



INSOLVENCY & BANKRUPTCY

Insolvency and Bankruptcy Board of India Strengthens Corporate Insolvency Resolution Process with New Amendments

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The Insolvency and Bankruptcy Board of India (IBBI) has introduced amendments to the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 (CIRP Regulations). These amendments, effective from 4th July 2025, aim to enhance transparency, accountability, and the treatment of avoidance transactions in the corporate insolvency resolution process.

Key Highlights of the Amendment Regulations

Enhanced Disclosure in Information Memorandum (IM):

One of the most significant changes introduced by the amendments is the requirement for enhanced disclosure in the Information Memorandum (IM). Under the new regulations, the Resolution Professional (RP) must mandatorily include details of all identified avoidance transactions or fraudulent or wrongful trading in the IM. This includes any transactions that may have been conducted to defraud creditors or unfairly disadvantage them. The RP is also required to keep the IM updated and provide it periodically to the Committee of Creditors (CoC). This ensures that the CoC has access to the most current and comprehensive information, facilitating more informed decision-making.

Treatment of Disclosed Transactions in Resolution Plan:

The amendments also address the treatment of disclosed transactions in the resolution plan. The resolution plan shall not provide for the assignment of any avoidance transactions or fraudulent or wrongful trading unless two conditions are met:

- The transactions were disclosed in the Information Memorandum.
- All prospective resolution applicants were intimated about these transactions under sub-regulation (3A) of regulation 35A before the last date for submission of resolution plans.

These provisions aim to ensure that all stakeholders are fully aware of any potentially problematic transactions, allowing them to make better-informed decisions and maximizing the value for the assets of the corporate debtor.

The primary objectives of these amendments are to facilitate informed decision-making by the Committee of Creditors (CoC) and resolution applicants, enhance transparency and accountability in the insolvency resolution process, and maximize the value of the corporate debtor's assets through better price discovery.

By mandating enhanced disclosure and regulating the treatment of disclosed transactions, the IBBI aims to create a more transparent and accountable insolvency resolution process. This will help protect the interests of creditors and other stakeholders, ensuring that the resolution process is fair and equitable.

Conclusion

The recent amendments to the CIRP Regulations mark a significant step forward in enhancing the corporate insolvency resolution process in India. By requiring enhanced disclosure and regulating the treatment of avoidance transactions, the IBBI is promoting a more transparent and accountable environment. These changes are expected to lead to better price discovery and maximization of value for the assets of the corporate debtor, ultimately benefiting all stakeholders involved in the insolvency resolution process.

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