Insolvency and Bankruptcy Code (Amendment) Bill, 2025

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Why in News?

Recently, The Insolvency and Bankruptcy Code (Amendment) Bill, 2025 was passed in Rajya Sabha.

- **Aim -** To address procedural delays, uncertainty in recovery outcome, and ambiguity from judicial judgements.
- It also seeks to introduce an alternate insolvency resolution process for companies and frameworks for group insolvency and cross-border insolvency proceedings.
- **Nodal Ministry –** Ministry of Finance.
- **Objectives – Expedite Timelines -**Mandates a NCLT admission window and ***stricter 180-day liquidation*** deadlines to eliminate procedural delays.
- **Maximise Asset Value -** Extends the ***"look-back" window*** for fraudulent transactions and speeds up cases to prevent the loss of asset worth.
- **Empower Creditors -** Introduces ***out-of-court resolution (CIIRP)*** and gives creditors more control over the liquidation process and liquidator appointments.
- **Modernise Framework -** Formalises "clean-slate" rules for new buyers and aligns group or cross-border insolvency with international standards.

Key Features

- **Admission of Corporate Insolvency Resolution Process (CIRP) -** NCLT must admit CIRP if default is proven, the application is complete, and the RP has no disciplinary issues.
- No other grounds for rejection are allowed, reasons must be recorded if no order is passed *within 14 days*, and records from information utilities are sufficient proof of default.
- **Withdrawals -** Withdrawal of insolvency applications is permitted only

after CoC is constituted and before the first invitation for resolution plans, requiring *90% approval of the CoC*.
- Voluntary liquidation can be withdrawn through a special resolution of shareholders and, if necessary, a two-thirds resolution of creditors.
- **Committee of Creditors (CoC)'s Role During Liquidation -** The Bill gives CoC the power to supervise liquidation, replacing the SCC's advisory role.
- The liquidator will be appointed on the CoC's proposal instead of automatically being the RP, and the CoC may also replace the liquidator.
- **Timelines for Liquidation -** NCLT must pass a liquidation order within 30 days of application or intimation.
- Liquidation must be completed in 180 days, extendable by 90, while voluntary liquidation must conclude within one year.
- **Security Interest and Statutory Dues -** Security interest excludes those created by law, and government dues are not treated as secured credit.
- Secured creditors continue to hold enforceable rights over debtor's assets.
- **Introduction of Creditor-Initiated Insolvency Resolution Process (CIIRP) -** CIIRP can be initiated only by specified financial creditors outside court with at least 51% approval by value.
- The debtor retains management under RP oversight, the process must conclude in 150 days extendable by 45, and CoC may convert it into CIRP through NCLT.
- **Cross-Border Insolvency -** The Bill empowers the central government to frame rules for conducting and administering cross-border insolvency proceedings.
- **Group Insolvency -** The Bill allows the government to make rules for group insolvency, including common benches, coordinated proceedings, shared professionals, and joint CoCs.
- **Assets of a Guarantor -** Creditors holding a guarantor's asset under security interest may transfer it into CIRP with CoC approval, and if the guarantor is also under insolvency, approval from their creditors is additionally required.

References

1. PRS India | IBC
2. News on AIR | IBC

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