

Insolvency and Bankruptcy Board of India (Liquidation Process) (Fourth Amendment) Regulations, 2016

Summary:

Substitution in Regulation 2 – Definitions

- a) Clause (ba), Committee means CoC constituted under the section 21 of IBC, 2016
- b) Clause (ea), liquidation cost – Omission of sub-clauses
 - (v): costs incurred in carrying on the business of the corporate debtor as a going concern.
 - (vii): The amount contributed by creditors (with interest) under Regulation 2A (3).

Substitution in Regulation 2A: Contributions to liquidation costs.

- The Liquidator can now **ask the Committee of Creditors (CoC) members to contribute** towards liquidation costs if assets are insufficient.
- The **manner, terms, and conditions of contribution** will be **decided by the CoC.**

Regulation 2B: Compromise or arrangement.

After the third proviso, the following proviso shall be inserted

- The liquidator can file a **compromise or arrangement under Section 230 of the Companies Act, 2013** only if it is **approved by the required majority of creditors.**
- Additionally, such proposal is allowed only when the **amount offered to creditors is higher than the liquidation value** of the corporate debtor.

Regulation 3A: Recommendation of liquidator by committee of creditors

After regulation 3, the following regulation shall be inserted, namely: -

- Before passing a **liquidation order (Section 34(1) of IBC)**, the CoC must **recommend the name of an insolvency professional** from the IBBI’s IP panel to act as liquidator.
- Such recommendation must be approved by **at least 66% voting share of the CoC.**
- The Adjudicating Authority shall **consider this recommendation while appointing the liquidator.**

Regulation 4: Liquidator’s fee

- The **Committee of Creditors (CoC)** may now **fix the liquidator’s fee** in its first meeting after appointment, as per **Section 34(8) of the Code.**
- If the CoC does not fix the fee, it shall be determined as a **percentage of the amount distributed to stakeholders**, based on a **slab system with decreasing rates over time** (higher in initial months, lower thereafter).

Amount of Distribution (In rupees)	Percentage of fee on the amount distributed		
	In the first six months	In the next six months	Thereafter

Amount Distributed to Stakeholders (exclusive of liquidation costs)			
On the first 1 crore	5.00	4.00	2.0
On the next 9 crore	4.00	3.00	1.50
On the next 40 crore	2.50	2.0	1.0
On the next 50 crore	1.25	1.0	0.50
On further sums realized	0.25	0.20	0.10

Note: The provision applies **prospectively** to liquidation processes commencing after the **2026 Amendment Regulations**.

Regulation 5: Reporting

- The liquidator is now required to **submit only progress reports and the final report** to the Adjudicating Authority, clearly defining reporting obligations.
- References to “**minutes**” **have been removed** from sub-regulations (2) and (3), eliminating the requirement to prepare and submit meeting minutes.

Regulation 7: Appointment of professionals

- Earlier, the liquidator can **appoint professionals independently** to assist in the liquidation process.
- Now, such appointment can be made **only with the approval of the Committee of Creditors (CoC)**.

Regulation 8: Committee of creditors

- The **Committee of Creditors (CoC) continues to function even during liquidation**, except secured creditors who have not relinquished their security; unsecured portion holders can participate with voting rights (Section 53 reference).
- Meetings of the CoC shall follow **CIRP meeting provisions**, and the first meeting must be held **within 7 days of liquidation commencement**. The liquidator must present **costs, legal status, and progress reports** in every meeting.
- The liquidator requires **prior approval of CoC** for key decisions such as **appointment of professionals, fees, legal proceedings, valuation, and major actions in liquidation**.
- For critical matters like **sale of assets, handling avoidance transactions, and assignment of assets**, approval by **66% voting share of CoC** is mandatory.
- The CoC has **full access to records**, and **authorized representatives from CIRP continue in liquidation**, ensuring continuity and stakeholder representation

Regulation 8A: Facilitation of transfer of assets

- Where the corporate debtor is a **corporate guarantor in liquidation**, the liquidator must **coordinate with the RP of the principal borrower** for transferring assets in the borrower’s CIRP.

- The liquidator must obtain **approval of the CoC** of the guarantor company before such transfer (as per Section 28A).
- Once approved, the liquidator must **disclose the proposed transfer in the progress report and asset memorandum**.

Regulation 8B: Replacement of liquidator

- The **Committee of Creditors (CoC)** may, by a **66% voting share**, decide to **replace the liquidator** and file an application before the Adjudicating Authority, along with the **written consent of the proposed liquidator** (in Board-notified format).
- Until the new liquidator is appointed, the **existing liquidator shall continue to perform his duties**.

Regulation 9: Personnel to extend cooperation to liquidator

The scope of persons covered under the restriction is **expanded** by including “**any other person referred to in Section 34(3) of the IBC**” in addition to partners of the corporate debtor.

Regulation 10: Disclaimer of onerous property

- The liquidator must now **obtain prior approval of the CoC** before applying to the Adjudicating Authority to disclaim any onerous property or contract.
- The time limit for filing such application is **reduced from 6 months to 90 days** from the liquidation commencement date (extendable by AA).

Regulation 12: Public Announcement

- The amendment replaces the requirement of using **Form B (Schedule II)** for public announcement with a **form notified by the Board**.
- Additionally, **sub-regulation (2) has been omitted**, thereby removing detailed instructions relating to submission and updation of claims from the regulation itself.

Regulation 13: Preliminary Report

- The authority for submission of the **preliminary report** is changed from the **Adjudicating Authority to the Committee (CoC)**.
- The timeline for submission is **reduced from 75 days to 30 days** from the liquidation commencement date.

Regulation 14: Early dissolution

- The liquidator must place the proposal for early dissolution before the **CoC**, which must approve it with at least **66% voting share**.
- Upon approval, the liquidator shall apply to the Adjudicating Authority with a **detailed report reflecting the CoC's decision**.

Regulation 15: Progress reports

- Progress reports must now be **placed before the Committee (CoC)** in addition to submission to the Adjudicating Authority and the Board.
- Reporting scope is **expanded** to include **minutes of CoC meetings, asset memorandum, and sale reports**, along with existing details on progress and distribution.
- Liquidator must prepare and submit **progress reports and audited accounts for each applicable period**, even when he serves only for part of a quarter or financial year.
- These reports must be submitted **within 15 days from the end of the relevant period or from the date he ceases to act**, ensuring timely compliance.

Regulation 16: Submission of claim.

- Stakeholders are now required to **submit claims only if they were not filed during CIRP**, within **14 days from liquidation commencement**.
- Claims submitted afresh will be considered **as on the insolvency commencement date**, ensuring consistency in claim valuation.
- Stakeholders must **continuously update their claims** if they receive **any partial or full payments from any source** after the insolvency commencement date.
- **Amendments in Forms under Multiple Regulations:**

Amendments in Forms under Multiple Regulations:

Across the following regulations, the earlier requirement to use **specific prescribed forms in the Schedule** has been replaced with Forms will be **prescribed through Board-issued circulars**

Regulation	Earlier Requirement	Description	Amendment
Regulation 17	Form C of Schedule II	Proof of Claim by Operational Creditors except Workmen and Employees	Such Form as notified by the Board through circular - Corresponding claim forms notified under the CIRP Regulations will be applicable
Regulation 18	Form D of Schedule II	Proof of Claim by Financial Creditors	
Regulation 19 (1)	Form E of Schedule II	Proof of Claim by a Workman or Employee	
Regulation 19(2)	Form F of Schedule II	Proof of Claim by Authorised Representative of Workmen or Employees	
Regulation 20	Form G of Schedule II	Proof of Claim by any Other Stakeholder	

Regulation 21A: Relinquishment of security interest

- The marginal heading is changed from **“Presumption” to “Relinquishment”**, clarifying the legal effect of non-action by secured creditors.

- Secured creditors must now **intimate their decision within 14 days** (earlier 30 days), ensuring quicker action.
- The requirement of **Forms C and D** is removed and replaced with a **format notified by the Board**, allowing flexibility.
- Failure to intimate within 14 days will result in the security interest being **“deemed to be relinquished”**, instead of merely presumed.
- Payment timelines for secured creditors realising security are reduced:
 - **Contribution amount: 90 → 45 days**
 - **Excess realisation amount: 180 → 90 days**

Regulation 28: Debt payable at future time

- It replaces the term **“liquidation commencement date”** with **“insolvency commencement date”** in sub-regulation (1).
- This change clarifies that claims not yet due are assessed from the insolvency start date, ensuring consistency with insolvency proceedings.

Regulation 30: Verification of claims

- The liquidator must **verify all claims within 7 days of receipt** and may admit or reject them fully or partially.
- Claims not verified during the insolvency resolution process must also be verified **within 7 days from the liquidation commencement date**, but claims already verified earlier **cannot be re-verified**.
- The liquidator must **communicate the decision with reasons** for admission or rejection to the stakeholder within **7 days**, ensuring transparency.

Regulation 31: List of stakeholders

The amendment reduces the timeline for filing the list of stakeholders with the Adjudicating Authority from **45 days to 30 days** from the last date of receipt of claims

Regulation 31A: Stakeholders’ consultation committee

The entire provisions of Regulation 31A have been omitted

Regulation 32: Sale of Assets

- A clarification has been inserted after Regulation 32 stating that the **liquidator cannot sell the corporate debtor’s assets (movable, immovable, or actionable claims) to any person who is ineligible under Section 29A** of the Insolvency and Bankruptcy Code.
- This ensures that persons disqualified from being resolution applicants are also **barred from purchasing assets in liquidation**, maintaining fairness and preventing misuse of the process.

Regulation 32B: Conduct of meetings of the consultation committee

Regulation 32B has been **omitted**, removing provisions related to the **conduct of consultation committee meetings**

Regulation 33: Mode of sale

- The liquidator **cannot sell assets (even through auction)** to:
 - related parties of the corporate debtor,
 - the liquidator's related parties, or
 - professionals appointed by the liquidator,
without prior approval of the Adjudicating Authority.
- **Private sale is allowed only in specific cases** (perishable assets, risk of value deterioration, or with AA permission). However, **private sale now requires prior approval of the committee with 66% voting share**, replacing mere consultation.
- The restriction on sale to the above-mentioned persons also applies to private sales

Regulation 34: Asset memorandum

- Timeline for preparing asset memorandum under certain cases is **reduced from 75 days to 45 days**
- Asset value must now specifically refer to **value under Regulation 32**, and an earlier clause on valuation of assets or business is removed.
- The asset memorandum is now required to **be filed with the progress report** instead of the preliminary report.
- It must be shared with the Board and committee, with the condition of confidentiality, but the reference to **"members having voting rights" is removed.**

Regulation 35: Valuation of assets intended to be sold

- The liquidator must appoint **two registered valuers within 7 days** of liquidation commencement (in specified cases or when fresh valuation is required).
- Certain persons are **disqualified from being valuers**, including relatives of the liquidator, related parties, recent auditors, and partners/directors of the liquidator's entity.
- References to **"businesses" are removed**, narrowing the focus to assets only.
- Mentions of **"consultation" and consultation committee members** are removed from multiple sub-regulations.

Regulation 37: Realization of security interest by secured creditor

- The timelines for the liquidator's response to a secured creditor have been **reduced**:
 - **21 days → 7 days** to inform about a higher bidder.
 - **30 days → 14 days** for the buyer to purchase the asset.

- This ensures **faster realization of secured assets** by secured creditors during liquidation.

Regulation 37A: Assignment of not readily realisable assets

- The liquidator must now obtain **prior approval (instead of mere consultation)** before assigning not readily realisable assets.
- References to the **stakeholders' consultation committee and Regulation 31A are removed**, eliminating that linkage.
- The scope of such assets is clarified to include transactions under **section 66 "whether crystallised or not"**, broadening coverage

Regulation 38: Distribution of unsold assets

The liquidator can exercise powers under Regulation 38 **only after obtaining approval of the committee**

Regulation 40: Liquidator to realize uncalled capital or unpaid capital contribution.

The word **"business"** has been omitted from the explanation under this Regulation.

Regulation 41: All money to be paid in to bank account

- The authority for the specified action under Regulation 41(3) is changed from the **Adjudicating Authority to the committee**.
- This shifts decision-making power, giving the **committee greater control in the liquidation process**.

Regulation 42: Distribution

- The requirement to include **"asset memorandum" has been removed** from sub-regulation (1).
- The timeline under sub-regulation (2) is **reduced from 90 days to 15 days**.

Regulation 44: Completion of liquidation

- The overall liquidation timeline is **reduced from 1 year to 180 days** in both sub-regulations (1) and (2).
- Extension of the liquidation period now requires **instruction from the committee**, strengthening its role.
- A clarification is added that the **liquidator will continue duties until the Adjudicating Authority decides on the extension application**

Regulation 44A: Treatment of avoidance of transaction

- The requirement of acting **“on the advice”** has been replaced with **“with the approval”**, making the provision more stringent.
- The word **“consultation”** has been omitted, removing the earlier consultative requirement.

Regulation 45: Final report prior to dissolution

- Sub-regulations (2) and (3) are replaced, requiring the liquidator to **submit an application to the Adjudicating Authority for dissolution of the corporate debtor or closure of the liquidation process.**
- The application must be accompanied by the **final report and a compliance certificate in the format specified by the Board (through circulars).**

Regulation 45A: Preservation of records

- The word **“consultation”** is removed from clause (e), eliminating reference to consultation committee meetings.
- Reference to **“going concern sale in liquidation process”** is omitted from clause (i).
- Certain reporting records such as **preliminary report, asset memorandum, asset sale report, and annual status report** are no longer required to be preserved under clause (n).
- **Sub-regulation (5) is omitted**, removing the requirement to hand over general records to the buyer in case of going concern sale

Regulation 46: Corporate Liquidation Account

References to **“Form-1”** in sub-regulations (5), (7), and (7D) are replaced with **“such format as notified by the Board.”**

Regulation 47: Model time line for liquidation process

- **T (Day 0)** – *Sections 33 & 34*: Commencement of liquidation and appointment of liquidator.
- **T + 5 days** – *Section 33*: Public announcement of liquidation.
- **T + 7 days** – *Regulation 35(2) & Reg. 8*: Appointment of registered valuers and First meeting of the committee.
- **T + 14 days** – *Regulation 16 / Section 52 / Reg. 21A*: Submission of claims and intimation of security interest decisions.
- **T + 21 days** – *Regulation 30*: Verification of claims.
- **T + 28 days** – *Regulation 30*: Communication of acceptance/rejection of claims.
- **T + 44 days** – *Regulation 31*: Filing of list of stakeholders with Adjudicating Authority.
- **Ongoing** – *Regulation 15*: Submission of periodic progress reports.
- **Within 15 days of realization** – *Regulation 42(2)*: Distribution of proceeds to stakeholders.
- **Up to T + 180 days** – *Regulation 44*: Completion of liquidation process.
- **Before closure** – *Regulation 46*: Deposit of unclaimed dividends and undistributed proceeds.
- **Within 90 days of invitation** – *Schedule I*: Payment of balance consideration by successful bidder.

Schedule I

- Sub-clause (1A) is **omitted**, and references to “**consultation**” are **removed** across multiple provisions.
- The term “**advises**” is **replaced with “decides,”** giving the committee stronger decision-making power.
- Several actions (such as reserve price reduction, sale decisions, and asset transfer) now require **approval of the committee, often with 66% voting share.**
- Provisions earlier requiring **consultation are replaced with mandatory approval**, increasing oversight.
- The proviso to sub-clause (4) is **removed**, and multiple clauses are aligned to emphasize **committee approval instead of consultation.**
- The requirement of “**consultation with the consultation committee**” is replaced with “**compliance with regulation 33.**”

Schedule II has been completely omitted from the regulations.

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