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Govt mulling special window for NBFCs under insolvency law

BY PTI | NOV 07, 2019, 10.35 PM IST

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NEW DELHI: The government is mulling a special window to address debt woes of stressed non-banking financial companies under the [insolvency law](#), a senior official said on Thursday.

Persisting liquidity issues in the NBFC space as well as the financial woes of some groups in this sector have raised concerns about the health of the overall financial system. Troubles at [Dewan Housing Finance Corporation Ltd](#) (DHFL) and scam perpetrated at Punjab and Maharashtra Co-operative (PMC) Bank have added to the woes.

Against this backdrop, the senior government official said a special window is certainly something which is being examined closely.

Currently, resolution of stressed financial institutions cannot be taken up under the Insolvency and Bankruptcy Code (IBC).

According to the official, the effort is to come out with some mechanism to deal with financial services providers which require some resolution under an alternative framework pending the Financial Resolution and Deposit Insurance Bill or till some specific provisions are put in place.

The government is likely to notify Section 227 of the IBC that would allow inclusion of financial service providers under this law.

A notification in this regard will be issued soon, the official added.

The official also said the government is working out a way to ensure that a new promoter is not liable for criminal liability of previous management while buying stressed assets under the IBC process.

The corporate affairs ministry and the [Enforcement Directorate](#) (ED) have locked in a tussle over the attachment of property of Bhushan Power & Steel Ltd (BPSL), which is undergoing resolution under the IBC.

The ministry and the ED have locked horns over the issue of attachment of property of BPSL.

While the ED is of the opinion that it can attach the property of BPSL under the Prevention of Money Laundering Act, the ministry has been maintaining that ED can not do so as the company is under the insolvency proceedings.

In October, Finance Minister [Nirmala Sitharaman](#) said she was making efforts to resolve differences between the ministry and the ED.

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