IBC Amendments

.Why in news?

The cabinet has approved amendments to the Insolvency and Bankruptcy Code (IBC) on resolution of defaulting entities.

What are the key changes made?

- The changes protect successful resolution applicants from criminal proceedings against offences committed by previous managements or promoters.
- This is likely to speed up the resolution process by giving comfort to buyers of stressed assets.
- It also lowered the rating threshold for public sector banks to purchase high-rated pooled assets.
- The rating is lowered from AA ("financially sound") to BBB+ ("most stressed").
- Earlier, only AA-rated companies were able to raise money from the market considering their healthy credit rating.
- [The ratings are as under the partial credit guarantee (PCG) scheme.]
- The relaxation will now make more NBFCs (nonbanking finance companies) and HFCs (housing finance companies) eligible for funds from banks.
- Other amendments include measures to ensure that corporate debtors undergoing resolution continue as going concerns.
- Licences, permits, concessions, clearances etc. cannot be terminated, suspended or not renewed during the moratorium period.
- The changes also propose a threshold for financial creditors to prevent frivolous triggering of corporate insolvency.
- This is to ensure that bankruptcy is not invoked for small amounts.

What are the benefits?

- Changes are being made to streamline the corporate insolvency resolution process (CIRP) and protection of lastmile funding.
- The changes will remove hurdles in the way of speedy resolution and also attract bidders.
- However, the IBC's effectiveness depends crucially on the mechanism working at speed.

- Thus, it is essential that these amendments swiftly be enacted into law.

Source: Business Standard