



28<sup>th</sup> April 2026

### **SEBI permits net settlement of funds for FPIs in cash market to enhance efficiency**

The Securities and Exchange Board of India, vide Circular No. **HO/(1)2026-AFD-POD2/I/10157/2026 dated April 24, 2026**, issued under **Section 11(1) of the SEBI Act, 1992 read with Regulation 44 of the SEBI (Foreign Portfolio Investors) Regulations, 2019**, has introduced a framework permitting net settlement of funds for transactions undertaken by Foreign Portfolio Investors (FPIs) in the cash market. This circular modifies Para 4 of Annexure 3 of Chapter 1 (Trading) of the Master Circular dated December 30, 2024, with the objective of reducing liquidity pressure, funding costs, and operational inefficiencies arising from the earlier gross settlement mechanism.

#### **Analysis**

- The earlier framework mandated gross settlement at the FPI level, even though custodians settled with clearing corporations on a net basis, resulting in higher liquidity requirements and forex-related costs.
- The circular now permits netting of funds only for “outright transactions”, defined as transactions involving either purchase or sale (not both) in a particular security within a settlement cycle.
- Transactions involving both buy and sell positions in the same security (non-outright transactions) will continue to be settled on a gross basis, thereby maintaining prudential safeguards.
- Where outright purchases exceed outright sales, FPIs must fund the residual along with non-outright obligations. However, excess outright sales cannot be used to offset non-outright purchase obligations, ensuring no cross-adjustment distortion.
- Importantly, the circular clarifies that settlement of securities will continue on a gross basis between FPI and custodian, and statutory levies such as STT and stamp duty remain unaffected.
- The implementation standards are to be formulated by the Custodians and Designated Depository Participants Standards Setting Forum (CDSSF) in consultation with stakeholders.



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- Market participants, including FPIs, custodians, stock brokers, and clearing corporations, are required to update systems and processes to align with the revised framework.
- The circular mandates implementation on or before December 31, 2026.
- The shift from a gross to a partial net settlement framework is expected to significantly reduce daily funding requirements for FPIs, particularly during high-volume trading periods such as index rebalancing. Operationally, FPIs and custodians will need to segregate outright and non-outright transactions at a system level, necessitating technology upgrades and reconciliation changes.
- Treasury and liquidity management functions will benefit from lower capital lock-in and reduced forex exposure, while compliance teams must ensure accurate classification of transactions to avoid settlement mismatches. Overall, while the framework improves efficiency, it introduces additional operational complexity in transaction tagging, reporting, and settlement workflows.
- **Key Takeaways**
  - SEBI allows net settlement of funds for outright FPI transactions in the cash market.
  - Circular No. HO/(1)2026-AFD-POD2/I/10157/2026 dated April 24, 2026 modifies existing settlement provisions.
  - Issued under Section 11(1) of SEBI Act, 1992 and Regulation 44 of SEBI (FPI) Regulations, 2019.
  - Non-outright transactions continue on gross basis, ensuring risk containment.
  - Liquidity pressure and funding costs expected to reduce for FPIs.
  - Implementation deadline: December 31, 2026.
  - Requires system, process, and compliance adjustments across market participants.
- The notification is attached herein.

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## **RBI consolidates and updates E-mandate framework for recurring digital payments**

The Reserve Bank of India, vide **Circular No. RBI/DPSS/2026-27/396 (RBI/CO.DPSS.POLC.No.S56/02.14.003/2026-27)** dated April 21, 2026, has issued the “Digital Payments – E-mandate Framework, 2026” under Sections 10(2) read with Section 18 of the Payment and Settlement Systems Act, 2007, consolidating all existing directions relating to e-mandates for recurring transactions. The framework applies to all Payment System Providers and Participants processing recurring transactions (domestic or cross-border) through cards, PPIs, and UPI, and is effective immediately.

### **Analysis**

- The framework introduces a standardised regulatory structure for registration, modification, and revocation of e-mandates, requiring Additional Factor of Authentication (AFA) at the time of registration and for any subsequent changes.
- Every e-mandate must specify a validity period, with customers having the ability to modify or withdraw mandates at any time, ensuring enhanced customer control.
- The Directions permit both fixed and variable recurring payments, with issuers required to allow customers to set maximum transaction caps in case of variable mandates.
- The first transaction under an e-mandate mandatorily requires AFA, while subsequent recurring transactions may be processed without AFA, subject to prescribed limits.
- A key safeguard is the requirement for pre-transaction notification at least 24 hours prior to debit, enabling customers to review and opt out of transactions, with such opt-out requiring AFA validation.
- Post-transaction notifications are mandatory and must include detailed transaction information along with grievance redressal mechanisms.
- The framework prescribes transaction thresholds:



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- Up to ₹15,000 per transaction without AFA
- Up to ₹1,00,000 without AFA for specified categories such as insurance premiums, mutual fund subscriptions, and credit card bill payments
- Issuers are required to establish robust dispute resolution and grievance redressal systems, with RBI's customer liability framework continuing to apply.
- Importantly, the Directions prohibit charging customers for availing e-mandate facilities and mandate compliance by acquirers for merchants onboarded by them.
- The framework repeals multiple earlier circulars (2019–2024), thereby creating a single consolidated regime governing recurring digital payments.
- The consolidation into a single framework will require Payment System Providers, issuers, and fintech participants to reconfigure their mandate management systems to ensure end-to-end compliance with AFA requirements, notification workflows, and transaction limits. Systems must be capable of triggering automated pre-transaction alerts (T-24 hours), handling real-time opt-out requests with authentication, and maintaining audit trails for mandate lifecycle events.
- The revised thresholds may lead to increased automation of recurring payments, particularly for high-value categories such as insurance and credit card repayments, while simultaneously increasing compliance burden on issuers to monitor transaction limits and exceptions. Overall, the framework enhances customer protection and transparency, but necessitates significant backend alignment across issuers, acquirers, and payment aggregators.
- **Key Takeaways**
  - RBI issues consolidated E-mandate Framework, 2026 for recurring digital payments
  - Circular No. RBI/DPSS/2026-27/396 dated April 21, 2026 issued under Sections 10(2) and 18 of the PSS Act, 2007
  - Mandatory AFA for registration, modification, and first transaction
  - Pre-transaction (24-hour prior) and post-transaction notifications made compulsory
  - ₹15,000 general limit and ₹1,00,000 for specified categories without AFA
  - No charges permitted for availing e-mandate facility
  - Earlier circulars repealed, creating a unified regulatory framework



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- The notification is attached herein.

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### **Post-Moratorium Adjustment of Security Deposit Towards Pre-CIRP Dues Impermissible: Supreme Court**

The Supreme Court of India has reaffirmed that once a moratorium under the Insolvency and Bankruptcy Code, 2016 (IBC) comes into force, a creditor cannot appropriate or set off pre-CIRP dues from a security deposit furnished by the corporate debtor. The Court clarified that such deposits continue to remain the property of the corporate debtor unless lawfully adjusted prior to the commencement of the moratorium.

A Bench comprising Justices Sanjay Kumar and K. Vinod Chandran held that any post-moratorium adjustment of deposits towards pre-CIRP liabilities would be legally untenable. The Court observed that even where a deposit is treated as a form of guarantee against default, it does not cease to be the corporate debtor's property until validly appropriated in accordance with law. Consequently, any such adjustment after the moratorium would be impermissible.

#### **Factual Background**

The dispute arose from transmission agreements between Central Transmission Utility of India Limited and KSK Mahanadi Power Company Limited, a power generating company undergoing insolvency proceedings.

Pursuant to directions issued by the Central Electricity Regulatory Commission, KMPCL had deposited ₹108.44 crore in cash in lieu of a Letter of Credit as security for payment of transmission charges.

Following defaults, the Corporate Insolvency Resolution Process (CIRP) was initiated against KMPCL on October 3, 2019. Despite the imposition of the moratorium under Section 14 of the IBC, CTUIL appropriated the entire deposit in March 2020. This included ₹23.31 crore towards post-CIRP dues and ₹85.13 crore towards pre-CIRP dues, the latter forming the core dispute.



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### **Proceedings Before Adjudicating Authorities**

The Resolution Professional challenged the appropriation before the adjudicating authorities. Both the National Company Law Tribunal and the National Company Law Appellate Tribunal held the appropriation to be illegal. They concluded that the security deposit remained the property of the corporate debtor and that pre-CIRP dues could only be recovered through the claims verification mechanism prescribed under the IBC. Aggrieved, CTUIL approached the Supreme Court.

### **Supreme Court's Analysis and Findings**

Dismissing the appeals, the Supreme Court emphasized that the IBC establishes a strict framework for dealing with claims once CIRP is initiated. Creditors are required to submit their claims before the Resolution Professional, who alone is empowered to verify and admit them.

The Court noted that CTUIL had, in fact, submitted its claims, which were partially admitted. However, instead of challenging the admitted amount, it proceeded to unilaterally appropriate the security deposit—an action the Court found to be in clear violation of the moratorium provisions.

Reiterating the statutory scheme, the Court held that pre-CIRP dues must necessarily undergo the claims adjudication process and cannot be satisfied through unilateral adjustments by creditors. It further observed that operational continuity during CIRP necessitates prioritisation of post-CIRP dues, and any internal accounting adjustments must reflect this framework.

The Court upheld the findings of the NCLT and NCLAT, concluding that the appropriation undertaken by CTUIL was in derogation of Section 14 of the IBC.

### **Conclusion**

The ruling reinforces the primacy of the moratorium and the structured claims process under the IBC. It underscores that creditors cannot bypass the statutory mechanism by appropriating security deposits towards pre-CIRP dues after the commencement of CIRP.

**Case Title:** *Central Transmission Utility of India Limited v. Sumit Binani & Ors.*  
**Civil Appeal Nos.:** 2216–2217 of 2025



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## **Unsuccessful Party Entitled to Seek Post-Award Interim Relief Under Section 9: Supreme Court Clarifies Law**

The Supreme Court of India has resolved a long-standing divergence among High Courts by holding that even an unsuccessful party in arbitration proceedings is entitled to invoke Section 9 of the Arbitration and Conciliation Act, 1996 after the arbitral award has been rendered. At the same time, the Court underscored that such relief is not to be granted routinely and must be approached with judicial caution.

A Bench comprising Justices Manoj Misra and Manmohan delivered this ruling while adjudicating a batch of appeals concerning the maintainability of post-award interim relief applications filed by parties who had failed in arbitration. The central issue before the Court was whether a party that has lost in arbitration and does not hold an enforceable award can nonetheless maintain a petition under Section 9 at the post-award stage.

### **Background: Divergent High Court Views**

The controversy arose in commercial disputes where arbitral proceedings culminated in awards against certain parties. These unsuccessful parties challenged the awards under Section 34 of the Act and, pending such challenges, sought interim protection under Section 9.

The Bombay High Court had previously taken the view—most notably in *Dirk India Pvt. Ltd. v. Maharashtra State Electricity Generation Co. Ltd.*—that post-award interim measures under Section 9 are available only to a successful party seeking to protect the “fruits of the award.” Appeals under Section 37 were also dismissed on this reasoning. In contrast, other High Courts—including the Telangana High Court, Gujarat High Court, and Punjab and Haryana High Court—had adopted a broader interpretation, permitting unsuccessful parties to seek interim protection where necessary to preserve the subject matter of the dispute pending adjudication of their challenge.

### **No Distinction in Statutory Language**

Resolving the conflict, the Supreme Court held that Section 9 uses the term “a party,” which refers to any party to the arbitration agreement and does not distinguish between successful and unsuccessful parties. Reading such a limitation into the provision, the Court observed, would amount to impermissible judicial legislation.

The Bench reasoned that the right to seek interim measures continues until the conclusion of the judicial process, including the period after the award has been passed but before its enforcement. Any interpretation restricting this right only to award-holders would create an artificial and unsupported distinction within the statutory framework.



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### **Distinct Role of Section 9**

The Court further clarified the distinct purpose served by Section 9 in the statutory scheme. While Sections 34 and 36 deal with setting aside an award and its enforcement or stay, Section 9 is aimed at protecting the subject matter of the dispute or the amount in controversy.

Rejecting the argument that remedies under Sections 34 and 36 are sufficient, the Court held that denying access to Section 9 for unsuccessful parties could leave them without any effective remedy. This is particularly significant in situations where the award is under challenge and there is a risk of dissipation of assets pending adjudication.

### **Higher Threshold for Unsuccessful Parties**

While affirming the maintainability of such petitions, the Court imposed an important caveat: interim relief at the instance of an unsuccessful party must be granted sparingly. Courts must rigorously assess whether the applicant demonstrates a strong prima facie case, balance of convenience, and the likelihood of irreparable harm.

This higher threshold ensures that Section 9 is not misused as a tool to delay enforcement or undermine the arbitral process.

### **Conclusion**

In a definitive pronouncement, the Supreme Court held that judgments of the Bombay, Delhi, Madras, and Karnataka High Courts denying Section 9 relief to unsuccessful parties do not lay down the correct law. Conversely, the broader interpretation adopted by the Telangana, Gujarat, and Punjab & Haryana High Courts was affirmed.

The ruling establishes that any party to an arbitration agreement—including an unsuccessful party—may seek interim measures under Section 9 even after the arbitral award has been passed. However, such relief remains subject to strict judicial scrutiny.

**Cause Title:** *Home Care Retail Marts Pvt. Ltd. v. Haresh N. Sanghavi*

**Case No:** *SLP (C) No. 29972 of 2015*



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