



Amendments in IBBI Regulations

Why in News?

Recently, [Insolvency and Bankruptcy Board of India \(IBBI\)](#) amended its regulations to boost the value of stressed companies.

- The amendments in [IBBI \(Insolvency Resolution Process for Corporate Persons\) Regulations, 2016](#) have been done to **maximise value in resolution**.
- It will allow **the sale of one or more assets of an entity undergoing insolvency resolution process** besides other changes.

What are the Amended Regulations?

- The **Committee of Creditors (CoC)** can now **examine whether a compromise or an arrangement can be explored for a Corporate Debtor (CD)** during the liquidation period.
 - As many as 1,703 **Corporate Insolvency Resolution Processes (CIRPs)** ended up in liquidation till June 2022.
- The **regulator has permitted a resolution professional and the CoC** to look for **sale of one or more assets of the CD** concerned in cases where there are **no resolution plans for the whole business**.
- A **resolution plan to include sale of one or more assets of CD will be enabled** to one or more successful resolution applicants providing for appropriate treatment of the remaining assets.
- A **Resolution Professional (RP)** will have to **actively seek claims from known (based on the books of accounts) creditors of the company** concerned that will help in making available a clearer picture of the debt.
 - RPs will be required to provide an opinion on whether the company has been subject to **avoidance transactions within 75 days of the start of CIRP**.
 - RPs will now be required to **assess and report whether the company has completed any transactions** to siphon off funds prior to insolvency proceedings.
 - The regulations mandate that **any appointments made by RPs should follow a transparent process**.
- **Details of any applications** filed for avoidance of transactions will be **made available to resolution applicants before submission of resolutions plans** and can be addressed by the applicants in their plans.
- **The information memorandum is required to contain material information** which will help in assessing its position as a going concern, and not only information about its assets, thereby addressing a critical need of the market.

Why is the Significance of Amended Regulations?

- The provisions would **allow stakeholders to claw back lost value and would disincentivise stakeholders** from entering into such transactions.
- The amendments **enable a longer time for the asset** in the market.
- The amendments will **provide an impetus to better market-led solutions** for insolvency resolution.
- This will ensure that **better quality information about the insolvent company and its assets is available to the market**, including prospective resolution applicants, in a timely

manner.

What is Insolvency and Bankruptcy Board of India?

- The Insolvency and Bankruptcy Board of India was established in 2016 under the [Insolvency and Bankruptcy Code, 2016 \(Code\)](#).
- It is a key pillar of the ecosystem responsible for **implementation of the Code** that consolidates and amends the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner for maximization of the value of assets of such persons, to promote entrepreneurship, availability of credit and balance the interests of all the stakeholders.
- It is a **unique regulator** as it regulates a profession as well as processes.
- It has **regulatory oversight** over the Insolvency Professionals, Insolvency Professional Agencies, Insolvency Professional Entities and Information Utilities.
- It has also been designated as the **'Authority' under the Companies (Registered Valuers and Valuation Rules), 2017** for regulation and development of the profession of valuers in the country.

UPSC Civil Services Examination, Previous Year Question (PYQ)

Q. Which of the following statements best describes the term 'Scheme for Sustainable Structuring of Stressed Assets (S4A)', recently seen in the news? (2017)

- (a) It is a procedure for considering ecological costs of developmental schemes formulated by the Government.
- (b) It is a scheme of RBI for reworking the financial structure of big corporate entities facing genuine difficulties.
- (c) It is a disinvestment plan of the Government regarding Central Public Sector Undertakings.
- (d) It is an important provision in 'The Insolvency and Bankruptcy Code' recently implemented by the Government.

Ans: (b)

Exp:

- Several efforts were made by the RBI and the government to fight bad debts of banks. One of the measures included launching of Scheme for Sustainable Structuring of Stressed Assets (S4A Scheme) for addressing the large stressed assets of the corporate sector with banks.
- The S4A Scheme aims at financial restructuring of big debt projects by allowing the lender (bank) to acquire equity of the stressed project.
- The scheme makes financial restructuring of large projects and at the same time helping the lender's ability to deal with such stressed assets.
- **Therefore, option B is the correct answer.**

Source: IE

