Insolvency and Bankruptcy Board of India
7th Floor, Mayur Bhawan, Connaught Place, New Delhi-110001
CIRCULAR

No: IBBI/CIRP/105/2026 **Date:** 09th September, 2026

To

All Registered Insolvency Professionals
All Insolvency Professional Entities
All Insolvency Professional Agencies
(By way of circulation on the website of IBBI)

Subject: Due diligence by Insolvency Professionals regarding misuse of IBC framework

1. The Insolvency and Bankruptcy Board of India (IBBI / Board) has received information from law enforcement and regulatory agencies that, in certain cases, the framework under the Insolvency and Bankruptcy Code, 2016 (Code / IBC) is being misused for purposes other than insolvency resolution or liquidation of the corporate debtor (CD). Such instances include, inter alia, mitigating tax liabilities, closure/merger of companies without regulatory scrutiny, mitigating investigations, prosecution and penalties under various statutes, monetising and ring-fencing assets etc.

2. Insolvency Professionals (IPs) should remain vigilant to circumstances that may indicate misuse of the insolvency process. Given their access to the books and records of the corporate debtor (CD) and the proceedings of the committee of creditors (CoC), IPs are well placed to identify such indicators in the ordinary course of the insolvency process. IPs should particularly be alert to the following indicators:

   (a) CIRP initiated by, or debt assigned shortly before initiation to, a single creditor (*other than a scheduled bank or a public financial institution as defined in section 2(72) of the Companies Act, 2013*), who then dominates the CoC;

   (b) a cluster of CDs with common promoters, addresses, directors, or inter-lending, taken into CIRP within a proximate timeframe with overlapping CoC composition;

   (c) minimal competitive participation in the resolution process, or a common resolution applicant recurring across connected CDs;

   (d) realisation to creditors grossly disproportionate to admitted claims, unsupported by a proper valuation exercise;

   (e) linkage of the CD or its group to an order or ongoing proceeding of another regulator, enforcement or investigating agency concerning fraud;

(f) substantial loans, advances or investments to or from related/group entities despite absence of operations, written off or shown as doubtful/NIL without adequate basis.

3. The indicators listed above are illustrative and not exhaustive. Some of these indicators may also arise in cases involving genuine financial distress or in the ordinary course of commercial operations. They are intended to flag circumstances that warrant closer examination, and no indicator, by itself, should be treated as conclusive of misuse of the insolvency process.

4. On noticing one or more such indicators, or other circumstances of a similar nature, the IP should undertake such further enquiry as may be warranted, based on the records and information available in the ordinary course of the CIRP or liquidation process. An indicator assumes significance when, upon a holistic and contextual assessment, it suggests that the CIRP or liquidation may be serving a fraudulent or malicious purpose other than the resolution of insolvency or liquidation of the CD.

5. Where, upon such review, the IP forms a view, on reasonable grounds, that the process may be serving a fraudulent or malicious purpose other than the resolution of insolvency or liquidation of the CD, the IP shall make an application before the Adjudicating Authority (AA), setting out the relevant facts and materials and seeking such directions as the AA may consider appropriate under the Code. The application should identify the indicators noticed, the material relied upon by the IP, and the reasons for forming such a view.

6. This circular is issued in the exercise of the powers conferred under section 196 of the Code.

Sd/-
Sanjay Manocha
General Manager