

Discussion Paper on changes proposed in Corporate Insolvency Resolution Process (CIRP)

Insolvency and Bankruptcy Board of India (IBBI) has recently (June 27, 2022) published a 'Discussion Paper' inviting comments on the proposed changes in the Corporate Insolvency Resolution Process (CIRP). The proposed changes are aimed to reduce delays and improve the resolution value of the Corporate Debtor (CD).

Some of the key changes are discussed below:

1. **Changes in the timeline for activities:** It proposed a revised timeline for activities under CIRP like timeline for preparation of Information Memorandum (IM), invitation of EoI etc.
2. **Strategy for marketing of the assets:** The Resolution Professional (RP) is made responsible for preparing a strategy for marketing of the assets of the corporate debtor, where the total claims exceed Rs.100 crore. It also enables members of Committee of Creditors (CoC) to take up the role of marketing the resolution plan for better market price discovery.
3. **Resolution of part assets / business of the CD:** This will allow RP and the Creditors to explore resolution of part assets/business of the CD when no resolution plan for the entire business/assets of CD was submitted within the prescribed timeframe.
4. **Guiding factors for CoC to decide early liquidation:** In case of defunct CD's or where there are no assets or insignificant assets, it is proposed that certain guiding factors may be introduced like CD being defunct or non-operational for 3-5 years, their product or services becoming obsolete etc. which may be factored by CoC and recorded and submitted to the RP in their application to Adjudicating Authority (AA) for liquidation order.
5. **Information Memorandum (IM) made more comprehensive:** The changes are aimed to enhance the coverage of information contained in the IM to attract Proposed Resolution Applicants (PRA's) to submit resolution plan. It will include information related to key contracts, projected business plan, key investment highlights, brought forward losses, input credit of GST, key customers, supply chain linkages, utility connections and other infrastructure facilities etc.
6. **Discussion of Valuation Report with CoC:** It is proposed that Registered Valuers shall discuss the Valuation Report with RP and the CoC regarding valuation approach and the limitations to help in better assessment of the valuation report.
7. **Repeat of Valuation exercise:** It is proposed that CoC may repeat the valuation exercise in CIRPs where the timeline has exceeded the mandatory period. This may help in capturing the erosion of value of CD due to lapse of time.
8. **Change in the definition of "Realisable Amount"** to ensure that dissenting financial creditors are not paid a higher entitlement.

The discussion paper can be accessed at [CIRP Discussion Paper](#).

IBBI is seeking comments to the proposed changes **through electronic mode** and the comments can be submitted **on or before 17th July 2022**.