

## Insolvency Code Amendment Ordinance, 2017

### 1. Background

It was observed after the commencement of Insolvency & Bankruptcy Code 2016 (IBC) that unscrupulous promoters try to make a backdoor entry directly or indirectly to regain control over their company which has gone to corporate resolution under IBC.

### 2. Development

[The Government of India has plugged this loophole by an ordinance dated 23.11.2015 promulgated by the President of India](#), given the urgency of the matter.

### 3. Implications/ Analysis and Action Needed

This would effectively debar the Wilful and other chronic loan defaulters from making a backdoor entry into the company under corporate resolution under IBC and in effect facilitate exploring reconstitution and that not happening, then the liquidation of the company as envisaged under IBC.

Such quick corrective action on the Government's part would be taken positively by the world showing the Government means business and is keep to clean up banks ridden with chronic bad debts.

This will also enhance credit discipline in borrowers and would be equitable to already disciplined businessmen.

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