

THE INSOLVENCY AND BANKRUPTCY CODE (AMENDMENT) ACT, 2026

[No. 6 of 2026, dt. 6-4-2026]

An Act further to amend the Insolvency and Bankruptcy Code, 2016.

BE it enacted by Parliament in the Seventy-seventh Year of the Republic of India as follows:—

1. *Short title and commencement*

(1) This Act may be called the Insolvency and Bankruptcy Code (Amendment) Act, 2026.

(2) It shall come into force on such date as the Central Government may, by notification in the Official Gazette, appoint:

PROVIDED that different dates may be appointed for different provisions of this Act and any reference in any such provision to the commencement of this Act shall be construed as a reference to the coming into force of that provision.

2. *Amendment of section 3*

In section 3 of the Insolvency and Bankruptcy Code, 2016 (31 of 2016) (hereinafter referred to as the principal Act),—

- (a) after clause (27), the following clause shall be inserted, namely:—
“(27A) “registered valuer” shall have the same meaning as assigned to it under Chapter XVII of the Companies Act, 2013 (18 of 2013);”;
- (b) in clause (31), the following *Explanation* shall be inserted, namely:—
“*Explanation:* For the removal of doubts, it is hereby clarified that the security interest shall exist only if it creates a right, title or interest or a claim to a property pursuant to an agreement or arrangement, by the act of two or more parties, and shall not include a security interest created merely by operation of any law for the time being in force;”;
- (c) after clause (31), the following clause shall be inserted, namely:—
“(31A) “service provider” means an insolvency professional, insolvency professional agency, information utility, registered valuer and any person falling within the category of persons notified by the Central Government, for rendering services in relation to insolvency and bankruptcy processes under this Code and is registered with the Board;”.

3. *Amendment of section 5*

In section 5 of the principal Act,—

- (a) clause (2A) shall be re-numbered as clause (2B) thereof and before clause (2B) as so re-numbered, the following clause shall be inserted, namely:—

- ‘(2A) “avoidance transaction” means a transaction as referred to in sections 43, 45, 49 and 50;’;
- (b) after clause (9), the following clause shall be inserted, namely:—
‘(9A) “fraudulent or wrongful trading” means the fraudulent or wrongful trading as referred to in section 66;’;
- (c) in clause (11), the following proviso shall be inserted, namely:—
“PROVIDED that where multiple applications for initiation of the corporate insolvency resolution process in respect of a corporate debtor are pending before the Adjudicating Authority on the insolvency commencement date, the initiation date shall be the date on which the first such application was made before the Adjudicating Authority.”;
- (d) in clause (26), in the *Explanation*, for the words “merger, amalgamation and demerger”, the words “merger, amalgamation, demerger and sale of one or more assets of the corporate debtor through one or more plans proposed by one or more resolution applicants subject to such conditions as may be specified” shall be substituted;
- (e) in clause (28), after the words “owed by the corporate debtor” occurring at the end, the words “to the members of the committee of creditors who are eligible to vote” shall be inserted.

4. *Amendment of section 7*

In section 7 of the principal Act,—

- (a) in sub-section (4), the proviso shall be omitted;
- (b) for sub-section (5), the following sub-section shall be substituted, namely:—
“(5) The Adjudicating Authority shall, within fourteen days of the receipt of the application under sub-section (2), by an order—
(a) admit the application, if it is satisfied that a default has occurred and the application under sub-section (2) is complete, and there is no disciplinary proceeding pending against the proposed resolution professional; or
(b) reject the application, if it is satisfied that a default has not occurred or the application under sub-section (2) is incomplete or a disciplinary proceeding is pending against the proposed resolution professional:

PROVIDED that the Adjudicating Authority shall, before rejecting the application under clause (b), give a notice to the applicant to rectify the defect in his application within seven days from the date of receipt of such notice from the Adjudicating Authority:

PROVIDED FURTHER that if the Adjudicating Authority has not passed an order under this sub-section within a period of fourteen days from the date of receipt of the application under sub-section (2), it shall record the reasons for such delay in writing.

Explanation I: For the purposes of this sub-section, it is hereby clarified that where the requirements under clause (a) have been complied with, no other ground shall be considered to reject an application filed under this section.

Explanation II: For the removal of doubts, it is hereby clarified that where a record of default in respect of a financial debt owed to a financial institution recorded with the information utility has been furnished along with the application filed by such financial institution under this section, such record shall be considered sufficient for the Adjudicating Authority to ascertain the existence of default under this section.”.

5. *Amendment of section 9*

In section 9 of the principal Act,—

- (a) in sub-section (3), in clause (e), for the words “such other information, as may be prescribed”, the words “any other information, as may be specified” shall be substituted;
- (b) in sub-section (5), after the existing proviso, the following proviso shall be inserted, namely:—

“PROVIDED FURTHER that if the Adjudicating Authority has not passed an order under this sub-section within a period of fourteen days from the date of receipt of application under sub-section (2), it shall record the reasons for such delay in writing.”.

6. *Amendment of section 10*

In section 10 of the principal Act,—

- (a) in sub-section (3),—
 - (i) in clause (a), for the words “for such period as may be specified;”, the words “and any other information, as may be specified; and” shall be substituted;
 - (ii) clause (b) shall be omitted;
- (b) in sub-section (4),—
 - (i) in clause (a), the words “and no disciplinary proceeding is pending against the proposed resolution professional” shall be omitted;
 - (ii) in clause (b), the words “or any disciplinary proceeding is pending against the proposed resolution professional” shall be omitted;
 - (iii) after the existing proviso, the following proviso shall be inserted, namely:—

“PROVIDED FURTHER that if the Adjudicating Authority has not passed an order under this sub-section within a period of fourteen days from the date of receipt of the application under sub-section (2), it shall record the reasons for such delay in writing.”.

7 Amendment of section 11

In section 11 of the principal Act, in clause (ba), after the words, figures and letter “under Chapter III-A”, the words, figures and letter “or Chapter IV-A” shall be inserted.

8. Substitution of new section for section 12A

For section 12A of the principal Act, the following section shall be substituted, namely:—

“12A. Withdrawal of application admitted under section 7, 9 or 10

- (1) Subject to sub-section (2), the Adjudicating Authority may allow the withdrawal of an application admitted under section 7, 9 or 10, on an application made by the resolution professional, with the approval of ninety per cent. voting share of the committee of creditors in such manner as may be specified.
- (2) Notwithstanding anything contained in any law for the time being in force, an application admitted under section 7, 9 or 10 shall not be withdrawn—
 - (a) before the constitution of the committee of creditors under sub-section (1) of section 21; and
 - (b) after the first invitation for submission of a resolution plan has been issued by the resolution professional.
- (3) The Adjudicating Authority shall pass an order under sub-section (1) within a period of thirty days from the date of receipt of the application:
PROVIDED that if the Adjudicating Authority has not passed an order within such period, it shall record the reasons for such delay in writing.”.

9. Amendment of section 14

In section 14 of the principal Act,—

- (a) in sub-section (1), for the words, brackets and figures “sub-sections (2) and (3)”, the words, brackets, figures and letter “sub-sections (2), (2A) and (3)” shall be substituted;
- (b) in sub-section (3), in clause (b), the following *Explanation* shall be inserted, namely:—

“*Explanation:* For the removal of doubts, it is hereby clarified that the provisions of sub-section (1) shall also apply where the surety seeks to initiate or continue any action or proceedings against the corporate debtor pursuant to a contract of guarantee.”.

10. Amendment of section 16

In section 16 of the principal Act,—

- (a) for sub-section (2), the following sub-section shall be substituted, namely:—

“(2) Where the application for corporate insolvency resolution process is made by a financial creditor, the resolution professional, as proposed in the application under section 7, shall be appointed as the interim resolution professional, if no disciplinary proceedings are pending against him.”;

- (b) after sub-section (3), the following sub-section shall be inserted, namely:—

“(3A) Where an application for the corporate insolvency resolution process is made under section 10, the Adjudicating Authority shall make a reference to the Board for the recommendation of an insolvency professional who may act as an interim resolution professional.”;

- (c) in sub-section (4), after the word, brackets and figure “sub-section (3)”, the words, brackets, figure and letter “or sub-section (3A), as the case may be,” shall be inserted.

11. Amendment of section 18

In section 18 of the principal Act, in clause (b),—

- (a) after the words “submitted by creditors to him”, the words “in such manner as may be specified” shall be inserted;

- (b) the following *Explanation* shall be inserted, namely:—

“*Explanation:* For the removal of doubts, it is hereby clarified that the interim resolution professional, while collating the claims, shall verify them, and, if required, determine the value of such verified claims.”.

12. Amendment of section 19

In section 19 of the principal Act,—

- (a) in the marginal heading, for the word “Personnel”, the word “Persons” shall be substituted;

- (b) for sub-section (1), the following sub-section shall be substituted, namely:—

“(1) Any person who is or has been a personnel of the corporate debtor or its promoter or associated with the management of the corporate debtor, or engaged in a contract for service with the corporate debtor, shall extend all assistance and cooperation to the interim resolution professional as may be required by him for the purposes of managing the affairs of the corporate debtor or performing the duties conferred on him under this Chapter.”;

- (c) in sub-section (2), for the words “any personnel of the corporate debtor, its promoter”, the words, brackets and figure “any person referred to in sub-section (1)” shall be substituted;

- (d) in sub-section (3)—

- (i) for the words “direct such personnel”, the words, brackets and figure “direct such person referred to in sub-section (1)” shall be substituted;

- (ii) for the words “resolution professional”, the words “interim resolution professional” shall be substituted;
- (e) after sub-section (3), the following *Explanation* shall be inserted, namely:—

“*Explanation:* For the purposes of this section, it is hereby clarified that references to the interim resolution professional shall also include references to the resolution professional.”.

13. Amendment of section 21

In section 21 of the principal Act, after sub-section (10), the following sub-section shall be inserted, namely:—

“(11) Where the liquidation process of the corporate debtor is initiated under Chapter III, the committee of creditors constituted under this section shall also supervise the conduct of the liquidation process by the liquidator, and the provisions of this section and section 24 shall apply to such liquidation process under Chapter III as the context may require:

PROVIDED that the Board may specify any other class or classes of creditors, who may attend the meetings of the committee of creditors during liquidation process, but shall not have any right to vote in such meetings.

Explanation: For the purposes of Chapter III, it is hereby declared that the provisions of sub-section (11) of this section, section 34A and sub-section (2) of section 35, as amended by the Insolvency and Bankruptcy Code (Amendment) Act, 2026, shall apply to—

- (a) the liquidation process of a corporate debtor initiated after the date of commencement of the Insolvency and Bankruptcy Code (Amendment) Act, 2026; and
- (b) the ongoing liquidation process of a corporate debtor as on such date of commencement, where the liquidator has not made an application under section 54, for which the committee of creditors shall continue for the remainder of the liquidation process.”.

14. Amendment of section 22

In section 22 of the principal Act, in sub-section (3), in clause (a), for the words “it shall communicate its decision to the interim resolution professional, the corporate debtor and the Adjudicating Authority”, the words “such person shall be deemed to be appointed as the resolution professional from the date of such resolution, and this decision shall be communicated to the interim resolution professional, the corporate debtor, and the Board” shall be substituted.

15. Amendment of section 25

In section 25 of the principal Act, in sub-section (2), for clause (j), the following clause shall be substituted, namely:—

“(j) file an application to the Adjudicating Authority in respect of an avoidance transaction or fraudulent or wrongful trading, if any; and”.

16. Substitution of new section for section 26

For section 26 of the principal Act, the following section shall be substituted, namely:—

“26. Application in respect of certain transactions or trading not to affect processes

The filing of an application in respect of an avoidance transaction or fraudulent or wrongful trading or under section 47, shall not affect the proceedings of the corporate insolvency resolution process or the liquidation process, as the case may be.

Explanation: For the removal of doubts, it is hereby clarified that the completion of the corporate insolvency resolution process or the liquidation process shall not affect the continuation of proceedings in respect of an avoidance transaction or fraudulent or wrongful trading or under section 47, as the case may be.”.

17. Insertion of new section 28A

After section 28 of the principal Act, the following section shall be inserted, namely:—

“28A. Transfer of assets of guarantor of corporate debtor during process

(1) Notwithstanding anything contained in this Code or any other law for the time being in force, where a creditor of the corporate debtor has taken possession of an asset of a personal guarantor or corporate guarantor of the corporate debtor by enforcing its security interest over such asset under any law for the time being in force which empowers the creditor to transfer the asset, the creditor may, during the corporate insolvency resolution process of the corporate debtor, permit the transfer of such an asset as part of its insolvency resolution with prior approval of the committee of creditors in such manner and subject to such conditions as may be specified:

PROVIDED that where the corporate guarantor is undergoing a corporate insolvency resolution process or the liquidation process, transfer of the asset under this sub-section shall take place upon approval of the committee of creditors of the corporate guarantor, by a vote of not less than sixty-six per cent. of the voting share, and the amount received pursuant to the transfer shall form part of the corporate insolvency resolution process or the liquidation estate of the corporate guarantor, as the case may be:

PROVIDED FURTHER that during the liquidation process of the corporate guarantor, the approval of the committee of creditors under the first proviso is required only where the creditor has relinquished such asset to the liquidation estate under section 52:

PROVIDED ALSO that where the personal guarantor is undergoing an insolvency resolution process or the bankruptcy process and the creditor has forfeited or surrendered his right in relation to an asset, the transfer of such asset under this sub-section shall take place

upon approval by a majority of more than three-fourths in value of the creditors of the personal guarantor, and the amount received pursuant to the transfer shall form part of the insolvency resolution process or the bankruptcy process of the personal guarantor, as the case may be.

(2) The transfer of an asset referred to in sub-section (1) under a resolution plan shall vest in the transferee all rights in, or in relation to the asset, as if the transfer had been made by the owner of such asset.

(3) The amount received pursuant to the transfer of the asset shall be adjusted towards the amount of debt owed by the guarantor in accordance with the applicable law, subject to any costs, charges and expenses incurred in respect of the preservation and protection of the asset before its transfer, and where such amount is more than the debt owed, the surplus shall be paid to the guarantor.”.

18. Amendment of section 30

In section 30 of the principal Act,—

(a) in sub-section (2),—

(i) in clause (b), in the long line, the portion beginning with “, and provides for the payment of debts of financial creditors”, and ending with “liquidation of the corporate debtor” shall be omitted;

(ii) after clause (b), the following clause shall be inserted, namely:—
“(ba) provides for the payment of debts of the financial creditors, who do not vote in favour of the resolution plan, in such manner as may be specified, which shall not be less than the lower of the amount—

(i) to be paid to such creditors in the event of a liquidation of the corporate debtor under section 53; or

(ii) that would have been paid to such creditors, if the amount to be distributed under the resolution plan had been distributed, in accordance with the order of priority in sub-section (1) of section 53,

as the case may be.

Explanation I: For the removal of doubts, it is hereby clarified that a distribution in accordance with the provisions of this clause shall be fair and equitable to such creditors.

Explanation II: For the purposes of this sub-section, it is hereby declared that the provisions of this sub-section as amended by the Insolvency and Bankruptcy Code (Amendment) Act, 2026, shall not apply to the corporate insolvency resolution process where any of the following acts have first occurred,—

(i) the committee of creditors has approved a resolution plan under sub-section (4);

- (ii) the Adjudicating Authority has passed a liquidation order under sub-section (1) of section 33; or
- (iii) the committee of creditors has approved intimation to the Adjudicating Authority to initiate the liquidation under sub-section (2) of section 33,
as the case may be, on and before the date of commencement of the Insolvency and Bankruptcy Code (Amendment) Act, 2026;”;
- (iii) for clause (d), the following clause shall be substituted, namely:—
“(d) provides for the implementation and supervision of the resolution plan and constitution of a committee for this purpose consisting of a resolution professional or any other insolvency professional, representatives of a class or classes of creditors and the resolution applicant, subject to such conditions and in such manner as may be specified;”;
- (b) in sub-section (4), after the words “voting share of the financial creditors”, the words “and record reasons for its approval” shall be inserted.

19. *Amendment of section 31*

In section 31 of the principal Act,—

- (a) in sub-section (1), after the existing proviso, the following proviso shall be inserted, namely:—
“PROVIDED FURTHER that the Adjudicating Authority may, on an application made by the resolution professional, with the approval of the committee of creditors, by a vote of not less than sixty-six per cent. of the voting share, in such form and manner, and subject to such conditions as may be specified, first approve the implementation of the resolution plan and thereafter approve the manner of distribution provided therein within a period of thirty days from the date of approval of implementation of such resolution plan.”;
- (b) in sub-section (2), the following proviso shall be inserted, namely:—
“PROVIDED that the Adjudicating Authority may, before rejecting the resolution plan, give notice to the committee of creditors to rectify any defects in the resolution plan.”;
- (c) after sub-section (2), the following sub-section shall be inserted, namely:—
“(2A) The Adjudicating Authority shall pass an order under sub-section (1) or (2), within a period of thirty days from the date of receipt of the resolution plan:
PROVIDED that if the Adjudicating Authority has not passed an order within such period, it shall record the reasons for such delay in writing.”;
- (d) in sub-section (4), in the proviso, for the words “prior to the approval of such resolution plan by the committee of creditors”, the words,

brackets and figures “before the resolution plan is submitted to the Adjudicating Authority under sub-section (6) of section 30” shall be substituted;

- (e) after sub-section (4), the following sub-sections shall be inserted, namely:—

“(5) Notwithstanding anything contained in any other law for the time being in force and subject to sub-section (6), where a resolution plan has been approved under sub-section (1), a licence, permit, registration, quota, concession, clearances or a similar grant or right given by the Central Government, State Government, local authority, sectoral regulator or any other authority constituted under any other law for the time being in force, associated with such resolution plan, shall not be suspended or terminated during the subsistence of the remaining period of such grants or rights, if the corporate debtor or, if applicable, the person whose resolution plan is approved under sub-section (1), complies with the obligations in respect of the remaining period of such grants or rights.

(6) Where the Adjudicating Authority approves the resolution plan under sub-section (1),—

- (a) unless otherwise provided in the resolution plan, any claim, against the corporate debtor and its assets under any other law for the time being in force, prior to the date of approval, shall be extinguished; and
- (b) no proceedings shall be continued or instituted against the corporate debtor or its assets on the basis of such claims, including proceedings for assessment of the claims.

Explanation I: For the purposes of this section, it is hereby clarified that nothing in this section shall affect a claim or any proceeding in respect of a person who was a promoter or in the management or control of the corporate debtor, a guarantor of the corporate debtor or any person having a joint liability or a joint and several liability with the corporate debtor, as the case may be.

Explanation II: For the purposes of this section, it is hereby clarified that if a person has a joint liability or a joint and several liability with the corporate debtor for payment of debt owed to a creditor before the approval of resolution plan, and such person makes a payment for such debt after the approval of the resolution plan, then any right of such person to be indemnified by the corporate debtor shall be extinguished.

Explanation III: For the removal of doubts, it is hereby clarified that the provisions of sub-sections (5) and (6) shall be deemed to apply to the resolution plan that is approved under sub-section (1), on and from the date of commencement of this Code, except for matters that have attained finality under this Code.”.

20. Amendment of section 33

In section 33 of the principal Act,—

- (a) in sub-section (1),—
 - (i) in clause (a), the words and figures “or the fast-track corporate insolvency resolution process under section 56” shall be omitted;
 - (ii) in clause (b),—
 - (I) in sub-clause (ii), after the words “in liquidation,”, the word “and” shall be omitted;
 - (II) after sub-clause (iii), the following sub-clauses shall be inserted, namely:—
 - “(iv) subject to the provisions of section 52, declare a moratorium for the purposes referred to in clauses (a) and (c) of sub-section (1) read with sub-section (3) of section 14, which shall, *mutatis mutandis*, apply to the proceedings under this Chapter:
PROVIDED that provisions of this sub-clause shall not apply to legal proceedings in relation to such transactions as may be notified by the Central Government in consultation with any financial sector regulator or any other authority; and
 - (v) pass an order appointing a liquidator for the liquidation process in accordance with section 34.”;
- (b) after sub-section (1), the following sub-sections shall be inserted, namely:—
 - “(1A) Notwithstanding anything contained in sub-section (1), where the Adjudicating Authority is satisfied that the grounds mentioned in clause (a) or clause (b) of sub-section (1) of this section exist, it shall, before passing the liquidation order, consider an application made by the committee of creditors, in such manner and subject to such conditions as may be specified, by not less than sixty-six per cent. of the voting share, for restoring the corporate insolvency resolution process, and after considering such application, it may, by an order—
 - (a) if the ground mentioned in clause (a) of sub-section (1) exists, restore the corporate insolvency resolution process to be completed within such duration as it deems fit, but not exceeding one hundred and twenty days; or
 - (b) if the ground mentioned in clause (b) of sub-section (1) exists,—
 - (i) restore the corporate insolvency resolution process to the stage of invitation for submission of a resolution plan, which shall be completed in such manner and subject to such conditions as may be specified; and
 - (ii) provide the duration for completion of such restored corporate insolvency resolution process as it deems fit, but not exceeding one hundred and twenty days.

Explanation: For the purposes of this section, it is hereby declared that on and from the date of commencement of the Insolvency and Bankruptcy Code (Amendment) Act, 2026, the provisions of sub-sections (1A) and (1B) shall also apply to the corporate insolvency resolution process of a corporate debtor initiated under Chapter II before such date of commencement, where the Adjudicating Authority has not passed a liquidation order under sub-section (1) of this section, and shall not apply where the liquidation order is passed.

(1B) The corporate insolvency resolution process of a corporate debtor may be restored in accordance with sub-section (1A) only once.

Explanation: For the purposes of this section, it is hereby clarified that where the Adjudicating Authority does not receive a resolution plan under sub-section (6) of section 30 within the period provided under clause (a) or clause (b) of sub-section (1A) or rejects the resolution plan received by it during such period under sub-section (2) of section 31, it shall pass a liquidation order under sub-section (1).”;

- (c) in sub-section (2),—
- (i) after the word “liquidate”, the words “or dissolve” shall be inserted;
 - (ii) for the brackets, figures and word “(ii) and (iii)”, the brackets, figures and word “(ii), (iii), (iv) and (v)” shall be substituted;
 - (iii) for the words, brackets and figure “of sub-section (1).”, the words, brackets, figures and letter “of sub-section (1) or a dissolution order under sub-section (2A) of section 54, as the case may be:” shall be substituted;
 - (iv) the following proviso shall be inserted, namely:—
“PROVIDED that the committee of creditors shall, before taking the decision to dissolve the corporate debtor, comply with such conditions, as may be specified.”;
 - (v) in the *Explanation*, after the word “liquidate”, the words “or dissolve” shall be inserted;
- (d) after sub-section (2), the following sub-section shall be inserted, namely:—
“(2A) The Adjudicating Authority shall pass a liquidation order under this section within a period of thirty days from the date of receipt of an intimation or application, as the case may be, to initiate the liquidation process under this section:
PROVIDED that if the Adjudicating Authority has not passed an order within such period, it shall record the reasons for such delay in writing.”;
- (e) in sub-section (3), for the brackets, letters and word “(ii) and (iii)”, the brackets, letters and word “(ii), (iii), (iv) and (v)” shall be substituted;

- (f) in sub-section (4),—
- (i) for the words, brackets, letters and figure “sub-clauses (i), (ii) and (iii) of clause (b) of sub-section (1)”, the words, brackets, letters and figure “sub-clauses (i), (ii), (iii), (iv) and (v) of clause (b) of sub-section (1) and pass any other order as it deems fit” shall be substituted;
 - (ii) the following proviso shall be inserted, namely:—
“PROVIDED that where an application under sub-section (3) is made, the Adjudicating Authority may, if it deems fit, reinstate the corporate insolvency resolution process and pass appropriate orders.”;
- (g) sub-section (5) shall be omitted;
- (h) for sub-section (6), the following sub-section shall be substituted, namely:—
“(6) Where a liquidation order has been passed, no suit or other legal proceeding shall be commenced, or if pending at the date of the liquidation order, shall be proceeded with by the liquidator, on behalf of the corporate debtor, except with the leave of the Adjudicating Authority and subject to such terms as the Adjudicating Authority may impose.”.

21. Amendment of section 34

In section 34 of the principal Act,—

- (a) for sub-section (1), the following sub-section shall be substituted, namely:—
“(1) Where the Adjudicating Authority passes an order for liquidation of the corporate debtor under section 33, it shall refer to the Board for making recommendation of an insolvency professional to be appointed as the liquidator and on receipt of the recommendation, appoint such insolvency professional as the liquidator.”;
- (b) for sub-sections (3), (4), (5) and (6), the following sub-sections shall be substituted, namely:—
“(3) Any person who is or has been a personnel of the corporate debtor, or its promoter, or associated with the management of the corporate debtor, or engaged in a contract for service with the corporate debtor, shall extend all assistance and cooperation to the liquidator as may be required by him for the purposes of managing the affairs of the corporate debtor or performing the duties conferred on him under this Chapter and the provisions of section 19 shall apply in relation to liquidation and voluntary liquidation process as they apply in relation to corporate insolvency resolution process with the substitution of references to the liquidator for references to the interim resolution professional and resolution professional and references to the corporate insolvency resolution process with liquidation and voluntary liquidation process, respectively.

(4) Notwithstanding anything contained in this section and section 34A, an insolvency professional appointed as a resolution professional for the corporate insolvency resolution process under Chapter II, shall not be appointed or replaced as the liquidator for the liquidation process of such corporate debtor.

(5) After an order of liquidation has been passed, the resolution professional shall forward to the liquidator, all records relating to the conduct of the corporate insolvency resolution process.

(6) The Board shall propose the name of an insolvency professional, other than the resolution professional appointed for the corporate insolvency resolution process under Chapter II, along with written consent from such insolvency professional in the specified form, within ten days of the reference made by the Adjudicating Authority under sub-section (1).”;

(c) in sub-section (7), the words “by an order” shall be omitted.

22. *Insertion of new section 34A*

After section 34 of the principal Act, the following section shall be inserted, namely:—

“34A. Replacement of liquidator by committee of creditors

(1) Where, at any time during the liquidation process, the committee of creditors is of the opinion that a liquidator appointed under section 34 or this section is required to be replaced, it may, by a vote of not less than sixty-six per cent. of the voting share, resolve to replace the liquidator with another insolvency professional, subject to a written consent from such proposed liquidator in such form as may be specified.

(2) Where the committee of creditors resolves under sub-section (1) to replace a liquidator, it shall apply to the Adjudicating Authority for the appointment of the proposed liquidator, and if no disciplinary proceedings are pending against him, the Adjudicating Authority shall, by an order, replace the liquidator appointed under section 34 or this section and appoint the proposed liquidator as the liquidator.”.

23. *Amendment of section 35*

In section 35 of the principal Act,—

(a) in sub-section (1),—

(i) for clause (a), the following clause shall be substituted, namely:—

“(a) to maintain an updated list of claims of creditors in such manner as may be specified;”;

(ii) in clause (j), the words “invite and” shall be omitted;

(iii) for clause (l), the following clause shall be substituted, namely:—

“(l) continue or institute proceedings in respect of an avoidance transaction or fraudulent or wrongful trading;”;

(iv) the following *Explanation* shall be inserted, namely:—

“Explanation: For the purposes of this Chapter, it is hereby declared that the provisions of clauses (a) and (j) of this sub-section and sections 38 to 42 as amended by the Insolvency and Bankruptcy Code (Amendment) Act, 2026, shall not apply to the liquidation process and voluntary liquidation process initiated on and before the date of commencement of the Insolvency and Bankruptcy Code (Amendment) Act, 2026.”;

- (b) for sub-section (2), the following sub-section shall be substituted, namely:—

“(2) The committee of creditors shall supervise the conduct of the liquidation process by the liquidator under Chapter III in such manner as may be specified.”.

24. Amendment of section 36

In section 36 of the principal Act, in sub-section (3), in clause (f), for the words “proceedings for avoidance of transactions in accordance with this Chapter”, the words and figures “proceedings in respect of an avoidance transaction or fraudulent or wrongful trading or under section 47” shall be substituted.

25. Omission of sections 38 to 42

Sections 38, 39, 40, 41 and 42 of the principal Act shall be omitted.

26. Amendment of section 43

In section 43 of the principal Act, in sub-section (4), in clauses (a) and (b),—

- (i) for the words “period of”, the words “period starting from” shall be substituted;
- (ii) for the words “insolvency commencement date”, the words “initiation date and ending on the insolvency commencement date” shall be substituted.

27. Amendment of section 46

In section 46 of the principal Act,—

- (a) in the marginal heading, for the word “avoidable”, the word “undervalued” shall be substituted;
- (b) in sub-section (1),—
- (i) for the words “avoiding a transaction at undervalue”, the words “avoidance of an undervalued transaction” shall be substituted;
- (ii) in clauses (i) and (ii),—
- (A) for the words “period of”, the words “period starting from” shall be substituted;
- (B) for the words “insolvency commencement date”, the words “initiation date and ending on the insolvency commencement date” shall be substituted.

28. Substitution of new section for section 47

For section 47 of the principal Act, the following section shall be substituted, namely:—

“47. Application by creditors, member or partner in case of certain transactions or trading

(1) Where—

- (a) a preferential transaction under section 43;
- (b) an undervalued transaction under section 45;
- (c) an extortionate credit transaction under section 50; or
- (d) fraudulent or wrongful trading under section 66,

has occurred and the liquidator or the resolution professional, as the case may be, has not reported it to the Adjudicating Authority, a creditor, either by itself or jointly with other creditors, a member, or a partner of the corporate debtor, as the case may be, may make an application to the Adjudicating Authority to pass orders in accordance with the respective provisions of this Chapter or Chapter VI, as the case may be.

(2) Where the Adjudicating Authority, after examination of the application made under sub-section (1), is satisfied that the relevant transaction or trading under clause (a) or (b) or (c) or (d) of sub-section (1) has occurred, it shall pass an order, for the avoidance of such transaction or trading, as the case may be, as if such an application had been filed by a liquidator or a resolution professional in accordance with the relevant provisions of this Chapter or Chapter VI.

(3) After passing an order under sub-section (2), where Adjudicating Authority is satisfied that the liquidator or the resolution professional, as the case may be, after having sufficient information or opportunity to avail information of such transaction or trading, did not report such transaction or trading to the Adjudicating Authority, it shall pass an order requiring the Board to initiate disciplinary proceedings against the liquidator or the resolution professional, as the case may be.”.

29. Amendment of section 49

In section 49 of the principal Act, in the proviso, in clause (a), after the words “corporate debtor”, the words “or a related party of the corporate debtor, as the case may be,” shall be inserted.

30. Amendment of section 50

In section 50 of the principal Act, in sub-section (1), for the words “period within two years preceding”, the words “period starting from two years preceding the initiation date and ending on” shall be substituted.

31. Amendment of section 52

In section 52 of the principal Act,—

- (a) for sub-section (2), the following sub-section shall be substituted, namely:—

“(2) Where the secured creditor intends to realise the security interest under clause (b) of sub-section (1), he shall inform the liquidator of such security interest and identify the asset subject to such security interest to be realised within a period of fourteen days from the liquidation commencement date, and if he fails to do so, such security interest shall be deemed to be relinquished to the liquidation estate:

PROVIDED that where more than one secured creditor has any security interest over an asset of the corporate debtor, no secured creditor shall be entitled to realise its security interest, unless the realisation is agreed upon by the secured creditors representing not less than sixty-six per cent. of the value of all claims that are secured by such security interests.”;

- (b) for sub-section (8), the following sub-section shall be substituted, namely:—

“(8) The amount of insolvency resolution process, costs and the liquidation costs, and workmen’s dues as referred to in clause (a) and sub-clause (i) of clause (b) of sub-section (1) of section 53, respectively, shall be deducted from the proceeds of any realisation by the secured creditors who realise their security interests in the manner provided in this section, and they shall transfer such amounts to the liquidator to be included in the liquidation estate in such manner, within such period and subject to such conditions to secure the payment as may be specified.”;

- (c) after sub-section (9), the following *Explanation* shall be inserted, namely:—

“*Explanation:* For the purposes of this section, it is hereby declared that the provisions of sub-section (2) as amended by the Insolvency and Bankruptcy Code (Amendment) Act, 2026, shall not apply to the liquidation process initiated on and before the date of commencement of the Insolvency and Bankruptcy Code (Amendment) Act, 2026.”.

32. *Amendment of section 53*

In section 53 of the principal Act,—

- (a) in sub-section (1),—
 (i) in clause (b), in sub-clause (ii), the following *Explanation* shall be inserted, namely:—

“*Explanation:* For the removal of doubts, it is hereby clarified that where the value of the security interest relinquished by the secured creditor is less than the total debt owed to such secured creditor by the corporate debtor, he shall be a secured creditor to the extent of the value of such security interest, determined in such manner as may be specified, and for the remaining value of such debt, he shall be considered to be an unsecured creditor;”;

- (ii) in clause (e), in sub-clause (i), the following *Explanation* shall be inserted, namely:—

“Explanation: For the removal of doubts, it is hereby clarified that any amount, whether or not a security interest is created to secure such amount by an act of two or more parties or merely by operation of law, due to the Central Government and the State Government, in respect of the whole or any part of the period of two years preceding the liquidation commencement date, shall be distributed under this sub-clause and any remaining amount, whether or not such security interest is created to secure the amount, due to the Central Government and the State Government, shall be distributed under clause (f);”

- (b) in sub-section (2), the following Illustrations shall be inserted, namely:—

Illustration I.

The workmen and the secured creditors of the corporate debtor have a contractual arrangement which provides that in the event of insolvency or liquidation of the corporate debtor, all debt owed to the secured creditors shall be cleared before clearing any debt owed to the workmen. Such a contractual arrangement shall be disregarded.

Illustration II.

“X”, a secured creditor of the corporate debtor, has a contractual arrangement with “Y”, another secured creditor of the corporate debtor. As per the contractual arrangement, in the event of insolvency or liquidation of the corporate debtor, the debt owed to “X” shall be cleared before clearing any debt owed to “Y”. Such a contractual arrangement shall not be disregarded.’.

33. Amendment of section 54

In section 54 of the principal Act,—

- (a) for sub-section (1), the following sub-sections shall be substituted, namely:—

“(1) The liquidator shall completely liquidate the assets of the corporate debtor and make an application for its dissolution to the Adjudicating Authority within a period of one hundred and eighty days from the liquidation commencement date in such manner as may be specified:

PROVIDED that the Adjudicating Authority may, on an application by the liquidator along with sufficient reasons, extend the stipulated time by such period as it deems fit, but not exceeding a period of ninety days.

(1A) Where a proceeding in respect of an avoidance transaction or fraudulent or wrongful trading or under section 47 is pending before an application is made under sub-section (1) or a decision is made to dissolve the corporate debtor under sub-section (2) of section 33, the committee of creditors shall determine the manner of pursuing such

proceedings and the distribution of the proceeds arising out of such proceedings, in such manner and subject to such conditions as may be specified.

(1B) Where any suit or other legal proceeding against the corporate debtor in respect of any proceeds to be distributed under section 53 is pending before application is made under sub-section (1) or a decision is made to dissolve the corporate debtor under sub-section (2) of section 33, the committee of creditors shall make appropriate arrangements for pursuing such suit or proceeding, and distribution of proceeds to the parties in such suit or proceedings, in such manner and subject to such conditions as may be specified.”;

- (b) after sub-section (2), the following sub-sections shall be inserted, namely:—

“(2A) Without prejudice to the provisions of sub-section (2), the Adjudicating Authority may, on receipt of the decision of the committee of creditors to dissolve the corporate debtor under sub-section (2) of section 33, order that the corporate debtor shall be dissolved from the date of that order and the corporate debtor shall be dissolved accordingly:

PROVIDED that if, on the passing of an order under this sub-section, any asset of the corporate debtor remains with it, such asset may be disposed of in such manner as may be specified, and the proceeds thereof shall be distributed for payment of the insolvency resolution process costs and any surplus remaining after payment of such costs shall be credited to the Insolvency and Bankruptcy Fund formed under section 224.

(2B) Notwithstanding anything contained in sub-section (2) and sub-section (2A), the passing of the dissolution order shall not affect the continuation of proceedings referred to in sub-sections (1A) and (1B).”;

- (c) in sub-section (3), after the word, brackets and figure “sub-section (2)”, the words, brackets, figure and letter “or sub-section (2A)” shall be inserted;
- (d) after sub-section (3), the following sub-section shall be inserted, namely:—

“(4) The Adjudicating Authority shall pass a dissolution order under this section within a period of thirty days from the date of receipt of the application under sub-section (1) or the intimation of the decision of the committee of creditors to dissolve the corporate debtor under sub-section (2) of section 33:

PROVIDED that if the Adjudicating Authority has not passed an order within such period, it shall record the reasons for such delay in writing.”.

34. Amendment of section 54A

In section 54A of the principal Act,—

- (a) in sub-section (2),—
 - (i) in clause (a), for the words “pre-packaged insolvency resolution process or”, the words “pre-packaged insolvency resolution process or creditor-initiated insolvency resolution process, or” shall be substituted;
 - (ii) in clause (b), after the words “resolution process”, the words “or a creditor-initiated insolvency resolution process” shall be inserted;
 - (iii) in clause (e), for the words “sixty-six per cent.”, the words “fifty-one per cent.” shall be substituted;
- (b) in sub-section (3), for the words “sixty-six per cent.”, the words “fifty-one per cent.” shall be substituted.

35. Amendment of section 54C

In section 54C of the principal Act, for sub-section (3), the following sub-section shall be substituted, namely:—

“(3) The corporate applicant shall, along with the application, furnish such information as may be specified.”.

36. Amendment of section 54F

In section 54F of the principal Act, for sub-section (5), the following sub-section shall be substituted, namely:—

“(5) Any person who is or has been a personnel of the corporate debtor or its promoter or associated with the management of the corporate debtor or engaged in a contract for service with the corporate debtor, shall extend all assistance and cooperation to the resolution professional as may be required by him to perform his duties and exercise his powers, and for such purposes, the provisions of sub-sections (2) and (3) of section 19 shall, *mutatis mutandis*, apply in relation to the proceedings under this Chapter.”.

37. Amendment of section 54L

In section 54L of the principal Act,—

- (a) in sub-section (2), for the word, brackets and figure “and (4)”, the brackets, figures and word “, (4), (5) and (6)” shall be substituted;
- (b) in sub-section (3), the following proviso shall be inserted, namely:—

“PROVIDED that the Adjudicating Authority may, before rejecting the resolution plan, give notice to the committee of creditors to rectify any defects in the resolution plan.”;
- (c) in sub-section (4), in clause (b), for the brackets, figures and word “(ii) and (iii)”, the brackets, figures and word “(ii), (iii), (iv) and (v)” shall be substituted.

38. Amendment of section 54N

In section 54N of the principal Act, in sub-section (4), in clause (a), for the brackets, figures and word “(ii) and (iii)”, the brackets, figures and word “(ii), (iii), (iv) and (v)” shall be substituted.

39. Omission of Chapter IV of Part II

In Part II of the principal Act, Chapter IV shall be omitted.

40. Insertion of new Chapter IV-A in Part II

After Chapter IV of the principal Act, the following Chapter shall be inserted, namely:—

‘CHAPTER IV-A**CREDITOR-INITIATED INSOLVENCY RESOLUTION PROCESS****58A. Corporate debtors eligible for creditor-initiated insolvency resolution process**

(1) A creditor-initiated insolvency resolution process may be initiated in respect of the following corporate debtors under this Chapter, namely:—

- (a) a corporate debtor with assets or income or both, below such levels;
- (b) a corporate debtor with such class of creditors or such amount of debt; or
- (c) such other category of corporate debtors, as may be notified by the Central Government.

(2) Without prejudice to sub-section (1), a creditor-initiated insolvency resolution process shall not be initiated in respect of a corporate debtor—

- (a) for which an insolvency resolution or liquidation proceeding has been commenced and is still undergoing under the provisions of Part II; and
- (b) that has undergone a creditor-initiated insolvency resolution process, pre-packaged insolvency resolution process or completed a corporate insolvency resolution process, during the period of three years preceding the creditor-initiated insolvency commencement date.

58B. Initiation of creditor-initiated insolvency resolution process

(1) A financial creditor, belonging to such class of financial institutions as may be notified by the Central Government, in respect of which a default is committed by a corporate debtor, may initiate the creditor-initiated insolvency resolution process for such corporate debtor by appointing a resolution professional in accordance with the provisions of this section, and subject to such conditions, as may be prescribed.

(2) The financial creditor seeking to initiate the creditor-initiated insolvency resolution process shall, before appointing the resolution professional,—

- (a) obtain the approval of the financial creditors of the corporate debtor belonging to the class of financial institutions notified under sub-section (1), who represent not less than fifty-one per cent. in value of the debt due to such financial creditors, in such manner as may be specified;