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Insolvency & Bankruptcy Board of India & RBI Ink an MoU for Effective Implementation (Download PDF)

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The Insolvency and Bankruptcy Board of India (IBBI) signed Memorandum of Understanding (MoU) with Reserve Bank of India (RBI) for increased cooperation in effective implementation of insolvency law. The MoU was signed at a time when authorities are working on ways to address a huge amount of non-performing assets (NPAs) in the banking sector.

Insolvency and Bankruptcy Board of India Image

Provisions of the MoU

- The MoU provides for sharing of information, subject to limitations imposed by applicable laws and sharing of resources available with each other to the extent feasible and legally permissible. MoU calls for periodic meetings to discuss matters of mutual interest, including regulatory requirements that influence IBBI and RBI's responsibilities, enforcement cases, research and data analysis, information technology and data sharing.

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- MoU also provides for cross training of staff in order to enhance each party's understanding of other's mission for effective utilisation of collective resources. It will help in capacity building of insolvency professionals and financial creditors.

Increased Relation between RBI and IBBI

- RBI is the banking regulator; the IBBI regulates insolvency professionals, insolvency professional agencies, and information utilities. The IBBI writes and enforces rules for processes like corporate insolvency resolution, corporate liquidation, individual insolvency resolution, and individual bankruptcy under IBC.
- MoU calls for joint efforts between IBBI and RBI for enhancing level of awareness among financial creditors about importance and necessity of swift insolvency resolution process of various types of borrowers in distress under provisions of Insolvency Code, etc.
- RBI and IBBI will also be working together to raise awareness among financial creditors about the necessity of swift resolution of firms in distress.

Insolvency and Bankruptcy Code, 2016 (Bill)

- The Code provides for reorganization and time -bound and market-determine insolvency resolution of corporate persons, partnership firms, and individuals for maximization of value of assets.
- The IBBI exercises regulatory oversight over Insolvency Professionals, Insolvency Professional Agencies, and Information Utilities.
- It frames and enforces rules for processes such as corporate insolvency resolution, individual insolvency resolution, corporate liquidation, and individual bankruptcy under Code.

Background

- Both RBI and IBBI are interested in effective implementation of Code and its allied rules and regulations, through quick and efficient resolution process.
- Therefore, they agreed to sign MoU to assist and co-operate with each other for effective implementation of Code.

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