Syllabus subtopic: Government policies and interventions for development in various sectors and issues arising out of their design and implementation.

Prelims and Mains focus: about the recent amendments made in IBC; IBC and its significance

News: The Union Cabinet on Tuesday approved the Ordinance to amend the Insolvency and Bankruptcy Code, 2016, under which a corporate debtor would not be held liable for any offences committed by the erstwhile management, before the start of the Corporate Insolvency Resolution Process (CIRP).

Background
The amendments to the Bill came after successful bidders of certain debt-ridden companies expressed apprehension of taking over the new company, fearing action from investigative agencies. These actions, the new bidders had said, were mostly based on the actions of the former promoters of these corporate debtors.

What is it aimed at?
- This ring fencing of successful bidders under the CIRP process is aimed at protecting them from the risk of any criminal proceedings against them, arising from cases filed by various investigative agencies such as the Enforcement Directorate or the Economic Offences Wing.

About Insolvency and Bankruptcy Code, 2016
- The Code provides a time-bound process for resolving insolvency in companies and among individuals. Insolvency is a situation where individuals or companies are unable to repay their outstanding debt.
- Under the Code, a financial creditor may file an application before the National Company Law Tribunal (NCLT) for initiating the insolvency resolution process. The NCLT must find the existence of default within 14 days. Thereafter, a Committee of Creditors (CoC) consisting of financial
creditors will be constituted for taking decisions regarding insolvency resolution. The CoC may either decide to restructure the debtor’s debt by preparing a resolution plan or liquidate the debtor’s assets.

- The CoC will appoint a **resolution professional** who will present a resolution plan to the CoC. The CoC must approve a resolution plan, and the resolution process must be completed within 180 days. This may be extended by a period of up to 90 days if the extension is approved by NCLT.
- If the resolution plan is rejected by the CoC, the debtor will go into liquidation. The Code provides an order of priority for the distribution of assets in case of liquidation of the debtor. This order places financial creditors ahead of operational creditors (e.g., suppliers). In a 2018 Amendment, home-buyers who paid advances to a developer were to be considered as financial creditors. They would be represented by an insolvency professional appointed by NCLT.

### The Insolvency and Bankruptcy Code (Amendment) Bill, 2019

- The Bill to amend the IBC was introduced in the Lok Sabha during the recently passed Winter Session of Parliament. It has since been referred to the **Standing Committee on Finance** headed by former Minister of State for Finance Jayant Sinha. The committee also has former Prime Minister and Rajya Sabha member Manmohan Singh as its member.
- The committee will examine the Bill and present its report within three months, the Lok Sabha Secretariat said.
- The Bill addresses **three issues**. **First**, it strengthens provisions related to time-limits. **Second**, it specifies the minimum payouts to operational creditors in any resolution plan. **Third**, it specifies the manner in which the representative of a group of financial creditors (such as home-buyers) should vote.