



CIVIL

The Insolvency and Bankruptcy Board of India notifies IBBI (Insolvency Resolution Process for Corporate Persons) (Fourth Amendment) Regulations, 2025

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PUBLISHED 30 May 2025

The Insolvency and Bankruptcy Board of India (IBBI) has recently introduced the Fourth Amendment Regulations to the Insolvency Resolution Process for Corporate Persons. These amendments, notified on 26th May 2025, are designed to enhance the efficiency and transparency of the corporate insolvency resolution process. The changes aim to refine the existing framework, ensuring a simpler and effective approach to resolving insolvency issues for corporate entities.

The Insolvency and Bankruptcy Code, 2016 (IBC), was enacted to consolidate and amend the laws relating to the reorganization and insolvency resolution of corporate persons, partnership firms, and individuals. The IBC aims to protect the interests of all stakeholders, including debtors and creditors, by providing a structured mechanism for resolving insolvency. The amendments are made under the powers conferred by clause (t) of sub-section (1) of section 196 read with section 240 of the Insolvency and Bankruptcy Code, 2016. These provisions empower the IBBI to make regulations to further amend the existing rules and regulations to ensure the smooth functioning of the insolvency resolution process.

One of the key amendments introduced is the insertion of a new sub-regulation (5) in Regulation 18. This new provision allows the committee to direct the resolution professional to invite providers of interim finance to attend committee meetings as observers, albeit without voting rights. This inclusion can provide valuable insights and enable smoother financial arrangements during the insolvency resolution process. By involving interim finance providers, the committee can ensure that financial considerations are well-managed and that the process remains financially viable.

Another significant amendment is the insertion of sub-regulation (1A) in Regulation 36A. This provision allows the resolution professional, with the committee's approval, to invite expressions of interest for the submission of resolution plans. These plans can be for the corporate debtor as a whole or for the sale of one or more of the debtor's assets. This flexibility can attract a broader range of potential investors and solutions, thereby enhancing the chances of successful resolution. By providing more options for resolution, the process becomes more adaptable to the specific needs and circumstances of the corporate debtor.

The amendment to Regulation 36B involves the omission of sub-regulation (6A).

Regulation 38 has also been amended to include a new proviso in sub-regulation (1). This provision ensures that financial creditors who did not vote in favor of the resolution plan are still paid proportionately and prioritized over those who did support it. This measure maintains fairness and transparency in the payment process, ensuring that all creditors are treated equitably. By prioritizing payments in this manner, the amendment aims to protect the interests of all financial creditors, regardless of their stance on the resolution plan.

Further amendments have been made to Regulation 39 to enhance clarity and compliance. The words "which comply with the requirements of the Code and regulations made thereunder" have been omitted from sub-regulation (2) to simplify the language and remove redundancy. Additionally, the words "non-compliant plans and" have been inserted after "along with the details of" to ensure that non-compliant plans are also considered and detailed. Finally, the marks and words ", which comply with the requirements of the Code and regulations made thereunder," have been inserted after "under sub-regulation (2)" to reinforce the requirement for compliance with the Code and regulations. These changes ensure that all plans meet the necessary standards, promoting a stronger and compliant resolution process.

The Fourth Amendment Regulations introduced by the Insolvency and Bankruptcy Board of India represent a significant step forward in enhancing the corporate insolvency resolution process. By introducing greater flexibility in the submission and evaluation of resolution plans, ensuring fair payment to financial creditors, and simplifying regulatory language, these amendments aim to protect the interests of all stakeholders. The IBBI's commitment to refining and improving the insolvency resolution framework will undoubtedly contribute to a more effective and transparent process, ultimately benefiting corporate debtors, creditors, and the broader economy.

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