INSOLVENCY AND BANKRUPTCY BOARD OF INDIA

(Disciplinary Committee)

No. IBBI/DC/305/2026 26 February 2026

ORDER

This Order disposes of the Show Cause Notice (SCN) No. COMP-11011/95/2025/1811-1335 dated 10.09.2025, issued to Mr. Anil Anchalia, who is an Insolvency Professional (IP) registered with the Insolvency and Bankruptcy Board of India (IBBI/Board) with Registration No. IBBI/IPA-001/IP-P00049/2017-2018/10123 and a Professional Member of the Indian Institute of Insolvency Professionals of ICAI (IIP-ICAI).

1. Background

1.1. The Corporate Insolvency Resolution Process (CIRP) of Gemus Engineering Limited (CD) commenced *vide* order dated 30.04.2024 by the National Company Law Tribunal, Kolkata Bench (AA) and Mr. Arun Kumar Gupta was appointed as Interim Resolution Professional (IRP) in the matter. Subsequently, Mr. Anil Anchalia was appointed as the Resolution Professional (RP) on 18.07.2024. Mr. Anil Anchaila's tenure concluded on 17.12.2024, when the AA ordered liquidation of the CD and appointed Ms. Rashmi Chhawchharia as Liquidator of the CD.

1.2. The Board received a complaint against Mr. Anil Anchalia with regard to his assignment as RP in the CIRP of the CD. The Board examined the allegations in the above complaint *vis-à-vis* reply of Mr. Anil Anchalia and based on such examination, the Board formed a *prima facie* opinion that Mr. Anil Anchalia has contravened provisions of the Code and Regulations made thereunder and issued SCN to Mr. Anil Anchalia on 10.09.2025. Mr. Anil Anchalia submitted his reply to the SCN on 24.09.2025.

1.3. The SCN and its response by Mr. Anil Anchalia were referred to the Disciplinary Committee (DC) for disposal. Mr. Anil Anchalia availed the opportunity of personal hearing before the DC through virtual mode on 24.12.2025 wherein he appeared along with his legal counsel Mr. Arjun Asthana. Mr. Anil Anchalia also submitted his additional written submissions on 31.12.2025. The DC has considered the SCN, the reply to SCN, oral and written submissions of Mr. Anil Anchalia, and proceeds to dispose of the SCN.

2. Alleged Contravention, submissions of Mr. Anil Anchalia and findings of the DC.

2.1. **Preliminary objections.**

(a) Legality of Regulation 10A of Inspection Regulations.

2.1.1 Mr. Anil Anchalia submitted that as per Section 218(1) of the Code which reads as under:

"Where the Board, on receipt of a complaint under section 217 or has reasonable grounds to believe that any insolvency professional agency or insolvency professional or an information utility has contravened any of the provisions of the Code or the rules or regulations made or directions issued by the Board thereunder, it may, at any time by an order in writing, direct any person or persons to act as an investigating authority to conduct an inspection or investigation of the insolvency professional agency or insolvency professional or an information utility."

2.1.2 He submitted that it is, therefore, incumbent upon the Board to order an investigation wherever it has reasonable grounds to believe that an IP has contravened any provision of law, whether based on a complaint or otherwise. This statutory obligation under section 220 cannot be overridden, diluted, or curtailed by any subordinate legislation. The SCN refers to a complaint examination but fails to demonstrate that the mandatory investigation process under Section 218 was completed. Regulation 10A of the Inspection and Investigation Regulations, 2017 (Inspection Regulations), which has been relied upon by the Board as the basis for issuing the Show Cause Notice (SCN), reads as follows:

"Notwithstanding anything contained in Chapter III, the processing of a complaint or grievance or material available on record under the Insolvency and Bankruptcy Board of India (Grievance and Complaint Handling Procedure) Regulations, 2017, shall mean investigation under this regulation and in such case the processing papers shall mean the investigation report under regulation 10:

Provided that nothing in this regulation shall restrict the Board to appoint an inspecting authority under Chapter-II or an investigating authority under Chapter-III."

2.1.3 Thus, regulation 10A of the Inspection Regulations creates a legal fiction equating the processing of a complaint with an investigation. However, such processing can, at best, indicate a possible contravention, which, under section 220 of the Code, merely triggers the requirement for a formal investigation. Regulation 10A, insofar as it displaces the statutory requirement of investigation under section 220, is ultra vires the Code. Moreover, regulation 10A operates notwithstanding Chapter III of the Inspection Regulations, but not notwithstanding section 220 of the Code. This distinction is critical. It is precisely for this reason that the proviso to regulation 10A explicitly preserves the Board's power under section 220 to appoint an Investigating Authority. Hence, the processing of a complaint envisaged in regulation 10A cannot substitute for or be treated as the investigation contemplated under section 220. Consequently, any show cause notice founded on such a fictional investigation is *void ab initio*.

Observations of the DC.

2.1.4 The DC notes that Regulation 10A of the Inspection Regulations expressly provides that processing of a complaint or material available on record under the IBBI (Grievance and Complaint Handling Procedure) Regulations, 2017 (Complaint Regulation) shall mean investigation for the purposes of the said Regulations, while simultaneously preserving, by way of proviso, the Board's power to appoint an inspecting or investigating authority under Chapters II and III. The DC notes that Regulation 10A does not dispense with or override the statutory powers of the Board under the Code but operates as a procedural mechanism to enable the Board to act on complaints and material already on record. Mr. Anil Anchalia has not been able to demonstrate what additional procedural safeguards or opportunities would have been available to him had a formal investigation been ordered. Regulation 10A expressly provides that the processing of a complaint or material available on record shall be treated as an investigation for the purposes of the Inspection Regulations. The DC notes that the manner of examination undertaken by the Board is consistent with the scheme of Section 220 of the Code, as the substantive process followed remains materially the same. A comparison of the steps followed in both the procedures is narrated as below:

Stage / Aspect	**Investigation Process**	**File / Complaint Examination Process under Regulation 10A**
Formation of Authority	Investigating Authority (IA) is constituted by a specific order of the Board under Inspection Regulation 7(2). IA shall consist of any officer of the Board.	No separate IA is constituted. Examination is done by an officers of the Board.
Notice to IP / Service Provider	Notice of investigation to be issued at least 10 days prior to initiating investigation under Regulation 8(1) (unless dispensed with).	The Board seeks reply from IP on the complaint.
Powers available	As per Regulation 8 of the Inspection Regulations, the IA is vested with powers which, *inter alia*, include the power to visit premises of the IP (Regulation 8(3)), examine records and ask for its copies (Regulation 8(4), (5)). IA may also seize the records (Regulation 8(10) & (11)). Further, IA can examine and record statement of any person associated with IP (Regulation 8(6)).	During file examination the complaint need to be processed for which information may be asked from IP as well as complainant. After processing the complaint, the board may issue a SCN or order further investigation.
Board's Consideration	The Board examines investigation report under Regulation 11(1).	The Board examines material on record, deemed as investigation as per Regulation 10A, under Regulation 11(1).
Show Cause Notice (SCN)	Issued under Regulation 12 based on investigation report. Investigation report is shared along with SCN.	Issued under Reg. 12 based on File Examination which is equivalent to investigation report as per Regulation 10A and

		noting of file examination is shared along with SCN.
Opportunity to Respond	Noticee is given 15 days to submit written reply after SCN (Regulation 12(3)).	Same opportunity provided at SCN stage.

2.1.5 From the above table it is clear that equal opportunity is given at every stage and process is same in both the cases. File examination is a process which is adopted when complaint is examined based only with reference to reply from IP and material is not collected using much wider powers available during investigation e.g. power to visit premises of the IP (Regulation 8(3)), examine records and ask for its copies (Regulation 8(4), (5)), power to seize the records (Regulation 8(10) & (11)), power to Further, IA can examine and record statement of any person associated with IP (Regulation 8(6)). Since, equal opportunity is accorded even during file examination, no prejudice is caused to the IP. Accordingly, the DC is of the view that the principles of natural justice have been duly complied with. Therefore, the DC finds no merit in the preliminary objection that Regulation 10A is ultra vires the Code or that the SCN is void ab initio for want of an investigation under Section 218/220.

(b) Violation of Natural Justice Principles.

2.1.6 Mr. Anil Anchalia submitted that the SCN appears to be founded upon an examination note, which reflects the internal deliberations of the Board. He contended that he was not afforded any opportunity to respond to the examination findings prior to issuance of the SCN, which, according to him, is in violation of the fundamental principles of natural justice. In support of his contention, the IP relied upon the judgment of the Hon'ble Supreme Court in *S.L. Kapoor v. Jagmohan & Ors., (1980) 4 SCC 379,* wherein it was held that *"We do not suggest that the opportunity need be a "double opportunity" that is, one opportunity on the factual obligations and another on the proposed penalty. Both may be rolled into one. But the person proceeded against must know that he is being required to meet the allegations which might lead to a certain action being taken against him"* He further submitted that, in the present case, the SCN does not specify the consequences that may follow if the allegations are ultimately established, thereby disabling him from effectively meeting the case set out against him. He contended that the SCN merely makes a general reference to "action under Section 220(2) read with Regulation 13" without indicating the nature of the proposed disciplinary action, such as penalty, suspension, cancellation, or any other consequence. According to him, such lack of specificity renders the SCN vague and violative of the principles of natural justice.

Observations of the DC.

2.1.7 The DC notes that the submission of Mr. Anil Anchalia that he was not afforded the opportunity to respond is incorrect. He was afforded a full opportunity to respond to the complaint. The Board requested him to provide his response on the complaint *vide* email dated 07.07.2025. He provided a detailed written reply on 17.07.2025. The Board examined

the allegations in the above complaint vis-a-vis reply of IP dated 17.07.2025 and based on such examination issued SCN to Mr. Anil Anchalia initiating the disciplinary proceedings during which he has made these submissions which are being considered before passing any order.

2.1.8 Further, his reliance on judgement of Hon'ble Supreme Court in *S.L. Kapoor v. Jagmohan & Ors., (1980) 4 SCC 379* is misplaced. The facts of that case were that the order was passed by the Lt. Governor of Delhi, superseding the New Delhi Municipal Committee with immediate effect under Section 238(1) of the Punjab Municipal Act, 1911. As for the facts regarding the hearing, the Supreme Court concluded that no hearing whatsoever was provided to the Committee prior to this order. The Court found that the Committee was never put on notice regarding the proposed supersession, nor was it given an opportunity to explain the allegations of incompetence and abuse of power levelled against it. Although the respondents argued that prior correspondence concerning specific issues (such as a construction contract or staff re-employment) served as notice, the Court rejected this, ruling that such information was gathered for "entirely different purposes" and did not constitute a valid opportunity to represent against the specific penalty of supersession. In that context, the judgement was passed. Para 16 of the said order which clearly set out the facts are as under: -

"16: Thus on a consideration of the entire material placed before us we do not have any doubt that the New Delhi Municipal Committee was never put on notice of any action proposed to be taken under Section 238 of the Punjab Municipal Act and no opportunity was given to the Municipal Committee to explain any fact or circumstance on the basis that action was proposed. If there was any correspondence between the New Delhi Municipal Committee and any other authority about the subject-matter of any of the allegations, if information was given and gathered it was for entirely different purposes. In our view, the requirements of natural justice are met only if opportunity to represent is given in view of proposed action. The demands of natural justice are not met even if the very person proceeded against has furnished the information on which the action is based, if it is furnished in a casual way or for some other purpose. We do not suggest that the opportunity need be a "double opportunity" that is, one opportunity on the factual allegations and another on the proposed penalty. Both may be rolled into one. But the person proceeded against must know that he is being required to meet the allegations which might lead to a certain action being taken against him…"

2.1.9 In the case before Hon'ble Supreme Court, no opportunity was afforded before penal action was taken. In the present case, he was already given opportunity to give his reply on the complaint. He has also been opportunity during the disciplinary proceedings which are initiated on issuance of SCN, which is not a penal action. The penal action, if any, will only be imposed on the conclusion of disciplinary proceedings. The issuance of SCN in itself

does not result in penal action. Hence, equating the case before Hon'ble Supreme Court with the issuance of SCN is incorrect.

2.1.10 It is important to note that the issuance of an SCN does not amount to a penalty or punishment. It is a procedural step that follows the examination of the complaint and reply of the IP, as provided under Regulation 11(2) of the Inspection Regulations. The relevant extract of the said regulation is reproduced below: –

"11. Consideration of Report.
(1) The Board shall consider the inspection report received under regulation 6 or investigation report received under regulation 10, as the case may be, expeditiously.

(2) If the Board, after consideration of the report under sub-regulation (1) or on the basis of material otherwise available on record, is of the prima facie opinion that sufficient cause exists to take actions under section 220 or sub-section (2) of section 236, it shall issue a show-cause notice in accordance with regulation 12 to the service provider or an associated person and in any other case, close the inspection or investigation, as the case may be."

2.1.11 Further, Regulations 10A provides that file examination will be considered deemed investigation and processing papers during file examination will be considered as investigation report. Regulation 10A is also reproduced below:-

"10A. Investigation during disposal of complaint or grievance.

Notwithstanding anything contained in Chapter III, ***the processing of a complaint or grievance or material available on record under the Insolvency and Bankruptcy Board of India (Grievance and Complaint Handling Procedure) Regulations, 2017, shall mean investigation under this regulation and in such case the processing papers shall mean the investigation report under regulation 10:****…"*

2.1.12 Therefore, this is the natural consequence of examination of complaint and to initiate disciplinary proceedings, the first step after investigation is issuance of SCN. After issuing SCN, he has been afforded opportunity to reply to the show cause notice (provided reply on 24.09.2025). Thereafter a personal hearing was given to him on 24.12.2025 wherein he appeared along with his legal counsel Mr. Arjun Asthana. Mr. Anil Anchalia also submitted his additional written submissions on 31.12.2025. Therefore, it cannot be said that there is any sort of violation of principles of natural justice at any stage.

2.1.13 Regulation 23A of the IBBI (Model Bye-Laws and Governing Board of Insolvency Professional Agencies) Regulations, 2016 provides as follows:

"The authorization for assignment (AFA) shall stand suspended upon initiation of disciplinary proceedings by the Agency or by the Board, as the case may be."

2.1.14 The above provision was upheld by the Madras High Court in Writ Petition Nos. 16650 of 2020 and 14448 of 2021 on 22.01.2024 observing that the suspension of the AFA is a procedural safeguard and not a penalty. Its purpose is to maintain the integrity of the insolvency process while an IP is under investigation. The suspension of AFA is automatic upon the issuance of a Show Cause Notice (SCN), and the lack of a prior hearing at that specific interim stage does not violate the principles of natural justice because the SCN itself initiates the "due process" and it is a "reasonable restriction" given the fiduciary nature of an IP's role. It also does not violate right to practice profession of an IP as he can continue with the existing assignments or any other business or profession he may be carrying out other than as an IP. Further, in terms of Sections 7, 9 and 10 of the Code, an IP cannot be appointed as an IRP/RP if any disciplinary proceeding is pending against him. Therefore, bar on acceptance of new assignment after issuance of SCN through Regulation 23A above is to give effect to the above provisions of the Code.

2.1.15 He then submitted that the SCN merely makes a general reference to "action under Section 220(2) read with Regulation 13" without indicating the nature of the proposed disciplinary action, such as penalty, suspension, cancellation, or any other consequence. The DC notes that Section 220 of the Code read with Regulation 13 of the Inspection and Investigation Regulations, enumerate the range of possible disciplinary actions. At the stage of issuing SCN, it is neither mandatory nor desirable to predetermine the precise nature of action that may follow, as the same depends upon the outcome of the adjudicatory process and consideration of material facts by the DC. The DC is, therefore, of the view that the SCN cannot be termed as vague or violative of principles of natural justice.

(c) Prima facie opinion and prima facie case.

2.1.16 Mr. Anil Anchalia submitted that Regulation 11(2) of the Inspection Regulations contemplates a two-stage threshold before issuance of a SCN. He pointed out that the said provision requires, first, the formation of a *prima facie* opinion by the Board, and second, the existence of sufficient cause to take action under section 220 of the Code. According to the IP, while the requirement under the first limb is expressly prima facie in nature, the second limb mandates a higher threshold, namely, the existence of substantive material establishing sufficient cause, which cannot be equated with a mere *prima facie* view. Mr. Anil Anchalia contended that in the present case, although the SCN records that the Board has formed a *prima facie* opinion (as noted in paragraph 4 of the SCN), the alleged contraventions recorded in paragraph 3(iv) of the SCN are themselves described only as *prima facie* in nature. He submitted that the SCN, therefore, proceeds on a prima facie opinion of prima facie findings, without recording the existence of "sufficient cause" as required under Regulation 11(2). According to him, issuance of an SCN on such layered

provisional assumptions, without a proper investigation, amounts to a speculative and roving exercise, rendering the SCN *void ab initio*.

2.1.17 Mr. Anil Anchalia further submitted that while a *prima facie* opinion may be sufficient to trigger an investigation, it cannot, by itself, justify issuance of a SCN. In support of this proposition, he relied upon the judgment of the Hon'ble Supreme Court in *Competition Commission of India v. Steel Authority of India Ltd. & Anr.* (Civil Appeal No. 7779 of 2010), which provides: *"On receipt of a reference from the Central Government or a State Government or a statutory authority or on its own knowledge or information received under section 19, if the Commission is of the opinion that there exists a prima facie case, it shall direct the Director General to cause an investigation to be made into the matter…"* In this context, the Court clarified: *"At the stage of forming a prima facie view, as required under Section 26(1) of the Act, the Commission may not really record detailed reasons, but must express its mind in no uncertain terms that it is of the view that prima facie case exists, requiring issuance of direction for investigation to the Director General. Such view should be recorded with reference to the information furnished to the Commission."*

2.1.18 Thus, even to initiate an investigation, the formation of a prima facie view must be clear, deliberate, and based on specific information. In the present matter, however, the Board has gone much further; it has issued an SCN based on a prima facie opinion derived from prima facie facts. This layering of provisional assessments, without a proper investigation as mandated under section 220 of the Code, renders the issuance of the SCN procedurally flawed and legally untenable.

Observations of the DC.

2.1.19 The DC notes that Mr. Anil Anchalia is confusing the language used in Regulation 11(2) of Inspection Regulations. The said Regulation 11 of Inspection Regulations is reproduced as under: -

*"**11. Consideration of Report**.*
(1) The Board shall consider the inspection report received under regulation 6 or investigation report received under regulation 10, as the case may be, expeditiously.
*(2) If the Board, after consideration of the report under sub-regulation (1) [or on the basis of material otherwise available on record], is of **the prima facie opinion that sufficient cause exists to take actions under section 220 or sub-section (2) of section 236, it shall issue a show-cause notice in accordance with regulation 12** to the service provider or an associated person and in any other case, close the inspection or investigation, as the case may be."*

2.1.20 Two parts of the sentence "*Prima facie opinion"* and *"sufficient cause exist for taking action under section 220"* have to be read together. *Prima facie* opinion in itself is incomplete and does not state on what issue or matter that *prima facie* opinion is to be taken.

The matter/ issue under consideration in our case is whether sufficient cause exists for taking action under Section 220(2). In the judgment of *Competition Commission of India (supra)* which was relied by Mr. Anil Anchalia, the *prima facie* opinion was for getting the investigation done by the Director General. Therefore, in both the cases, the purpose of prima facie opinion is different. In our case, it is for taking action under section 220 whereas in case of Competition Commission judgement it is for causing investigation. Mr. Anil Anchalia is trying to read the words "prima facie opinion" in isolation delinking it from the action for which the same is to be formed. The phrase "prima facie opinion" in isolation is incomplete and does not convey any meaning. In both cases before an action is initiated, only a *prima facie* opinion for initiating the action is taken and definitive view is formed while taking the action Further, the threshold for making a prima facie opinion for investigation to be made is different from the threshold for making a prima facie opinion giving sufficient cause for taking action under Section 220(2).

2.1.21 The DC notes that in the present case, before issuance of SCN, the opinion is to be only *prima facie* opinion as it is the DC who takes a definitive view after hearing the party concerned and taking into account available material. Furthermore, the material relied upon by the Board while forming its prima facie view was already on record. The said material was also annexed to the SCN, including the CIRP bank account statements and the reply submitted by the IP. It is further recorded in para 3(iv) of the SCN as well which is reproduced as under:-

(iv) In view of the above, it is observed that ***by continuing to operate the CIRP bank account of the CD after the commencement of liquidation and cessation of your role as RP, you have prima facie contravened the provisions*** *of Sections 34(2), 36(2), 36(3), 208(2)(a) and (e) of the Code, Regulation 7(2)(a) and (h) of IP Regulations, read with Clause 3 and 14 of the Code of Conduct specified in IP Regulations.*

2.1.22 From the above para, the basis for forming prima facie opinion is clear. In view of the same, the DC is not inclined to accept the submission put forward by the IP.

(d) Locus standi for maintaining complaint.

2.1.23 Mr. Anil Anchalia submitted that the SCN is founded on a complaint filed by Mr. Arun Kumar Gupta, the former IRP of the CD, primarily relating to the alleged non-payment of his fees. It was submitted that the former IRP ceased to have any role in the CIRP on 18.07.2024 and has no legal role, interest, or connection with the liquidation process which commenced on 17.12.2024, nor with any post-liquidation operations of the CD.

2.1.24 He further submitted that the former IRP has not demonstrated any legal injury or prejudice arising from the alleged acts forming the subject matter of the SCN and has no financial or legal interest in the liquidation estate. Accordingly, it was contended that the complainant

was not an aggrieved party within the meaning of section 217 of the Code and lacked the requisite locus standi, rendering the SCN ex facie bad in law.

Observations of the DC.

2.1.25 The DC observes that the scheme of the Code empowers the Board to examine any complaint or information received, if it discloses conduct which may indicate contravention of the provisions of the Code, rules or regulations made thereunder. Once such information comes to the notice of the Board, the proceedings that follow are inquisitorial in nature and are not adversarial proceedings between the complainant and the insolvency professional. Further, the term stakeholder is defined in Regulation 2(j) of the Complaint Regulations as *"stakeholder" means a debtor, a creditor, a claimant, a service provider, a resolution applicant and any other person having an interest in the insolvency, liquidation, voluntary liquidation, or bankruptcy transaction under the Code*." Thus, it includes any person having interest in the process which makes a former director a stakeholder who also attends the CoC meeting. The DC further notes that the role of the complainant is limited to bringing certain facts or alleged irregularities to the attention of the Board, his lack of direct stake in the liquidation process, does not absolve the Board of its statutory authority to examine the conduct of an insolvency professional. The DC also notes that the SCN relates to alleged contraventions of the Code and Regulations by the RP, which fall within the regulatory oversight of the Board. Consequently, the DC is unable to accept this submission of IP.

(e) Inadequate Consideration of Mitigating Circumstances.

2.1.26 Mr. Anil Anchalia submitted that Regulation 12(2) of the Inspection Regulations mandates the Board to consider specified factors prior to issuance of a SCN, including the nature and seriousness of the alleged contraventions, whether the conduct was deliberate, reckless or negligent, any unfair advantage gained by the noticee, loss caused or likely to be caused to stakeholders or any other person, and the conduct of the noticee after the alleged contravention. He contended that the SCN fails to demonstrate due consideration of these mandatory factors. He submitted that the actions alleged in the SCN were undertaken in the course of discharging his statutory obligations under the CIRP; that no personal gain or unfair advantage accrued to him; and that no loss was caused to any stakeholder or other person as a result of the alleged acts. He further submitted that the liquidator delayed the opening of the liquidation account until February 2025, and that his actions were transparent and duly communicated to the liquidator. On this basis, he submitted that the SCN dated 10.09.2025 is procedurally flawed and legally untenable for non-compliance with Regulation 12(2) of the Inspection Regulations.

2.1.27 In view of the foregoing submissions, Mr. Anil Anchalia prayed that the DC first adjudicate upon the following preliminary issues, which, according to him, go to the root of the validity and maintainability of the SCN:

(a) Whether it is a statutory obligation of the Board to conduct an investigation wherever it has reasonable grounds to believe that an insolvency professional has contravened any provision of law, whether arising from a complaint or otherwise;

(b) Whether the processing of a complaint under Regulation 10A can substitute for, or be treated as, the investigation contemplated under section 220 of the Code, and accordingly, whether Regulation 10A is ultra vires section 220 of the Code;

(c) Whether it is permissible to issue a show cause notice based solely on a prima facie opinion of the prima facie existence of a failure;

(d) Whether the SCN is valid in law when the Board has not demonstrated consideration of the mandatory factors under Regulation 12(2) of the Inspection Regulations;

(e) Whether the SCN sets out the consequences that may follow if the allegations contained therein are established, so as to enable the noticee to effectively prepare a defence; and

(f) Whether, in light of the determination of the above issues, the SCN is legally tenable and the DC can proceed further with the matter. Mr. Anil Anchalia submitted that unless the DC rules against him on each of the aforesaid preliminary issues, it ought not to proceed further with the SCN, and that the SCN is liable to be dropped in limine.

Observations of the DC.

2.1.28 Mr. Anil Anchalia submitted that Regulation 12(2) of the Inspection Regulations mandates the Board to consider specified factors prior to issuance of a SCN. He contended that the SCN fails to demonstrate due consideration of these factors before issuing SCN.

2.1.29 Regulation 12 is reproduced as under: -

"12. Show-cause notice

(1) The show-cause notice shall be in writing and shall state-

....

(e) the actions or directions that the Board proposes to take or issue, if the allegations are established;

(2) For the purposes of clause (e) of sub-regulation (1), the Board shall take into account, but not limited to, the following factors: -

(a) the nature and seriousness of the alleged contraventions, including whether it was deliberate, reckless or negligent on the part of the noticee;

(b) the consequences and impact of the alleged contravention, including –

(i) unfair advantage gained by the noticee as a result of the alleged contravention;

(ii) loss caused, or likely to be caused, to 15[stakeholders] or any other person as a result of the alleged contravention; and

(iii) the conduct of the noticee after the occurrence of the alleged contravention, and prior to the alleged contraventions. ..."

2.1.30 The said provision merely requires the Board, for the purposes of proposing actions, to take into account the factors specified therein. The regulation does not mandate that such consideration must be expressly recorded or detailed in the SCN itself. What is mandatory to record in writing is already mentioned in Regulation 12(1) of Inspection Regulations. The present SCN clearly states in paragraph 5 the actions and penalties that the Board proposes to impose if the allegations are established. The factors under Regulation 12(2) have been duly considered by the Board in arriving at the proposed actions mentioned in the SCN. At the SCN stage, the Board is required only to form a prima facie view regarding alleged contraventions.

2.1.31 Mr. Anil Anchalia has also sought consideration of mitigating factors in his favour in his reply on merits. The same shall be duly considered by the DC, at the stage of determination of penalty, after adjudication of the issues on merits.

2.1.32 Mr. Anil Anchalia has raised several preliminary objections regarding the procedural validity of the SCN and the investigative methods adopted by the Board. The following sections provide a detailed point-by-point rebuttal to these issues, clarifying the statutory basis of the Board's actions: -

Issue raised	Remarks/Comments of the DC
Whether it is a statutory obligation of the Board to conduct an investigation wherever it has reasonable grounds to believe that an insolvency professional has contravened any provision of law, whether arising from a complaint or otherwise?	Section 218(1) of the Code provides as follows: *"(1) Where the Board, on receipt of a complaint under section 217 or has* ***reasonable grounds*** *to believe that any insolvency professional agency or insolvency professional or an information utility has contravened any of the provisions of the Code or the rules or regulations made or directions issued by the Board thereunder,* ***it may,*** *at any time by an order in writing,* ***direct any person or persons to act as an investigating authority*** *to conduct an inspection or investigation of the insolvency professional agency or insolvency professional or an information utility."* Thus when it has "reasonable grounds to believe", the Board may order investigation.
Whether the processing of a complaint under Regulation 10A can substitute for, or be treated as,	Regulation 10A expressly provides that the processing of a complaint or material available on record shall mean investigation for the purposes of the Inspection and

the investigation contemplated under Section 220 of the Code? Accordingly, whether Regulation 10A is ultra vires Section 220 of the Code?	Investigation Regulations. This issue has been dealt with in Para 2.1.4 to 2.1.5 above.
Whether it is permissible to issue an SCN based solely on a prima facie opinion of the prima facie existence of a failure?	This issue has been dealt with in Para 2.1.19 to 2.1.22 above.
Whether the SCN is valid in law when the Board has not demonstrated consideration of the mandatory factors under Regulation 12(2)?	This issue has been dealt with in Para 2.1.28 to 2.1.31 above
Whether the SCN sets out the consequences that may follow if the allegations contained therein are established, thereby enabling effective defence?	The SCN in Para 5 explicitly states that action is proposed under Section 220 of the Code read with Regulation 13 of the Inspection and Investigation Regulations, which statutorily enumerate the range of possible disciplinary actions.
Whether the SCN is legally tenable and the Disciplinary Committee can proceed with the same, in light of the rulings on the above preliminary issues?	In light of the foregoing, the SCN has been validly issued following examination of material on record, formation of a prima facie view, and adherence to statutory procedure. The use of complaint/file examination under Regulation 10A constitutes a legally recognised investigative process and is not distinct from investigation for the purposes of initiating disciplinary action. Principles of natural justice have been complied with by providing the IP full opportunity to submit replies and personal hearing. Accordingly, the SCN is legally tenable and the Disciplinary Committee is competent to proceed with adjudication on merits.
The SCN should be dropped in limine unless the DC rules on preliminary issues in favour of the noticee.	There is no statutory requirement under the Code or the Regulations that preliminary objections must be decided separately before proceeding on merits. The outcome of examination is not different from that of investigation. Hence, the SCN having been validly issued, the proceedings cannot be terminated at the threshold on the basis of the objections raised.

2.1.33 In conclusion, the objections raised by the IP failed to establish any procedural irregularity or prejudice that would warrant the dismissal of the proceedings at this threshold stage. As the Board has adhered to the principles of natural justice and statutory mandates, the SCN

remains legally tenable. Consequently, the DC shall proceed to adjudicate the matter on its merits.

Contravention

2.2. **Unauthorised operation of CIRP Bank Account post Liquidation.**

2.2.1 It is observed by the Board that Mr. Anil Anchalia was appointed as RP in the matter on 18.07.2024. The AA *vide* order dated 17.12.2024 ordered liquidation of the CD, and appointed Ms. Rashmi Chhawchharia as the Liquidator. Mr. Anil Anchalia submitted in its reply to the Board that he continued to operate the CIRP bank account even after commencement of liquidation, purportedly to discharge pending CIRP obligations, including receipt of CIRP cost contributions from CoC members and settlement of unpaid CIRP expenses. The CIRP bank account statement furnished by Mr. Anil Anchalia indicated transactions up to 17.03.2025, i.e., after commencement of liquidation. It is further noted that these transactions include payments credited to account of Mr. Anil Anchalia as well.

2.2.2 Section 34(2) of the Code provides that *"On the appointment of a liquidator under this section, all powers of the board of directors, key managerial personnel and the partners of the corporate debtor, as the case may be, shall cease to have effect and shall be vested in the liquidator"*. Section 36(2) of the Code provides that *"The liquidator shall hold the liquidation estate as a fiduciary for the benefit of all the creditors"*. Section 36(3) of the Code provides that the liquidation estate shall comprise all liquidation estate assets which shall, *inter alia*, include any assets over which the corporate debtor has ownership rights.

2.2.3 The above mentioned provisions of the Code make it clear that, upon commencement of liquidation, the liquidation estate vests exclusively with the Liquidator, and the RP ceases to have any authority to operate any account of the CD.

2.2.4 In view of the above, it was observed by the Board that by continuing to operate the CIRP bank account of the CD after the commencement of liquidation and cessation of his role as RP, Mr. Anil Anchalia has *prima facie* contravened the provisions of Sections 34(2), 36(2), 36(3), 208(2)(a) and (e) of the Code, Regulation 7(2)(a) and (h) of IP Regulations, read with Clause 3 and 14 of the Code of Conduct specified in IP Regulations.

2.3. **Submissions by Mr. Anil Anchalia.**

2.3.1 Mr. Anil Anchalia submitted that it is correct that, upon the appointment of a liquidator under Section 34(2), all powers of the board of directors, key managerial personnel, and partners of the CD vest solely in the liquidator. However, the RP, acting in his fiduciary capacity, is not included within this category. He is neither a part of board of directors nor a key managerial personnel or partners of the CD. In strict compliance with the provision of the Code and the liquidation order, the RP promptly handed over all information, documents, and control over the assets of the CD to the liquidator. At no stage after the liquidation order did the RP retain or exercise any control or authority over the assets forming part of the

liquidation estate. All powers in relation to such assets vested exclusively in the liquidator in accordance with Section 34 of the Code. Further, the Liquidator has not raised any grievance or complaint in this regard. Therefore, there is no violation of Section 34(2) of the Code attributable to the RP.

2.3.2 He submitted that Section 36(2) of the Code casts a responsibility upon the Liquidator to hold the liquidation estate in a fiduciary capacity for the benefit of all creditors. The RP has no role in this process except to handover control of the CD to the Liquidator upon the passing of the liquidation order. In the present case, the RP, upon passing of the liquidation order, promptly and in strict compliance with the Code, handed over all information, records, documents, and control of the assets of the CD to the Liquidator. Even though the CIRP bank account stood in the name of the CD, the funds lying therein did not belong to the CD and, therefore, no ownership rights accrue to it in respect of the same. Consequently, such funds did not form part of the liquidation estate within the meaning of Section 36(3) of the Code. As on the liquidation commencement date, the said account carried a balance of Rs. 2.93 lakh (approx.), which was lower than the third-party obligation of Rs. 3 lakh that was required to be refunded by the RP. The obligation to settle this account was specifically cast upon the RP under the directions of the AA's Order dated 30.04.2024 and hence could not be transferred or attributed to the Liquidator.

2.3.3 He further submitted that Section 36(4) provides explicit exclusions: assets owned by third parties, including assets held in trust for any third party, bailment contracts, amounts due to workmen from statutory funds, and other contractual arrangements where ownership remains with third parties, do not form part of the liquidation estate. The amount lying in the CIRP Bank account represented a third-party assets and, accordingly, falls squarely within the explicit exclusions provided under Section 36(4) of the Code. The continued operation of the CIRP bank account post liquidation until 17.05.2025 by the RP was strictly limited to the following legitimate purposes:

1. Fiduciary holdings: Held in trust for specific CIRP obligations.
2. CIRP cost contributions: Receipt of CIRP cost contributions from CoC members.
3. Settlement of pending CIRP-related expenses that were incurred during the CIRP.
4. Refund of initial contribution of Rs. 3,00,000 to the Corporate Applicant initially contributed as per Order of the AA at the time of admission of the CIRP on 30.04.2024. The said amount did not constitute an asset "owned" by the CD and was supposed to be refunded by the RP in terms of the said admission order of the AA.
5. No malafide intent: Actions were guided by necessity to discharge legitimate CIRP obligations, no unfair advantage gained/ personal benefit was derived from these operations.

2.3.4 The AA ordered liquidation on 17.12.2024, and appointed Ms. Rashmi Chhawchharia as Liquidator. After receiving the copy of the said liquidation order, the RP prepared the details of CIRP costs incurred upto the liquidation commencement date and communicated the same with the CoC members on 18.12.2024 (Dues of PNB Rs. 1,21,839/- and Kotak Rs.

5,488/- & Rs. 15,762/-). The CoC members reimbursed the amount to the CIRP Bank account on 14.01.2025 (Rs. 1,21,839/-), on 25.01.2025 (Rs. 5,488/-) and on 12.03.2025 (Rs. 15,762/-). As on the liquidation commencement date i.e. 17.12.2024, a sum of Rs. 2.93 lakh (approx) was lying in the CIRP Bank account which was part of the initial contribution of Rs. 3 lakh made by the Corporate Applicant. The same was required to be refunded to them as the same does not belongs to the assets of the CD and thereby could not formed part of liquidation estate. Pending receipt of the contribution from the CoC members, the RP utilized some portion of the said initial contribution amount for the payment of CIRP cost. After receiving the contribution from the CoC members, the RP under obligation refunded the initial contribution amount of Rs. 3 lakh to the Corporate Applicant (Rs. 2.74 lakh on 14.02.2025 and Rs. 0.26 lakh on 17.03.2025. Thereafter, the balance amount lying in the account of Rs. 7,127.04 (being excess contribution by Kotak less bank charges) was transferred to the liquidation account on 17.03.2025. The CIRP bank account remained operational until 17.05.2025, due to the pending reimbursement of CIRP costs by the CoC members.

2.3.5 He submitted that there were some practical circumstances i.e., certain CIRP-related financial obligations remained pending settlement at the time of liquidation order. However all transactions in the CIRP Bank account were conducted transparently with proper documentation. Mr. Anil Anchalia has informed the liquidator about the transaction undertaken in the CIRP Bank account in relation to pending settlement of CIRP cost and shared Bank statements promptly. That the account was closed immediately upon completion of obligations.

2.3.6 He submitted that following were the mitigating factors:

1. Good Faith: All actions undertaken in good faith without any personal interest or benefit.
2. No Loss to the Stakeholders: No loss caused, or likely to be caused, to stakeholders or any other person as a result of the alleged contravention.
3. Professional Record: Unblemished professional record since 2017 registration.
4. Limited Duration: Operations continued only until pending CIRP obligations were discharged.
5. Liquidation Estate: RP retained no authority over liquidation estate assets
All liquidation estate powers were exclusively with the Liquidator post liquidation order.

2.3.7 He submitted that this legal position provides clarity and justification for the treatment of such funds and reinforces the argument that the mere operation of the CIRP Bank account for the purpose of settlement or refund of excluded amounts does not infringe upon the liquidator's exclusive authority over the liquidation estate. In law, the funds maintained in the CIRP Bank account stand excluded from the liquidation estate and do not vest in the liquidator. Their character as trust or third-party funds is further supported by Section 36(4)

of the Code. Accordingly, he submitted that there is no violation of Section 36(2) or Section 36(3) of the Code by the RP.

2.3.8 Mr. Anil Anchalia submitted that upon passing of the liquidation order, he promptly handed over all information, records, documents, and control of the assets of the CD to the liquidator. At no point, he retained or exercised any control over the liquidation estate. Further, all functions were performed strictly as per the Code and regulations, with no deviation from prescribed procedures. All transactions in the CIRP Bank account pertained exclusively to pending CIRP obligations, with neither prejudice caused nor benefit derived from any such transaction.

2.3.9 He further submitted that there was no partiality, self-interest, or conflict of interest. The decision to continue operating the CIRP bank account after commencement of liquidation was limited to procedural completion of CIRP expenses. No transactions was outside the scope of legitimate CIRP costs or obligations were carried out.

2.3.10 Mr. Anil Anchalia in its additional written submissions dated 31.12.2025 reiterated that the limited operation of the CIRP bank account post-liquidation was undertaken solely for discharging pending CIRP obligations, including receipt of approved IRPC contributions from CoC members, settlement of unpaid CIRP costs.

2.3.11 Mr. Anil Anchalia submitted that the peculiar circumstances in the present case arose solely because the CoC reimbursed the CIRP costs after commencement of the liquidation process. It was stated that had the CoC reimbursed the entire CIRP costs prior to or at the time of commencement of liquidation, the CIRP bank account would have been closed immediately. However, due to the delay in reimbursement by the CoC, the CIRP bank account was required to be kept operational until 17.03.2025. It was further submitted that, as is evident from the contemporaneous emails placed on record, both the CoC and the Liquidator were fully aware of the continued operation of the CIRP bank account during this period.

2.3.12 Mr. Anil Anchalia further submitted that the CIRP bank account was retained only for limited administrative purposes and to give effect to the decisions taken by the CoC during the CIRP. It was contended that all actions were transparent, necessity-driven, and duly documented, without any mala fide intent.

2.3.13 Mr. Anil Anchalia submitted that the reimbursements credited into the CIRP bank account by the CoC pertained exclusively to CIRP costs duly approved and ratified during the CIRP. Since such reimbursements were not made in a timely manner, the CIRP bank account was required to be kept operational until 17.03.2025. It was further submitted that the limited operation of the account post-liquidation was undertaken solely for discharging pending CIRP obligations, including receipt of approved IRPC contributions, settlement of unpaid CIRP expenses, refund of Rs. 3,00,000/- to the Corporate Applicant in compliance with the

NCLT order dated 30.04.2024, and transfer of the residual balance of Rs. 7,127.04 to the liquidation account. He further submitted that the funds lying in the CIRP bank account did not constitute liquidation estate within the meaning of Section 36 of the Code. It was contended that such amounts represented third-party contributions held in trust for meeting CIRP costs and, therefore, stood excluded under Section 36(4)(a)(i) of the Code. Merely because the account was maintained in the name of the CD, no ownership rights accrued in respect of such funds, and consequently, the same did not form part of the liquidation estate under Section 36(3) of the Code.

2.3.14 Mr. Anil Anchalia submitted that all payments made from the CIRP bank account during the CIRP were duly approved and ratified by the CoC. It was further submitted that even the payments and refunds effected after commencement of the liquidation process were strictly in accordance with approvals already granted by the CoC and pursuant to specific directions of the AA. However, since the reimbursements towards CIRP costs were released by the CoC belatedly, i.e., after initiation of liquidation, the CIRP bank account was required to be kept operational until 17.03.2025 for settlement of such approved obligations. He further submitted that the CoC as well as the Liquidator were fully aware of the limited and purpose-specific operation of the CIRP bank account. It was contended that the account was operated only to complete administrative and executional tasks already ratified during the CIRP and that such operations were carried out transparently, with full knowledge of the stakeholders concerned.

2.3.15 Mr. Anil Anchalia submitted that paragraph (h) of the admission order dated 30.04.2024 directed the Corporate Applicant to deposit a sum of Rs. 3,00,000 towards initial CIRP costs in terms of Regulation 33(3) of the CIRP Regulations, with an express stipulation that the said amount *"shall be adjusted at the time of final payment."* It was contended that the expression "final payment" is aligned with Regulation 33(2), under which CIRP costs and the IRP/RP fee attain finality only upon approval by the CoC. Until such approval, any amount received under Regulation 33(3) retains the character of a provisional advance. He further submitted that the amount of Rs. 3,00,000 was never appropriated as fees or income, but was held in a fiduciary capacity for meeting initial CIRP expenses and remained subject to mandatory adjustment. Upon crystallisation of CIRP costs and reimbursement by the CoC, the excess amount was refunded to the contributor strictly in compliance with paragraph (h) of the admission order. It was submitted that such refund was a consequential and obligatory act, and not an unauthorised transaction. He also submitted that the said amount never formed part of the liquidation estate, as it represented third-party funds advanced for a specific CIRP purpose, falling within the exclusions under Section 36(4) of the Code. It was further contended that Insolvency Resolution Process Costs are distinct from liquidation costs under Section 5(16) read with Regulation 2(ea) of the Liquidation Process Regulations, and that Regulation 33(3) specifically contemplates reimbursement of such costs by the CoC.

2.3.16 Mr. Anil Anchalia submitted that In FAQs on IBC by IBBI dated 24.09.2025, the following specific query was discussed as under: -

64	If the CD has no assets, no bank balance, no operations, no employees, and no creditors filing their claims, then who will decide/pay the remuneration of the IRP/ RP for conducting the Resolution Process?	The applicant shall fix the fee for the IRP and if, CoC is constituted, the CoC shall fix the fee of the RP. In terms of regulation 33, 34 and 34B of CIRP Regulations read with Schedule-II to said regulations, the fee may be contributed by the applicant/CoC and shall be included in the IRPC. If the same is not contributed, the IP should approach AA for the same. Further, in such cases, the IP should endeavour to close the proceedings as early as possible.

2.3.17 Mr. Anil Anchalia further submitted that the legal position regarding initial CIRP contributions and their reimbursement is well settled. Reliance was placed on the judgment of the NCLAT in Shri Guru Containers Through its Sole Proprietor, Mr. Som Prakash Jhunjhunwala v. Jitendra Palande (Company Appeal (AT) (Insolvency) No. 106 of 2023), while appreciating the fact that the initial contribution is to be made by the Applicant who initiated CIRP, categorically held that *"18. ..... The CIRP Regulation 33 of course also provides that the reimbursement would be to the extent it is ratified by the CoC*.". He also relied upon the decision of the Ld. AA, New Delhi Bench in Vikky Dang v. Hind Tradex Limited & Ors. (IA-4941/2022 in (IB)-218/ND/2020), wherein it was observed that *"18. Thus, having regard to the conspectus of all relevant facts and circumstances and the judgement cited supra, we are of the considered view that, it is the Operational Creditor who will bear the IRP fees claim and expenses incurred in the CIRP proceedings. The CIRP Regulation 33 of course also provides that the reimbursement would be to the extent it is ratified by the CoC....."*

2.3.18 In light of the above judicial pronouncements, Mr. Anil Anchalia submitted that his actions were in consonance with the settled legal position, were transparent, necessity-driven, and fully documented, involved no personal gain or mala fide intent, caused no prejudice to any stakeholder, and reflected due adherence to the Code, the Regulations, and the standards of professional diligence expected of an insolvency professional.

2.3.19 The DC *vide* email dated 17.02.2026 sought clarification regarding following points: -

i. Details of the CIRP costs that remained unpaid at the time of commencement of liquidation and were carried forward into the liquidation process. Please also provide all email correspondence relating to the handover/takeover of records and control.
ii. Any document (including CoC/SCC minutes or email correspondence) evidencing that the continued operation of the bank account by the RP during liquidation was permitted/approved by the CoC/SCC members.

2.3.20 Mr. Anil Anchalia provided its response *vide* email dated 18.02.2026 and provided *detailed* sheet showing unpaid CIRP cost of Rs. 1,43,089 and submitted that it was communicated to COC vide email dated 18.12.2024. He further submitted that between 18.12.2024 and 17.03.2025, repeated follow-ups were made with CoC members for clearance of the above dues and that no objection was raised by any CoC member regarding continuation of the bank account.

2.3.21 He further reiterated that non-closure of the CIRP account was not due to any procedural lapse but was a direct consequence of non-payment of CIRP costs by the concerned CoC members. He has further placed on record email correspondences evidencing handover/takeover of records and control and relevant acknowledgment from the Liquidator.

2.3.22 Ms. Rashmi Chhawchharia also filed her response *vide* email dated 20.02.2026 with a copy marked to Mr. Anil Anchalia to the clarification sought from the DC and provided copies of the email correspondence exchanged with erstwhile RP regarding the handover of records of the CD and CIRP bank account.

2.4. **Analysis and Findings of the DC**

2.4.1 The DC has considered the SCN, the written and oral submissions of the IP, the additional submissions filed and the material available before it. The principal issue for determination is whether the continued operation of the CIRP bank account by Mr. Anil Anchalia after commencement of liquidation, and the transactions carried out therein, were permissible under the scheme of the Code and the regulations made thereunder.

2.4.2 In order to properly understand the issue in detail, the timeline of the events is as under: -

Date	Event
30.04.2024	CIRP initiated and Mr. Arun Kumar Gupta was appointed as IRP in the matter.
30.05.2024	First CoC Meeting was held where the CoC appointed Mr. Anil Anchalia as the RP in the matter.
18.07.2024	The AA *vide* order dated 18.07.2024 appointed Mr. Anil Anchalia. as RP in the matter.
17.12.2024	Liquidation ordered and Ms. Rashmi Chhawchharia was appointed as Liquidator in the matter. In para 28 of the order, it is written *"...The erstwhile RP shall handover all papers and documents in his possession concerning the Corporate Debtor to the Liquidator appointed in this matter within 10 days."*
19.12.2024	Liquidator sent email to erstwhile RP requesting for handover of records of CD

20.12.2024 to 03.01.2025	Email exchange between Liquidator and the erstwhile RP regarding handover of documents of CD. The erstwhile RP provided some documents including liquidation application, valuation reports, audited balance sheet, GST no of CD, userid and passwords of all statutory authorities etc. However, he stated that, as he was travelling, he would provide the remaining documents thereafter.
06.01.2025	Handover of softcopies & hardcopies of original documents of CD. (except bank account).
06.02.2025	Liquidator sent email to erstwhile RP containing the details of Liquidation account of the CD, requesting for closure of CIRP account and transfer the balance to Liquidation Account.
13.02.2025	Liquidator again sent email to erstwhile RP, quoting relevant section of the Code, requesting RP not to undertake any transaction and again requesting for immediate handover along with list of pending CIRP Cost which would be eligible for payment under section 53 of the Code.
13.02.2025	Erstwhile RP replied and stated that the CIRP bank account of CD does not contain any funds which belongs to the CD and as per the CIRP admission order of CD, he has to refund the amount to the personnel who contributed initially. He further stated that some CoC members have not paid the pending CIRP Cost therefore account cannot be closed.
14.02.2025	Liquidator sent an email to the erstwhile RP stated that he does not have any authority to operate the bank account post cessation of his role. All payment after liquidation commencement date has to be made through Liquidation account and requested again to either close the bank account or change the authorised signatory.
14.02.2025	Payment of Rs. 2,74,000 was made by erstwhile RP to Mr. Sanjeev Sharma via NEFT. (According to RP- Part refund of initial payment of Rs. 3 Lakh paid by corporate applicant as per AA Order dated. 30.04.2024)
14.02.2025	Erstwhile RP replied to the email dated 14.02.2025 of the Liquidator and reiterated that amount contributed by personnel has to be adjusted and he will transfer the remaining amount after CIRP Cost from Kotak Mahindra Bank is received.
12.03.2025	An amount of Rs. 22,914/- received from the Financial Creditor (Kotak Mahindra Bank) for CIRP expenses in the CIRP account of the CD.
17.03.2025	Payment of Rs. 26,000/- was made by erstwhile RP to Mr. Sanjeev Sharma via NEFT. (According to RP- Part refund of initial payment of Rs. 3 Lakh paid by corporate applicant as per AA Order dated. 30.04.2024)
17.03.2025	Erstwhile RP closed the bank account of the CD and transferred the balance of Rs. 7,127 to Liquidation account of the CD.

2.4.3 Mr. Anil Anchalia has raised several contentions to justify the operation of bank account during liquidation, which are dealt with as under: -

RP's power to act in fiduciary capacity during liquidation

2.4.4 Mr. Anil Anchalia submitted that while acting in his fiduciary capacity, he is not included within the category as defined under section 34(2) of the Code as he is neither a part of board of directors nor a key managerial personnel or partners of the CD. Therefore, there is no violation of section 34(2) of the Code.

2.4.5 Section 34 is reproduced as under: -

"34. Appointment of liquidator and fee to be paid. –

...

(2) On the appointment of a liquidator under this section, all powers of the board of directors, key managerial personnel and the partners of the corporate debtor, as the case may be, shall cease to have effect and shall be vested in the liquidator."

2.4.6 The DC notes that upon commencement of the CIRP, all powers of the board of directors of the CD stand suspended and vest in the IRP/RP in terms of section 17(1)(b) of the Code. Through this provision the IRP/RP controls the CD and runs the CIRP of CD. Once liquidation commences, such powers cease to vest in the RP and, in terms of section 34(2) of the Code, stand transferred exclusively to the liquidator. The RP, therefore, cannot claim any residual or independent authority to act in relation to the affairs or bank accounts of the CD after commencement of liquidation. Therefore, the RP cannot contend that since he does not fall within any category as defined under section 34(2) of the Code, he has the power to act in fiduciary capacity. Once the CIRP comes to an end on the liquidation commencement date, the RP ceases to be the RP and all acts in relation to the CD are required to be undertaken by the liquidator alone. Any other interpretation will lead to duplicity of powers and responsibilities and will lead to confusion about the role to be played by the RP and Liquidator.

Obligation of RP regarding final payment as per CIRP admission order

2.4.7 The RP submitted that as per Order dated 30.04.2024, it was his obligation to settle the account hence he could not transfer the amount to the Liquidator. The DC has gone through the order dated 30.04.2024. The relevant portion of the said order provides as under:

"The Corporate Applicant to pay to IRP a sum of Rs 300,000./- (Rupees Three Lakh only) to meet the initial costs, as per Regulation 33(3) of the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016, ***which amount shall be adjusted at the time of final payment****. Further, the Fees of the IRP will be subject to the approval of the COC in accordance with Notification No. IBBI/2022-23/GN/REG091 dated 13.09.2022, issued by the Insolvency and Bankruptcy Board of India, as published in the in the Official Gazette."*

2.4.8 As per the order, the amount of Rs. 3,00,000/- was directed to be paid by the Corporate Applicant to meet the initial CIRP costs and was to be *"adjusted at the time of final payment."*. Final payment is with reference to the closure of the process in respect of the CD. So, in a case, where the CD is resolved, the final payment can be by way of Resolution Plan and in a case where CD is liquidated, final payment will be as per distributions made in accordance with the waterfall mechanism as per section 53 of the Code. Therefore, the action of RP making the final payment at the end of CIRP even when the CD is undergoing the liquidation process is not in consonance with the common understanding of the words "final payment". The DC notes that there is no specific direction from the AA mandating refund of the said amount by the IRP/RP as is being claimed by Mr. Anil Anchalia. This was also communicated by Liquidator to Mr. Anil Anchalia *vide* email dated 14.02.2025 that "*Payments if any to be made by the creditor during liquidation has to be made through the Liquidation Account. The amount provided by the Applicant as per NCLT Order to the IRP can be paid back at the time of final payment through the Liquidation Bank Account.*" Hence, the contention of Mr. Anil Anchalia that he was under obligation to make payment to Corporate Applicant in terms of order dated 30.04.2024 of the AA is unfounded.

Exclusion of asset from liquidation estate to the extent of unpaid CIRP cost

2.4.9 The RP has contended that the CIRP cost remaining to be paid and final payment to be returned to the Corporate Applicant were dues payable to them and so the balance in the CIRP bank account to that extent represented assets owned by third parties which are excluded from the liquidation estate as per section 36(4).

2.4.10 The DC has gone through Section 36(4) of the Code. The said provision is reproduced as under: -

"36. Liquidation estate. –

…..

(4) The following shall not be included in the liquidation estate assets and shall not be used for recovery in the liquidation: -

(a) assets owned by a third party which are in possession of the corporate debtor, including-

(i) assets held in trust for any third party;

(ii) bailment contracts;

(iii) all sums due to any workman or employee from the provident fund, the pension fund and the gratuity fund;

(iv) other contractual arrangements which do not stipulate transfer of title but only use of the assets; and

(v) such other assets as may be notified by the Central Government in consultation with any financial sector regulator;

(b) assets in security collateral held by financial services providers and are subject to netting and set-off in multi-lateral trading or clearing transactions;

(c) personal assets of any shareholder or partner of a corporate debtor as the case may be provided such assets are not held on account of avoidance transactions that may be avoided under this Chapter;
(d) assets of any Indian or foreign subsidiary of the corporate debtor; or
(e) any other assets as may be specified by the Board, including assets which could be subject to set-off on account of mutual dealings between the corporate debtor and any creditor."

2.4.11 In simple words, Section 36(4) specifically excludes assets owned by third parties from the liquidation estate which are not owned by the CD. Similar provision exists in respect of exclusion of assets not owned by CD from the assets for which control is to be taken by the IRP in terms of section 18(1)(f) of the Code which reads as under:-

*"**Section 18: Duties of interim resolution professional. -***

(1) The interim resolution professional shall perform the following duties, namely: -

...

(f) take control and custody of any asset over which the corporate debtor has ownership rights as recorded in the balance sheet of the corporate debtor... including -...

Explanation. – For the purposes of this section, the term "assets" shall not include the following, namely: -

(a) assets owned by a third party in possession of the corporate debtor held under trust or under contractual arrangements including bailment;..."

2.4.12 So, both sections 18(1)(f) and 36(4) provide that the IP must not take control of the assets which are owned by parties other than the CD and are held in trust by the CD. There is no special dispensation provided for the RP for taking control of any assets which can be taken over by the RP but are not to be handed over to the liquidator.

2.4.13 The bank account owned by the CD is clearly an asset owned by the CD and will form part of the liquidation estate. It cannot become an asset not owned by the CD just because there are amounts due to some parties on account of unpaid CIRP cost. The processes under the Code envisage treatment of assets and liabilities independently. Assets of the CD are to be taken over by the SRA as part of the resolution plan or are to be sold during the liquidation process by the liquidator while the liabilities are to be dealt either as part of the resolution plan or as per the waterfall under section 53. There is no scheme of set-off of liability against the assets envisaged during the process. The interpretation taken by the IP that the assets to the extent of liability of the CD on account of CIRP cost will not form part of the liquidation estate will lead to following anomalous results making the process unworkable:

A. The distribution of proceeds under liquidation is to be done as per the waterfall provided under section 53 of the Code which provides for payment of CIRP cost. If the interpretation adopted by Mr. Anil Anchalia is taken, there will not be any CIRP cost to be distributed during liquidation as the same would have to be paid by the RP as to that extent, it is the liability of the CD and for which asset to that extent will not be passed to the liquidator.

B. Secondly, some assets will be handed over to the liquidator, and some assets will be retained by the RP for disposal till the entire CIRP cost is paid. In this case, the CIRP cost to be paid was less and could be paid from the money in the bank account or money to be received in the bank account. However, there are cases where there are substantial unpaid CIRP cost which cannot be so paid and then in those cases, RP will not handover assets of the CD on the ground that there are third party dues which are to be paid and to that extent the assets do not form part of the liquidation estate and RP will continue in their possession and he will sell them off himself instead of the liquidator. This will lead to dual control over the process and will lead to disastrous results.

C. The Code and regulations envisage operation of process by one IP at one point of time and not by liquidator and erstwhile resolution professional simultaneously. In fact, erstwhile resolution professional loses authority to act on behalf of the CD once the liquidator is in charge of the process. It is kind of a relay race where the baton passes from IRP to RP to Liquidator. None of them can run together on the track at the same time. Once an IP passes the baton, his role is over. His attempt to even help the next runner will lead to a foul.

2.4.14 The DC therefore does not agree with the contention of the IP that the CIRP cost remaining to be paid and final payment to be returned to the corporate applicant were dues payable to them and so the balance in the CIRP bank account to that extent represented assets owned by third parties which are excluded from the liquidation estate as per section 36(4).

Prompt handover of records

2.4.15 The RP submitted that upon passing of the liquidation order, he promptly handed over all information, records, documents, and control of the assets of the CD to the Liquidator.

2.4.16 The DC notes from the email correspondence exchanged between Mr. Anil Anchalia (erstwhile RP) and Ms. Rashmi Chhawchharia (Liquidator) provided by Mr. Anil Anchalia vide email dated 18.02.2026, relating to handover of documents, which is summarised in tabulated form as under: -

Date	Event
17.12.2024	Liquidation ordered and Ms. Rashmi Chhawchharia was appointed as Liquidator.

19.12.2024	Liquidator sent email to erstwhile RP requesting for handover of records of CD
20.12.2024 & 22.12.2024	Erstwhile RP sent email to Liquidator and provided some documents of documents including liquidation application, valuation reports, audited balance sheet, GST No of CD, list of creditors, pending application filed before AA, all orders passed by AA, details of CIRP expenses etc.
22.12.2024	Erstwhile RP sent another email to Liquidator stating that he has provided all the urgent documents and stated that since he is travelling this week, he will be able to provide remaining documents after 30.12.2024.
22.12.2024 to 03.01.2025	Email exchange between Liquidator and erstwhile RP for handover of documents of CD where the liquidator requested multiple times for handover of records but RP was asking for some more time to provide the same.
06.01.2025	Handover of softcopies & hardcopies of original documents of CD was done (except handover of CIRP bank account of the CD).

2.4.17 The above correspondence shows that despite multiple written communications from the Liquidator, specifically requesting for handover since 19.12.2024, the handover of soft and hardcopy of records was finally completed on 06.01.2025 taking substantial time of 18 days from the first request made by Liquidator & 20 days since LCD.

Operation of CIRP bank a/c & collecting contribution from CoC members after LCD

2.4.18 The RP submitted that liquidator has not raised any grievance or complaint with regard to operation of Bank Account by the RP. On this issue, it is necessary to produce relevant email sent by Liquidator to RP, the same is reproduced as under: -

2.4.19 The DC further notes from the email correspondence exchanged between Mr, Anil Anchalia and Ms. Rashmi Chhawchharia relating to handover of Bank account of the CD which are summarised in tabulated form as under: -

Date	Event
06.02.2025	Liquidator sent email to RP containing the details of Liquidation account of the CD, requesting for closure of CIRP account and transfer the balance to Liquidation Account.
13.02.2025	Liquidator again sent email to RP, quoting relevant section of the Code, requesting RP not to undertake any transaction and again requesting for immediate handover along with list of pending CIRP Cost which would be eligible for payment under section 53 of the Code. The relevant extract of the said email is reproduced below: - "...

	For the sake of clarity, we would like to bring to your immediate attention the following provisions as contained in the Insolvency and Bankruptcy code: *i) With the initiation of Liquidation process u/s 33, the erstwhile Resolution Professional stands discharged of all his power duties and rights under the code.* *ii) As provided under section 35, the Liquidator shall take into its custody and control all the assets, properties, effects, actionable claims of the Corporate Debtor.* *iii) Under Regulation 9 of IBBI (Liquidation Process) Regulations, it is further mandated that on commencement of liquidation all the personnel shall extend cooperation to the liquidator which as per Sub regulation (1) includes IRP.RP and previous liquidator of Corporate Debtor.* *iv) As per clause 28 of Liquidation order dated read with reg 45(A)(4) IBBI (Liquidation Process) Regulations mandates immediate handover of all the records to the Liquidator.* *v) The above provision provided under the code read with other provision, it is understood that NO TRANSACTION COULD BE DONE BY ANY OF THE ERSTWHILE IRP OR RP AFTER THE LIQUIDATION COMMENCEMENT DATE.* *As such it is again advised to you that the bank account being maintained by the RP/IRP under CIRP prior to liquidation date be immediately handed over to the undersigned along with the list of pending CIRP costs which would be eligible for payment under section 53. The law exhibitly prohibits after the liquidation commencement date for payment by any person including RP/IRP) other than the Liquidator from any such account of the Corporate Debtor.* *…"*
13.02.2025	RP replied and stated that the CIRP bank account of CD does not contain any funds which belong to the CD and as per the CIRP admission order of CD, he has to refund the amount to the personnel who contributed initially. He further stated that some CoC members have not paid the pending CIRP Cost therefore account cannot be closed.
14.02.2025	Liquidator sent email to RP stated that RP does not have any authority to operate the bank account post cessation of role as RP. All payment after liquidation commencement date has to be made through Liquidation account and requested again to either close the bank account or change the authorised signatory. The relevant extract of the said email is reproduced below: -

	"*I would like to mention that status has to be considered as on the liquidation commencement date and you were required to give the details of the unpaid CIRP expense as on the liquidation commencement date.* *To my understanding once you cease to be RP you do not have any authority to operate the said account or do any transaction.* *Payments if any to be made by the creditor during liquidation has to be made through the Liquidation Account. The amount provided by the Applicant as per NCLT Order to the IRP can be paid back at the time of final payment through the Liquidation Bank Account.* *I once again request you to either transfer the balance in the CIRP account to liquidation account and close it or allow the bank to change the authorised signatory in the said account at my request. I have requested the bank to change the authorised signatory but they informed me that you had raised an objection for change of signatory before the bank.*"
14.02.2025	Payment of Rs. 2,74,000 was made by RP to Mr. Sanjeev Sharma via NEFT. (According to RP- Part refund of initial payment of Rs. 3 Lakh paid by corporate applicant as per AA Order dated. 30.04.2024)
14.02.2025	RP replied and reiterated that amount contributed by personnel has to be adjusted and he will transfer the remaining amount after CIRP Cost from Kotak Mahindra Bank is received.
12.03.2025	An amount of Rs. 22,914/- received from the Financial Creditor (Kotak Mahindra Bank) for CIRP expenses.
17.03.2025	Payment of Rs. 26,000/- was made by RP to Mr. Sanjeev Sharma via NEFT. (According to RP- Part refund of initial payment of Rs. 3 Lakh paid by corporate applicant as per AA Order dated. 30.04.2024)
17.03.2025	RP closed the bank account of the CD and transferred the balance of Rs. 7,127 to Liquidation account of the CD.

2.4.20 The DC observes from the above correspondence that despite repeated requests made by the Liquidator for handover and closure of the CIRP bank account, the RP continued to operate the said account. Transactions were undertaken by the RP from the CIRP account during the period when control and custody of the assets and accounts of the CD had already vested with the Liquidator. The bank account was ultimately closed and the remaining balance transferred to the liquidation account only on 17.03.2025.

2.4.21 The DC notes that the RP has made the following transactions after commencement of Liquidation vide order dated 17.12.2024 which are reproduced in tabulated form as under: -

Date	Credit	Debit	Balance	Remarks
28.12.24		91,800.00	2,01,412.82	Payment was made by RP through NEFT in his personal account.
28.12.24		6,002.00	1,95,410.82	Payment was made by RP through NEFT in his personal account.
28.12.24		10,000.00	1,85,410.82	Payment was made by RP to Mr. Harsh Agarwala via NEFT. (According to RP – Liquidation Application fees)
28.12.24		20,000.00	1,65,410.82	Payment was made by RP to Mr. Paras Rampuria via NEFT. (According to RP - Reimbursement of legal counsel fees)
28.12.24		8,500.00	1,56,910.82	Payment was made by RP through NEFT in his personal account.
11.01.25		24.78	1,56,886.04	SMS Charges DR: 01-10-24 to 31-12-24
14.01.25	1,21,839.00		2,78,725.04	Payment received from the Financial Creditor (Punjab National Bank) for CIRP expenses
25.01.25	5,488.00		2,84,213.04	Payment received from the Financial Creditor (Kotak Mahindra Bank) for CIRP expenses
14.02.25		2,74,000.00	10,213.04	Payment was made by RP to Mr. Sanjeev Sharma via NEFT. (According to RP- Part refund of initial payment of Rs. 3 Lakh paid by corporate applicant as per AA Order dated. 30.04.2024)
12.03.25	22,914.00		33,127.04	Payment received from the Financial Creditor (Kotak Mahindra Bank) for CIRP expenses
17.03.25		26,000.00	7,127.04	Payment was made by RP to Mr. Sanjeev Sharma via NEFT. (According to RP- Part refund of initial payment of Rs. 3 Lakh paid by corporate applicant as per AA Order dated. 30.04.2024)
17.03.25		7,127.04		Payment of Rs. 7,127/- was made by RP to CD's bank account opened by Liquidator and closed the bank account

2.4.22 The above sequence clearly demonstrates that after commencement of liquidation, the IP continued to operate the CIRP bank account and deal with funds therein.

2.4.23 The above conduct of Mr. Anil Anchalia show that despite multiple written communications from the Liquidator, specifically directing closure of the CIRP account and transfer of the balance to the liquidation account, and explicitly informing that upon commencement of liquidation the RP stood discharged of all powers and could not undertake any transaction, the RP continued to operate the CIRP bank account. Instead of handing over control, he unilaterally effected transfers during the liquidation period on the premise that the funds did not belong to the CD. Such conduct, in the face of clear statutory provisions and express directions from the Liquidator, amounts to continued exercise of authority after cessation of office and is in gross violation of the scheme of the Code. Therefore, the submission of IP that no objection raised by Liquidator is incorrect.

2.4.24 He further submitted that he prepared the details of CIRP costs incurred upto the liquidation commencement date and communicated the same with the CoC members on 18.12.2024. He has also placed on record email correspondence with CoC members regarding contributions to be made for pending CIRP cost. It is observed from the email correspondence between RP and CoC members that the RP sent emails dated 07.01.2025, 16.01.2025, 24.01.2025, 31.01.2025, 13.02.2025 and 26.02.2025 to CoC members for payment of unpaid CIRP cost during the Liquidation process. It is also observed from the email that he was signing the mails as erstwhile RP of the CD. The Code does not authorise any action on behalf of the CD by erstwhile RP. Therefore, collection of contribution from the CoC members after he ceased to act as RP, was not in accordance with the Code.

Reimbursement of initial contribution and other CIRP cost being insolvency resolution process cost from by way of contribution from the CoC

2.4.25 Mr. Anil Anchalia has contended that the initial contribution made by the corporate applicant and other unpaid CIRP cost were part of the insolvency resolution process cost and were to be reimbursed by way of contribution from the CoC. He has relied on FAQ serial No 64 issued by IBBI dated 24.09.2025 and judgements of *Shri Guru Containers through its Sole Proprietor, Mr. Som Prakash Jhunjhunwala v. Jitendra Palande (Company Appeal (AT) (Insolvency) No. 106 of 2023)* passed by the NCLAT and *Vikky Dang v. Hind Tradex Limited & Ors. (IA-4941/2022 in (IB)-218/ND/2020)* passed by AA in support of the same.

2.4.26 The DC does not dispute the proposition that initial contribution made by the corporate applicant and other unpaid CIRP cost were part of the insolvency resolution process cost and were to be reimbursed by way of contribution from the CoC. However, the violation being considered here is whether during liquidation process, the erstwhile RP should have collected the contributions from CoC members and operated the CIRP bank account for

payment of CIRP dues. The DC notes that during the liquidation process, the erstwhile RP did not have power to act on behalf of the CD for collecting contributions from CoC members and make payment of CIRP costs. Also, as detailed earlier, the DC does not agree with the contention of the Mr. Anil Anchalia that the CIRP cost is to be made Nil by the IP and to that extent, assets of the CD will not form part of the liquidation estate and will not be handed over to the liquidator.

Consideration of Mitigating Factors

2.4.27 Mr. Anil Anchalia has prayed for consideration of mitigating factors which are dealt with as follows: -

Mitigating Factor	Observation of the DC
Good Faith: All actions undertaken in good faith without any personal interest or benefit.	The DC notes that during liquidation, payments were made to self as well. Hence, it cannot be said that there was no personal interest or benefit involved.
No Loss to the Stakeholders: No loss caused, or likely to be caused, to stakeholders or any other person as a result of the alleged contravention.	Payment was made to the corporate applicant as final payment after collecting contributions from the CoC members without proper authority even though the same was not required to be paid necessarily at that time. It benefitted corporate applicant and RP by way of early payment at the expense of CoC members.
Professional Record: Unblemished professional record since 2017 registration.	The same has been noted.
Limited Duration: Operations continued only until pending CIRP obligations were discharged.	There is no provision for RP to continue CIRP functions even for "limited duration". As discussed above, any pending CIRP obligations should have been handled by the Liquidator.
Liquidation Estate: RP retained no authority over liquidation estate assets. All liquidation estate powers were exclusively with the Liquidator post liquidation order.	As discussed above, the CIRP Bank account forms part of liquidation estate even if there are CIRP dues to be paid. RP cannot retain control over the assets of the CD stating that CIRP dues need to be paid from those assets.

2.4.28 In view of the foregoing analysis, the DC finds that upon commencement of liquidation on 17.12.2024, Mr. Anil Anchalia ceased to have authority to operate any bank account in the name of the CD; that the continued operation of the CIRP bank account post-liquidation, was not authorised under the Code; and that settlement of pending CIRP obligations and

refunds, if any ought to have been undertaken through the liquidator alone. Accordingly, the DC holds the contravention.

3. Order.

3.1. The DC in exercise of the powers conferred under section 220 of the Code read with Regulation 13 of the IBBI (Inspection and Investigation) Regulations, 2017 hereby suspends registration of Mr. Anil Anchalia (Registration No. IBBI/IPA-001/IP-P00049/2017-2018/10123) for a period of two years.

3.2. This order shall come into force after 30 days from the date of issuance of this order.

3.3. A copy of this order shall be sent to the CoC/ SCC of all the corporate debtors in which Mr. Anil Anchalia is providing his services, and the respective CoC/ SCC, as the case may be, will decide about continuation of existing assignment of Mr. Anil Anchalia.

3.4. A copy of this order shall be forwarded to Indian Institute of Insolvency Professionals of ICAI where Mr. Anil Anchalia is enrolled as a member.

3.5. A copy of this order shall also be forwarded to the Registrar of the Principal Bench of the National Company Law Tribunal, New Delhi, for information.

3.6. Accordingly, the show cause notice is disposed of.

Sd/-
(Sandip Garg)
Whole Time Member

Dated: 26 February 2026
Place: New Delhi