THE CASE CONCERNING THE
T-BYTE INSOLVENCY

NATIONAL LAW INSTITUTE UNIVERSITY BHOPAL
1997

MOOT COURT ASSOCIATION

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ACKNOWLEDGEMENT

We extend our sincere gratitude to **Ms. Vaidehi Gulati** (*Senior Research Associate, Insolvency Law Academy*) for drafting the Moot Proposition. We deeply appreciate the invaluable research support extended by the Insolvency Law Academy (ILA), made possible under the guidance and leadership of **Mr. Sumant Batra** (*President, Insolvency Law Academy*), whose gracious consent and encouragement made this collaboration between the ILA and NLIU possible.

Note: Teams are strictly prohibited from contacting the drafter in relation to this Moot directly or indirectly. The MCA reserves the right to take appropriate action, including disqualifying any participant found to be engaging in such conduct.

MOOT PROPOSITION

1. T-Byte Ltd. is a private limited company incorporated on 10th September 2015 under the Indianica Companies Act, 2013. The company quickly became one of Indianica's leading platforms for trading Virtual Digital Assets ("**VDAs**"). T-Byte operated not only as a high-volume crypto exchange but also provided custodial wallet services where users could safely store their digital assets.
2. T-Byte's registered office was originally located in the Zenhli region. On 12th October 2022, the company shifted its registered office to the Altara region, a special economic zone with advanced technology infrastructure. This move was widely seen as preparation for a planned Initial Public Offering ("**IPO**").
3. T-Byte built its reputation as a secure and innovative platform serving both individual retail investors and large institutional clients. The platform allowed users to trade various digital currencies, engage in spot and margin trading, and use what the company marketed as highly secure custodial services for storing their VDA holdings.
4. T-Byte's rapid growth was driven by its zero-brokerage model and user-friendly interface, which attracted over 5 million investors across Indianica by 2022. The company invested heavily in its technology infrastructure, including a proprietary blockchain ledger and software designed to detect and prevent market manipulation.
5. The regulatory framework for VDAs in Indianica allowed these assets to be traded and invested in, but VDAs were not recognized as legal tender. All

trading platforms, including T-Byte, were required to register with the Financial Intelligence Unit (“**FIU**”)-Indianica and comply with strict Anti-Money Laundering (“**AML**”) and Know Your Customer (“**KYC**”) requirements.

6. To meet its regulatory obligations, T-Byte collected and stored extensive user data. This included mandatory KYC documents such as Aadhaar-linked verifications and Permanent Account Number (“**PAN**”) details. T-Byte also stored commercially valuable information like detailed trading patterns, risk profiles, and user behaviour analytics. This data was stored on cloud servers located in both Indianica and Syonan.
7. In 2018, to take advantage of global fintech opportunities and avoid Indianica’s complex regulatory environment, T-Byte incorporated ApeX Inc. as its wholly-owned subsidiary in Syonan under the Syonan Companies Act. ApeX was intended to act as the group’s financial centre and treasury. It held most of the group’s cryptocurrency and cash reserves, managed cross-border payment systems, and handled international regulatory compliance. This structure kept a significant portion of the group’s operations outside the direct reach of Indianica’s regulators.
8. This international structure gave T-Byte several advantages. It provided easier access to foreign capital markets, enabled smoother processing of international trades, and helped the group navigate Indianica’s strict foreign exchange controls and evolving digital asset regulations.
9. In 2019, ApeX Inc. incorporated CTRL Solutions Pvt. Ltd. (“**CTRL**”) as its wholly-owned subsidiary in the Mapel region of Indianica. The purpose of

establishing CTRL was to handle local operations while keeping core financial functions offshore. This created a three-tier structure: T-Byte Ltd. (Indianican parent) owned ApeX Inc. (Syonan based subsidiary), which in turn owned CTRL Solutions (Indianican subsidiary operating as ApeX's local arm).

10. The rationale for this layered structure was to separate customer-facing operations from treasury and liquidity management. CTRL handled customer acquisition, local marketing, and regulatory filings in Indianica, while ApeX controlled the core financial infrastructure, including primary liquidity pools, the main trading engine, VDA custody, and international payment processing from Syonan. This arrangement allowed the group to optimize tax efficiency and regulatory compliance across jurisdictions.

11. CTRL operated under a series of service agreements that required it to pay substantial fees to ApeX for technology licensing and treasury management services. The majority of CTRL's directors were appointed by ApeX, and its operations were tightly controlled by the Syonan entity. CTRL functioned primarily as the Indianican front-end for operations that were substantially managed offshore.

12. By early 2023, over 70% of CTRL's operational revenues were being transferred to ApeX's treasury accounts in Syonan. While this arrangement was financially efficient, it created a significant vulnerability: any serious financial problems at ApeX would immediately affect CTRL's ability to operate in Indianica, and vice versa.

13. In February 2023, planning for a potential IPO, ApeX proposed a scheme of amalgamation to merge CTRL directly into its Syonan operations. After obtaining approval from its major creditors, the scheme was prepared for filing before the High Court of Syonan. Notably, the proposal included a provision allowing the transfer and commercial use of the entire database of Indianican users, treating their personal and financial data as a core business asset of the merged entity.

14. These corporate restructuring plans were suddenly disrupted in May 2023 when T-Byte suffered a major cybersecurity breach. A sophisticated hacking group exploited a previously unknown vulnerability in T-Byte's hot wallet system, stealing Bitcoins worth over ₹450 crore and leaking the personal and financial information of approximately 200,000 users. T-Byte immediately engaged Payod Analysis Inc., a leading blockchain investigation firm, to trace the stolen assets.

15. The breach destroyed investor confidence. Customers rushed to withdraw their funds, and many shifted to competing platforms, causing T-Byte's trading volumes to fall by over 80%. The situation worsened when T-Byte's Londres-based insurer, Yellowcut Ltd., invoked a force majeure clause, claiming the cyberattack was "state-sponsored" and refusing to cover any losses from the incident.

16. The devastating impact of the cyberattack and the insurer's refusal to provide coverage caused a severe liquidity crisis. At the Annual General Meeting of T-Byte held on 15th November 2023, the Board of Directors

presented a troubling financial picture in the ongoing financial year to the shareholders. The statutory auditor's review report on the unaudited quarterly financial statements, which was read at the meeting, expressed serious concerns about the company's financial health, operational integrity, and its ability to continue as a going concern.

17. The auditors' report highlighted several critical issues. First, the company's VDA holdings were valued unrealistically, failing to account for their extreme market volatility. Second, the cybersecurity infrastructure was outdated and required immediate and costly upgrades. Third, trading activity had fallen by over 60% compared to the previous quarter. This decline was due not only to the loss of user trust but also to the recent introduction of a flat 30% income tax on profits from VDA transfers in Indianica, which had severely dampened investor sentiment and driven user retention to an all-time low.

18. In December 2023, internal liquidity stress tests confirmed the auditors' concerns, revealing that T-Byte would be unable to meet large-scale withdrawal demands if the current rate of outflows continued. On 22nd December 2023, an emergency Board meeting was held to address the crisis. The management explored options for voluntary restructuring and emergency capital infusion, but received no serious commitments from existing creditors or potential new investors.

19. The company's banking partners, led by DNA Ltd., flagged breaches of lending covenants. DNA Ltd. had provided term loans totalling ₹180 crore to T-Byte, which became due for repayment on 15th December 2023. T-Byte

failed to make this payment, constituting a default of ₹180 crore. Following this default, DNA Ltd. tightened credit lines and demanded accelerated repayment of existing loan facilities. The company's inability to raise interim financing was made worse by a formal investigation initiated by the Enforcement Directorate ("**ED**") under the Prevention of Money Laundering Act, 2002 ("**PMLA**") on 2nd January 2024.

20. The ED's investigation alleged that T-Byte's platform was systematically used for transactions designed to defraud users and conceal the true ownership of assets. The ED issued a provisional attachment order on the same day, covering two specific assets: (i) a crypto wallet containing Bitcoins valued at ₹50 crore, which were allegedly traced as proceeds from user accounts involved in suspected money laundering activities, and (ii) T-Byte's primary operational bank account with a balance of ₹25 crore, which contained mixed corporate and user funds.

21. By the end of December 2023, T-Byte had already exhausted its working capital reserves. Salary and statutory payments were delayed. The public disclosure of the ED's investigation triggered a second wave of mass withdrawals, causing consumer trust to collapse. T-Byte's Board formally acknowledged that the company was in a state of commercial insolvency. This financial collapse directly and severely impacted the liquidity of its Syonan subsidiary, ApeX Inc.

22. On 30th January 2024, DNA Ltd. filed an application under Section 7 of the Insolvency and Bankruptcy Code, 2016 ("**IBC**") before the National Company

Law Tribunal ("**NCLT**"), Altara Bench, seeking to initiate a Corporate Insolvency Resolution Process ("**CIRP**") against T-Byte Ltd. DNA Ltd. established that T-Byte had defaulted on repayment of ₹180 crore. The NCLT admitted the petition and passed an order commencing CIRP on 28th February 2024.

23. Following the public announcement of the CIRP, the Employees' Provident Fund Organisation ("**EPFO**") submitted its claim of ₹3.2 crore on 5th March 2024. The Interim Resolution Professional ("**IRP**") initially admitted the entire claim on a provisional basis. However, after detailed verification, the Resolution Professional ("**RP**") rejected the portion of the claim amounting to ₹2.88 crore, which related to statutory damages under Section 14B and interest under Section 7Q of the Employees' Provident Funds and Miscellaneous Provisions Act, 1952 respectively. The RP admitted only the principal contribution amount of ₹32 lakh. The approved resolution plan did not provide for any payment towards the rejected portion of the EPFO's claim.

24. T-Byte's user agreement, which all users accepted through a 'click-wrap' contract upon signing up, included a clause stating: "In the event of a merger, acquisition, or bankruptcy, user data, including personal and financial information, may be transferred as a company asset to a third party."

25. T-Byte's terms of service also assured users that all deposited VDAs would be held in separate, secure cold storage wallets on a custodial basis.

However, the IRP's preliminary report revealed that approximately 30% of user-deposited assets were held in the company's 'hot wallet' and were mixed with T-Byte's own assets used for its margin trading operations.

26. The crisis quickly spread to T-Byte's international operations. On 12th May 2024, a major creditor of ApeX Inc. initiated insolvency proceedings before the Syonan High Court. The court imposed an interim moratorium and appointed a Judicial Manager to oversee ApeX's affairs. The Judicial Manager subsequently filed an application before the NCLT, Altara Bench, requesting recognition of the Syonan proceedings in Indianica under the newly enacted cross-border insolvency framework. The application also sought cooperation from the Indianican court, including the repatriation of certain assets held by T-Byte that allegedly belonged to ApeX as part of the integrated group structure.
27. The Judicial Manager also submitted a comprehensive group resolution plan to the NCLT. This plan was a revised and expanded version of the merger scheme first proposed by ApeX in February 2023, now adapted to the context of the dual insolvency proceedings. The plan proposed the merger of both ApeX and CTRL with a foreign acquiring entity, TedXter Inc., a company incorporated in Nippon.
28. The TedXter Inc. plan proposed to settle 70% of the outstanding debts owed to the creditors of ApeX and CTRL, restructure the remaining 20%, and integrate CTRL's trading platform into TedXter's global fintech network. A key component of the plan involved using the extensive user data collected

by T-Byte and CTRL, including trading histories and creditworthiness profiles for financial analytics and targeted advertising services to generate revenue.

29. In response, the Central Government of Indianica, along with other regulatory authorities, filed a Writ Petition before the High Court of Altara challenging the proposed scheme. The petition raised serious concerns about the transfer of sensitive personal data of Indianican citizens to a foreign entity, citing risks of cybercrime, fraud, and potential misuse of the information in violation of national public policy.

30. Meanwhile, on 20th March 2024, an operational creditor of CTRL Solutions Pvt. Ltd. filed an application under Section 9 of the IBC against CTRL before the NCLT, Mapel Bench. The application is currently pending admission, as CTRL has raised the defence of a pre-existing dispute regarding the quality of services rendered.

31. The RP for T-Byte invited resolution plans from prospective resolution applicants. After a lengthy process, the Committee of Creditors ("**CoC**") approved the resolution plan submitted by Snip Public Ltd. on 22nd August 2025 with a 78% majority vote. The CIRP timeline was extended beyond the statutory 330 days by the NCLT on two separate occasions, citing exceptional complexity arising from the ongoing PMLA investigation and the challenges in conducting a fair valuation of the company's highly volatile digital asset portfolio.

32. The RP subsequently filed an application before the NCLT, Altara Bench, for the approval of the resolution plan submitted by Snip Public Ltd. The plan proposes to pay the admitted claim of the EPFO (₹32 lakh) in full but makes its implementation dependent on the approval of the TedXter Inc. scheme by the relevant authorities, as it relies on the data transfer to TedXter for a significant portion of its funding.

33. Several objections were filed against the resolution plan. Among them, a group of T-Byte users filed an objection regarding the transfer of KYC documents and related information as part of the resolution plan. The EPFO also raised objections, asserting that the rejection of the damages and interest portion of its claim is illegal and that the entire claimed amount of ₹3.2 crore must be paid in accordance with Section 36(4) of the IBC.

34. Simultaneously, a petition was filed before the Supreme Court of Indianica by the Personal Digital Rights ("**PDR**") Forum, representing affected users of T-Byte. The PDR contends that user data is sensitive personal data and cannot be transferred without fresh, specific, and informed consent from each user. The PDR argues that the original 'click-wrap' consent is insufficient under the new data protection regime and that the transfer constitutes a violation of the right to privacy and is prohibited by the Digital Personal Data Protection Act, 2023 ("**DPDP Act**").

NOTE TO PARTICIPANTS

1. The teams are requested to prepare a memorandum of arguments on behalf of:
   a. **Applicant** before the NCLT Altara Bench in Indianica as per the issues below
   b. **Respondents** before the NCLT Altara Bench in Indianica as per the issues below.
2. Teams shall assume that the AML & CFT Guidelines for Reporting Entities Providing Services Related to VDAs are applicable, along with the Prevention of Money-Laundering Act, 2002, the High Court of Delhi Rules, and the provisions under the Insolvency and Bankruptcy Code, 2016.
3. Teams shall further assume that the provisions under the Insolvency and Bankruptcy (Amendment) Bill, 2025, incorporating the UNCITRAL Model Law on Cross-Border Insolvency, and Digital Personal Data Protection Act, 2023 and its corresponding rules, are already notified and in force.
4. All laws of Indianica, Sanyon, Londres, and Nippon shall be construed ***pari materia*** with the laws of India, Singapore, the United Kingdom (London), and Japan respectively, including all applicable regulations, rules, guidelines, and circulars.
5. The Securities and Exchange Board of India ("**SEBI**"), Insolvency and Bankruptcy Board of India, Reserve Bank of India, and CCI are the regulators.

ISSUES FOR CONSIDERATION

Arguments on the following issues are to be taken up in the Memorandum of Pleadings.

1. Whether the National Company Law Tribunal (Altara Bench) has territorial jurisdiction to entertain the insolvency petition against T-Byte Ltd., and whether it can restrain the implementation of a foreign resolution plan to the extent it conflicts with domestic statutory priorities and public policy considerations?
2. Whether the provisional attachment of T-Byte's digital wallets and bank accounts under the PMLA overrides the moratorium imposed under Section 14 of the IBC, and whether criminal proceedings and regulatory investigations can continue in parallel with the Corporate Insolvency Resolution Process?
3. Whether the foreign Judicial Manager appointed by the Syonan High Court can seek recognition of the Syonan proceedings as a "foreign main proceeding" under the UNCITRAL Model Law framework, and whether the Indianica court can order cooperation including the repatriation of assets from T-Byte to ApeX during the moratorium?
4. Whether provident fund dues, being outside the liquidation estate under Section 36(4) of the IBC, must be paid in full under a resolution plan, and whether the RP's rejection of the portion of the EPFO's claim related to statutory damages and interest is legally valid?

5. Whether the proposal in the approved resolution plan to transfer sensitive personal and financial user data to a third party for commercial use, without obtaining fresh, specific consent from each user, is void for being in violation of the Digital Personal Data Protection Act, 2023?
6. Whether co-mingled VDAs held by T-Byte Ltd. constitute "assets" of the corporate debtor under the IBC, thereby forming part of the insolvency estate; and consequently, whether the NCLT can approve a resolution plan's valuation methodology given the VDAs' inherent volatility, or reject the plan for failing to maximize asset value?

ANNEXURE-A

An excerpt of financial information from the books of accounts of M/s. T-Byte Ltd. ending on 31st March 2024 is as under:

(In ₹ 'Crore')

Particulars	As at 31.03.2024	As at 31.03.2023
ASSETS		
Non-Current Assets		
Property, Plant & Equipment	8.00	12.00
Intangible Assets	20.04	29.50
Capital Work in Progress	10.34	18.20
Financial Assets		
Investments	25.23	21.10
Other Non-Current Assets	10.82	13.20
Total Non-Current Assets	**74.43**	**94.00**
Current Assets		
Financial Assets		
Investments	112.80	114.20
Trade Receivables	19.90	18.90
Cash and Cash equivalents	18.95	21.86
Other Financial Assets	7.60	7.24
Other Current Assets	4.78	4.60
Total Current Assets	**164.03**	**166.80** (Corrected)
TOTAL ASSETS	**238.46**	**260.80** (Corrected)

EQUITY AND LIABILITIES		
Equity		
Equity Share Capital	25.50	25.50
Other Equity (Reserves and Surplus)	(604.16)	(489.40)
Total Equity	**(578.66)**	**(463.90)**
LIABILITIES		
Non-Current Liabilities		
Long-Term Borrowings	300.00	250.00
Deferred Tax Liabilities (net)	21.80	14.20
Total Non-Current Liabilities	**321.80**	**264.20**
Current Liabilities		
Financial Liabilities		
Trade Payables due to:		
- Retail users	65.90	50.32
- Corporate users	115.00	111.00
- Other Users	132.00	126.80
Other Financial Liabilities	55.60	54.00
Other Current Liabilities	8.52	7.48
Provisions	118.30	110.90
Total Current Liabilities	**495.32**	**460.50**
TOTAL EQUITY AND LIABILITIES	**238.46**	**260.80**