

Sub: Feedback on the Discussion Paper dated 01.07.2020 for limiting the number of assignments by IPs

Dear Sir,

Delhi Study Circle of Insolvency Professionals had organized a webinar on 14.07.2020 to deliberate on the Discussion paper. Outcome of the discussion is as follows:

1. A majority of the members welcomed the move to limit the number of assignments to be handled by Insolvency Professionals (IPs). This will facilitate equitable distribution of assignments and better opportunity for all IPs. But they also suggested to simultaneously fix the criteria for fee of IPs. Most of the IPs have issues with payment of fee, either they are not being paid or the fee is not approved by the CoC or very low fee is being offered by public sector banks under empanelment schemes. This is detrimental to the growth and survival of the profession, and integrity of the IPs.
2. However, some of the members were of the opinion that the limit should be advisory not mandatory, in line with the market driven approach. They also expressed that only in a very few cases IPs have more than 10 assignments. In view of the current distressed economic situation and uncertainty, the decision to limit number of assignments may be postponed.
3. As regards the criteria for fixing limit, the members felt that there is a need to change it and revisit the proposed limits to make it practical and implementable. Members expressed the following opinion:
 - a. The sole criteria of turnover for fixing the limit on assignments is not appropriate. There is no clarity about the period for turnover. In case of non-operative companies there is no turnover. Asset base could be another criteria, but it will also be subject to the same uncertainties and ambiguities as the turnover criteria. In number of cases the books of accounts of the company for several years are not available.
 - b. The proposed slabs start with very high value i.e. \leq Rs. 1000 crore turnover. It should start from ' \leq Rs. 50 crore'.
 - c. For each slab of criteria, minimum fee and maximum number of assignments should be fixed.
 - d. Assignments in the capacity of IRP, RP, compulsory and voluntary liquidation cannot be equated in terms of remuneration, duration, complexities and responsibilities so it will not be fair to have a common limit for all types of assignments.
 - e. Since most of the assignments are cornered by the members/partners of Insolvency Professional Entities (IPEs) it is leading to unfair practices in the profession and creating monopolistic situation. IPs and IPEs should operate in different domains. Members/partners of IPEs and their associated should not be allowed to take up any assignment as IRP/RP/Liquidator. IPEs should be allowed only to provide support services to IPs.

for Delhi Study Circle of Insolvency Professionals



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