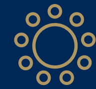
IBC Update



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IBC Amendment Bill 2026 (As Passed By Lok Sabha On 30 March 2026): Re-Tuning The Insolvency Framework

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Introduction

On 12 August 2025, the Hon'ble Finance Minister, Smt. Nirmala Sitharaman, introduced the Insolvency and Bankruptcy Code (Amendment) Bill, 2025 ("**2025 Bill**") in the Lok Sabha. The 2025 Bill was subsequently referred to a Select Committee of Parliament for further consultations and was passed by Lok Sabha on 30 March 2026 as the Insolvency and Bankruptcy Code (Amendment) Bill, 2026 ("**Bill**"). The proposed reforms are the culmination of three years of extensive stakeholder consultations, deliberations of the Insolvency Law Committees and discussion papers issued by the government. The Bill seeks to address persistent challenges under the Insolvency and Bankruptcy Code, 2016 ("**Code**"), including delays in admission of cases, erosion of asset value, uncertainty over rights of different stakeholders including distribution of resolution proceeds and difficulties arising from non-implementation of approved resolution plans. It also provides a legislative framework for complex and emergent areas such as creditor led insolvency resolution, group insolvency and cross-border insolvency. The Bill marks the most sweeping overhaul of India's insolvency regime since 2016. The Bill signals a decisive shift towards creditor primacy, value maximisation, global alignment and will bring in several positive changes in the regime. The Select Committee process resulted in several changes between the version introduced in 2025 and the version passed in 2026, some of which are noted in the relevant sections below.

Below is a brief summary of the major highlights of the Bill:

Major New Concepts Introduced

Creditor Initiated CIRP: A New Creditor-Driven Insolvency Process With Debtor-In-Possession Model

One of the most striking innovations in the Bill is the creation of a creditor-initiated insolvency process ("**CIIRP**") for which new Chapter IV-A is proposed by the Bill. This mechanism is designed to reduce delay at the admission stage and shift the process closer to the creditors, while still protecting the corporate debtor from disruption of change in management.

Under CIIRP, creditors holding at least 51% of the financial debt may collectively decide

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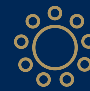

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to commence insolvency process against the debtor. Instead of waiting for the Adjudicating Authority to first admit the case, the financial creditors can issue a 30-day notice to the debtor to respond. After considering the representation, they may directly appoint a Resolution Professional who will oversee the process.

Unlike the standard corporate insolvency resolution process ("**CIRP**"), where management control shifts to the RP, the debtor's board remains in charge of day-to-day affairs. The Resolution Professional, however, has a seat at the board of directors, participating in board meetings to provide oversight and ensure fairness. This model reflects a debtor-in-possession system, with creditor supervision. Other key features of CIIRP are:

- Moratorium is not automatic. It must be specifically applied for and granted by the Adjudicating Authority, which ensures judicial scrutiny where truly needed.
- The process runs on a 150-day timeline, extendable by one time extension of 45 days, ensuring speed and discipline.
- If the process fails to yield a resolution plan, it can be converted into a regular CIRP instead of collapsing altogether or leading to a liquidation.
- Any resolution plan approved under CIIRP will still need final confirmation from the Adjudicating Authority, before it becomes binding on all stakeholders, preserving judicial oversight at the final stage.

This model combines the efficiency of creditor-driven action with the safeguards of judicial oversight and can be a game changer as it provides both creditors and the debtor to have a structured opportunity to resolve stress in a far more amicable manner than a standard CIRP.

Group Insolvency Framework

The Bill introduces a long-awaited framework for group insolvency by inserting enabling provisions under the Code. Recognising the complexities arising when multiple entities within a corporate group enter insolvency independently, the Bill empowers the Central Government to notify rules for coordinated proceedings. The proposed regime contemplates procedural tools such as joint applications, appointment of a common resolution professional, consolidation of claims and formulation of group resolution plans. It also envisages identification of "group companies" based on control, ownership, or economic interlinkages to ensure that only genuinely interconnected entities are covered.

By providing a statutory mechanism for cooperation among different corporate insolvency resolution processes, the framework aims to maximise value of group assets, prevent fragmentation of proceedings and enable holistic restructuring of business groups. This brings Indian law closer to international best practices where group insolvency and cross-border cooperation are seen as essential for resolving complex corporate defaults.

Proposed Cross-border Insolvency Framework

The Bill introduces a new Section 240C, empowering the Government to frame a comprehensive framework for cross-border insolvency. The provision contemplates the establishment of dedicated benches and enhanced mechanisms for cooperation with foreign jurisdictions, with the objective of enabling effective recovery of overseas assets and integration of India's insolvency regime with global best practices.

Clean Slate Principle

The Bill statutorily incorporates the principle of "clean slate" recognised in *Essar Steel*[1] and *Ghanshyam Mishra*[2] by inserting new sub-sections (5) and (6) to Section 31. These insertions make it clear that once a resolution plan is approved, all claims against a corporate debtor stand settled strictly in terms of the resolution plan and are otherwise extinguished, with no proceedings maintainable thereafter against the corporate debtor or its assets. It further

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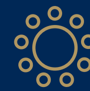
1 Essar Steel India Ltd. Committee of Creditors v. Satish Kumar Gupta, (2020) 8 SCC 531

2 Ghanashyam Mishra & Sons (P) Ltd. v. Edelweiss Asset Reconstruction Co. Ltd., (2021) 9 SCC 657



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provides that licences, permits, concessions or similar grants cannot be suspended or terminated for past defaults if the resolution applicant complies with ongoing obligations, while also clarifying that the extinguishment does not affect actions against promoters, management or guarantors. Additionally, it provides that if a guarantor, co-borrower or any person jointly or severally liable with the corporate debtor discharges a pre-resolution debt after approval of the resolution plan, any corresponding right of indemnity against the corporate debtor shall also stand extinguished, thereby preventing recovery from the corporate debtor for such payments.

Delinking Distribution from Implementation of Resolution Plans

The Bill amends Section 31(1) of the Code to allow the Adjudicating Authority, with the approval of the Committee of Creditors ("**CoC**") by a vote of sixty-six per cent of the voting share, to approve the implementation of a resolution plan even if the manner of distribution thereunder is yet to be approved by the Adjudicating Authority. At present, both must be approved together and disputes among creditor classes on distribution often delay the approval and implementation of plan. The amendment permits business continuity aspects of the plan to take effect immediately, while inter-creditor distribution issues are resolved separately, ensuring quicker revival of the corporate debtor without being stalled by disputes on sharing of proceeds.

Transfer of Guarantor's Assets Into CIRP – New Section 28A

The Bill introduces Section 28A which allows guarantor assets enforced under laws such as SARFAESI to be transferred into the corporate debtor's CIRP with the approval of the CoC. Where the guarantor is a corporate guarantor under CIRP or liquidation, the transfer requires approval of its CoC by 66% vote, and if the asset has been relinquished to the liquidation estate, approval under Section 52 is also needed. In the case of a personal guarantor in insolvency or bankruptcy, if the creditor has surrendered its rights, the transfer requires approval of creditors holding more than three-fourths in value and the proceeds form part of the guarantor's estate. Once transferred, the asset vests in the buyer with full ownership rights. Sale proceeds are first adjusted against the guarantor's debt after deducting preservation costs and any surplus is returned to the guarantor or credited to its estate. The provision consolidates guarantor assets into CIRP, avoids fragmented enforcement and enhances value for creditors while respecting parallel guarantor processes.

Introduction of a Second Chance Mechanism

The Bill introduces Section 33(1A) to provide a limited "second chance" mechanism where, even after failure of a resolution plan or expiry of CIRP timelines that would ordinarily trigger liquidation, financial creditors holding 66% voting share may vote to revive the CIRP. This restored process is strictly time-bound, permitting fresh resolution efforts only for up to 120 days. The amendment gives creditors one final opportunity to avoid value-destructive liquidation while ensuring the process remains disciplined and efficient.

Re-instatement of CIRP on Contravention of Resolution Plan

The Bill amends Section 33(4), empowering the Adjudicating Authority to reinstate the CIRP if a resolution plan is contravened, on an application by any person whose interests are prejudicially affected. Previously, remedies required separate proceedings for re-instatement of CIRP which did not have any basis under the provisions of the Code and added to uncertainty, causing delay and pushing the corporate debtor towards liquidation. The new provision ensures swift recourse by allowing a one-time reinstatement of the insolvency process, thereby strengthening enforceability of resolution plans and protecting creditor interests.

Direct Dissolution After Failed CIRP

The Bill inserts Section 54(2A) allowing the Adjudicating Authority, on application of the CoC with 66% voting share, to order direct dissolution of the corporate debtor after a failed CIRP bypassing liquidation. At present,

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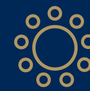

liquidation is the only statutory outcome even for assetless companies, leading to waste of time and costs.. The new provision creates an efficient exit route for assetless corporate debtors, while clarifying that dissolution will not affect pending avoidance proceedings or proceedings relating to distribution of proceeds (if any).

Moratorium Extended to Liquidation Proceedings

The Bill amends Section 33 to extend moratorium protection into liquidation, prohibiting institution of suits or proceedings against the corporate debtor once a liquidation order is passed, subject to the rights of secured creditors under Section 52. Only the liquidator, with prior approval of the Adjudicating Authority, may initiate proceedings on behalf of the debtor, and the Government may notify exceptions in consultation with financial regulators. This closes a major gap by preventing piecemeal litigation during liquidation, reducing costs and allowing the process to proceed in an orderly and efficient manner while respecting secured creditor rights.

Board-driven Liquidator Appointment; Resolution Professional Barred From Acting As Liquidator

As introduced, the 2025 Bill proposed a new Section 34(4) wherein the Resolution Professional under the watch of whom a resolution plan was rejected for non-compliance of conditions under Section 30(2) would not be eligible to be appointed as liquidator. However, the Bill as passed by Lok Sabha goes significantly further: the CoC no longer proposes the liquidator. Instead, the Adjudicating Authority is required to refer to the Board (IBBI) for recommendation of an insolvency professional to be appointed as the liquidator. The Board must propose a name within ten days. Crucially, under the new Section 34(4), the resolution professional appointed for the CIRP under Chapter II shall not be appointed or replaced as the liquidator for the liquidation process of that corporate debtor in any circumstances - not merely where a plan was rejected for non-compliance of Section 30(2). This represents a complete separation of the Resolution Professional and liquidator roles, removing CoC control over liquidator selection and entrusting it to the Board. The CoC now has the right to replace the liquidator during the process under the new Section 34A by a 66% vote but again cannot appoint the former RP.

Removal of Stakeholder Consultation Committee From The Liquidation Process

The Bill deletes the liquidator's power to consult stakeholders under Section 35(2) and instead vests oversight of the liquidation process in the CoC constituted during the CIRP, through insertion of Section 21(11). This CoC, consisting only of financial creditors, will supervise the liquidator and continue during liquidation, with provisions of Sections 21 and 24 applying mutatis mutandis. The IBBI may allow specified other creditor classes to attend CoC meetings in liquidation but without voting rights. This shift replaces the existing stakeholder consultation mechanism, which often caused uncertainty and delay, with a streamlined creditor-driven model that strengthens financial creditor control, improves accountability of the liquidator and ensures continuity from CIRP to liquidation.

Removal of Adjudicatory Role of The Liquidator

At present, Sections 38 to 42 of the Code require the liquidator to once again invite, verify and admit or reject claims after his appointment. This created a dual structure where the resolution professional had only limited powers to collate claims, while the liquidator was treated as having a quasi-adjudicatory role, as seen in *Concept Management Consulting Ltd. v. Anand Chandra Swain & Anr.*[3]

The Bill deletes Sections 38 to 42 and simplifies the process by providing that the liquidator will rely on the claims already received and updated during the CIRP in accordance with IBBI regulations. The liquidator's function is thus limited to updating the record of claims,

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3 2019 SCC OnLine NCLAT 232

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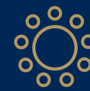

not adjudicating them afresh. This will remove duplication of processes, reduce delay[4] and clarify that the liquidator is an administrator rather than an adjudicator.

Changes in Framework of Avoidance Transactions

Unlike as contemplated under the Code presently, the Bill proposes amendments to Sections 43 to 49 modifying look-back period for preferential and undervalued transactions from the insolvency commencement date to the initiation date i.e. the date on which the CIRP application was filed. Further, the Bill also proposes to extend the reach of Section 49 to not only the Corporate Debtor's assets but also to related parties of the Corporate Debtor.

For lenders and resolution professionals, the framework now provides stronger grounds for claw-back actions, greater scope for forensic scrutiny during the pre-admission phase and an enhanced ability to maximise recoveries while for promoters and related parties it acts as a sharper deterrent against opportunistic transfers.

CoC is Empowered to Determine The Fate of Pending Proceedings on Dissolution

Presently under the Code, when a corporate debtor reaches dissolution, there was uncertainty about the continuation of pending proceedings, particularly avoidance applications and suits relating to assets to be distributed under Section 53 of the Code. This gap left liquidators, creditors and courts unclear on whether such proceedings should abate, continue independently or be pursued by stakeholders after dissolution.

The Bill proposes the introduction of Sections 54(1A) and 54(1B) which empowers the CoC to decide how such pending proceedings are to be handled at the time of dissolution. Specifically, the CoC determines the manner in which (i) avoidance proceedings are to be pursued and their proceeds distributed, and (ii) suits or other legal proceedings against the corporate debtor, relating to Section 53 distributions, are to be continued.

Reversible Voluntary Liquidation

The Bill proposes amendments in Section 59(5A) allowing a corporate debtor to pass a special resolution to terminate voluntary liquidation proceedings, subject to creditor approval.

Penalty for Vexatious Proceedings

The Bill introduces Sections 64A and 183A to penalise frivolous or vexatious proceedings in CIRP, liquidation and individual insolvency. Unlike the earlier framework under Section 65, which targeted only fraudulent initiation by creditors, the new provisions extend liability to all the parties including promoters and insiders who misuse the proceedings under the Code to obstruct or delay resolution. This expansion of provisions dealing with vexatious proceedings may strengthen deterrence and protect the process from sabotage.

Mandatory Information Utility Filing For Operational Creditors

The Bill amends Section 215(3) to make it compulsory for operational creditors to file their financial information with an information utility before initiating an application under Section 9. At present, such filing is optional, leading to delays and disputes over the authenticity of claims at the admission stage. The change will ensure that claims by operational creditors are backed by verified records in the IU, bringing greater transparency, certainty and speed to the admission process.

Overhaul of Personal Insolvency Regime

The Bill introduces important changes to strengthen the personal insolvency framework, particularly for guarantors. It amends Section 96 to exclude personal guarantors from the benefit of interim moratorium, ensuring that creditor rights are not automatically frozen. Under the amended Section 99(1), if no repayment plan is filed within 21 days of claim submission, the Adjudicating Authority must terminate the personal insolvency resolution process, allowing direct transition to bankruptcy.

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4 The Bill also proposes an amendment in Section 54(1) of the Code shortening the time period for completion of the liquidation process to 180 days from liquidation commencement with an extension of 90 days on an application.

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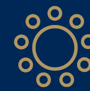

Amendment to Section 178 clarifies that government dues relating to the two years preceding the bankruptcy commencement date will rank fourth in priority under the residual category, reducing uncertainty over treatment of such claims. Further, the Bill inserts a new Section 164A empowering the Adjudicating Authority to set aside undervalued transactions deliberately entered into by a debtor to keep assets beyond the reach of creditors or to adversely affect their interests. Finally, a new Section 183A introduces penalties for frivolous or vexatious proceedings, closing a common route of delay. Together, these reforms streamline timelines, clarify priorities and protect creditor interests in the personal insolvency regime.

Decriminalisation of Moratorium and Resolution Plan Contraventions – New Sections 67B and 67C

A significant change introduced during the passage of the Bill through Lok Sabha is the decriminalisation of contraventions relating to the moratorium (Section 14) and resolution plans (Section 31). The 2025 Bill did not propose any changes to Sections 74 and 76 of the Code, which imposed criminal liability (imprisonment of up to five years) for contravention of the moratorium and for concealment of disputes by operational creditors. The 2026 Bill omits Sections 74 and 76 entirely, and instead introduces civil penalty provisions under two new sections:
Section 67B imposes a civil penalty on officers of the corporate debtor and creditors who contravene the moratorium under Section 14. It also covers contravention of the terms of an approved resolution plan. The penalty ranges from ₹1 lakh to ₹2 crore for moratorium violations and from ₹1 lakh to ₹1 crore or 20% of the amount distributable under the resolution plan (whichever is higher) for resolution plan breaches. Section 67C targets operational creditors who conceal the existence of a dispute or full payment of debt in applications under Section 9, with a penalty range of ₹1 lakh to ₹2 crore. A saving clause (Explanation II to the amended Section 235A) protects pending prosecutions under the omitted Sections 74 and 76, ensuring that cases instituted before the commencement of the 2026 Act will continue to be heard and disposed of by the courts.

This shift from criminal to civil enforcement is a material policy change that may significantly improve the enforceability of moratorium and resolution plan obligations by removing the high evidentiary threshold and procedural complexities associated with criminal prosecution, while retaining meaningful deterrence through substantial monetary penalties.

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Clarification of Secured Creditor Rights and Inter Creditor Subordination Arrangements Under Section 53

The Bill amends Section 53 to remove ambiguities around the extent to which creditors may claim as "secured" in liquidation. A new Explanation is inserted in clause (b)(ii) of Section 53(1), clarifying that where the value of the security interest relinquished by a secured creditor is less than the total debt owed, the creditor shall be treated as secured only to the extent of such value, with the balance of the claim ranking as unsecured. This codifies the principle that a secured creditor is secured only to the extent of the value of its security interest, countering attempts by creditors to be treated as fully secured regardless of the value of their security interest.

In addition, another Explanation is inserted in clause (e)(i) of Section 53 to ring-fence government dues to the two years preceding the liquidation commencement date fall within clause (e) at fifth priority as Government dues, with older dues pushed down to clause (f) at sixth priority as remaining debts. Further, illustrations are inserted in sub-section (2) to emphasise that (i) private contractual arrangements seeking to subordinate workmen's dues to secured creditors will be disregarded, while (ii) *inter se* subordination agreements among secured creditors themselves will be respected.
These statutory changes directly address

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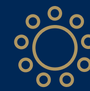

jurisprudential uncertainty that crept into the implementation of the Code. The Appellate Authority, in cases such as *Technology Development Board v. Anil Goel*[5] had held that once security is relinquished, all secured creditors collapse into a *pari passu* class, thereby diluting inter-creditor priorities and the relevance of security value in liquidation. That judgment, however, is stayed by the Supreme Court and remains under adjudication.

By legislating clarity, the Parliament has pre-empted judicial drift and restored the primacy of value-based entitlements and contractual subordination among secured creditors. This also has bearing on the entitlement of dissenting creditors under Section 30(2) of the Code. While in *India Resurgence ARC Pvt. Ltd. v. Amit Metaliks Ltd.*[6] the Supreme Court held that dissenting secured creditors cannot insist on distribution equivalent to the value of their security interest, a coordinate bench in *DBS Bank Ltd. Singapore v. Ruchi Soya Industries Ltd.*[7] has disagreed with this interpretation and referred the issue to a larger bench, noting inconsistency of *Amit Metaliks with* the principles upheld by the Supreme Court in *Essar Steel*[8] and *Jaypee Kensington*[9].

Read together, the amendment to Section 53 and the pending Supreme Court references signal a pivotal realignment of the liquidation framework. Secured creditors are now expressly limited to the realisable value of their security interest and inter se subordination agreements among secured creditors will be respected. Importantly, by clarifying that security operates only up to its realisable value, the Bill has also put to rest for the future the controversy around the entitlement of dissenting creditors, ensuring predictability and consistency in distributions.

Statutory dues are not Secured Debt

In ***State Tax Officer v. Rainbow Papers Pvt. Ltd.***[10] ("***Rainbow Papers***"), it was held that government dues backed by statutory "first charge" provisions could qualify as secured debt under the Code. This interpretation created significant uncertainty by placing tax authorities at par with secured financial creditors in the Section 53 waterfall. For lenders, this meant dilution of recoveries and unpredictability in resolution and liquidation outcomes. The Bill, by proposing amendments to Section 3(31) and 53 of the Code, clarifies that security interest must arise only from contractual arrangements and not merely by operation of law. It further amends Section 53 to expressly provide that government dues for the two years preceding the liquidation commencement date fall under clause (e), and any remaining dues beyond that period are relegated to clause (f).

The Bill thus, conclusively remedies the issue created by Rainbow Papers as Government dues are no longer at par with genuine secured creditors, ensuring that financial creditors' recoveries are protected and the Section 53 waterfall remains predictable.

Treatment of Dissenting Financial Creditors and Alignment with Section 53

Under the existing framework of Section 30(2)(b), a dissenting financial creditor is entitled to receive at least the amount it would have received in liquidation under Section 53(1), which requires a notional application of the liquidation waterfall while preserving *inter se* priority and value of security interests. The Bill introduces a new clause (ba), which provides that dissenting financial creditors shall be paid not less than the **lower of** (i) the amount receivable in liquidation under Section 53, or (ii) the amount that would have been received if the resolution plan proceeds were distributed in accordance with the Section 53 waterfall.

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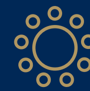
5 (CA (AT) (Ins.) No. 731 of 2020),
6 2021 SCC OnLine SC 409
7 2024 INSC 14
8 Committee of Creditors of Essar Steel (India) Ltd. v. Satish Kumar Gupta, (2020) 8 SCC 531
9 Jaypee Kensington Boulevard Apartments Welfare Association vs. NBCC (India) Ltd, (2022) 1 SCC 401
10 (2023) 9 SCC 545



This change must be read together with the amendments to Section 53, which clarify that a secured creditor is secured only to the extent of the realisable value of its security interest, with any excess claim ranking as unsecured, and that inter se subordination arrangements among secured creditors will be respected. Once these principles are applied, the reference point for determining the entitlement of dissenting creditors itself stands recalibrated. The combination of a value-based cap on secured claims under Section 53 and a "lower of" standard under Section 30(2)(ba) ensures that dissenting creditors cannot rely on the full face value of their debt or security as a minimum guarantee.

Further, a new insertion in Section 30(4) requires the CoC to "record reasons for its approval" when voting on a resolution plan. This accountability requirement is a significant addition, as it compels the CoC to document the basis for its commercial decisions, which may assist judicial review and enhance transparency for dissenting creditors and other stakeholders. Read together, the amendments to Sections 30 and 53 bring coherence to the treatment of dissenting creditors by aligning their entitlement with the statutory waterfall and realisable value principles. The Bill clarifies the amended provisions under the Section 30(2) will apply prospectively and shall not apply to CIRPs where certain key milestones like CoC's approval to a resolution plan have already occurred prior to effective date of the Bill.

Admission Delays and Judicial Discretion

The Bill expressly overturns the Supreme Court's ruling in ***Vidarbha Industries Power Ltd. v. Axis Bank Ltd***[11] ("***Vidarbha***") by amending Section 7(5). The word "may" in Section 7(5) is replaced with "shall", making admission of a financial creditor's application mandatory once three conditions are met: (i) existence of a financial debt in default, (ii) completeness of the application and (iii) absence of disciplinary proceedings against the proposed resolution professional. This removes the discretion earlier read into the provision by Vidarbha, where extraneous factors such as the debtor's financial health or favourable decrees were considered. The amendment ensures that proven defaults lead automatically to admission, creating a predictable, time-bound and creditor-friendly entry point into CIRP and reducing delays and value erosion at the threshold stage.

Restricted timeframe for filing withdrawal application

At present, Section 12A allows withdrawal of a CIRP application post-admission with 90% CoC approval, but in practice withdrawals were often sought late in the process, sometimes strategically after resolution applicants had already committed time and resources. The Bill amends Section 12A by introducing stricter timelines, making withdrawal possible only after CoC is constituted and before the invitation for expression of interest ("**EoI**") is issued. While the high approval threshold of 90% CoC voting share remains unchanged, this early cut-off ensures that withdrawals happen at early stages in the CIRP, preventing last minute derailment of CIRP once the process has reached at an advanced stage. The change reduces uncertainty, curbs abuse and protects the efforts of genuine resolution applicants, ensuring that the CIRP proceeds with greater discipline and integrity.

Reduction of Pre-Packaged Insolvency Threshold From 66% to 51%

The Bill amends Section 54A(2)(e) and Section 54A(3) to reduce the financial creditor approval threshold for initiating pre-packaged insolvency resolution process from sixty-six per cent to fifty-one per cent. This change was not part of the 2025 Bill as introduced. The reduction significantly lowers the consensus barrier for initiating pre-packaged insolvency proceedings, making this route more accessible particularly in cases where a slim majority of financial creditors believe early resolution through the debtor-in-possession

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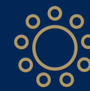

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model is appropriate, even where the two-thirds supermajority threshold may have been difficult to achieve.

Resolution Plan Monitoring Committee Composition

The Bill as passed introduces two additional transparency requirements for the resolution plan process. First, the substituted Section 30(2)(d) now specifies that the implementation and supervision committee constituted under a resolution plan must consist of "a resolution professional or any other insolvency professional, representatives of a class or classes of creditors and the resolution applicant". This was absent from the 2025 Bill, which merely referred to the constitution of a committee without prescribing its composition.

NCLAT Appeal Disposal Timeline – New Section 61(6)

The Bill as passed inserts a new sub-section (6) in Section 61, requiring the National Company Law Appellate Tribunal ("**NCLAT**") to dispose of appeals within three months from the date of receipt. This provision was not part of the 2025 Bill. The amendment addresses a key bottleneck in the insolvency framework, where prolonged appellate proceedings often delayed the implementation of resolution plans and liquidation orders. By imposing a statutory timeline on NCLAT, the provision complements the existing time-bound framework for CIRP and liquidation processes and is aimed at ensuring that appellate review does not become a source of delay in the overall resolution timeline.

Expanded definition of Resolution Plan Under Section 5(26)

The 2025 Bill proposed to expand the definition of "resolution plan" under Section 5(26) by expanding the Explanation to include the sale of one or more assets of the corporate debtor. The 2026 Bill goes further by adding the words "through one or more plans proposed by one or more resolution applicants subject to such conditions as may be specified". This expanded wording expressly contemplates a scenario where different resolution applicants may submit separate resolution plans for different assets or business verticals of the corporate debtor, enabling a more flexible and value-maximising approach to resolution of complex businesses. This is particularly relevant for corporate debtors with diverse asset portfolios or multiple business lines, where a single monolithic resolution plan may not attract optimal bids.

Improved Cooperation with the Insolvency Professional

The Bill strengthens cooperation with the Insolvency Professional by amending Section 19 (for CIRP) and Section 34(3) (for liquidation) to extend the duty to cooperate with the insolvency professional beyond directors, promoters and management to also cover service providers of a corporate debtor. Now the third-party service providers such as auditors, accountants and legal advisors, which are integral to the corporate debtor's affairs will be obligated to provide access to records and information held by them. Further, as failure to comply attracts liability under Section 70, which penalises misconduct during CIRP and liquidation, cooperation by third party service providers is a comprehensive and enforceable obligation that improves transparency and efficiency in the process.

Requirement of Majority Consent For Enforcement of Common Security Outside Liquidation Process

The Bill amends Section 52 to address conflicts arising when multiple secured creditors hold security over the same asset. Earlier, there were no statutory guidelines on how each creditor could independently choose whether to enforce security outside liquidation or relinquish it to the liquidation estate if multiple lenders shared security interest over an asset, often resulting in inconsistent enforcement and parallel proceedings. The amended provision now requires a secured creditor intending to realise security to inform the liquidator within 14 days of the liquidation commencement date failing which

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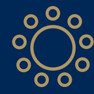
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the security will be deemed relinquished to the liquidation estate. Further, where more than one secured creditor holds security interest over an asset, no creditor can enforce its security individually unless creditors representing at least 66% of the value of total secured claims on that asset consent. This ensures coordinated enforcement, reduces disputes and promotes an orderly liquidation process.

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The Bill has been passed by Lok Sabha on 30 March 2026. Its eventual effectiveness will hinge not only on the statutory amendments but also on a comprehensive overhaul of the Regulations and delegated legislation under the Code, to ensure that the new framework operates with clarity, consistency and certainty. By correcting anomalies that had crept into the Code and introducing long-awaited reforms, the Bill promises to restore the original intent of the Code, reaffirm confidence in the insolvency framework and establish a more modern, efficient and globally aligned insolvency regime for the future.

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