



7th August 2020 – Issue 292

The Reserve Bank of India vide notification no. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated August 06, 2020 has provided Resolution Framework for COVID-19-related Stress

- RBI vide notification no. RBI/2020-21/16 DOR.No.BP.BC/3/21.04.048/2020-21 dated August 06, 2020 has provided Resolution Framework for COVID-19-related Stress.
- The Reserve Bank of India (Prudential Framework for Resolution of Stressed Assets) Directions 2019, dated June 7, 2019 (“Prudential Framework”) provides a principle-based resolution framework for addressing borrower defaults under a normal scenario. Any resolution plan implemented under guidelines of “Prudential Framework”¹ which involves granting of any concession on account of financial difficulty of the borrower entails an asset classification downgrade, except when it is accompanied by a change in ownership, which allows the asset classification to be retained as or upgraded to Standard, subject to the prescribed conditions.
- The economic fallout on account of the Covid-19 pandemic has led to significant financial stress for borrowers across the board. The resultant stress can potentially impact the long-term viability of many firms, otherwise having a good track record under the existing promoters, due to their debt burden becoming disproportionate relative to their cash flow generation abilities. Such wide-spread impact could impair the entire recovery process, posing significant financial stability risks.
- Considering the above, with the intent to facilitate revival of real sector activities and mitigate the impact on the ultimate borrowers, it has been decided to provide a window under the Prudential Framework to enable the lenders to implement a resolution plan in respect of eligible corporate exposures without change in ownership, and personal loans, while classifying such exposures as Standard, subject to specified conditions.



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- While the Prudential Framework is otherwise not applicable to certain categories of lending institutions to which this circular is addressed, exposures of these lending institutions shall also be included for any resolution under this facility. Consequently, without prejudice to the specific conditions applicable to this facility, all the norms applicable to implementation of a resolution plan, including the mandatory requirement of Inter-Creditor Agreements (ICA) and specific implementation conditions, as laid out in the Prudential Framework shall be applicable to all lending institutions for any resolution plan implemented under this facility. Terms used in this document, to the extent not defined herein, shall have the same meaning assigned to them in the Prudential Framework.

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The Insolvency and Bankruptcy Board of India vide press release no. IBBI/PR/2020/09 dated August 05, 2020 has amended the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017

- IBBI vide press release no. IBBI/PR/2020/09 dated August 05, 2020 has amended the Insolvency and Bankruptcy Board of India (Voluntary Liquidation Process) Regulations, 2017
- The Insolvency and Bankruptcy Code, 2016 enables a corporate person to initiate voluntary liquidation process if it has no debt or it will be able to pay its debts fully from the proceeds of the assets. The corporate person appoints an insolvency professional to conduct the voluntary liquidation process by a resolution of members or partners, or contributories, as the case may be. However, there can be situations which may require appointment of another resolution professional as the liquidator. The amendment made to the Regulations today provides that the corporate person may replace the liquidator by appointing another insolvency professional as liquidator by a resolution of members or partners, or contributories, as the case may be.



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- The amended regulations are effective from today. These are available at www.mca.gov.in and www.ibbi.gov.in.

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The Ministry of Finance vide notification NO. G.S.R. 485(E) [F.NO. 5/35/CM/2006 VOLUME- III], dated 31-7-2020 have provided Securities Contracts (Regulation) (Second Amendment) Rules, 2020.

- Ministry of Finance vide notification NO. G.S.R. 485(E) [F.NO. 5/35/CM/2006 VOLUME- III], dated 31-7-2020 have provided Securities Contracts (Regulation) (Second Amendment) Rules, 2020.
- In exercise of the powers conferred by section 30 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956), the Central Government hereby makes the following rules further to amend the Securities Contracts (Regulation) Rules, 1957, namely:—
 - These rules may be called as Securities Contracts (Regulation) (Second Amendment) Rules, 2020.
 - They shall come into force on the date of their publication in the Official Gazette.
- In the Securities Contracts (Regulation) Rules, 1957, in rule 19A, in sub-rule (1), in the proviso, for the words "two years" the words "three years" shall be substituted.

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Contact details

Sumes Dewan

Managing Partner

Lex Favios

Email: sumes.dewan@lexfavios.com

Tel: 91-11-32084941 (D) 91-11-41435188/45264524