



## **PRESS RELEASE**

### **IIPI developed a comprehensive guideline for IPs for handling the matters of Avoidance Transactions**

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A Study Group, comprising experienced Insolvency Professionals (IPs), set up by IIPI of ICAI based on analysis of 787 applications for avoidance transactions has identified and suggested a framework for handling avoidance transactions during insolvency proceedings, by the Insolvency Professionals (IPs).

Only about 2% recovery in avoidance transactions and delays caused is attributed, as per the study, to limited funds for appointing good auditors, time constraint exerting pressure on both IPs and transaction auditors, lack of credible information on critical aspects, non-cooperation by the erstwhile promoters/ management, fraudulent or poor quality of financial reporting, avoidance applications not backed by credible evidence, etc.

The framework suggested by the IIPI provides guidance to IPs for aspects to be considered while identifying and examining PUFÉ transactions, determining the amounts involved and based on that coming to the conclusions and forming opinion. The IIPI also proposes to develop a template of forensic/ transaction audit for avoidance transactions that have taken place over the look back period.

Dr. Ashok Haldia, Chairman, IIPI's Governing Board said that "The guidance in this document is based on best practices, nationally and internationally. We hope that this report will help the IPs to tackle challenges faced while dealing with PUFÉ transactions effectively within the scope of the IBC avoiding delays or sub-optimal outcomes of avoidance transactions.

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## INDIAN INSTITUTE OF INSOLVENCY PROFESSIONALS OF ICAI

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The Insolvency and Bankruptcy Code, 2016 (IBC) requires the IP to find out any undue transaction before the commencement of the insolvency process and file application before NCLT to clawback undue gains from wrongful beneficiaries. These Avoidance Transactions are commonly referred to as PUF (Preferential, Undervalued, Fraudulent and Extortionate) transactions. The Avoidance Transactions include preferential payments, embezzling receipts, siphoning physical assets, causing an entity to pay for goods and services not received by the corporate debtors (payments to fictitious vendors, inflated billing, fictitious employees' cost, etc.).

### About IIPI

Indian Institute of Insolvency Professionals of ICAI (IIPI), promoted by the Institute of Chartered Accountants of India (ICAI) is the largest frontline regulator under IBC in India with about 63% of Insolvency Professionals as its Members. IIPI actively works under the aegis of Insolvency and Bankruptcy Board of India (IBBI) to build professionals' capacity and provide policy inputs to regulators. Website: <https://www.iiipicai.in/>

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