

## **Insolvency and Bankruptcy Board of India**

**12<sup>th</sup> August 2025**

### **Subject: Discussion paper on deletion of Clause 6 from the Code of Conduct for Insolvency Professionals**

*This discussion paper aims to solicit views on retaining Clause 6 of the Code of Conduct, considering the detailed provisions regarding mode of sale already present in the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016 and Insolvency and Bankruptcy Board of India (Bankruptcy Process for Personal Guarantors) Regulations, 2018.*

#### **I. Introduction:**

The enactment of the Insolvency and Bankruptcy Code, 2016 (IBC) provides a comprehensive procedural framework to deal with insolvency in a time bound manner. Since then, the evolution of IBC ecosystem has also been comprehensive significant behavioural change amongst the creditors and the debtors. Central to the IBC's success are Insolvency Professionals (IPs) who act as a vital link between the Adjudicating Authority, the Committee of Creditors, and other stakeholders within the IBC ecosystem. IPs are vested with extensive powers, effectively stepping into the shoes of the corporate debtor and assuming responsibility for managing its affairs. Given the significant discretion and power entrusted to IPs, maintaining high ethical standards is crucial for the integrity and efficiency of India's bankruptcy system. The Code of Conduct for Insolvency Professionals outlines these essential ethical and professional responsibilities.

#### **II. Statutory provisions:**

2. Clause 6 of the Code of Conduct for Insolvency Professionals stipulates that *“In cases where the insolvency professional is dealing with assets of a debtor during liquidation or bankruptcy process, he must ensure that he or his relatives do not knowingly acquire any such assets, whether directly or indirectly unless it is shown that there was no impairment of objectivity, independence or impartiality in the liquidation or bankruptcy process and the approval of the Board has been obtained in the matter”*.

3. On the other hand, the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016, specifically address the sale of assets during liquidation. For instance, Regulation 33(1) of the Liquidation Process Regulations explicitly prohibits certain persons from purchasing assets of the corporate debtor. Similarly, Regulation 27 of the Insolvency and Bankruptcy Board of India (Bankruptcy Process for Personal Guarantors to Corporate Debtors) Regulations, 2019 addresses the Mode of Sale of assets and sub-clause 3 of the said regulations specifically prohibits certain persons from purchasing or acquiring any interest in the property of the bankrupt.

### **III. Statement of the Problem:**

4. The proposal to delete Clause 6 from the Code of Conduct for Insolvency Professionals stems from the argument that its provisions are already comprehensively captured in the Insolvency and Bankruptcy Board of India (Liquidation Process) Regulations, 2016, and the Insolvency and Bankruptcy Board of India (Bankruptcy Process for Personal Guarantors) Regulations, 2019. The problem, therefore, is the perceived duplication of the prohibition as provided in Clause 6 under the Code of Conduct when specific stipulations already exist. Removing Clause 6 is proposed to streamline the regulatory framework, avoid potential duplication and redundancy, while also ensuring that specific prohibitions are primarily housed within the regulations that govern the procedural aspects of asset realization.

### **IV. Proposal:**

**5. It is proposed that to avoid duplication and for promoting harmonization within the Regulations, Clause 6 be deleted from the Code of Conduct for Insolvency Professionals.**

Even if the clause is deleted, the prohibition against IPs or their relatives acquiring debtor assets during liquidation/bankruptcy would continue to be enforced through the relevant regulations. There would be no legal vacuum or weakening of the underlying principle and IPs would still be bound by the specific prohibitions in the regulations along with the general ethical principles of independence and impartiality embedded throughout the Code of Conduct and the IBC framework.

### **V. Rationale:**

6. The primary arguments for the removal of the clause from the Code of Conduct are as follows:

- **Duplication and Redundancy:** The core prohibition and the underlying principle of preventing conflict of interest and ensuring impartiality are already explicitly covered and more granularly detailed in the Liquidation Process Regulations. Repeating the same in the Code of Conduct leads to duplication.
- **Clarity and Simplicity:** Removing redundant clauses can simplify the Code of Conduct, making it more concise and easier for IPs to navigate and understand their role and responsibilities under the Code.
- **Harmonization:** Maintaining a single source for such a specific prohibition within the regulations promotes harmonization and reduces the risk of different interpretations arising from similar nature of clauses appearing in different regulations under the Code.

7. Further, to address the challenges in asset sales during liquidation, the IBBI, in collaboration with the Indian Banks Association, has launched the BAANKNET platform (formerly eBKray), a centralised digital platform for listing and auctioning assets under liquidation. BAANKNET enhances transparency and efficiency by providing detailed asset information,

including images and geolocation, thereby improving bidder participation and maximizing creditor returns.

## **VI. Public comments:**

8. The Board accordingly solicits comments on the proposal discussed above in para 5. This is issued in pursuance to regulation 4 of the Insolvency and Bankruptcy Board of India (Mechanism for Issuing Regulations) Regulations, 2018. After considering the comments, the Board proposes to make regulations under section 196 of the Code.

### **Submission of comments:**

9. Comments may be submitted electronically by 1<sup>st</sup> September 2025. For providing comments, please follow the process as under:

(i) Visit IBBI website, [www.ibbi.gov.in](http://www.ibbi.gov.in);

(ii) Select 'Public Comments';

(iii) Select 'Discussion paper – **“Discussion paper on deletion of Clause 6 from the Code of Conduct for Insolvency Professionals”**

(iv) Provide your Name, and Email Id;

(v) Select the stakeholder category, namely, -

- a) Corporate Debtor;
- b) Personal Guarantor to a Corporate Debtor;
- c) Proprietorship firms;
- d) Partnership firms;
- e) Creditor to a Corporate Debtor;
- f) Insolvency Professional;
- g) Insolvency Professional Agency;
- h) Insolvency Professional Entity;
- i) Academics;
- j) Investor; or
- k) Others.

(vi) Select the kind of comments you wish to make, namely, a) General Comments; or b) Specific Comments.

(vii) If you have selected 'General Comments', please select one of the following options:

- a) Inconsistency, if any, between the provisions within the regulations (intra regulations);
- b) Inconsistency, if any, between the provisions in different regulations (inter regulations);
- c) Inconsistency, if any, between the provisions in the regulations with those in the rules;
- d) Inconsistency, if any, between the provisions in the regulations with those in the Code;
- e) Inconsistency, if any, between the provisions in the regulations with those in any other law; f) Any difficulty in implementation of any of the provisions in the regulations;
- g) Any provision that should have been provided in the regulations, but has not been provided; or
- h) Any provision that has been provided in the regulations but should not have been provided.

And then write comments under the selected option.

(viii) If you have selected 'Specific Comments', please select para 5 and then write comments under the selected para.

(viii) You can make comments on more than one para/sub-para or regulation / sub-regulation number, by clicking on More Comments and repeating the process outlined above from point (vi) onwards.

(ix) Click 'Submit', if you have no more comments to mark.

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