

**Insolvency and Bankruptcy Board of India**  
**7<sup>th</sup> Floor, Mayur Bhawan, Connaught Place, New Delhi-110001.**

**CIRCULAR**

**No. IBBI/IPA/43/2021**

**28<sup>th</sup> July, 2021**

To  
All Registered Insolvency Professional Agencies  
All Registered Insolvency Professionals  
(By mail to registered email addresses and on website of the Board)

Dear Madam /Sir,

**Subject: Monetary Penalties to be imposed by an Insolvency Professional Agency.**

The Disciplinary Committee of an Insolvency Professional Agency (IPA) may impose monetary penalty on its professional members under Clause 24(2)(d) of the Schedule to the IBBI (Model Bye-Laws and Governing Board of Insolvency Professional Agencies) Regulations, 2016.

2. The Bankruptcy Law Reforms Committee, which conceptualised the Code, had envisaged: *"IP agencies will have the flexibility to impose a graduated system of penalties, where minor non-compliances will result in monetary fines, and major violations will result in expulsion from the agency."*

3. In the interest of objectivity and uniformity, it has been decided that an IPA shall amend its Bye-laws to provide for the maximum and minimum monetary penalty, where the Disciplinary Committee decides to impose such penalty on its professional members, under Clause 24(2)(d) of the Schedule to the IBBI (Model Bye-Laws and Governing Board of Insolvency Professional Agencies) Regulations, 2016, as under:

<b>Sl.</b>	<b>Contravention</b>	<b>Monetary Penalty</b>
1.	<i>Fails to submit disclosures, returns, etc. to IPAs or submits inadequate or incorrect disclosures, returns, etc., relating to any assignment, as required under the Code and Regulations made thereunder or Bye-laws of the IPA or called upon by the Board or the IPA.</i>	<i>Up to ₹ 1,00,000 or 25% of fee, whichever is higher, subject to a minimum ₹ 50,000.</i>
2.	<i>Accepts an assignment having conflict of interests with the stakeholders.</i>	<i>Up to ₹ 2,00,000 or 25% of fee, whichever is higher, subject to a minimum ₹ 1,00,000.</i>
3.	<i>Fails to maintain records properly relating to any of his assignments.</i>	<i>Up to ₹ 1,00,000 or 25% of fee, whichever is higher, subject to a minimum ₹ 50,000.</i>
4.	<i>Rejects a claim(s) without giving any proper reason while undertaking an assignment or fails to exercise due diligence in claim verification.</i>	<i>Up to ₹ 2,00,000 or 25% of fee, whichever is higher, subject to a minimum ₹ 1,00,000.</i>
5.	<i>Fails to comply with directions issued by Adjudicating Authority or the Appellant Tribunal.</i>	<i>Up to ₹ 2,00,000 or 25% of fee, whichever is higher, subject to a minimum ₹ 1,00,000.</i>

6.	<i>Outsources his duties and obligations.</i>	<i>Up to ₹ 2,00,000 or 25% of fee, whichever is higher, subject to a minimum ₹ 1,00,000.</i>
7.	<i>Fails to appoint registered valuers, wherever required, under the Code or Regulations made thereunder, for conducting valuation.</i>	<i>Up to ₹ 2,00,000 or 25% of fee, whichever is higher, subject to a minimum ₹ 1,00,000.</i>
8.	<i>Fails to supply the information called for or to comply with the requirements of information sought by the IPA, Board, Adjudicating Authority or the Appellant Tribunal or does not cooperate with the inspection or investigating authority.</i>	<i>Up to ₹ 1,00,000 or 25% of fee, whichever is higher, subject to a minimum ₹ 50,000.</i>
9.	<i>Fails to make public announcement in the manner provided for in the relevant Regulations.</i>	<i>Up to ₹ 2,00,000 or 25% of fee, whichever is higher, subject to a minimum ₹ 1,00,000.</i>
10.	<i>Fails to provide notice regarding meetings of creditors.</i>	<i>Up to ₹ 1,00,000 or 25% of fee, whichever is higher, subject to a minimum ₹ 50,000.</i>
11.	<i>Fails to reject resolution plan from ineligible resolution applicants.</i>	<i>Up to ₹ 2,00,000 or 25% of fee, whichever is higher, subject to a minimum ₹ 1,00,000.</i>
12.	<i>Fails to take action in respect of Preferential, Undervalued, Fraudulent or Extortionate transactions.</i>	<i>Up to ₹ 2,00,000 or 25% of fee, whichever is higher, subject to a minimum ₹ 1,00,000.</i>
13.	<i>Enters into contract or agreement with professionals in an incomplete and improper manner.</i>	<i>Up to ₹ 1,00,000 or 25% of fee, whichever is higher, subject to a minimum ₹ 50,000.</i>
14.	<i>Contravenes any provision of the Bye-laws, or Regulations for which no specific penalty has been provided.</i>	<i>Up to ₹ 1,00,000 or 25% of fee, whichever is higher, subject to a minimum ₹ 50,000.”</i>

4. Further, the IPA shall amend its Bye- Laws to incorporate Clause 24(5) of the Schedule to the IBBI (Model Bye-Laws and Governing Board of Insolvency Professional Agencies) Regulations, 2016 as inserted by IBBI (Model Bye-Laws and Governing Board of Insolvency Professional Agencies) (Third Amendment) Regulations, 2021.

5. This circular is issued in exercise of powers under section 196 of the Insolvency and Bankruptcy Code, 2016.

6. This Circular shall come into force with immediate effect.

Yours faithfully,  
-Sd-  
(Debajyoti Ray Chaudhuri)  
Chief General Manager