

Indian Institute of Insolvency Professionals of ICAI (IIPI)

(Company formed by ICAI as per Section 8 of the Companies Act 2013)

IIPI Update -# 2 - Part I

May 2017

INITIATIVES

Programmes on Insolvency and Bankruptcy Code, 2016 by ICAI

Programmes on IBC, 2016 are organised at various places in the country. Recently programmes were held at Sambalpur and Bangalore. The programme at Bangalore had an Interactive Session with Ms. Suman Saxena, Whole Time Member, IBBI. In the next one month programmes are planned to be held at Kolkata, Bhubaneswar, Chennai, Mumbai and Ahmedabad. Members may participate in these events for enhanced understanding of the subject. Information about the upcoming events will be available at www.iiipicai.in

Learning Management System (LMS) for IBBI Limited Insolvency Examination

The members who are preparing for the IBBI Limited Insolvency Examination may take the help of Learning Management System as developed by IIPI for the purpose of enabling the professionals to complete the Examination at the link <http://www.iiipicai.in/index.php/learning>

(No. of Registered users for LMS as on date - 1594 and No. of tests taken - 17274)

NEWS UPDATE

Promulgation of Banking Regulation (Amendment) Ordinance, 2017

The promulgation of the Banking Regulation (Amendment) Ordinance, 2017 inserting two new Sections (35AA and 35AB) after Section 35A of the Banking Regulation Act, 1949 enables the Central Government to authorize the Reserve Bank of India to direct banking companies to initiate insolvency resolution process in respect of a default under the provisions of the Insolvency and Bankruptcy Code, 2016. The RBI has also been empowered to issue other directions for resolution, and appoint or approve for appointment, authorities or committees to advise banking companies for stressed asset resolution. This action of the Government will have an impact on resolution of stressed assets as the RBI is empowered to intervene in specific cases.

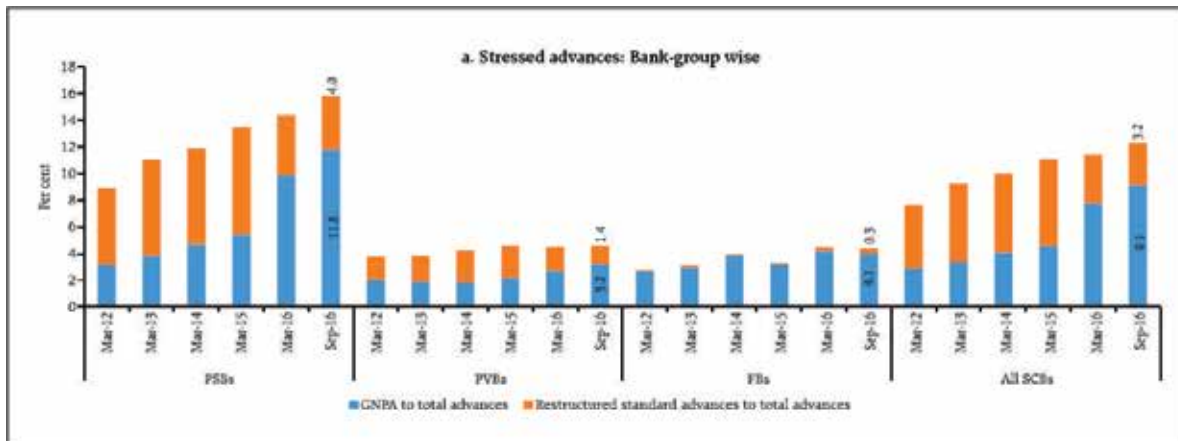
This Ordinance addresses one of the key concerns in resolving the NPA issue, since Banks were hesitant in taking decisions as part of the resolution plan. Very few Banks have come forward to use the provisions of the Insolvency and Bankruptcy Code, 2016 for resolution. Following the Ordinance, the RBI immediately revised and clarified important aspects of its previous Circular on Joint Lenders' Forum (JLF) and Corrective Action Plan (CAP).

As reported in ET the Finance Minister said *"I do hope, with this new system in place, resolution of lot of stressed asset in India would take place"*

SBI Chairman in an interview with ET has said *"People having to take difficult decisions can now feel they are doing it in the proper way, with a transparent process"*

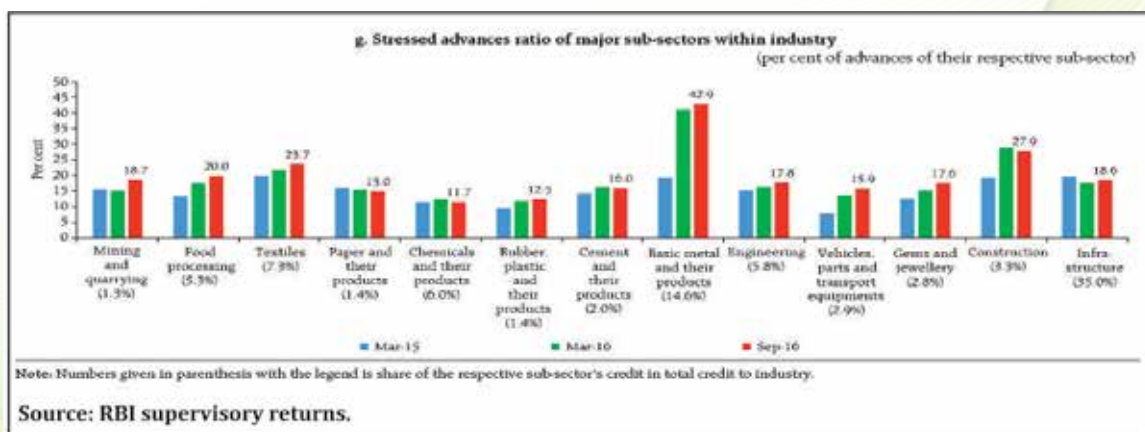
In an interview with BloombergQuint, Chairperson IBBI has said that *the existing infrastructure in the insolvency ecosystem is more than adequate to manage a large influx of stressed cases.*

Some of the facts as given below, will explain why this Ordinance was brought to tackle the NPA issue. As per **Financial Stability Report of RBI, December 2016**, the asset quality of banks deteriorated further. The gross non-performing advances (GNPAs) ratio of SCBs increased to 9.1 per cent from 7.8 percent between March and September 2016, pushing the overall stressed advances ratio to 12.3 per cent from 11.5 per cent

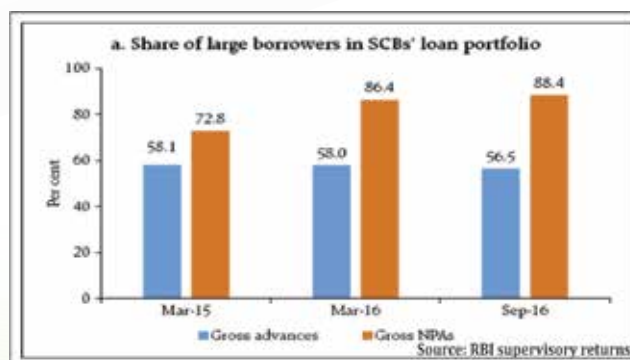


PSBs=Public sector banks, PVBs=Private sector banks and FBs=Foreign banks.

For the purpose of analysing the asset quality, stressed advances are defined as GNPAs plus restructured standard advances.



Credit Quality of large borrowers: The share of large borrowers' in SCBs' total loan portfolio declined between March and September 2016, whereas, their share in GNPAs increased during the same period



A large borrower is defined as one who has aggregate fund-based and non-fund based exposure of ₹50 million and more.

Hope you find this Update helpful.

Suggestions if any, may be mailed to ipa@icai.in

Disclaimer: Although due care has been taken in bringing out this update, Indian Institute of Insolvency Professionals of ICAI does not own the responsibility for any error or omission. The users are advised to cross check with the original material before acting upon the content herein.