

## **4. Insolvency and Bankruptcy Board of India (Liquidation Process) (Amendment) Regulations, 2016**

**Prelims Level: Banking**

**Mains Level: GS-III Indian Economy and Issues relating to Planning, Mobilization of Resources, growth, Development & Employment**

### **Why in News?**

- The Insolvency and Bankruptcy Board of India (IBBI) amended the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016.

### **Amendments:**

- The amendment clarifies that a person, who is not eligible under the Insolvency & Bankruptcy Code (IBC) to submit a resolution plan for insolvency resolution of the corporate debtor, shall not be a party in any manner to a compromise or arrangement of the corporate debtor under section 230 of the Companies Act, 2013.
- It also clarifies that a secured creditor cannot sell or transfer an asset, which is subject to security interest, to any person, who is not eligible under the Code to submit a resolution plan for insolvency resolution of the corporate debtor.
- The amendment provides that a secured creditor, who proceeds to realise its security interest, shall contribute its share of the insolvency resolution process cost, liquidation process cost and workmen's dues, within 90 days of the liquidation commencement date.
- It shall also pay excess of realised value of the asset, which is subject to security interest, over the amount of its claims admitted, within 180 days of the liquidation commencement date.
- Where the secured creditor fails to pay such amounts to the Liquidator within 90 days or 180 days, as the case may be, the asset shall become part of Liquidation Estate.
- The amendment provides that a Liquidator shall deposit the amount of unclaimed dividends, if any, and undistributed proceeds, if any, in a liquidation process along with any income earned thereon into the Corporate Liquidation Account before he submits an application for dissolution of the corporate debtor.
- It also provides a process for a stakeholder to seek withdrawal from the Corporate Liquidation Account.

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### **Insolvency and Bankruptcy Board of India (IBBI):**

- The IBBI was formed in 2016 under the IBC.
- It is the regulator responsible for overseeing the insolvency proceedings.
- It is responsible for the implementation of the IBC that consolidates and amends the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms and individuals.
- It has regulatory oversight over:
  - ✓ Insolvency Professionals
  - ✓ Insolvency Professional Agencies
  - ✓ Insolvency Professional Entities
  - ✓ Information Utilities
- It frames and enforces rules for:
  - ✓ Corporate Insolvency Resolution
  - ✓ Corporate Liquidation
  - ✓ Individual Insolvency Resolution
  - ✓ Individual Bankruptcy

