

An ordinance to amend the [Insolvency and Bankruptcy Code](#) (IBC) will be promulgated on Wednesday with [President Ramnath Kovind](#) giving assent to it.

With this, [home buyers](#) would be given the status of [financial creditors](#) in a pie of assets of [financial creditors](#).

[ALSO READ: Cabinet approves ordinance to give homebuyers creditor status under IBC](#)

Also, section 29 (A), inserted in the Code to debar defaulting promoters and related parties, would be relaxed for [financial creditors](#) who have acquired defaulting firms and medium and small enterprises.

Earlier, section 29 (A) was added to the [Insolvency and Bankruptcy Code](#) (IBC) to debar defaulting promoters with bad debts for over a year till the time a case for insolvency was admitted by the National Company Law Tribunal (NCLT), besides their related parties.

After various stakeholders complained about the wide scope of this clause, it is being diluted for certain sections now on the recommendations of a panel, headed by corporate affairs secretary Injeti Srinivas.

While pure financial firms will be allowed to take part in the resolution process of the companies going under insolvency process, companies that have acquired defaulting firms would be allowed to do so for three years from the date of approval of resolution plan by [NCLT](#).

The [Srinivas panel](#) had recommended that pure play financial entities must be exempt from the disqualification under the clause (c) of section 29A of the Code which debars persons who have an [NPA account](#) or are related parties from being resolution applicants.

The panel recommended that the term 'financial entities' may be defined in the Code to clarify the scope of

the exemption.

The Committee also agreed that this exemption must not be applicable to financial entities if they are related parties of the promoters of defaulting companies.

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Earlier, it complained to the committee that given the nature of business undertaken by ARCs, scheduled banks, alternate investment funds, overseas financial institutions, and entities such as investment vehicles, foreign portfolio investors and foreign venture capital investors are likely to be related to companies and hence would be disqualified under section 29A.

The committee also suggested that a proviso must be added to section 29A(c) to state that if an [NPA account](#) is held

only because of acquisition of a company going under insolvency, the disqualification under

that section will not be applicable.

The section 29 (A) is also being diluted for medium and small scale enterprises where promoters are generally bidders for the insolvent companies. Only wilful defaulters having bad debts for over a year would be disqualified from bidding.