

Normalcy restored for IBC

March 26, 2021

In News: The Insolvency and Bankruptcy Board of India Chairperson, MS Sahoo, on 24th March 2021 said “normalcy” has been restored with respect to resolution of stress under the insolvency law, with the expiry of suspension of fresh proceedings.

About Normalcy restored for IBC

- Certain provisions under the Code, which provides for time-bound and market-linked resolution of stressed assets, were suspended with effect from March 25 last year in the wake of the pandemic significantly impacting business activities. The suspension, which was in place for one year, ended on March 24.
- suspension of fresh proceedings was for six months starting from March 25. The same was extended twice for three months each – one till December 24, 2020 and then till March 24, 2021.
- The corporate affairs ministry had suspended Section 7, 9 and 10 to provide relief for companies hit by the pandemic.
- Sections 7, 9 and 10 deal with initiation of corporate insolvency resolution process by a financial creditor, operational creditor and corporate debtor, respectively.

IBBI (Insolvency and Bankruptcy Board of India) Chairperson M S Sahoo three things are clear now.

- First, the Supreme Court cleared the haze around moratorium on loans.
- Second, the suspension on initiation of corporate insolvency proceedings in respect of COVID-19 defaults expired on Wednesday.
- Third, the COVID-19 has become ‘new normal’ for business.

- Thus, normalcy is restored as regards resolution of stress under the Code.

The Insolvency and Bankruptcy Board of India (IBBI)

- Established on 1st October, 2016 under the Insolvency and Bankruptcy Code, 2016.
- Responsible for implementation of the Code.
- The Insolvency and Bankruptcy Code consolidates and amends the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner.
- It includes 10 representatives i.e. representatives from Reserve Bank of India, Ministry of Finance, law and corporate affairs.
- The IBBI board includes:
 - Chairman
 - Three members from the government
 - One member from RBI
 - Five members are nominated by the Central Government of which three function as full time members.

Insolvency and Bankruptcy Code (IBC)

- Insolvency and Bankruptcy Code (IBC) is the new bankruptcy law which seeks to consolidate the existing framework by creating a single law for insolvency and bankruptcy.
- IBC, 2016 will override other existing laws on matters pertaining to Insolvency and Bankruptcy.

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