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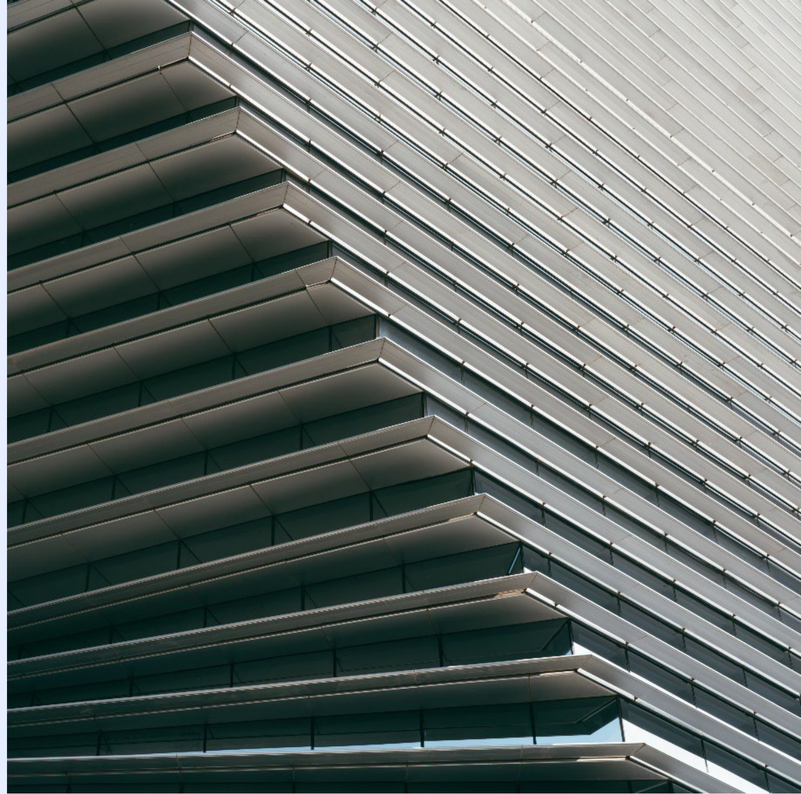

Insolvency and restructuring law reform in South and Southeast Asia – an unprecedented wave and what it means for private capital

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South and Southeast Asia are experiencing a wave of insolvency and restructuring reform, reshaping the region's financial and corporate landscape.

- **Vietnam** has enacted a new Law on Rehabilitation and Bankruptcy, introducing a new debtor-in-possession restructuring procedure coupled with a moratorium.
- **Thailand** is introducing a pre-packaged rehabilitation proceeding to enable a more streamlined restructuring process.
- **India** is advancing amendments to the Insolvency and Bankruptcy Code (IBC), expected to take effect in Q2 this year.
- **Malaysia** has adopted the UNCITRAL Model Law on Cross-Border Insolvency, strengthening its framework for recognition of international restructuring and insolvency procedures.
- **Indonesia** has faced calls to reform the PKPU process, its in-court restructuring procedure, and while no changes have been introduced as yet, other changes will have an impact on corporates and restructuring processes.
- **Singapore** is refining its restructuring regime further, building on its position as a regional hub.

These reforms are driven by the need to modernise legal frameworks, enhance value protection, and maintain competitiveness in attracting global capital amid economic and geopolitical uncertainty. Collectively, they mark a decisive shift toward internationally aligned insolvency regimes, with potentially significant implications for private credit investors, corporates, and creditors operating across the region.

Key takeaways

1. With geopolitical uncertainty and the expansion of private credit, private capital is paying closer attention to downside protection and restructuring outcomes across South and Southeast Asia.

2. Markets lacking effective restructuring frameworks are putting them in place, while those with existing frameworks are seeking to enhance them.

3. While the trend is towards earlier stage rescue tools, often with debtor led or debtor in possession characteristics and an increased focus on cross border recognition, investor outcomes will depend heavily on domestic implementation and cross border application.

4. Lenders, sponsors and private capital that do not remain alert to the legal and practical implications of these reforms risk mispricing downside protection and recovery outcomes across the region.

Key trends in the wave of reform

- **Shift towards early-stage rescue and debtor in possession restructuring models**

  Vietnam, Thailand and India are introducing or expanding debtor in possession restructuring processes, aimed at intervening earlier to preserve enterprise value and avoid formal liquidation. This builds on the debtor-in-possession model already introduced in Singapore and Malaysia and the global trend which typically prioritises corporate rescue and preserving enterprise value over immediate creditor enforcement in the event of default or payment issues. Whenever the law provides for a moratorium or stay on enforcement it is something creditors must think carefully about at the structuring and enforcement stages.

- **Increasing domestic and international restructuring options in a world of forum shopping**

  In an increasingly competitive marketplace for cross-border debt restructurings, economies without established debt restructuring frameworks – such as Vietnam – are under pressure to introduce and develop them, while markets that have existing frameworks, such as Singapore, Malaysia, Thailand and India, are focusing on expansion and improvement. The pace of activity will also place a spotlight on other markets that are not making such moves, such as Indonesia.

- **Growing emphasis on cross-border recognition and cooperation**

  The region is moving, slowly, towards greater cross-border cooperation. Malaysia has adopted the UNCITRAL Model Law (albeit with a unique self-protection mechanism). Singapore is proposing to extend its Model Law framework. Vietnam has introduced provisions specifically aimed at enhancing court-to-court cooperation (but has not adopted the UNCITRAL Model Law). India has established a

framework giving the government power to promote multi-jurisdictional cooperation in cross-border insolvency proceedings which may or may not include adopting the UNCITRAL Model Law. We may be moving into a phase of the haves and the have-nots – those that have the Model Law which enables a more flexible approach to cross-border restructuring and those that do not, which may require a local debtor to use the domestic process as the primary tool.

These are all competitive advantages as investors consider downside protection when determining where they seek to deploy their capital.

Vietnam – New Law on Rehabilitation and Bankruptcy featuring a new standalone rehabilitation process

Vietnam's Law on Rehabilitation and Bankruptcy No. 142/2025/QH15 (RBL 2025) came into effect on 1 March 2026. The significant change is the introduction of a new stand-alone rehabilitation procedure for distressed companies, designed to facilitate the rescue of viable businesses before bankruptcy proceedings commence.

This reflects prevailing practice in the region where restructuring is typically prioritised over bankruptcy. Previously, Vietnamese debtors did not have a recognised option to use a domestic debt restructuring process to restructure their debts and as a result looked to jurisdictions such as Singapore (in the case of Novaland) and England (in the case of Vinashin). A domestic framework is now in place.

Key features of the new rehabilitation procedure include:

- **Eligibility**: Debtor companies facing imminent insolvency may present a rehabilitation petition to court and undergo a rehabilitation process with a view to restructuring its debts. RBL 2025 now provides for a six-month window (being debts overdue for six months or an anticipation of not being able to pay debts falling due within the next six months), replacing the former three-month window under the prior law. This gives a debtor a longer runway to plan and implement a debt restructuring.
- **Moratorium on enforcement of security**: Following the acceptance of a rehabilitation petition, an automatic stay is imposed. This will have the effect of temporarily suspending all enforcement actions against the debtor's assets, including enforcement of security. Payment of debts and interest incurred prior to the court’s acceptance of the petition will also be suspended, although it will continue to accrue.
- **Rehabilitation plan**: The debtor must submit a rehabilitation plan within 30 days of the petition being accepted by the court. It is unclear whether equity holders will be affected by the rehabilitation process, but the wording of the legislation seems to imply that the intention is to capture debts only.
- **Voting classes and threshold for approval:** Approval requires the support of creditors representing at least 65% of the total debts held by all creditors, not just those present and voting. All creditors – both secured and unsecured – vote as a single class.
- **Statutory waterfall**: The rehabilitation plan must comply with the following statutory repayment priority in relation to the schedule for

debt repayment: (1) costs of the rehabilitation; (2) employee-related claims; (3) new financing incurred for rehabilitation; (4) secured debts; and (5) other/unsecured debts.

- **Treatment of new debts**: While there is no express super-priority regime, the interest on debts incurred after acceptance of the petition may be paid "as agreed" during the rehabilitation process. In addition, in the new statutory insolvency waterfall, any new financing obtained for rehabilitation purposes must be repaid in priority to existing secured and unsecured debts. This provision could facilitate rescue financing, although its practical application remains to be seen given the current absence of detailed regulation.
- **Cross-border insolvency**: RBL 2025 also introduces provisions requiring local courts to both request assistance from, and respond to, foreign courts in cross-border bankruptcy matters, such as the enforcement of offshore assets. But the law stopped short of incorporating the UNCITRAL Model Law on Cross-Border Insolvency (1997).

While we will need to wait to see how the new rehabilitation applies in practice, lenders and investors alike should be alive to potential risks and issues arising from the following features:

- **Moratorium**: Any time a moratorium plays a role in a restructuring process, the nature and scope of the moratorium, the level of certainty around secured creditors rights and the time for which the moratorium can continue in effect, are all factors that play into assessing risk, downside protection and even pricing of debt.
- **30 days to present a rehabilitation plan**: In our experience, it can take many months to negotiate and agree a restructuring plan or proposal, particularly where there are multiple stakeholders. Whether and how the 30 days can be extended and how that impacts the overall process will be a key factor.
- **Single class of voting**: Placing all creditors in a single class has the potential to dilute the rights of secured creditors in large capital structures. Understanding who's who and where you fit in the capital structure in terms of percentage of debt will be critical.
- **65% voting threshold**: When compared to schemes of arrangement (75% by value and majority in number present and voting) this is a relatively low threshold to impose a restructuring solution on dissenting creditors. What protections are in place for creditors will remain to be seen.
- **Rehabilitation professional**: RBL 2025 provides that a rehabilitation professional will be appointed to help oversee the process. Whether there are a sufficient number of professionals available to take on these roles and what qualifications are required remain to be seen. We have seen in markets that introduce a new restructuring law, such as India's introduction of the IBC, that training a generation of professionals to take on these appointments is a necessary part of implementing the new law.

Thailand – amendments to the Bankruptcy Act to add in pre-packaged rehabilitation proceedings

Thailand's House of Representatives has recently approved amendments to Thailand's Bankruptcy Act. These amendments are pending Senate review and, if implemented, will mark a significant change in the restructuring landscape for distressed debtors in Thailand.

The biggest change is the introduction of pre-packaged rehabilitation proceedings. This aims to provide companies with a faster and more efficient route to restructuring their businesses. Thailand has drawn inspiration from the US Chapter 11 framework for this development.

Whereas the existing rehabilitation process in Thailand involves the terms of the restructuring being negotiated only after the rehabilitation petition has been submitted and accepted, the pre-packaged route involves the parties negotiating and agreeing the restructuring and bringing that to the court for approval. Court approval and a planner appointment will still be required for pre-packaged rehabilitation processes, but the timeline for it is intended to be shorter.

Malaysia – enactment of UNCITRAL Model Law on cross-border Insolvency

On 29 July 2025 Malaysia enacted the Cross-Border Insolvency Act 2026 (Act 877) (the CBIA), which substantially incorporates the Model Law. The CBIA will come into operation upon a date selected by a ministerial notification.

In short this means that a debtor that undertakes a restructuring or insolvency process in another jurisdiction can bring that to Malaysia and have it recognised without the need to commence separate or independent Malaysian proceedings.

At its core, the CBIA facilitates cooperation and coordination between Malaysian courts and foreign courts or insolvency office holders. It allows foreign representatives to apply directly to the High Court in Malaysia for recognition of foreign proceedings, which may be classified as either 'foreign main' or 'foreign non-main' proceedings. Upon recognition of a 'foreign main proceeding', certain relief – most notably a stay of proceedings and execution against the debtor’s assets – arises automatically, while the court retains discretion to grant additional or provisional relief to protect the debtor’s estate and creditors' interests.

The CBIA applies only to certain corporate debtors and excludes individuals, limited liability partnerships and various categories of regulated or systemically important entities. Significant carve outs apply to financial institutions, capital market infrastructure, and certain Labuan entities, reflecting a policy choice to preserve regulatory oversight and financial stability. The court also retains a broad public policy exception, enabling it to refuse recognition or relief where doing so would be contrary to Malaysia’s public interest or public policy.

Malaysia has also enhanced local creditor protection, beyond what is already contained in the Model Law by requiring confirmation that debts owed to local creditors, up to a defined threshold amount as prescribed by the minister by order published in the gazette, will be deducted from the

assets or funds sought to be transferred out of the jurisdiction. We understand that this is aimed at protecting smaller domestic businesses – such as local manufacturers and farmers – that have outstanding debts owing to them.

India – New Act to amend India's Insolvency and Bankruptcy Code

India’s Insolvency and Bankruptcy Code (IBC) was enacted in 2016 to introduce a new regime which could more effectively and efficiently resolve ongoing financial distress. While the IBC has been viewed as an overwhelming success, consistent with the ongoing economic reform in India, further adjustments have recently been made.

The IBC (Amendment) Bill was introduced in August 2025, proposing a comprehensive overhaul of the corporate insolvency framework. On 30 March 2026 the Lower House of the Indian Parliament passed the Bill and on 6 April 2026 it received Presidential assent becoming the Insolvency and Bankruptcy Code (Amendment) Act. This Act will come into force on a date notified by the government. The amendments are designed to make the IBC more attractive to investors and establish a clearer, more consistent approach.

One of the key changes in the Act is the introduction of an alternative to the existing corporate insolvency resolution process: the *creditor-initiated* insolvency resolution process (the CIIRP). The CIIRP would be initiated and largely conducted out of court, with court supervision at certain junctures such as the grant of a moratorium and approval of a resolution plan. The CIIRP would be a debtor-in-possession process – management will continue to manage the business with a restructuring professional appointed to help deal with the mechanics of the CIIRP but not to take over the control of the management of the business. This enables a pro-active debtor in-possession debt restructuring to take place under the supervision of the court and a resolution professional.

Only certain creditors (mainly commercial banks) may initiate the new CIIRP process. This suggests a phased approach to the new CIIRP's introduction. The new CIIRP must be completed within 150 days (subject to an optional one off 45-day extension, provided certain conditions are met). If no resolution plan is approved by the required creditor voting threshold within this period, the new CIIRP will convert into a CIRP and the restructuring professional will manage the business.

Some of the other changes include:

- Implementation of a group insolvency framework, allowing companies under common ownership to address financial distress collectively, thereby facilitating restructurings involving complex corporate groups;
- Empowerment of the government to establish a framework, drawing on the Model Law, to promote multi-jurisdictional cooperation in cross-border insolvency matters; and
- Stricter rules governing the withdrawal of insolvency proceedings, thereby limiting the potential for late-stage settlements that could undermine procedural certainty.

Indonesia – calls for Bankruptcy Law to be reformed

Indonesia's 2004 Bankruptcy Law provides for two court-driven restructuring processes – bankruptcy and suspension of debt repayment (PKPU). While the PKPU has now had decades' worth of use and has been recognised in the US, Singapore, Australia and other markets, the application of the law has attracted criticism prompting calls for amendments. The criticism comes mainly from two camps – foreign creditors and domestic debtors. Foreign lenders are concerned about transparency and a lack of consistency in the application of the law, whereas domestic debtors are concerned about the ability for creditors to file a PKPU petition against a perfectly solvent debtor thus subjecting it to a potentially damaging insolvency process.

In recent times, reforms have been raised and debated including the introduction of an insolvency test in order for a debtor to be subject to PKPU proceedings and the removal of the right for creditors to file a petition. While these changes have not come into effect, it is likely that there will continue to be mounting pressure for legislative changes to modernise Indonesia's bankruptcy regime and enhance legal certainty in restructuring and proceedings, particularly in light of reforms in other jurisdictions which may create competitive tensions for investors.

On 30 March 2026, Indonesia and Singapore entered into a memorandum of understanding aimed at strengthening cross-border communication and cooperation in cross-border insolvency proceedings. The memorandum of understanding formalises court communication and provides clarity to stakeholders, enabling more efficient restructuring for companies operating in both countries.

Singapore – proposed reforms to Singapore's IRDA

The Insolvency, Restructuring and Dissolution Act (IRDA), which came into force in 2020, consolidated and modernised the country's restructuring and insolvency laws. In late 2023, a committee was established to consider further enhancements to the existing regime.

In 2025, the committee published a report[1], with the key proposals as follows:

- **Cross-class cram down in schemes of arrangement, creditor voting thresholds** – it is proposed that the requirement for a majority in number of creditors representing three-quarters in value of creditors across all classes to vote in favour of the scheme be removed as a condition to using cross-class cram down.
- **Cross-class cram down in schemes of arrangement, shareholder involvement** – the existing framework only permits a cross-class cram down of dissenting classes of creditors, not shareholders. It is proposed that cross-class cramdown provisions will apply to shareholders in certain cases, better reflecting the debtor's financial position and potentially eliminating the need to secure separate consent from shareholders following the sanction of a scheme.
- **Judicial management** is proposed to be reconceptualised to emphasise the restructuring and turnaround functions. The reforms

[1] Shaun Langhorne was a member of the committee

would give creditors (and debtors) the added option to seek to restructure via the reconceptualised JM regime (which involves the appointment of an independent insolvency practitioner), as an additional option to the debtor in-possession model provided for in the scheme of arrangement regime.

- **Restructuring framework and tools** – the committee put forward a proposal to (i) make it easier to sell a company's assets or issue new shares during judicial management or scheme of arrangement processes, and (ii) give the Singapore Court the power to appoint a neutral restructuring officer to help with schemes of arrangement.
- **Model Law** – the committee put forward a proposal to adopt the UNCITRAL Model Law on Enterprise Group Insolvency and the Model Law on Recognition and Enforcement of Insolvency-Related Judgments. This will strengthen Singapore's ability to handle international restructuring and insolvency cases, building on its adoption of the Model Law in 2017.

We await an update from the Ministry of Law in Singapore as to the proposed next steps.

As noted earlier in this article, on 30 March 2026 Indonesia and Singapore signed a memorandum of understanding to enhance cross-border insolvency cooperation, formalising court communication and streamlining restructuring for companies operating in both countries.

Implications for private capital

While the pace of law reform across South and Southeast Asia is accelerating, it continues to lag the scale and complexity of private capital deployment across the region. For private capital investors seeking enhanced returns, these developments sharpen the need to reassess downside protection, control and recovery assumptions. Here are key questions lenders will need to continually revisit:

Capital structure and control

- Who else is in the capital stack and what is your proportion of debt versus the total debt stack? Is there sufficient support to form a blocking vote?
- How does the mix of foreign and local debt affect leverage, voting dynamics and outcomes in a restructuring scenario? Are incentives aligned between foreign and local creditors?
- Who ultimately controls the equity a founder, professional management or a financial sponsor? How does that influence leverage and strategy in distress?

Jurisdictional and governing law risk

- How will local restructuring regimes affect security enforcement and contractual rights once a process is commenced?
- Can the use of foreign governing law of your debt instrument mitigate risk in any material respect?

Structural and contractual protections

- Could the following protections be beneficial?

  - lending to a clean onshore SPV with no other debt obligations
  - enhanced restrictions on incurrence of any new debt
  - lending to an offshore structure with offshore security
  - placing greater reliance on share security at an offshore level to secure control
  - enhanced early warning triggers and more robust financial covenants
  - cross-default and information undertakings to avoid a scenario where there is an issue in another part of the capital structure you do not know about
  - consideration of intercreditor arrangements
- Is an investment in the equity preferable to a pure debt instrument?

Strategic positioning

- If sufficient protections cannot be agreed or negotiated does this necessitate other forms of credit support such as personal guarantees, guarantees from other group companies or offshore security?

Taken together, these considerations go directly to risk allocation, control and recovery outcomes. As restructuring frameworks continue to evolve across the region, private capital that fails to revisit these assumptions risks misalignment between legal outcomes and commercial expectations.

Clifford Chance has significant experience advising creditors on structuring solutions to address changes in restructuring laws across the region.

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