INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (IBBI)

Prelims: Economics- Banking

Mains: GS-III- Indian Economy and issues relating to planning, mobilization of resources, growth, development and employment.

Why in News?

- The Insolvency and Bankruptcy Board of India (IBBI) notified the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Amendment) Regulations, 2019 and the Insolvency and Bankruptcy Board of India (Liquidation Process) (Amendment) Regulations, 2019.
- Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Amendment) Regulations, 2019:
- The amendments specify the process for withdrawal of applications before constitution of committee of creditors (CoC), after constitution of CoC but before issue of invitation for expression of interest, and after issue of invitation for expression of interest.
- While approving a resolution plan or deciding to liquidate the corporate debtor, the CoC may: approve a plan providing for contribution for meeting the liquidation costs
- recommend sale of the corporate debtor or sale of business of the corporate debtor as a going concern, and fix, in consultation with the RP, the fee payable to the liquidator, if an order for liquidation is passed by the Adjudicating Authority
- Insolvency and Bankruptcy Board of India (Liquidation Process) (Amendment) Regulations, 2019:
- The amendments specify the process for (i) sale of corporate debtor as going concern, and (ii) sale of business of corporate debtor as going concern under liquidation. These also provide that where a corporate debtor is sold as a going concern, the liquidation process shall be closed without dissolution of the corporate debtor.
- The amendments require completion of liquidation process within one year of its commencement, notwithstanding pendency of applications for avoidance transactions.
- To ensure that the liquidation process completes at the earliest, it: provides a model timeline for each task in the liquidation process specifies a maximum time of 90 days from the order of liquidation for completion of compromise or arrangement, if any, proposed by the stakeholders under section 230 of the Companies Act, 2013.

- The amendments require the financial creditors, who are financial institutions, to contribute towards the liquidation cost, where the corporate debtor does not have adequate liquid resources to complete liquidation, in proportion to the financial debts owed to them by the corporate debtor, in case the CoC did not approve a plan for such contribution during corporate insolvency resolution process.
- However, such contribution along with interest at bank rate thereon shall form part of liquidation cost, which is paid in priority.
- The amendments provide for constitution of a Stakeholders' Consultation Committee, whose advice is not binding on the liquidator.
- The amendments require that a stakeholder may submit its claim or update its claim submitted during the corporate insolvency resolution process, as on the liquidation commencement date.
- The amendments have introduced a comprehensive compliance certificate to be submitted along with the final report to the Adjudicating Authority

IAS GATEWAYY