



INSOLVENCY & BANKRUPTCY

Strengthening Transparency in CIRP: A Legal Analysis of IBBI (Insolvency Resolution Process for Corporate Persons) (Seventh Amendment) Regulations, 2025

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PUBLISHED 29 December 2025

Introduction

The Insolvency and Bankruptcy Board of India's latest modification to the Corporate Insolvency Resolution Process (CIRP) framework marks a significant regulatory pivot toward transparency, accountability, and legal certainty. The Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Seventh Amendment) Regulations, 2025, sharpen the focus on beneficial ownership disclosures and calibrate the interface between eligibility for statutory immunities and the approval of resolution plans. In doing so, this IBBI amendment aims to address persistent challenges arising from layered ownership structures, offshore entities, and the need for informed creditor decision-making during CIRP.

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Statutory Basis and Commencement

Anchored in Section 240 of the Insolvency and Bankruptcy Code, 2016, the Board's regulation-making power extends to prescribing procedural and substantive safeguards within CIRP. The Seventh Amendment Regulations were brought into force in December 2025. Their stated purpose is to reinforce legal safeguards around ownership transparency and to ensure that entities seeking to acquire stressed assets through CIRP meet eligibility thresholds for post-approval protections under the Code.

Core Insertion: Beneficial Ownership Disclosure in Resolution Plans

A central feature of the amendment is the insertion of sub-regulation 38(3A), which mandates that every resolution plan include a comprehensive statement of beneficial ownership. This provision compels the resolution applicant to identify natural persons who ultimately own or control the applicant, delineate the complete shareholding chain, and specify the jurisdiction of each intermediate entity. The obligation to "de-layer" ownership is not merely formal; it enables stakeholders to scrutinize connections that may bear upon the legal consequences of plan approval, especially where past offences or regulatory non-compliance could impede statutory protections.

Affidavit on Eligibility for Section 32A Protections

Complementing the beneficial ownership statement, the amendment requires an affidavit clarifying the resolution applicant's eligibility or ineligibility for the protections under Section 32A of the Code. Section 32A, in essence, ring-fences the corporate debtor and its assets from liability for prior offences upon approval of a resolution plan and a qualifying change in management or control. By insisting on an upfront affidavit, the amendment enhances ex ante transparency, reduces ambiguity around post-approval immunities, and supports a more informed commercial assessment by the Committee of Creditors (CoC), while also aiding the Adjudicating Authority's evaluation at the plan approval stage.

Policy Rationale and Regulatory Alignment

The policy thrust behind these measures is clear: strong disclosure is indispensable to market integrity in insolvency resolution. Multi-layered and cross-border ownership structures can obscure the identity of ultimate beneficial owners, raising concerns around compliance history, sanctions exposure, and the potential misuse of the CIRP framework. By mandating de-layered disclosures and a sworn statement on Section 32A eligibility, the amendment aligns CIRP processes with broader transparency

norms, anti-money laundering expectations, and the imperative of ensuring that post-approval immunity attaches only to “clean” acquirers.

Implications for Resolution Applicants

For resolution applicants, the compliance burden becomes more exacting. Applicants must map the full ownership chain to the level of identifiable natural persons, reconcile disclosures with corporate records, and disclose the jurisdictions of all intermediate entities. Structures involving trusts, partnerships, foundations, or offshore special purpose vehicles will require careful documentation and, in many cases, legal opinions to substantiate control and ownership determinations. The affidavit on Section 32A eligibility must be precise and defensible; inaccuracies or omissions may jeopardize plan viability, delay adjudication, or trigger adverse legal consequences.

Duties of Resolution Professionals

Resolution professionals will need to exercise heightened diligence in verifying the completeness coherence of disclosures contained in resolution plans. This entails cross-checking the beneficial ownership statement, seeking clarifications where ownership chains are opaque, and ensuring that the affidavit on Section 32A eligibility is consistent with the disclosed ownership profile. While the ultimate adjudication lies with the Adjudicating Authority, the resolution professional's gatekeeping role becomes more pronounced, ensuring that non-compliant or materially deficient plans do not progress without remediation.

Enhanced Decision-Making by the Committee of Creditors

The CoC stands to benefit from a clearer evidentiary foundation when exercising its commercial judgment. With visibility into ultimate beneficial ownership and a sworn statement on Section 32A eligibility, creditors can better evaluate legal risk, reputational exposure, and the likelihood of post-approval challenges. This incremental transparency can improve voting outcomes, reduce downstream litigation, and bolster confidence in the durability of approved plans.

Practical Compliance Considerations

Compliance will require early planning. Applicants should initiate jurisdiction by jurisdiction information requests, obtain declarations from intermediate entities, and harmonize disclosures with filings made before company registries and regulators. Where control is exercised through contractual rights or fiduciary arrangements, the documentation must explain the nature and extent of such control. Independent verification through legal certifications or auditor attestations highlight scan strengthen the credibility of submissions. Maintaining a detailed audit trail of diligence efforts will be valuable both for regulatory review and for any later scrutiny.

The Seventh Amendment Regulations, 2025, constitute a deliberate recalibration of CIRP practice toward deeper transparency and more predictable legal outcomes. By mandating de-layered disclosure of ultimate beneficial owners and an affidavit addressing eligibility for Section 32A protections, the framework strengthens due diligence, clarifies risk allocation, and supports more informed decision-making by creditors and the Adjudicating Authority. Stakeholders who proactively align their processes with these requirements highlights through rigorous ownership mapping, strong documentation, and careful legal vetting highlights will be best positioned to navigate CIRP efficiently and to secure durable, litigation-resilient resolutions.

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