substantial connection to Singapore or to address the court on matters of foreign law.

The *SICC* has heard a number of cases on a range of subjects and involving parties from various jurisdictions. Additionally, the Supreme Court of Judicature (Amendment) Act 2018 clarified that the *SICC* has jurisdiction to hear cases relating to international commercial arbitration. A new Technology, Infrastructure and Construction List was also recently established to address technically complex cases (e.g. construction, engineering, and technology-related disputes). Specialised procedures will apply to cases that are placed on the list with the consent of the parties, which allows for more efficient and expeditious resolution of such disputes.

**7.2 Will the courts in your jurisdiction recognise and enforce a judgment given against a company in New York courts or English courts (a "foreign judgment") without re-examination of the merits of the case?**

At present, certain judgments from English courts may be recognised and enforced in Singapore without a re-examination of the merits of the case under the Reciprocal Enforcement of Commonwealth Judgments Act (Cap. 264) (*RECJA*) or the Choice of Court Agreements Act 2016 (No. 14 of 2016) (*CCAA*).

Under the *RECJA*, a final judgment for a sum of money obtained against a company in Singapore (which is not a judgment for the payment of a fine, penalty or tax, or anything of that nature) in a superior court in England may be enforceable against the company in Singapore, unless there are special grounds for refusing registration and enforcement (e.g. the judgment was obtained by fraud, an appeal is pending, or the judgment concerns a cause of action which could not be entertained in Singapore for reasons of public policy). However, legislative reform is under way and non-money judgments (e.g. freezing orders, injunctions) as well as judgments which are not from superior courts, amongst others, may be registered and enforced in Singapore under the Reciprocal Enforcement of

Foreign Judgments Act (Cap. 265) (*REFJA*). However, while the REFJA is intended to replace the RECJA, at present only the courts of Hong Kong have been gazetted under the REFJA, and the RECJA continues to apply to judgments from the English courts.

English judgments may also be recognised under the CCAA, which implements the regime created by the 2005 Hague Convention on Choice of Court Agreements (*Hague Convention*). Under the CCAA, English judgments may be recognised and enforced if parties had entered into an agreement designating the English courts as having exclusive jurisdiction in respect of a particular matter. In instances of overlap (i.e. where the English judgment is a final judgment for a sum of money obtained against a company in Singapore (which is not a judgment for the payment of a fine, penalty or tax, or anything of that nature) from a superior court in England and there exists an agreement designating English courts as having exclusive jurisdiction over the subject matter in dispute), enforcement of the English judgment will be governed by the CCAA and not the RECJA.

Like the RECJA, recognition and enforcement of English judgments under the CCAA will not entail a re-examination of the merits. Similarly, there are also exceptions to the scope of the CCAA. For example, insolvency matters and matters involving consumers are excluded from the scope of the CCAA. Further, recognition and enforcement may be refused if, for example, the English judgment is inconsistent with a Singapore judgment given in a dispute between the same parties. There are also several grounds on which recognition and enforcement must be refused if, for instance, the foreign judgment was obtained by fraud in connection with a matter of procedure, or where it would be manifestly incompatible with the public policy of Singapore.

As to judgments by New York courts, only certain judgments issued by New York courts will be enforced in Singapore in accordance with the common law. There is no reciprocal agreement or convention between Singapore and the United States of America in respect of the enforcement of court judgments. There is also no Singapore legislation in place to facilitate the enforcement of New York court judgments. Broadly speaking, under the common law, a money judgment may be enforced, provided it is final and conclusive, and the foreign court had jurisdiction over the defendant in accordance with the private international law principles recognised by the Singapore courts. It will then be for the party resisting enforcement to prove that the New York courts had no jurisdiction over the matter, or that the judgment was obtained by fraud, or that there were any major procedural irregularities in arriving at the judgment, or that enforcement would be a direct or indirect enforcement of foreign penal, revenue or other public law, or that enforcement would be contrary to the public policy of Singapore. The Singapore court will not re-examine the merits of the case.

**7.3 Assuming a company is in payment default under a loan agreement or a guarantee agreement and has no legal defence to payment, approximately how long would it take for a foreign lender to (a) assuming the answer to question 7.1 is yes, file a suit against the company in a court in your jurisdiction, obtain a judgment, and enforce the judgment against the assets of the company, and (b) assuming the answer to question 7.2 is yes, enforce a foreign judgment in a court in your jurisdiction against the assets of the company?**

The timeline for each case would depend on its own facts. Generally, if the claim is against a defendant in Singapore and based on a straightforward loan agreement or guarantee, it is possible to obtain default or summary judgment within three to six months of filing the claim (assuming there is no appeal).

There are generally four main methods of enforcement; namely, a writ of seizure and sale, garnishee proceedings, examination of judgment debtor, and liquidation proceedings. Depending on which method of enforcement is selected and whether any challenge is mounted by the debtor, the process could take two to six months or longer (again, assuming there is no appeal).

In May 2017, the Companies (Amendment) Act 2017 (No. 15 of 2017) (*Amendments*) came into effect. Modelled on chapter 15 of the U.S. Bankruptcy Code and the UK Cross-Border Insolvency Regulations, the Amendments adopted the UNCITRAL Model Law on Cross-Border Insolvency to facilitate the recognition of foreign corporate insolvencies and rehabilitative proceedings in Singapore. The Amendments are now found in the Insolvency, Restructuring and Dissolution Act 2018 (No. 40 of 2018) (*IRDA*). The IRDA came into effect on 30 July 2020 and consolidated the provisions governing personal bankruptcy, liquidation and debt restructuring.

**7.4 With respect to enforcing collateral security, are there any significant restrictions which may impact the timing and value of enforcement, such as (a) a requirement for a public auction, or (b) regulatory consents?**

There is no specific requirement for a public auction, although sale by public auction is commonly carried out as a matter of practice. Secured creditors typically have wide powers under the terms of the security document to take possession, dispose or otherwise deal with the secured assets, or appoint a receiver in respect of the secured assets, to satisfy the secured debts. There may be requirements for regulatory consent in respect of certain types of borrowers (for example, regulated entities).

**7.5 Do restrictions apply to foreign lenders in the event of (a) filing suit against a company in your jurisdiction, or (b) foreclosure on collateral security?**

There are no specific restrictions on foreign lenders filing a suit or foreclosing on collateral security so long as the Singapore courts have jurisdiction over the matter.

**7.6 Do the bankruptcy, reorganisation or similar laws in your jurisdiction provide for any kind of moratorium on enforcement of lender claims? If so, does the moratorium apply to the enforcement of collateral security?**

The IRDA provides for an automatic moratorium where a provisional liquidator is appointed or a liquidation order is made. Notwithstanding the moratorium, secured creditors may generally enforce their security with the leave of the court and in accordance with the terms that the court may impose.

The IRDA also provides for an automatic moratorium upon the making of an application for a judicial management order or the lodgement of a written notice of appointment of an interim judicial manager (i.e. where creditors have resolved to place the company under judicial management, a process that does not involve the Singapore court). However, if within the period of 12 months immediately before the date on which such an application or lodgement the company already enjoyed such an automatic moratorium by virtue of a prior application for a judicial management order or lodgement, no second automatic moratorium will apply. An automatic moratorium also applies upon the making of a judicial management order. If such an automatic moratorium applies, generally a creditor may not enforce any

security over the company's assets without permission from the court or the judicial manager.

Under the IRDA and the CA, the court may grant a moratorium order (*Scheme Moratorium*) if applied by the company (under the IRDA and CA), creditor or member (under the CA), which may cover the enforcement of security. Most companies would be able to avail themselves of the IRDA regime, under which an automatic 30-day moratorium comes into effect on the filing of a moratorium application. Under the IRDA regime, related companies (i.e. the applicant company's subsidiaries, holding company or ultimate holding company) may apply to extend the Scheme Moratorium to the related companies. Further, the IRDA also allows a Scheme Moratorium to have worldwide or extraterritorial effect (i.e. applying to acts outside of Singapore). For the Scheme Moratorium to have extraterritorial effect, the applicant company must seek to restrain specific acts of a specific party that is in Singapore or within the jurisdiction of the Singapore court.

If the IRDA regime is unavailable, a company may seek a Scheme Moratorium under the CA but as a prerequisite the applicant company will need to put forth a sufficiently detailed scheme proposal first.

#### 7.7 Will the courts in your jurisdiction recognise and enforce an arbitral award given against the company without re-examination of the merits?

Foreign arbitral awards (i.e. arising out of arbitrations seated outside of Singapore) may be recognised and enforced in Singapore in accordance with the New York Convention in conjunction with the International Arbitration Act (Cap. 143A) without having its merits re-examined. However, the courts may refuse to enforce such awards on grounds recognised by the New York Convention, which includes: incapacity of a party; failure to give proper notice to a party or the inability of a party to present his/her case; the selection of the arbitrators or the arbitral procedure was inconsistent with the agreement of the parties or the law of the seat; the award falling outside of the scope of the submission to arbitration; invalidity of the arbitration agreement; the award having been set aside; the subject matter of the difference between the parties to the award not being capable of settlement by arbitration under the law of Singapore; and/or the enforcement of the award being contrary to the public policy of Singapore.

An award arising out of an international arbitration seated in Singapore under the International Arbitration Act may also be enforced in Singapore without having its merits re-examined. The grounds for setting aside such an award are substantially the same as the grounds for refusing enforcement under the New York Convention, except that the award may also be set aside if there was fraud, corruption or a breach of the rules of natural justice.

An award arising out of a domestic arbitration under the Arbitration Act (Cap. 10) may generally be enforced without having its merits re-examined, with the same grounds for setting aside as an international arbitration award. However, in limited situations the court may grant leave to appeal on a question of law that is of general public importance where the parties have not excluded such appeals by agreement.

## 8 Bankruptcy Proceedings

#### 8.1 How does a bankruptcy proceeding in respect of a company affect the ability of a lender to enforce its rights as a secured party over the collateral security?

Bankruptcy proceedings in respect of a company, in the sense of proceedings relating to the insolvency of a company, include

receivership, liquidation, schemes of arrangement and judicial management. The right to appoint a receiver over a company can arise statutorily, contractually in accordance with the terms of the security document such as a debenture or by an exercise of the court's power to appoint a receiver on the application of the secured creditor. For the most part, the receiver's duties are owed to the appointing secured creditor, and the receiver would act in furtherance of the interests of the secured creditor to realise the collateral security. For restrictions on enforcing security in the context of liquidation, schemes of arrangement and judicial management, see question 7.6 above.

#### 8.2 Are there any preference periods, clawback rights or other preferential creditors' rights (e.g., tax debts, employees' claims) with respect to the security?

Yes. Liquidators and judicial managers, but not receivers, can apply to set aside transactions entered into or claw back certain assets transferred before the commencement of liquidation. Such transactions include transactions at an undervalue, unfair preferences, extortionate credit transactions, floating and unregistered (but registrable) charges, and transactions defrauding creditors. The clawback period ranges from three years (transactions at an undervalue and extortionate credit transactions) to two years (unfair preferences, if given to a person connected with the company; if not, one year) before the commencement of liquidation or judicial management. Generally, floating charges created within one year (two years if given to a person connected with the company) before the commencement of liquidation or judicial management are invalid except to the value of the consideration (in so far as the consideration consists of money paid, goods or services supplied, or the discharge/reduction of debt) for the creation of the charge together with interest, unless there is proof that the company was solvent at the time the floating charge was created. Finally, charges which are registrable under the CA should be registered within 30 days after the creation of the charge, though the time may be extended by the court where it is, amongst other things, just and equitable to do so.

Though not directly affecting security, the IRDA also contains provisions against fraudulent trading (i.e. where the business of a company has been carried on with the intent to defraud creditors or for any fraudulent purpose) as well as wrongful trading (i.e. where the company incurs debts or other liabilities without a reasonable prospect of meeting them when the company is insolvent or when such liabilities cause the company to become insolvent). A liquidator, judicial manager, contributory or creditor can in such instances apply for a declaration for the parties to the fraudulent/wrongful trading to be personally responsible for the debts/liabilities of the company.

In a liquidation, costs and expenses relating to the winding up as well as specified employment liabilities (including wages, retrenchment benefits, contributions under a scheme of superannuation, and remuneration in respect of vacation leave, up to a certain limit prescribed by order in the Gazette) rank ahead of floating charges and must accordingly be paid out of property subject to a floating charge if the remaining assets of the company are insufficient to meet those debts. In a receivership, the same employment liabilities must be paid in priority to any claim for principal and interest secured by property subject to a floating charge.

#### 8.3 Are there any entities that are excluded from bankruptcy proceedings and, if so, what is the applicable legislation?

Entities incorporated in Singapore are generally not excluded from bankruptcy proceedings in Singapore, although a judicial

management order under the IRDA cannot be made in relation to: a banking corporation or a finance company licensed under the Finance Companies Act (Cap. 108); a licensed insurer licensed under the Insurance Act (Cap. 142); or a company otherwise prescribed under the Gazette.

#### 8.4 Are there any processes other than court proceedings that are available to a creditor to seize the assets of a company in an enforcement?

Self-help remedies may be available if provided under the contract or otherwise conferred by the law for specific types of security. For instance, appointment of a receiver can be provided for in debentures (see question 8.1 above), and the creditor may have a power of sale for properties subject to a mortgage or a pledge.

## 9 Jurisdiction and Waiver of Immunity

#### 9.1 Is a party's submission to a foreign jurisdiction legally binding and enforceable under the laws of your jurisdiction?

Yes, a party's submission to a foreign jurisdiction will generally be upheld as valid and binding in any action in the courts of Singapore. Whether such submission has taken place will be determined by the laws of Singapore.

In particular, where a party has submitted exclusively to the jurisdiction of a state that is party to the Hague Convention (see question 7.2 above), the CCAA would apply and a Singapore court must stay or dismiss proceedings in the Singapore court in favour of proceedings in the foreign court. This is subject to certain exceptions. For example, the CCAA does not apply to certain types of matters, such as insolvency matters and matters involving consumers. The Singapore court can also refuse to stay or dismiss proceedings in its courts if, for example, the agreement to submit to the foreign jurisdiction is null and void under the law of the foreign jurisdiction, or if giving effect to the agreement would lead to manifest injustice or would be manifestly contrary to the public policy of Singapore.

Even where the Hague Convention does not apply, Singapore courts will stay local proceedings if there is an exclusive jurisdiction clause in favour of a foreign court, unless there is strong cause to refuse a stay such as an abuse of process or a denial of justice.

#### 9.2 Is a party's waiver of sovereign immunity legally binding and enforceable under the laws of your jurisdiction?

A party's waiver of sovereign immunity may be legally binding and enforceable provided it satisfies the conditions as set out in the Singapore State Immunity Act (Cap. 313).

## 10 Licensing

#### 10.1 What are the licensing and other eligibility requirements in your jurisdiction for lenders to a company in your jurisdiction, if any? Are these licensing and eligibility requirements different for a "foreign" lender (i.e. a lender that is not located in your jurisdiction)? In connection with any such requirements, is a distinction made under the laws of your jurisdiction between a lender that is a bank *versus* a lender that is a non-bank? If there are such requirements in your jurisdiction, what are the consequences for a lender that

has not satisfied such requirements but has nonetheless made a loan to a company in your jurisdiction? What are the licensing and other eligibility requirements in your jurisdiction for an agent under a syndicated facility for lenders to a company in your jurisdiction?

Under Singapore law, unless exempted or excluded, a person may not carry on the business of a moneylender without holding the requisite moneylenders' licence. The relevant legislation, the Moneylenders Act (Cap. 188) (*MA*), provides that any person who lends a sum of money in consideration of a larger sum being repaid (i.e. charge interest) shall be presumed, until the contrary is proved, to be a moneylender. The same prohibition would apply to a "foreign" lender who carries on the business of moneylending in Singapore from a place outside Singapore.

"Any person licensed, approved, registered or otherwise regulated by the MAS under any other written law", amongst others, would fall outside the ambit of the prohibition as an "excluded moneylender". These would include banks or finance companies that are licensed and regulated under the Banking Act (Cap. 19) and Finance Companies Act (Cap. 108), respectively. The question therefore is whether "foreign" lenders or other non-bank entities that are not so licensed, approved, registered or otherwise regulated by the MAS are necessarily excluded. With effect from 1 March 2009, an amended Moneylenders Act came into force in Singapore pursuant to which, amongst others, "any person who lends money solely to corporations" or "any person who lends money solely to accredited investors within the meaning of section 4A of the Securities and Futures Act (Cap. 289)" would be an "excluded moneylender". Accordingly, a lender can be an "excluded moneylender" provided on the facts it lends (and has lent) money solely to corporations or only to accredited investors.

There has been academic debate on whether a "foreign" unlicensed lender or other non-bank entity would not be deemed to be an excluded moneylender if it had in the past lent money otherwise to individuals who were not accredited investors. The prevailing view, however, is that the Singapore courts are unlikely to allow such a defence without more to succeed in the context of legitimate financial activity of commercial entities.

For corporations convicted of unlicensed moneylending, a fine will be imposed of not less than S\$50,000 and not more than S\$500,000. In addition, subject to certain exceptions, the contracts for such loans, and guarantees or securities given for such loans, shall be unenforceable, and any money paid by or on behalf of the unlicensed moneylender under the contracts for the loans will not be recoverable in any court of law.

The granting of loans to corporations *per se* is not otherwise regulated in Singapore. There are no eligibility requirements in Singapore for a lender lending to a company and, subject to the above, it need not be licensed or authorised provided that no other regulated activities (e.g. banking, securities or financial advisory activities) are being conducted.

## 11 LIBOR Replacement

#### 11.1 Please provide a short summary of any regulatory rules and market practice in your jurisdiction with respect to transitioning loans from LIBOR pricing.

In December 2020, there were various developments in relation to the discontinuation of LIBOR and SIBOR, with implications for the industry benchmark transition to SORA. To provide additional guidance on cessation timelines and to support the transition to a SORA-centred SGD interest rate market for a range of financial products, the Steering Committee for SOR Transition

to SORA (*SC-STs*) laid down the following key timelines to be observed by financial institutions (*FIs*): (1) *FIs* to cease usage of SOR and SIBOR in new derivatives contracts and in financial products respectively by the end of September 2021; (2) *SC-STs* to retain the originally contemplated end-date of end-2024 for the Fallback Rate (*SOR*); and (3) *FIs* to target to reduce their *SOR* exposures to corporates to 20% by the end of 2022.

In view of its recommendation to cease the reliance on LIBOR in new contracts, the *SC-STs* had also published an updated Transition Roadmap setting out the following priorities: (1) expanding initiatives in relation to SORA derivatives and floating rate notes to facilitate price discovery across longer tenors, and support further growth of SORA markets; (2) early cessation of fresh contracts using SOR and SIBOR to increase references to SORA in new products and improve management and hedging of interest rate risks; and (3) supporting the transition of *SOR*-linked legacy contracts while liquidity remains in both the *SOR* and SORA derivatives markets.

Since the end of February 2021, key market participants such as OCBC Bank have been offering a full range of SORA-based products. *FIs* have been encouraged to implement the essential changes to transition exposures to SORA, including the acceleration of staff training, operational changes, and client outreach. The key timelines and roadmap set out by the *SC-STs* provide a prudent path towards mitigating financial risks from the imminent discontinuation of LIBOR, and ensures continual access to important funding markets.

## 12 Other Matters

**12.1 How has COVID-19 impacted document execution and delivery requirements and mechanics in your jurisdiction during 2021 (including in respect of notary requirements and delivery of original documents)? Do you anticipate any changes in document execution and delivery requirements and mechanics implemented during 2020/2021 due to COVID-19 to continue into 2022 and beyond?**

The COVID-19 pandemic has rendered it complex and unsuitable for some individuals and businesses to obtain traditional “wet-ink” signatures. As a result, COVID-19 has compelled

more businesses to recognise the efficiency of using electronic signatures (*e-signatures*) and this is expected to influence the operation of business moving forward.

E-signatures are generally valid in Singapore, as provided for in the Electronic Transactions Act (Cap. 88) (*ETA*). However, the *ETA* also sets out a list of excluded matters in which an e-signature should be avoided. These matters include, amongst others, the creation or execution of a will and the conveyance of interests in immovable property. On 19 March 2021, the *ETA* was amended to recognise and provide for the validity and enforceability of electronic versions of transferable documents, particularly trade documents such as bills of lading and bills of exchange, which were previously included in the list of excluded matters. Although case-law on these matters has been permissive, it remains prudent to avoid using e-signatures when executing documents dealing with excluded matters where possible. Specifically, and in the absence of express legislation or guidance, it remains prudent to use “wet-ink” signatures in security and other financing documents.

With regard to notary requirements, individuals and businesses facing difficulties in arranging for the physical administration of statutory declarations have resorted to executing such documents by way of video conference. Such arrangements are not expressly provided for under the Oaths and Declarations Act (Cap. 211) but are practised and accepted in Singapore.

Given the widespread recognition of more efficient alternative methods of execution, and with most of the global population still telecommuting amidst ongoing social distancing measures, businesses and individuals are likely to continue to assess the efficacy of traditional methods into 2022 and beyond.

**12.2 Are there any other material considerations which should be taken into account by lenders when participating in financings in your jurisdiction?**

The principal Singapore law considerations for lenders when participating in financings in Singapore have generally been covered by the above questions and answers.



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