

Insolvency and Bankruptcy Board of India

17th November 2025

Subject: Discussion paper on Empowering Director/ Partner in an Insolvency Professional Entity (IPE) by proposing Minimum Shareholding/ Capital Contribution.

This discussion paper aims to solicit views on empowering the members appointed as directors or partners in an Insolvency Professional Entity (IPE) by prescribing Minimum Shareholding/ Capital Contribution, to have better say in the day-to-day management and affairs of the IPE.

Prescribing Minimum Shareholding/ Capital Contribution for a Director/Partner in an Insolvency Professional Entity (IPE)

I. Introduction:

The Insolvency and Bankruptcy Board of India (Insolvency Professionals) Regulations, 2016 (“IP Regulations”), recognise a company, a registered partnership firm or a limited liability partnership as an Insolvency Professional Entity (IPE) to provide support services to insolvency professionals (IPs) or to undertake insolvency professional activities themselves, or both. This recognition framework was introduced to allow IPs to pool resources and operate through structured entities like companies, registered partnership firms or limited liability partnerships. The regulation ensure that IPEs maintain high standards of professionalism, financial stability, and accountability under the Insolvency and Bankruptcy Code, 2016 (IBC).

2. The regulatory framework further ensures that control of the IPE remains with IPs by prescribing that majority of the partners or directors of the entity be registered Insolvency Professionals.

II. Statutory provisions:

3. Regulation 12 of the *IP Regulations, 2016* provides for the **recognition of Insolvency Professional Entities (IPEs)**. Under sub-regulation (1), a company, a registered partnership firm, or a limited liability partnership may be recognised as an IPE if it fulfils the following conditions among others:

- a) **Majority of IPs:** Majority of the partners or directors of the entity are registered Insolvency Professionals;
- b) **No Cross-membership:** None of the partners or directors of such entity should be a partner or director of another IPE; and
- c) **Minimum Net Worth:** The entity has a net worth of not less than one crore rupees.

The recognition granted to the IPEs, inter-alia, is subject to continued satisfaction of eligibility criteria, compliance with conditions specified by the IBBI, and payment of prescribed fees.

III. Statement of the Problem:

4. An Insolvency Professional Entity (IPE) is an institutional framework through which Insolvency Professionals (IPs) may render professional services under the Insolvency and Bankruptcy Code, 2016. Regulation 12 of the IP regulations provides the conditions for recognition of an IPE, including that a majority of its partners or whole-time directors must be registered Insolvency Professionals. At present, the ownership and governance structure of IPEs vary widely in the absence of any prescription regarding the minimum capital contribution or shareholding required to be held by each partner or director, thereby creating an imbalance in terms of fairness, equity and accountability in the entity.

5. In the absence of specific regulatory guidance, IPEs have adopted divergent ownership and capital structures, leading to non-uniform practices across the ecosystem. The composition of ownership and control within IPEs has, in certain cases, become disproportionate or concentrated, giving rise to governance and fairness concerns.

6. In practice, the following issues have emerged:

- (a) **Concentration of ownership and control:** A few IPs or investor-partners often hold or contribute significantly larger proportion of equity or capital, thereby exercising disproportionate control over the management and decision-making of the IPE. This undermines the principle of equitable participation in terms of ownership structure and individual accountability among professional partners.
- (b) **Nominal participation by some IPs:** Certain IPs hold only a symbolic or nominal stake in an IPE, despite bearing equivalent professional responsibility and regulatory accountability. An analysis of the data of IPEs having 10 or more

members reveals that out of a total of 233 members of these IPEs, 181 members (77%) are holding less than 5% stake in the entity. Further, these IPEs are holding 85 assignments in the capacity of an IP and 29 (34.1%) of these assignments are being handled by members having less than 5% shareholding/capital contribution in the IPE. It is also observed that members having less than 5% shareholding/capital contribution in the IPE account for a substantial 70.5% of all individual assignments as Interim Resolution Professionals (IRP), Resolution Professionals (RP), and Liquidators. In other words, members holding 95% or more shareholding/capital contribution in the IPE are holding around 30% of the assignments in individual capacity.

This significant imbalance in workload of an IPE as IP and in the individual capacity underscores their critical role in driving operational success, and their minimal ownership dilutes alignment with the IPE's long-term interests and decision-making. To foster greater commitment, accountability, and equitable sharing of risks and rewards, it is essential that these key contributors must have a minimum shareholding/ capital contribution in the IPE, ensuring their individual efforts are more deeply integrated with the entity's collective goals and enhancing overall governance in the insolvency ecosystem.

- (c) **Lack of uniformity and transparency:** The absence of a defined threshold limit for a Director/ Partner, has led to variability in ownership models across IPEs, making it difficult to ensure consistency in governance, accountability, and professional independence. In some cases, non-IP partners may acquire significant ownership, potentially diluting the professional character of the entity.
- (d) **Professional Independency and confidentiality:** An IP must maintain complete independence and act with objectivity and impartiality throughout the assignment. An IP handles commercially sensitive information, trade secrets, resolution plans received from bidders, research and development information, and customer information. Therefore, he must ensure that confidentiality of the information relating to the insolvency resolution process, liquidation, or bankruptcy process is always maintained independent of the IPE where he is acting as director or partner. This is an essential element for maintaining the integrity and credibility of the insolvency resolution process.

IV. Proposal:

7. In addition to the existing conditions, it is proposed that at any point in time, a minimum threshold capital contribution is required to be held by each director or partner in an IPE. Accordingly, every person appointed as director or a partner of an insolvency professional entity shall hold a minimum of five percent (5%) of paid up equity share capital of a company or the capital contribution of the registered or limited liability partnership firm, as the case may be, provided if an insolvency professional entity has more than twenty (20) members, the minimum prescribed shareholding or the capital contribution of members, as the case may be, shall be reduced on a pro-rata basis.

V. Rationale:

8. The insolvency profession is a fiduciary and public-interest profession, entrusted with responsibilities that directly affect creditors, debtors, and the integrity of the insolvency resolution process. Accordingly, the institutional forms through which Insolvency Professionals (IPs) operate—such as Insolvency Professional Entities (IPEs)—must embody the principles of professional independence, equitable governance, and accountability.

9. To promote fair participation, accountability, and balanced ownership across IPEs, it is proposed to introduce a minimum threshold capital contribution required from each director or partner of an IPE. A balanced ownership in the organisation would ensure that IPEs remain inclusive and professionally oriented. The prescription of standardised financial participation norms across IPEs would enable the IBBI to better monitor IPEs from a governance and compliance perspective.

VI. Public comments:

10. The Board accordingly solicits comments on the proposals discussed above.

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:

11. Comments may be submitted electronically by December 7, 2025. For providing comments, please follow the process as under:

- (i) Visit IBBI website, www.ibbi.gov.in;
- (ii) Select 'Public Comments';
- (iii) Select 'Discussion paper – “Improving the Governance Structure of Insolvency Professional Agencies (IPAs)”
- (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/regulation number and then sub-para/sub-regulation number and write comments under the selected para/sub-para or regulation/sub-regulation number.

(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
