Prelims focus: About IBC 2016, key changes proposed by the amendment Bill

Mains focus: key steps taken by the govt. to check NPA crisis, challenges and achievements so far

News: The Union Cabinet on Wednesday approved the proposal to make amendments in the Insolvency and Bankruptcy Code 2016, through the Insolvency and Bankruptcy Code (Second Amendment) Bill, 2019. This also includes a provision to ringfence successful resolution applicants from criminal proceedings with regard to offences committed by previous promoters of a company.

Aim of the amendment

The amendments aim to remove certain difficulties being faced during insolvency resolution process to realise the objects of the code and to further ease doing of business.

The amendments aim to remove bottlenecks, streamline the corporate insolvency resolution process, and protect the last mile funding in order to boost investment in financially distressed sectors.

The amended Act would also ensure that the substratum of the business of a corporate debtor is not lost. It can continue as a going concern by clarifying that the licences, permits, concessions, clearances etc. cannot be terminated or suspended or not renewed during the moratorium period, the release said.

In a separate decision, the Union Cabinet also approved the Aircraft (Amendment) Bill to enhance the safety and security of aircraft operations. The Bill enhances the maximum limit of fine from the existing ?10 lakh to ?1 crore.

The Cabinet also approved the ‘Partial Credit Guarantee Scheme’ for the purchase of high-rated pooled assets from financially sound non-banking financial companies (NBFCs) and housing finance companies (HFCs) by public sector banks.

- The amount of overall guarantee will be limited to the first loss of up to 10% of fair value of assets being purchased by the banks under the Scheme, or ?10,000 crore, whichever is lower.
- The window for onetime partial credit guarantee offered by the government will remain open till June 30, 2020 or till such date by which 1,00,000 crore assets get purchased by the banks, whichever is earlier.
- The scheme would cover NBFCs/HFCs that may have slipped into SMA0 category during the one year period prior to August 1, 2018, and asset pools rated “BBB+” or
SMA0 accounts are the special mention accounts (SMA) against which the principal or interest or any other amount wholly or partially is overdue between 130 days.

Equity support for IIFCL

The Union Cabinet also approved the proposal for providing additional equity support to India Infrastructure Finance Company Limited to the tune of ₹5,300 crore in financial year 2019-20 and ₹10,000 crore in financial year 2020-21.

This will be done through regular budgetary support and/or through issue of recapitalisation bonds.