

Cap on Number of Cases Taken Up by Insolvency Professionals

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The insolvency and bankruptcy board of India (IBBI) has proposed a cap on the maximum number of ongoing insolvency or liquidation proceedings that can be handled by insolvency professionals. IBBI observed that a few IPs are handling too many assignments under the Code, which could be detrimental in the long run.

Cap Proposed by IBBI

IBBI said that an insolvency professional (IP) can handle a **maximum of 5 assignments if he is handling accounts with turnover of less than ₹1000 crore, 4 assignments in the case of accounts with turnover of ₹1000-5000 crore, 3 cases if he is handling ₹5000-10,000 crore turnover accounts and 1 if its a large account of more than ₹50,000 crore.**

The regulator noted that the role of IP is akin to that of a managing director of a company and hence the need to restrict the number of multiple executive functions he will undertake. **With limits in place, quality of output is expected to improve**; this, in turn, will facilitate inter alia realisation of the objective of value maximization as enshrined in the Code.

IBBI

IBBI 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-**regulating the profession as well as the processes**. It has regulatory oversight over the Insolvency Professionals, Insolvency Professional Agencies, Insolvency Professional Entities and Information Utilities. It writes and enforces rules for processes, namely, corporate insolvency resolution, corporate liquidation, individual insolvency resolution and individual bankruptcy under the Code.