INDIALAW



INSOLVENCY & BANKRUPTCY

IBBI Tightens Transparency Norms: New Disclosure Templates for Resolution Applicants to Safeguard Section 32A Immunity

AUTHOR Shrishail Kittad, Rahul Sundaram

PUBLISHED 8 November 2025

The Insolvency and Bankruptcy Board of India (IBBI) has taken a decisive step toward fortifying the integrity of corporate insolvency proceedings. On 6 November 2025, it released a Discussion Paper proposing mandatory declaration templates for beneficial ownership and Section 32A eligibility, marking a shift from discretionary disclosures to a standardized, verifiable framework. This move directly addresses concerns that the “clean slate” immunity offered to successful resolution applicants could be misused by individuals with questionable backgrounds hiding behind complex corporate structures.

The genesis of this proposal lies in feedback from stakeholders grappling with the practical implementation of the Insolvency and Bankruptcy Code, 2016. In August 2025, the IBBI had already flagged the need for enhanced disclosures around Section 32A, which shields corporate debtors from prosecution for pre-insolvency offences if management changes hands in good faith. The challenge, however, was ensuring this protection didn’t extend to ineligible persons who might conceal their identities through layered ownership. Consequently, the Board now seeks to amend Regulation 38 of the CIRP Regulations to compel every Prospective Resolution Applicant (PRA) to furnish two key documents: a detailed beneficial ownership statement and a sworn affidavit on Section 32A eligibility.

This initiative is anchored in the RBI’s Master Direction on Know Your Customer (KYC) norms, updated as recently as August 2025. By borrowing this regulatory architecture, the IBBI ensures its definitions and thresholds resonate with established financial sector practices. Under this framework, a “beneficial owner” is defined as any natural person holding more than 10% ownership or control in a company, LLP, or trust, and over 15% in unincorporated bodies. The definition also captures control exercised through indirect means such as voting rights or shareholder agreements. For trusts, it extends to authors, trustees, and beneficiaries with at least 10% interest, ensuring that nominee arrangements cannot obscure true control.

The draft template, detailed in Annexure A, is structured in four distinct parts. It begins with the PRA’s basic corporate details, then offers a simpler disclosure path for listed entities. If the PRA or its controlling shareholder is a company listed on Indian exchanges or in notified foreign jurisdictions, granular shareholder details can be skipped, provided the applicant supplies direct links to public filings such as SEBI LODR disclosures or BEN-2 forms. This exemption is strictly conditional, requiring explicit confirmation that sufficient public information exists. For unlisted PRAs, Part III demands exhaustive detail: a list of natural person beneficial owners with their nationalities, jurisdictions of residence, percentage of direct and indirect control, and identity documents. The PRA must also provide a tier-wise ownership structure chart mapping every intermediate entity up to the ultimate beneficial owners, with clear jurisdictional tagging.

Part IV of Annexure A contains a solemn declaration affirming the statement’s completeness and accuracy, and critically, that none of the disclosed persons is disqualified under Section 29A of the Code. This self-certification raises the stakes for PRAs, making them legally accountable for omissions or misrepresentations. The second document, Annexure B, is a formal affidavit that must be sworn by the PRA’s authorized signatory. It requires an unequivocal declaration of eligibility or ineligibility for Section 32A immunity, supported by a factual statement on whether the applicant or its management had any prior connection to the corporate debtor as promoter, related party, or subject of investigation. The affidavit further mandates confirmation that none of the incoming managers fall foul of Section 32A(1), effectively creating a double-layer filter against undesirable acquirers.

The IBBI has invited public comments on both proposals from a wide spectrum of stakeholders, including insolvency professionals, creditors, investors, and academics. Submissions must be made electronically through the IBBI portal by 16 November 2025, with commenters required to specify their stakeholder category and the proposal number they are addressing. This consultative approach reflects the Board’s effort to balance regulatory stringency with practical feasibility, ensuring the final templates are both strong and implementable.

The implications of this framework are far-reaching. It equips creditor committees with tools to pierce through opaque ownership structures, particularly those involving offshore entities or complex trusts. By tying disclosure directly to the immunity benefits of Section 32A, the IBBI creates a powerful deterrent against shell companies or tainted promoters attempting a backdoor entry into resolved companies. The alignment with RBI norms also enables data sharing and verification across regulatory bodies, strengthening the broader financial integrity ecosystem. As insolvency professionals prepare to grapple with these enhanced requirements, the quality of resolution plans is expected to improve, encouraging greater confidence among lenders and investors in the distressed asset market.

This initiative marks a maturation of India’s insolvency regime, where transparency is no longer aspirational but enforceable. If implemented, these templates will add another compliance layer and will fundamentally reshape how control and ownership are assessed in high-stakes corporate rescues, ensuring that the fresh start promised by the Code is genuinely clean. For further

details write to contact@indialaw.in

Related Practice Areas

Insolvency & Bankruptcy