

## **IBBI excludes lockdown from resolution time frame**

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The insolvency regulator has issued notifications to exclude the lockdown period following the Covid-19 outbreak from the time frames governing corporate insolvency resolution or liquidation processes.

Introducing a special provision in the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, the regulator said: "...the period of lockdown imposed by the central government in the wake of Covid-19 outbreak shall not be counted for the purposes of the timeline for any activity that could not be completed due to such lockdown, in relation to a corporate insolvency resolution process." A similar amendment to the regulations for liquidations under the insolvency and bankruptcy code was also notified.

The insolvency and bankruptcy code (IBC) stipulates that the resolution process of a stressed company will have to be completed in a maximum of 270 days.

Accordingly, various processes are to be completed within specified time frames. The amendment to the resolution regulation would come into force retrospectively from March 29, while that to the liquidation regulation would take effect from April 17. The Insolvency and Bankruptcy Board Of India (IBBI) has clarified that given the lockdown, the notifications couldn't be printed in the official gazette on time. However, the regulator had already posted the decisions on its official website well on time, specifying the date from which these amendments would take effect, with a note that these will also be printed in the government's gazette.

So, the apparent retrospective nature of the latest notifications doesn't harm stakeholders' interests.

Commenting on the move, Daizy Chawla, senior partner at Singh & Associates, said: "This was the need of the hour, as due to the lockdown many procedures which are to be done as per the timelines provided under the corporate person regulations as well liquidation process could not be performed and the adjudicating authority (NCLT) would otherwise be flooded with applications for excluding such period or extension of timelines where the period prescribed under the code has already expired."

After the lockdown was announced on March 24, the government has initiated a raft of measures to allay the fears of India Inc. As the prospect of several companies turning bankrupt in the wake of the Covid-19 outbreak loomed large, the cabinet earlier this week cleared a proposal to promulgate an ordinance to suspend insolvency proceedings against new defaulters for six months.

Once the ordinance comes into force following Presidential assent, sections 7,9 and 10 of the Insolvency and Bankruptcy Code (IBC) will remain suspended for six months. Already, in a bid to insulate small businesses from being dragged to the NCLT, the government recently raised default threshold for triggering insolvency to Rs 1 crore from just Rs 1 lakh earlier.

*(Financial Express)*