

Press Release

Debtor has to service his debt or make way for somebody else: FM Arun Jaitley

Adhering to timelines important for all stakeholders for effective implementation of IBC: FM Arun Jaitley

Deriving highest value from defaulter assets is IBC's objective: RBI

Mumbai, August 19, 2017: The Conference organized by Ministry of Corporate affairs (MCA), National Foundation for Corporate Governance (NFCG) and Insolvency and Bankruptcy Board of India (IBBI) on the Insolvency and Bankruptcy : Changing Paradigm was inaugurated by Shri Arun Jaitley, Minister for Finance, Corporate Affairs and Defence, Government of India and brought together RBI, SEBI and IBBI on the same platform. The Honourable Minister stated that while the framework has been laid down in the IBC, the practices that follow have to ensure that the timelines are followed and the objectives behind enacting the law are achieved. Emphasising the need for adhering to timelines to make the code effective, Mr Jaitley said that it is extremely important that these timelines are adhered to by all the stakeholders

He highlighted that the intent of the Code is not the liquidation of assets but to preserve their value, either through existing promoters or through bringing in new promoters or partners. However, in case the debtor fails to service his debt on time, he has to make way for somebody else. Stating that the IBC has reversed the relationship between debtor and creditor, Mr Jaitley said the old regime by which the creditor would get tired chasing the debtor and end up getting nothing, is now over. "For years, we lived in a system which allowed debtors to allow their assets to be rusted," Jaitley recalled.

He further assured that special efforts are being made to ensure that the infrastructure requirements of various institutions under the IBC are in consonance with the requirements of this particular law.

"Now that the law is put in place and the competent authority NCLT has been constituted, we are making special efforts to make sure that the infrastructure is strengthened and brought in consonance with the requirements of this particular law," Mr Jaitley said adding, "Over a period of time, we have to see, what improvements in the law are

required to make sure that the purpose for which it has been created is subserved.”

He also pointed out that 9-10 months would be too short time for the jurisprudence around a new law like the IBC to evolve. The Government is; however, open to receive suggestions for improving the law in order to meet the purpose for which it was enacted.

Speaking earlier, Dr Urjit R Patel, Governor, Reserve Bank of India (RBI) said that RBI has put in place new guidelines for banks and new systems and processes for implementation of the code effectively. He also said that the early results on the implementation of the law are encouraging.

Mr Ajay Tyagi, Chairman, Securities and Exchange Board of India (SEBI) said that the capital market regulator is also working in tandem with other arms of the Government to ensure that the Code implementation is smooth. He also cited the recent amendments of the Takeover Regulations wherein “Credit rating agencies (CRAs) were asked to identify the potential defaulters and it was made mandatory for the listed companies to report material developments in credit defaults within 24 hours of their accounts becoming non-performing assets (NPAs)”.

Dr M S Sahoo, Chairman, Insolvency & Bankruptcy Board of India (IBBI) has explained the various measures taken by the nodal agency, National Company Law Tribunal (NCLT), in the form of its pronouncements over the last few months. “The code has the potential to promote innovation and competitiveness, with an aim to improve ease of doing business in India for economy freedom and well being of the society” Mr Sahoo said. Mr Chandrajit Banerjee, Managing Trustee, National Foundation for Corporate Governance (NFCG), who is also Director General of Confederation of Indian Industry (CII), said that the IBC is an outcome of changes brought in various related laws. Mr Banerjee also lauded the efforts of NFCG, set up in 2003, in promoting corporate governance.