

Insolvency and Bankruptcy Board of India

No. IBBI/PR/2021/24
30th September, 2021

Press Release

Insolvency and Bankruptcy Board of India amends the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016

The Insolvency and Bankruptcy Board of India (IBBI) notified the Insolvency and Bankruptcy Board of India (Liquidation Process) (Second Amendment) Regulations, 2021 today.

2. The liquidator has been empowered with greater autonomy during liquidation process, comparable to the resolution professional during CIRP. The participation of stakeholders is not much elaborated in the Code. The liquidation regulations provide for a consultation committee known as stakeholders' consultation committee (SCC), which has representation from secured financial creditors, unsecured financial creditors, workmen and employees, government, other operational creditors, and shareholder/partners to advise the liquidator on matters relating to sale. Though the advice of this committee is not binding on the liquidator, consultation process on important issues, addresses the issue related to information asymmetry and therefore ensures an effective participation of stakeholders. The amendment expands the scope of consultation to cover all aspects related to sale of assets and appointment of professionals. The amendment regulations also provide for manner of selection of representatives of stakeholders in SCC.

3. The participation of large number of buyers in the process is key to better realization of value for the stakeholders. Keeping this in view the amendment regulations provide that Liquidator shall not require payment of any non-refundable deposit or fee for participation in an auction. It also provides that the earnest money deposit shall not exceed ten percent of the reserve price in an auction. Also, with a view to improve visibility for the liquidation assets, the Board has made available an electronic platform at www.ibbi.gov.in for hosting public notices of auctions of liquidation assets of ongoing liquidation processes.

4. Further, to enhance the transparency and accountability, the amendment regulations provide for the Liquidator to intimate the reasons for rejection of the highest bid to the highest bidder and report the same in the next progress report.

5. The amendment regulations are effective from today. These are available at www.mca.gov.in and www.ibbi.gov.in.
