

## New Liquidation Regulations

### Why in news?

Insolvency and Bankruptcy Board of India (IBBI) has amended the regulations for liquidation under the Insolvency and Bankruptcy Code (IBC).

### What is IBBI?

- The IBBI was established in 2016 under the IBC, 2016.
- It is responsible for implementation of the IBC.
- [IBC consolidates and amends the laws relating to reorganization and insolvency resolution of corporates, partnership firms and individuals.]
- It has regulatory oversight over the insolvency professionals and professional agencies, Insolvency Professional Entities and Information Utilities.
- It writes and enforces rules for processes, like, **corporate** and **individual** insolvency resolution and bankruptcy under the Code.

### What are the new regulations?

- The liquidator for a company can assign or transfer a not readily realisable asset to any person in order to ensure quick liquidation of companies which are unable to find bidders under IBC.
- The said transfer or assignment of the asset must be done in consultation with the stakeholders committee.
- The definition of “not readily realisable asset” includes any assets of the corporate debtor, which couldn’t be sold through the available options.
- Any or all assets of the company under liquidation, which is facing some dispute or is involved in some fraudulent transaction, can be sold by the liquidator.

### Do the changes in liquidation norms help?

- Among all, the changes to expedite the liquidation norms are likely to benefit **real estate companies** the most.
- One of the first changes to speed up the liquidation process is allowing the liquidator to assign or transfer any not readily realisable asset.
- This means that the liquidator can liquidate the entire assets of the company to different bidders as and when they come.
- The other change, which allows creditors to assign or transfer the debt to

other creditors of the company, would speed up the liquidation process.

### **What are the likely challenges?**

- The new regulations will have to be tested in a court of law as its definition of a not readily realisable asset is contentious.
- Another amended regulation that may be challenged is about the IBBI allowing the liquidator to distribute the un-disposed of assets among stakeholders, with the approval of the adjudicating authority.
- This will lead to creditors challenging the distribution of the assets, and claiming that one or the other party has been favoured by the liquidator.
- One has to wait and see how the courts decide on these issues before applying them to liquidation cases.

**Source: The Indian Express**

