Study Group Report on Improving the Regulatory Framework for IPs/IPEs and Strengthening the Profession

Study By
Indian Institute of Insolvency Professionals of ICAI (IIIPI)

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NEW DELHI

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FOREWORD

The Indian Institute of Insolvency Professionals of ICAI (IIIPI) is pleased to present the report *'Improving the Regulatory Framework for IPs/IPEs and Strengthening the Profession'* by the Study Group constituted by IIIPI comprises of experienced IPs nominated from across all IPAs in this regard.

As the insolvency ecosystem continues to evolve, the expectations from IPs and IPEs have expanded considerably. They are required to operate in an increasingly complex environment characterized by regulatory dynamism, heightened stakeholder scrutiny, and procedural challenges. While the profession has demonstrated resilience and adaptability, certain emerging trends—such as declining new registrations by professionals, increasing exits, and concerns around equitable distribution of opportunities—call for careful reflection and timely intervention.

This report is a result of a collaborative effort to examine these issues in depth and to identify practical solutions for strengthening the profession. By bringing together insights from practitioners across different Insolvency Professional Agencies (IPAs), the study captures a wide spectrum of experiences and challenges faced on the ground. The recommendations put forth aim to enhance institutional support, improve regulatory clarity, and create a more enabling environment for professionals to perform their duties effectively.

It is hoped that this report will serve as a constructive input for policymakers, regulators, and stakeholders in further refining the insolvency framework. Strengthening the ecosystem for IPs and IPEs is essential not only for the growth of the profession but also for ensuring the continued effectiveness and integrity of the IBC regime.

I sincerely appreciate and thank members of the Study Group nominated by all three IPAs for nominating members of the study group to prepare the said report.

I also appreciate the efforts put in by CA. Rahul Madan, Managing Director, and the Research Department of IIIPI for providing their technical and administrative support in bringing out this publication.

Further, after gaining more experience, this report shall be reviewed from time to time. I am sure that the professional members of IIIPI and other stakeholders of IBC will find this publication immensely helpful.

Date : 17th April 2026
Place: New Delhi

Dr. Ashok Kumar Mishra,
Chairman, IIIPI-Governing Board

PREFACE

In view of emerging challenges within the evolving insolvency ecosystem, IIIPI, in collaboration with other two Insolvency Professional Agencies (IPAs), constituted a study group to undertake a comprehensive examination of the issues affecting Insolvency Professionals (IPs) and Insolvency Professional Entities (IPEs) on 'Improving the Regulatory Framework for IPs/IPEs and Strengthening the Profession'. The study group comprises experienced IPs nominated from across all IPAs, for wider representation of perspectives and experiences, across the ecosystem, thereby enabling a more balanced and comprehensive evaluation.

Recent trends such as a noticeable decline in new entrants, increasing instances of professionals surrendering their registrations, and limited availability of assignments have raised concerns about the long-term sustainability and attractiveness of the profession. In addition, growing stakeholder expectations, procedural complexities, and the need for continuous adaptation to regulatory changes have further intensified the challenges faced by IPs and IPEs.

This study, therefore, seeks to examine in detail the key issues affecting IPs and IPEs, including regulatory overlaps, operational bottlenecks, stakeholder coordination challenges, and gaps in institutional support. It also explores the broader need for improving access to opportunities, strengthening professional infrastructure, and enhancing clarity in roles, responsibilities, and processes.

The report aims to suggest practical measures to enhance opportunities, improve regulatory clarity, and build a more supportive and sustainable ecosystem. It is expected that these recommendations will contribute to strengthening the insolvency profession and improving the overall effectiveness of the IBC framework.

The study group comprising experienced professionals and domain experts. This report is the outcome of the Group's extensive research, consultations with stakeholders, and the draft report was widely discussed and deliberated among a group of insolvency professionals, before finalization and to propose practical solutions, best practices, and policy-level recommendations for further reforms.

The study group is thankful to all three IPA(s) for providing an opportunity to carry out the study as above and for his valuable contribution as well. The group is also thankful to Managing Directors of all three IPAs for providing necessary support in this regard. Further, the group also appreciates the efforts put in by team at IIIPI for providing their technical and administrative support in bringing out this publication.

Dr. Ashok Kumar Mishra
(Chairman of Study Group)

CA Anju Aggarwal	CA Anuj Jain	CA Atul Mittal
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Date: 17th April 2026
Place: New Delhi

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1. Background

IBC is comparatively a recent legislation as compared to other established Insolvency Professionals (IPs) play a vital role in improving the effectiveness of the Insolvency and Bankruptcy Code (IBC). They act as neutral facilitators responsible for managing the corporate debtor's affairs, preserving asset value, and ensuring transparency throughout the resolution process. By conducting fair evaluations, coordinating with stakeholders, and upholding strict timelines, IPs help strengthen the efficiency, credibility, and overall success of the IBC framework. Since the insolvency law in India has been evolving at fast pace, it is important to understand the challenges faced by IPs on ground on a regular basis with a view to continuously strengthen the ecosystem. Overall, there are currently 4478 nos. of IPs and 96 nos. of IPEs (as juristic IPs) registered in the ecosystem.

In the evolving landscape of IBC ecosystem, Insolvency Professionals (IPs) operate under increasing scrutiny and a growing list of compliances. Frequent regulatory changes, enhanced reporting requirements, and tighter oversight by the IBBI, CoC, and judiciary demand continuous vigilance and professional discipline. IPs must ensure strict adherence to timelines, maintain detailed documentation, and follow due-process standards while facing pressures from multiple stakeholders. At the same time, issues like inadequate information flow, complex asset valuation, stakeholder conflicts, and resource constraints complicate their role. Together, these issues make effective insolvency resolution increasingly demanding for IPs.

These challenges highlight the need for stronger institutional support, clearer guidelines, and a more coordinated ecosystem to enable IPs to effectively discharge their responsibilities under the evolving IBC framework. However, of late, there have been concerns about the well-rounded development of the insolvency profession. Over the past few years, the rate of fresh registrations as IPs has been tapering off, while several registered professionals have surrendered or are considering to surrender their membership and/or 'authorization for assignment' (AFA). This untoward development warrants closure scrutiny of underlying issues, with a view to finding solutions thereto.

Such concerns and symptoms may be summarized as follows:

1. Significant dip in new entrants in insolvency profession. Annual 'average' no. of new IP entrants (across 3 IPAs) during a period of 3 years (from FY 19-20 to FY 21-22) has been ~536 IPs. Such intake, however, declined to 209 (FY 22-23), 116 (FY 23-24) and 114 (FY 24-25). Further, 27 exits were recorded during FY 24-25, mainly by way of failing to fulfil 'fit & proper' criterion and disciplinary action.

2. Over 100 members (across 3 IPAs) have surrendered their memberships so far.

3. Existing professionals are not interested in continuing, as reflected in significant nos. of fee defaulters. This is despite the fact that IPAs have reduced the membership fee (for non-practicing members) from Rs.10000/- to Rs.5000/- recently.

In view of aforesaid, IIIPI, joined by other IPAs, constituted an expert group to examine the issue(s) highlighted above and suggesting the way forward with the following objectives:

(i) To examine genuine issues faced by IPs and IPEs which impede their genuine professional growth.

(ii) To propose the way forward to improve the dispensation and to help the insolvency profession grow and thrive.

The said study group has been constituted under the chairmanship of Dr. Ashok Kumar Mishra, Chairman, IIIPI. The members of the study group comprise nominated IPs from across all IPAs.

II. Issues and Way Forward related to IPs

1. Limited opportunities in getting assignments by IPs

Issue:

a) For want of orderly distribution of assignments, existing IPs are willing to leave profession whereas new talent is not joining in sufficient numbers. This phenomenon is also reflected in significant surrender of memberships and defaults of membership fees at IPA level.

b) Ever since IPEs have been enabled to take up assignments as juristic IPs, the scope for assignments for individual IPs has come down. In the current scenario, the IPEs can secure large-sized insolvency assignments. Many IPs find it easier to work as individuals and/or may not be able to form an IPE which is subject to, inter alia, net-worth criterion.

c) The fact that risk-reward ratio for insolvency professionals is unfavorable in view of highly complex and litigation prone processes, also creates a drag on growth of profession. A comprehensive professional indemnity insurance product for insolvency profession is either not available or is available at a steep price. It is understood that a few leading players, after testing, have withdrawn the said product from the market. As a comparison, internationally for instance in UK, insurance has been made mandatory for resolution professionals.

Way Forward:

i. To provide a fillip to the profession and enhance its appeal, more opportunities for IPs, given their unique skillsets around restructuring and qualifications, may be facilitated in other regulatory regimes as well. Such skillsets may be relevant in banking sector to ensure resolution-readiness of large borrowers, and in corporate sector to ensure similar readiness proactively. Few other sensitive sectors may include real estate, aviation, and non-banking financial sector.

ii. Banks may be encouraged to use the services of individual IPs (instead of IPEs) in respect of Prepack insolvency cases involving MSMEs. U/s 21 (6) (c) of IBC, Financial Creditors (FCs) may use the services of IPs (other than IRP/RP involved) to represent them (separately or jointly) in the proceedings of COC. However, this provision is hardly used by banks and other FCs, which indicates the need to make them aware of such dispensation.

iii. With onset of Group insolvency and Cross border insolvency, the opportunities may grow for the professionals. Necessary tie-ups for global coordination may be facilitated.

iv. Introducing the full-fledged insolvency framework for individuals along with partnership firms may also help create newer professional opportunities for the profession.

v. Outside the scope of IBC and given the IPs' unique skillsets, their services may also be used by Banks/non-Bank creditors as service providers under SARFESAI Act and for negotiating one-time settlements (OTS) with borrowers under default/stress. Similarly, IPs may also be appointed as administrators in other regimes like RERA and Cooperative Act.

vi. On the lines of professions like CA, CS, CMA, the qualification as IP may also be considered to become an independent director, without the need to qualify an exam for the purpose meant for non-professionals.

vii. Opportunities may also be facilitated under alternate distress resolution (ADR) mechanisms, by allowing IPs to be certified as mediators and arbitrators for proceedings under IBC, especially when the scope of Mediation under IBC for Section 9 applications is under consideration.

viii. While calculating the maximum limit for number of assignments (currently 10), the liquidation processes, where application for dissolution has been filed with NCLT, should be excluded. This is felt necessary as such applications usually take quite long to be heard/disposed of without any tangible work required to be undertaken on ground.

ix. Moreover, currently there is no maximum limit prescribed as such for IPEs and therefore partners/directors may undertake assignments in the name of IPE (where such partner/director acts as authorized signatory) and under their 'individual' names (which is subject to maximum limit as above) as well. Such framework may be recalibrated by imposing combined limit on IPE and partner-director.

x. Only Individual IPs may be allowed to take assignments up to a certain ceiling of underlying debt/claim involved, say up to Rs.100 crore of claims. Alternatively, as the amount of underlying claims may not be available upfront, the criterion of CD's annual turnover (say, during last 3 years, upto Rs.100 crore) may instead be used for this purpose. While an individual IP may not have the bandwidth to accept large sized CIRP, the option of approaching an IPE for support services is open to them. Such a practice would encourage competition amongst the IPEs to provide services at competitive rates.

xi. To improve the risk-reward ratio for the insolvency profession, professional indemnity insurance should be facilitated, through Insurance Sector Regulator, with consequent cost to be made part of CIRP cost.

xii. Upper age limit for an IP to hold AFA and be able to take assignments in professional capacity, may be increased from 70 years to allow professionals who are fit and willing to keep contributing to the ecosystem. The age limit may be revised to 75 years in accordance with age limit allowed for independent directors under SEBI (LODR) Regulations for listed companies {Clause 17(1A)} given the independent role of RPs/Liquidators as envisaged under IBC.

xiii. The cool-off period between two successive attempts for LIE examination may be curtailed from three weeks currently to nil or one week. The period of more than a week may make the aspirants lose the momentum and the interest to join the profession. It has been observed that since introduction of cool-off period, the number of new memberships has declined over last few years.

xiv. The students passing the PGIP course may be encouraged to join the profession by clearing the LIE exam at the earliest. The delay in doing so may make it difficult for the candidates to pass the LIE examination.

xv. It has been observed that among several parent professions (CA/CS/CMA/Law/Management), the advocates as experienced professionals join the profession in least numbers. More legal professionals may be encouraged to join the insolvency profession by involving Bar Council of India as the facilitating body.

xvi. Recently, IBBI's guidelines have been amended by increasing the period for an IP-aspirant to get the enrolment done with IPA after passing LIE exam within 2 years now (from 1 year earlier). Allowing more time as such may make a candidate lose interest in joining the profession. Besides, the level of retention of current knowledge of law and practice of IBC may also be adversely affected. Hence, the period of one year as referred to above may be reinstated.

2. Bank-specific panels causing replacement of IPs who are not part of these

Issue:

a. Various Banks follow the practice of maintaining their respective separate panels for IPs and then approach only those IPs who are part of such panel, to bid for an assignment. Such panel may remain in vogue for 6 months or even over a year, before getting revised. This practice goes against the equitable distribution of opportunities to professionals.

b. Further, the IPs who can appointed initially as IRP (u/s 7 or 9) invariably get replaced if the said IP does not figure in the panel of lender(s) commanding the majority voting power in COC. The replacement as such results in waste of time and effort and goes against the timeliness principal of IBC.

Way Forward:

i. Banks should be encouraged to discontinue the practice of forming different panels and should be allowed to approach all IPs with valid AFA, through EOI, etc. in a transparent manner. Ready information in this regard, as already available on website of IBBI, may be provided to Banks in user-friendly format. Such a dispensation would, besides saving time/effort, also obviate the allegations of prejudices in appointment/replacement.

ii. Wherever plausible, and especially in Sec. 7 applications where multiple banks have lent to CD, applicant bank(s) should attempt to appoint a unanimous IRP, after consultations with remaining banks, at the first stage itself. This would obviate the need for replacement and consequent wastage of time and resources at a later stage.

iii. Moreover, wherever change of RP is proposed by COC, the reasons for such change should also be recorded while applying for the same to NCLT.

3. Timely decisions to be taken in COC meetings including release of RP's Fee:

Issue:

Under the scheme as envisaged under IBC 2016, several critical decisions in respect of managing/resolving the CD as going concern are subject to COC's wisdom. These decisions directly impact the delivery of service by the RP/Liquidator. However, currently there are no provisions in the law to hold the COC members accountable for lack of or delay in timely decisions by the COC members. In absence of such provisions, for instance, critical expenses required to be incurred in managing the CIRP or CD as 'going concern', including payment of RP's fees, at times, are either not taken or taken with substantial delays. The delay may be due to lack of sufficient powers vested in bank officials attending the COC. Such a dispensation may cause avoidable friction among creditors and/or with RP and may have cascading adverse effects on the outcome of CIRP.

Way Forward:

i. The COC members, comprising mainly banks, need to be sensitized/trained on the critical requirement of timely decisions, backed by delegation of appropriate authority to the participating bank officials, is the need of hour. As mentioned elsewhere, using the professional services of unrelated IPs u/s 21(6)(c) of IBC, may also help boost the efficiencies in this regard.

ii. Moreover, CIRP regulations may be amended to stipulate that once decision of COC is taken, payment of CIRP cost within 7 days after approval by the CoC. Any delay beyond this timeline may be explained in writing by COC and additionally filed with AA for taking any action if desirable in the interest of timeliness objective of IBC.

iii. The code of conduct for COC may be introduced through necessary amendments. In the interim, Indian Banking Association (IBA) may be requested to develop/ensure self-regulations by the banks as the key constituent of COC.

iv. Insolvency & Bankruptcy Fund under the provisions of IBC may be operationalized to support the RP financially for timely and urgent payment of CIRP Cost which remain pending for the release of funds (by banks as COC members) even after COC approvals. Any drawdown from the said fund should be reimbursable as and when COC members are able to release the funds. Such drawdown may be subjected to a reasonable rate of interest to ensure time value of money.

v. Such Fund may also be utilized for meeting basic CIRP/Liquidation cost when there are no funds/assets with the CD or there is no

CoC or the CoC does not have any FCs, to provide support for orderly closure of the proceedings. Such utilization, given its non-reimbursable nature, should be allowed subject to approval/order by AA.

vi. In Personal Insolvency assignments, when the NCLT appoints an IP (from IBBI-NCLT panel), there is no provision or order as to cost and fees of RP. As a result, in most cases RP incurs CIRP expenses personally without visibility of compensation, especially where the application is rejected post submission of report without any CoC in place. On the lines of AA's order in case of CIRPs, legislative provisions may also require orders on Personal insolvency cases, to also include clauses on initial cost and fee.

vii. As a best course of action and on the lines of CIRP related fee, there should be fixed a minimum fee structure for RPs taking up individual insolvency assignments after due deliberation with stakeholders including Banks. The fees may be kept variable with linkage to claim, going concern nature of business, etc.

4. Duplicity of Compliances with IBBI and IPAs, and with NCLT

Issue:

a) At times IPs are subjected to similar proceedings/compliances related to monitoring, inspection, grievance or disciplinary mechanisms, at the principal regulator (IBBI) and the frontline regulator (IPA). This results in repetitive efforts by IPs in clarifying, representing the facts to the regulatory bodies.

b) Compliance forms are required to filed at IBBI and IPA levels, which have similar information/data fields, causing duplicity of efforts. Though, auto-population features are being added now, there is still a scope for upgrading technology-driven (including AI) solutions with integrated flow of information across NCLT, IBBI, IPA and IU.

c) The progress reports during CIRP/Liquidation process, routine in nature, are required to be filed with NCLT as IA, which involve inordinate delays in getting heard, without any substantive outcome.

Way Forward:

i. Technology driven solution(s) like integrated software should be deployed for the ecosystem to ensure single source of truth and avoid repetition of filling data across different portals. IPiE, the proposed integrated solution needs to be deployed at the earliest.

ii. The filing of quarterly reports during CIRP/liquidation as an Interlocutory Application (IA) should be done away with. Filing the quarterly report with the NCLT registry, IBBI/IPA should be sufficient compliance.

iii. IPs undertaking CIRP/Liquidation need to be facilitated, using their current login credentials at IBBI website (for ensuring genuineness) to access critical data/information on other regulatory bodies like RBI and SEBI. Such access may be required to carry out due diligence in respect of CD and/or PRA/SRA. By such empowerment, checks (e.g. based on PAN no. of stakeholder) by RP/Liquidator in respect of ownership, asset tracing, bank a/c tracing, wilful default status, shareholding pattern, etc. may become convenient to be carried out.

5. Lack of formal mechanism to address grey areas related to Interface with statutory departments

Issue

In most cases, CDs against whom an application is admitted by the Adjudicating Authority, are found to be non-compliant of statutory requirements under various laws like Corporate, Income Tax, GST, EPFO, Customs Laws, Electricity Dept., RERA, etc. At times, RPs are also summoned by ED (under PMLA), CBI, or policy authorities

in respect of past criminal actions by ex-management. This is partly because of either insufficient cashflow or documentation available to comply with laws, for the past and the present. As a result, various statutory departments, quoting their respective provisions, summon and demand compliance by the IRP / RP / Liquidator including for the past periods. Instead of supporting IRP/RP as an officer of court, statutory departments at times put them through legal rigors causing further delays in CIRP and compromising timeliness objective of IBC.

Way Forward:

i. In the admission order (by NCLT) on CIRP, the status of RP as officer of the Court may be made more pronounced, specifically calling upon, inter-alia, statutory departments to support him/her in executing lawful responsibilities under IBC.

ii. An agency/nodal officer in every important statutory department alongwith specific email id should be designated for coordinating IBC proceedings and as channel for official communication internally and with external stakeholders in a time-bound manner. GST Deptt. has recently implemented such framework which may be replicated across other departments as well.

iii. There should be regular training of concerned officers of such statutory departments from time to time. This shall also help in resolving mutual concerns of departments as well as insolvency practitioners.

iv. There may be some checks and balances placed on the power of the Statutory agencies to summon IRP / RP in person, especially for compliance of any matter prior to the start of the CIRP period. IRP / RP may be allowed to be represented by competent professionals before the respective statutory authorities. Further, as relevant, the suspended Directors should be summoned by the Statutory Authorities for matter relating to CD prior to the start of CIRP period. In this regard it may be noted that though powers of board of directors are suspended, there duties are not.

6. Leeway to RPs to get the books of accounts of CD completed and appointing professionals

Issues:

a) It is often observed that the books of accounts of the CD are not maintained for the last 3 to 4 years from the insolvency commencement date (ICD). It is usually seen that in such cases that, the chances of a resolution/recovery are very remote, and the corporate debtor is also non-cooperative. In such cases, COC is generally not inclined to incur expenses for updating the books of the corporate debtor for a period prior to the ICD. Without the updated books of accounts, the IM does not reflect the current status of the CD's financial affairs, leading to consequent issues and delays.

b) There are instances where, even though law allows RP to appoint forensic experts/transaction auditors, the CoC does not approve the cost of these professionals in the context of forming opinion on avoidance transactions. This may, inter alia, be due to involvement/awareness of officials of COC members in the underlying transactions. In absence of such approvals, it becomes difficult for the RP to determine avoidance transactions and claw back underlying value.

Way Forward:

i. RPs have onerous responsibility under Section 17(2)(e) – which makes the IP responsible for complying with the requirements under any law for the time being in force on behalf of the CD. Without adequate financial support from the CoC, the RP may not be singularly held responsible for complying with this requirement.

ii. Primary duty to provide updated books of accounts should lie on CD's ex-management/promoters, pending which law should not permit them to make any representation before AA. Guidance on responsibility for preparing books and signing off the financial statements, should be made available by IBBI in consultation with ICAI and ICSI. Similar guidance by ICAI/ICSI/ICMAI may be made available for statutory/secretarial/cost auditor to provide necessary support to the RP/liquidator.

iii. In the context of providing books/information/support to RP, among the list of the associated parties to the CD as recognised under Regulation 4 of IBBI (CIRP) Regulations, internal auditors of the CD should also be included, for widening the reach of RP.

iv. In the event CoC does not approve the appointment of professionals who can carry out the compliances under Section 17(2)(e), regulations should allow a leeway to the IPs to appoint professionals without waiting for the CoC's approval. Such expenses may be subjected to a certain ceiling say upto Rs. 1 Lac per month as part of CIRP cost to ensure smooth conduct of CIRP/ liquidation.

v. RPs/Liquidators may be allowed to exercise discretion to appoint the forensic expert/transaction auditor and incur expense as well, subject to checks and balances and in genuine circumstances, if in her/her opinion such appointment is required, even though not approved by CoC.

vi. The law should acknowledge the difficulty in obtaining updated books of accounts (after necessary efforts) as the valid reason for RP not being able to file PUFE applications, for reasons to be duly recorded as part of COC deliberations. Else, filing of PUFE applications (with insufficient backup information) may become a wasteful exercise.

7. Managing Post Resolution Responsibilities by RP

Issue:

Upon filing of the Resolution Plan until handover of management of CD to SRA, CoC's role is limited or non-existent whereas SRA's role is potential in nature with no formal rights accruing until implementation of plan. This creates a vacuum and challenges for the RP, especially if the approval of the Resolution Plan is delayed beyond reasonable time. The challenges may be on account of incurring costs and efforts in maintaining going concern status of CD, meeting corporate compliances, ensuring seamless handover of management to SRA, etc.

Way Forward:

i. It should be made mandatory as part of Resolution plan, as to who will pursue the business and compliance activity including pursuance of PUFE proceedings. There must be dedicated funds for the same in the plan for this purpose, under the control of the person responsible to execute such activities.

ii. Enabling provision may be introduced to allow SRA, wherever COC allows it and subject to safety net by COC (in the event of resolution plan not getting approved), to provide Interim Finance to the CD. Currently, due of lack of clarity, SRAs refrain from such financing. It may be mentioned that law provides for priority of payment to all interim financiers out of the resolution proceeds.

iii. During COC meetings held post submission of resolution plan but pending approval by AA, in accordance with Regulation 18(2) of IBBI (CIRP) Regulations, SRA may be allowed, through regulatory amendment, to be present in such CoC meetings, though without voting power, after the plan is submitted to AA until its approval.

iv. If RP is not part of the monitoring committee and he/she is required to undertake an activity in official capacity, there should be provision in the resolution plan for remunerating him/her.

III. Issues and Way Forward related to IPE

1. Limited traction in IPE (as juristic IP) model due to lack of clarity.

The amendment to IBBI (Insolvency Professionals) Regulation 2016, wherein an IPE recognized by the IBB can register as an IP, was made effective from 30th Sept. 2022. Until then IPEs could only be recognised by IBBI for delivering support services to individual IPs who may or may not be its partner/director. The intent behind the said amendment was to address the limitation of an IP being an individual in dealing with complex engagements and running the operations of CD requiring concurrent efforts and multi-disciplinary expertise. Further, the institutional design of the IPEs may render itself more apt while conducting the processes owing to their resourcefulness, corporate governance and risk management mechanisms.

Further, it has been clearly evident that in large cases, lenders preferred to appoint an IRP/RP individuals associated with large multidisciplinary firms and appoint IPEs to support such IRP / RP in the conduct of the engagement. Accordingly, it was decided to allow an IPE (as a jurist person) to take the roles and responsibilities on IRP/RP/Liquidator. However, the desired traction of active engagement of IPEs in taking IBC assignments has not been achieved.

Sr.	Issues	Way forward & Rationale
a)	**Cost Effectiveness of Engaging an IPE** – Market perceives IPEs as costly due to their institutionalized structure and governance structure as compared to Individuals.	i. Prescription of minimum fee-range based on certain parameters for IPEs, at a level higher than that for individual IPs, to deter undercutting below such threshold. ii. Making it mandatory for engaging an IPE for Insolvency cases where the financial exposure/debt is above a certain limit (say Rs.500 crore). This will enable the CoC to receive competitive bids and may further increase participation of IPEs as it may assist in further reducing overall costs for IPEs (and cater to more cases with same infrastructure). iii. Keeping the lower end of assignments involving exposure/ debt upto Rs.100 crore as exclusive domain for individual IPs, the middle bracket (between Rs.100 to 500 crore) should be left to convenience and flexibility of the stakeholders. iv. Similar to audit firms (under ICAI framework), firms with experienced or higher number of IP partners, through a rating mechanism, should be given weightage in complex and large engagements.
b)	**Joint liability of all IPs registered with IPE may be counterproductive –** As per the IBBI (Insolvency Professional) Regulations, 2016, under Regulation 13(3), an IPE shall be jointly and severally liable for all acts or omissions of its partners or directors as IPs committed during such partnership or directorship.	i. The CIRP cases are undertaken by an Insolvency Professional with support from other professionals of IPE; there might be instances wherein due to the misconduct or misjudgment of one of the IP being overlooked by the other members of IPE overseeing the assignment. ii. Penalizing the IPE for the misconduct of an individual member may be counterproductive and discourage the participation of IPEs.

	This may discourage IPs to form IPE and work together.	iii. The regulations may be amended to introduce specific provisions such as introducing cooling off period for IPEs to bid for fresh cases and penalties may be levied on case-to-case basis on the IPEs in case of negligence of duties rather than keeping it open ended. iv. Currently, a director/partner of IPE (as IP) against whom an order of suspension is passed by IBBI/ IPA, is considered not to be fit & proper. For continuation of IPE (as IP), it becomes incumbent upon remaining partners to recast the deed or shareholding partners excluding such suspended partner/ director. However, there would be an anomaly when the CRIP being run by a designated partner (now suspended) would need to be transferred in the name of another partner/director. There is no provision in the law for the same, unlike in case of individual IPs, where IP (even if suspended) continues to run the old cases. Law/ regulations may provide clarity and parity in such cases.
c)	**Perceived Independence** - Creditors often believe individuals are less prone to conflicts of interest compared to entities that may have multiple commercial relationships. Independence and impartiality are critical under IBC.	i. The regulations may be amended to mandate IPEs to disclose all existing commercial relationships with creditors, debtors, and related parties before appointment. ii. Mechanism may be introduced where IPEs are subject to review by IBBI/IPAs or an independent panel to ensure impartiality.

		iii. Currently, though there is a ceiling of number of assignments for an individual IP, no such ceiling is applicable to an IPE (as IP) operating through its authorized signatory (IP partner/director). Therefore theoretically, it is possible for IPE to undertake any number of assignments, even though its partners/directors have hit the ceilings of assignments in their individual name(s). A ceiling needs to be stipulated for consolidated number of assignments as such, benchmarking it to the number of partners/directors in an IPE.
d)	**Expanding Scope of Services to Have Sustainable Model and to Retain Talent, etc. -** Limited scope of services restricts opportunities for professionals with specialized skills (investment banking, IT, valuation).	i. Expand the scope of permissible services for IPEs beyond supporting IPs and acting as juristic IPs. Regulatory amendments and IBBI guidelines should ensure these expanded services comply with 'no conflict-of-interest' norms. ii. Broadening the service portfolio will create diversified work opportunities, making IPEs attractive for professionals with specialized skills such as investment banking, IT, and valuation. A robust talent pool within IPEs aligns with the objective of institutionalizing the insolvency profession and ensures scalability for handling complex cases. iii. The nature and scope of such expanded services are covered in a detailed manner, in the next section.

e)	**Limited Awareness and Market Acceptance** - Stakeholders (CoC, creditors, corporates) still prefer individual IPs over IPEs due to familiarity and trust issues.	i. Increase stakeholder confidence in IPE-led resolutions through targeted awareness initiatives. This includes publishing success stories, conducting workshops for CoCs and lenders, and introducing a performance rating system for IPEs. ii. Stakeholders often prefer individual IPs due to familiarity and perceived accountability. Demonstrating the advantages of institutional set-ups, such as scale, multi-disciplinary expertise, and better resources will reduce trust gaps and encourage adoption. iii. NCLT Benches may be requested for appointing IPEs (as IP) in complex/ large cases.

2. Expanding scope of IPE services beyond those currently allowed

As per the existing regulations, the objective of IPEs is limited to provide support services to Insolvency Professionals or to carry on the activities of Insolvency Professionals or both. This limits the IPEs from providing advisory services to other stakeholders including CoC or Prospective Resolution Applicants. This results in limited market opportunity for IPEs and in turn the professionals associated with it. In the absence of adequate opportunity, it becomes difficult to retain talent especially having specialized skills such as investment banking, IT etc. In order to increase the adoption of IPE, the scope of permissible services may need to be expanded. Some suggested additions are:

a. Assist stressed companies in evaluating restructuring options before formal insolvency proceedings.

b. Providing services to COC and members of COC - Resolution plan evaluator, COC /Lender financial and legal advisor, Feasibility and viability of resolution plan, transaction audit, Investment banking etc. In many jurisdictions, insolvency firms provide multi-disciplinary services under regulated frameworks.

c. M&A and transaction services for stressed / distressed assets.

d. Operational restructuring and business turnaround services

e. Enable IPEs to provide deal advisory solutions such as hosting data rooms, virtual meetings platform, compliance dashboards, and digital voting platforms.

f. Provide sector-specific expertise (e.g., infrastructure, mining, real estate) for complex cases.

g. Buy side bid advisory and M&A support to Prospective Resolution Applicants (PRA)

h. Resolution advisor / Manager for financial restructuring outside CIRP

i. Bankruptcy Trustee

j. Authorised officer / Manager role under SARFESI

k. Receiver under order of court

Way forward

i. To support growth, IBBI may consider introducing an accreditation mechanism allowing IPEs & affiliated entities to register for specialized service verticals such as turnaround consulting, accounting advisory, legal assistance, or sector-specific expertise which would enable IPEs to generate new revenue streams to have viable service model.

ii. *In addition to the activities listed above*, IPEs may be permitted to act as process advisors or transaction facilitators for PRAs in assignments distinct from those handled by their IPs, ensuring no conflict with ongoing/ past assignments under IBC and adequate disclosures.

3. The accountability of the IPEs may be fixed considering their critical role

Division of accountability and responsibilities between IPs & IPEs wherein IPE provides support services to IP has not been defined under the code. Such clarity is desirable given the fact that fee chargeable by IPE for support services is at times higher than that of RP's fee. The lack of accountability may lead to ambiguity and confusion regarding the roles and responsibilities of IPE.

Sr.	Issues	Way forward & Rationale
a.	**Ambiguity with respect to roles & responsibilities:** Overlap between IPE and IP roles creates confusion on who is accountable for specific tasks.	The current regulations define the roles and duties of IRP/RP. The roles and responsibilities for IPE as provider of support services may be introduced to enhance transparency in the work in parallel to their efforts removing unnecessary ambiguity. Regulations should clarify that IPE needs to function within overall control and supervision of RP. Within a specified duty/responsibility assigned, IPE should be responsible for the underlying process/decisions in the context of support services.

b.	**Stakeholder Distrust:** Creditors and CoC members may view excessive charges as unfair, undermining confidence in the insolvency resolution process.	With specific roles and responsibilities, IPEs may justify the fee charged by them along with specific deliverables.
c.	**Inefficient Resource Utilization:** The absence of clear responsibility between IP and IPE lead to duplication of efforts and misallocation of resources. Tasks were often picked up by both teams or left unattended because ownership was unclear.	i. Introducing a RACI matrix (Responsible, Accountable, Consulted, Informed) and workflow tracking tools will ensure clarity on who is responsible for each deliverable. ii. Clear division of responsibilities enhances operational efficiency by reducing duplication and delays. It allows better workload management, improves accountability.
d.	Decision-Making Bottlenecks: The lack of clear division of responsibility between IP and IPE created significant delays in decision-making. With multiple stakeholders involved in approvals and no defined authority, even routine decisions required extensive back-and-forth.	i. We need to establish a governance structure that defines decision-making authority for each workstream. Assigning a single accountable owner for approvals within IP and IPE will streamline processes. Additionally, implementing an escalation matrix and setting turnaround time (TAT) benchmarks for decisions will ensure faster resolution and improved client communication. ii. Clear authority and structured governance reduce delays and improve operational agility. This approach ensures accountability while enabling quicker, more effective decision-making.

4. Clause 25B & 26A of Code of Conduct for IPs (as per IBBI-IP Regulations)

Clauses 25B and 26A of the IP regulations aim to ensure transparency, fairness, and accountability in the remuneration of Insolvency Professionals (IPs). In nutshell, these clauses require an IP to raise an invoice in his/her own name for the services as IRP/RP/Liquidator. Moreover, there is additional requirement of IP to not share his/her fee with IPE of whom such IP is a director/partner.

Challenges Faced

Practical challenges faced by IPs while implementing the requirements of code of conduct as referred above, include:

a) The IPs may have to raise the invoice in the name of their IPE for the purposes of GST, since an individual IP (partner/director of IPE) may not have or may not want a separate GST

b) The need for consolidating revenues in the account and balance sheet of IPE, may run counter to the envisaged position in the code of conduct.

Way Forward

i) It is suggested that, so long as sufficient disclosures regarding the fee are made, mere form and manner of booking the fee should not be prescribed and be left to the parties concerned. Clause 25B may include flexibility allowing individual IPs who are full-time partners or directors of registered Insolvency Professional Entities (IPEs) to raise invoices either in their own name or through the IPE, subject to disclosure and traceability.

IV. Other Procedural Issues

1. Introduction of Best Practices in a structured manner

It is often observed that various Professionals are following differing practices with respect to various activities being performed under the Code. Market practices around the grey areas have evolved over the time. Though every assignment is unique, the practices may be formalized to the extent possible and in a broad context, to ensure capacity building and harmonizing the practices across the Board. For instance, in UK, insolvency practitioners must adhere to standards called Statements of Insolvency Practice (SIPs), in addition to complying with relevant legislation and a Code of Ethics. For the purpose, a committee under aegis of IBBI with nominated members from IBBI, IPAs and market experts, may be assigned the task of notifying such best practices.

Initially, these standards could be advisory, allowing professionals time to familiarize themselves with the guidelines. In a subsequent phase, they could be made mandatory.

2. Regulation 31A- "Regulatory Fee" of the CIRP Regulations to be clarified

Compliance of the Regulation 31 A becomes an issue as RPs are required to deposit the regulatory fee (1%) with IBBI in respect of remuneration

payable to other professionals, even though funds are yet to be released and paid to such professionals. RPs may have to pay such regulatory fee out of their funds, to fulfill the compliance requirement.

It may be clarified that regulatory fee should be payable to the Regulator (IBBI) only upon actual remittance rather than merely on accrual thereof.

3. Issues related to RP's/Liquidator's Fee

a. *Clarification on fees payable to RPs during stay period/ application for Resolution/ Liquidation is pending*

The CoC normally does not approve/pay the fees to the RP/ Liquidator (i) during the period of stay to the CIRP process or (ii) after an application for Resolution/ Liquidation is filed. Sometimes, a lump sum amount is paid irrespective of the underlying time involved. However, RPs are fully responsible for all the duties cast on him under the law even during such period. The problem is further compounded by the provisions of Regulation 34B read with Clause 2 of Schedule II of the CIRP Regulations which state, inter alia, that the minimum fees payable to the IPs is applicable only for the period upto submission of (a) application for approval of resolution plan under section 30; (b) submission of application to liquidate the corporate debtor under section 33; (c) submission of application for withdrawal under section 12A; or (d) order for closure of corporate insolvency resolution process, whichever is earlier.

The Regulations should provide for time-linked payment of fees without any discrimination till the CIRP process is on, including during the stay period imposed by any court when the responsibilities of RP/Liquidator are continuing.

b. *Recognition of Effort Beyond Resolution Value*

Regulations may allow IPs, through regulatory nudge and awareness among banks, to justify higher fees based on qualitative contributions such as litigation management, stakeholder coordination, or revival efforts, even if resolution value is low.

c. *Standardized Fee Templates for Common Tasks*

IBBI or IPAs may publish model fee templates for routine tasks (e.g., claim verification, asset sale, compliance filings) to guide CoCs and reduce negotiation friction.

d. *Incentives for Timely Resolution*

IPs should be allowed, on mandatory basis (rather than directory basis as at present) performance-linked incentives for achieving resolution within prescribed timelines.

4. Reviewing suspension of AFAs upon initiation of any disciplinary action by way of issuance of Show Cause Notice

Currently, the regulations (Clause 23A of Model Byelaws of IPAs under IBBI Regulations) provide for suspension of AFA merely upon issuance of Show Cause Notice (SCN) by the Disciplinary Committee of IBBI or IPA. As the SCN may or may not result in adverse findings/orders, the pre-emptive suspension as such is tantamount to penalizing the professional without waiting for the outcome of the proceedings. Further, drawing reference from the practice followed by parent profession of CA/ CS/CMA, initiation of the DC proceedings thereunder does not trigger suspension of Certificate of Practice (CoP) which is akin to AFA.

Following the principles of natural justice, the mere issue of SCN should not trigger suspension of the AFA, unless proven guilty. To balance the dispensation, the DC while issuing SCN, may be allowed to suspend AFA only in extreme/exceptional circumstances rather than as a rule. Further, wherever SCN has been issued, the concerned RP/Liquidator may be required to intimate the same to COC/SCC, as a best corporate governance practice.

In addition, IBBI/IPA should be able to put a cost order against vexatious/ frivolous complainants to curb the practice of complaints without substance.

5. Pending CIRP Cost should be paid prior to changing the IRP/RP

The CoC often changes the IRP/RP/Liquidator without payment of the outstanding CIRP cost (including RP's remuneration) already incurred/ approved by the CoC. This results in repetitive examination/efforts by incoming RP/Liquidator and consequent delays in clearing such payments.

It may be made mandatory for the CoC to pay the CIRP cost already incurred/ approved by the CoC before a change in IRP/RP/Liquidator is implemented.

Additionally, there should be provision of such fee, if delayed, to be payable along with interest thereon, to preserve the time value of money and to prevent delays.

6. IBBI may review its letter dated 18th July 2023 to NCLT, Principal Bench.

The letter referred to above recommends (to NCLT) replacement of RPs while being considered for continued appointment as Liquidator. The letter with words "like perverse incentive available to RPs in deliberately pushing the CD towards liquidation" makes the position of RP suspicious in the eyes of NCLT and stakeholders. A few court judgments and some of the benches, of late, have allowed continuation of RP as Liquidator, as there is no provision in the Law/Regulation per se.

The letter referred to above may be reviewed/withdrawn in the interest of orderly development of profession based on market forces. It is seen in many cases that COC may want the RP to continue as Liquidator but is unable due to the dispensation introduced vide such letter. The suggestion as such also aligns with commercial wisdom of COC, which can act as necessary check and balance.

7. Auto Processing of CPE Hours for attending capacity building programs

Currently, individual applications for availing CPE credit (under each category/program/course) are required to be filed by IPs on a dedicated portal, which are then processed individually by IPA concerned, both at maker and checker levels. The process entails time and resources by IPs and IPAs.

As IPAs insist on and have access to the attendance records of IPs while joining such programs, auto credit of CPE hours through bulk-upload facility, under intimation to the IP, is highly desirable. This would help dispensing with the requirement of IPs to apply for the same for every individual program. The implementation of auto-credit facility may require software changes by IBBI/IPA.

8. Insistence by AA for IPs' appearance during CIRP proceedings

As per IBBI's recent letter dt.27th Aug. 2024, RPs are required to attend NCLT proceedings personally if directed by any judicial/quasi-judicial authority and for all important matters. After issuance of the said letter, several benches have been insisting on RPs' attendance invariably in nearly all the hearings/proceedings in a CIRP. Such attendance, especially in non-critical matters, may not add any value and instead create a drag on RP's continued availability to attend to critical matters in the CIRP and/or running CD as going concern. Therefore, there is a case for RP to attend court proceedings only discreetly.

In view of above, IBBI may consider revising the letter referred above.

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