

## **Exposure Draft on Background Guidance for Code of Ethics, for Comments by IPs/Others as per Study Group Recommendations**

Under the framework of IBC 2016 as the beneficial economic legislation, role of an IP is pivotal to the CIRP and/or Liquidation process, acting as a key link between key stakeholders viz. Adjudicating Authority, CoC, OCs and other stakeholders. The IP is vested with the power of board of directors and is responsible for the management of affairs of the corporate debtor as going concern. One of the stated objectives of IBC is to balance the interests of different stakeholders. Therefore, an IP plays a pivotal role in upholding the public interest as the underlying theme of any resolution process. While the powers vested with the IP are necessary to conduct an effective CIRP in direction of maximizing the enterprise value, it is equally important for IP to administer discretion in the use of such powers in a fair and unbiased manner and therefor to protect the commercial interests of all stakeholders. The robustness and efficacy of an insolvency resolution framework can only be ensured if the IPs observe highest standards of professional ethics.

Indian Institute of Insolvency Professionals of ICAI's (IIPI) byelaws provide that shall maintain high ethical and professional standards in the regulation of its professional members. Further, it shall continuously improve upon its internal regulations and guidelines to ensure that high standards of professional and ethical conduct are maintained by its professional members.

**IIPI had recently constituted a study group** comprising experienced insolvency professionals, under the chairmanship of Sh. Subodh Agrawal, IP and Former President, ICAI. The study group has prepared the draft the of said background guidance note. The key highlights of the proposed background guidance note are as follows:

- a. The said 'Code of Ethics' can be viewed as complementary to 'code of conduct' as per IBBI (IP) Regulations, and is meant to act as background guidance for ethical conduct of IPs (non-mandatory in nature) and does not carry authority and views of IIPI.
- b. This code has been aligned with the International Code of Ethics for Professional Accountants.
- c. This code provides guidance to IPs handling professional assignments and IPs in employment (related or unrelated to insolvency resolution).
- d. This code acknowledges the fundamental ethical principles viz. integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.
- e. Guidance has been provided for identification of threats to fundamental principles, evaluation of threats, addressing of such threats besides covering aspects of breach of this code, record keeping and ethical conflict resolution.
- f. Guidance has also been provided in respect of specific application of aforesaid framework to certain situations like accepting professional assignments, conflicts/relationships, appointment of other professionals, Gifts/hospitality, advertisement, dealing with CD's assets, etc.
- g. Reference material on relevant case laws and disciplinary cases has also been provided as the annexure to this code.

IIPI has exposed the said draft of background guidance on code of ethics, for comments by IPs and others for a period of 15 days, that is from January 5<sup>th</sup> to January 20<sup>th</sup>, 2022.

The downloadable version of the Exposure Draft is available at:

<https://www.iiipicai.in/wp-content/uploads/2022/01/Exposure-Draft-on-Code-of-Ethics-for-Insolvency-Professionals.pdf>

## **How to comment**

Comments on the abovementioned Exposure Draft, section-wise as well as general in nature, may be submitted electronically to be received not later than January 20<sup>th</sup>, 2022, 5 pm (IST), by clicking on the following survey-page link:

<https://forms.office.com/Pages/ResponsePage.aspx?id=DOHF0zhjoU6NJ-01tggEOn5xP4Zp9hBLOWHNIS-SLfUOEJOREIXM1k0T0FFN0dVRTBSRTBCWjAyTS4u>

Thanks & Regards

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