

Lex Favios
Advocates & Solicitors

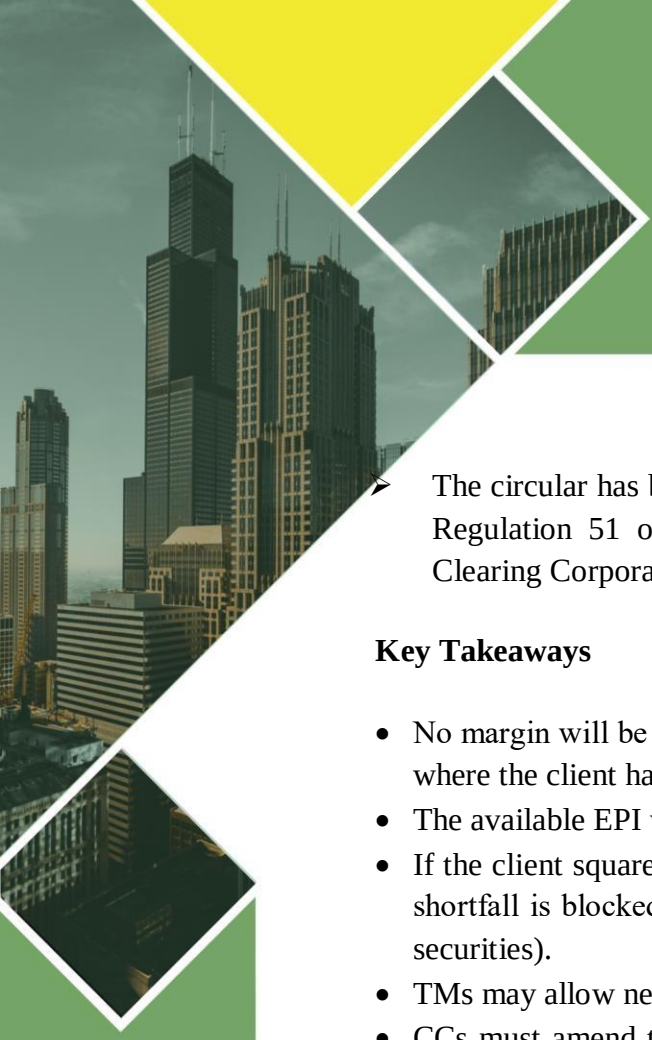
4th November 2026

SEBI Provides Margin Waiver on Subsequent Trades After Early Pay-In in the Cash Segment

The Securities and Exchange Board of India (SEBI), vide **Circular No. HO/(320)2026-MRD-POD2/I/24141/2026 dated October 22, 2026**, has decided that where a client has sold shares and the Early Pay-In (EPI) of those shares has been accepted, the Clearing Corporation (CC) will not collect margin on the client's later buy/sell trad es, up to the amount of the accepted EPI. The circular is addressed to stock exchanges, clearing corporations, depositories and stockbrokers, and comes into force four months from the date of its issuance.

Analysis

- **Existing position:** Under current exchange and CC guidelines, when EPI of sold shares is accepted through the Block mechanism, the EPI is treated as margin collected for that sale. Once the sale value is credited to the client's ledger, the EPI value can also be used as margin for the client's later requirements, up to 100% of the sale value, across all segments.
- **New facility:** Where a client has a net sell obligation in a settlement and the CC has accepted the EPI for the sold securities, the CC shall, on a real-time basis, not collect margin from the Trading Member (TM) or Clearing Member (CM) on the client's subsequent buy/sell positions, up to the accepted EPI amount. SEBI has taken this decision on proposals from the Broker ISF and recommendations of its Risk Management Review Committee.
- **Value of EPI available:** On the trade date, the CC will work out the available EPI value, which is the lower of the value of EPI done and the value of securities sold.
- **New positions:** When the client takes a position in the cash segment on the same trade date based on the EPI, the CC will check the client's margin availability only after reducing the available EPI value.
- **Squaring off:** If the client squares off the sale position for which the EPI benefit was used, the EPI value will be removed. Any resulting shortfall in the client's margin will be blocked by the CC from the proprietary collateral of the TM/CM. This does not apply to Trade for Trade (TFT) securities, as they are settled on a gross basis.
- **Duty of Trading Members:** TMs must ensure that their risk management allows the client to square off the position for which EPI was given, or take any new position, only if the client's required margins are available with the TM.
- **Duty of Clearing Corporations:** CCs must amend their bye-laws, rules and regulations as necessary, carry out system changes and publish the circular on their websites.



- The circular has been issued under Section 11(1) of the SEBI Act, 1992, read with Regulation 51 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018.

Key Takeaways

- No margin will be collected on a client's later buy/sell trades, up to the accepted EPI, where the client has a net sell obligation.
- The available EPI value is the lower of the EPI done and the value of securities sold.
- If the client squares off the sale position, the EPI benefit is removed and any margin shortfall is blocked from the TM/CM's proprietary collateral (not applicable to TFT securities).
- TMs may allow new or square-off positions only if the client's margins are available.
- CCs must amend their rules and make system changes, and the circular takes effect four months from October 22, 2026.

- The notification is attached herein.

Click Here

RBI Aligns the Leverage Ratio Framework for Commercial Banks with the Basel III 2017 Standard

The Reserve Bank of India (RBI), vide the **Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Eleventh Amendment Directions, 2026 (RBI/2026-27/297; DOR.CAP.REC.251/21-02-002/2026-27) dated October 23, 2026**, has amended Chapter VII (Leverage Ratio framework) of the Capital Adequacy Directions, 2025 to align it with the leverage ratio 2017 standard of the Basel Committee on Banking Supervision. The Directions are issued under Section 35A of the Banking Regulation Act, 1949 and come into effect from April 1, 2027.

Analysis

- **Minimum ratio:** The leverage ratio is Tier 1 capital divided by the exposure measure. The minimum is 4 per cent for Domestic Systemically Important Banks (D-SIBs) and 3.5 per cent for other banks, to be met at all times. A branch of a Global Systemically Important Bank (G-SIB) in India must maintain 3.5 per cent plus its applicable G-SIB leverage buffer.



Lex Favios
Advocates & Solicitors

- **Capital distribution limits:** A G-SIB branch that does not meet its leverage buffer will face limits on distributing earnings, depending on its CET1 ratio and leverage ratio. These limits range from conserving 100 per cent of earnings at the lowest levels to nil at healthy levels.
- **Calculation basis:** Capital and exposure are measured at quarter-end, though a bank may use daily or monthly averaging with RBI approval, if applied consistently. The scope of consolidation is the same as for risk-based capital.
- **General rules for exposure:** Exposure generally follows gross accounting values, with no netting of assets and liabilities and no credit risk mitigation unless specified. RBI may temporarily exempt central bank reserves in exceptional circumstances, while raising the minimum ratio to offset the exemption.
- **Derivatives:** A new paragraph 267A covers banks using the Standardised Approach for Counterparty Credit Risk (SA-CCR). Exposure is 1.4 times the sum of replacement cost and potential future exposure, and written credit derivatives are included at their effective notional amount, with limited offsets.
- **Securities financing transactions and off-balance sheet items:** Gross SFT assets are included, with netting of cash payables and receivables allowed only if strict conditions are met. Off-balance sheet items are converted using credit conversion factors, with 100 per cent for credit substitutes.

- **Disclosure and reporting:** Banks must publicly disclose the leverage ratio quarterly, on standalone and consolidated bases, report it to RBI with detailed calculations and use the new Templates LR1 and LR2 under Pillar 3. Paragraph 271 has been deleted.

- **Key Takeaways**

- The minimum leverage ratio is 4 per cent for D-SIBs and 3.5 per cent for other banks, to be met at all times.
- G-SIB branches must add the applicable leverage buffer and face limits on earnings distribution if they fall short.
- SA-CCR banks must calculate derivative exposure as 1.4 times replacement cost plus potential future exposure under the new paragraph 267A.
- Quarterly public disclosure, RBI reporting and Templates LR1 and LR2 are now mandatory.
- The Directions take effect from April 1, 2027.

- The notification is attached herein.

Click Here



Lex Favios
Advocates & Solicitors

Supreme Court Rules That CoC Cannot Withdraw an Approved Resolution Plan Due to Improved Financial Position of Corporate Debtor

Case: *Bank of India & Ors. v. S.M. Kamal Pasha & Ors.*
Citation: 2026 INSC 1154 | Civil Appeal No. 12045 of 2026
Date of Judgment: 26 October 2026

The Supreme Court, in a recent judgment, has held that the Committee of Creditors (CoC) cannot withdraw an approved resolution plan merely because the financial position of the Corporate Debtor has improved. The Court clarified that once a resolution plan is approved by the CoC and submitted before the NCLT, it becomes binding upon the CoC and the Successful Resolution Applicant (SRA), even before its final approval by the NCLT.

Background of the Case:

In the present case, the CoC had approved a resolution plan amounting to Rs. 172.55 crore when the Corporate Debtor had an opening cash balance of approximately Rs. 30 crore. However, due to delays in the proceedings, the financial position of the Corporate Debtor improved considerably, and its cash balance increased to approximately Rs. 165 crore.
The CoC subsequently sought withdrawal of the approved resolution plan, arguing that its implementation would provide an undue financial benefit to the SRA. The NCLT allowed the withdrawal. However, the NCLAT reversed this decision, leading to an appeal before the Supreme Court.

Supreme Court's Findings:

The Supreme Court upheld the NCLAT's decision and held that the commercial wisdom of the CoC cannot be used to withdraw a resolution plan once it has been approved and placed before the NCLT.
Relying upon its earlier judgment in *Ebix Singapore Pvt. Ltd. v. Committee of Creditors of Educomp Solutions Ltd.*, (2022) 2 SCC 401, the Court observed that the binding nature of an approved resolution plan applies equally to the CoC and the SRA.
The Court further clarified that Section 12A of the IBC cannot be read in isolation. Once the CoC approves a resolution plan and places it before the NCLT, neither the insolvency application nor the approved resolution plan can be withdrawn in the manner sought by the CoC. However, the Supreme Court directed the NCLT to consider the pending application for approval of the resolution plan along with the separate application concerning a One-Time Settlement. It clarified that improved profitability alone cannot be a ground to reject a resolution plan that otherwise satisfies the requirements of Section 30(2) of the IBC.



Lex Favios
Advocates & Solicitors

Conclusion:

This judgment reinforces the finality of resolution plans approved by the CoC and prevents financial creditors from reopening the resolution process merely to secure a better financial outcome. It also provides greater certainty to successful resolution applicants and strengthens the objective of ensuring a predictable and time-bound insolvency resolution process.

Supreme Court Clarifies Distinction Between Seat and Venue of Arbitration Where Agreement Mentions Different Locations

Case: *Arcis Clean Energy Pvt. Ltd. v. Parshva Innovation*
Citation: 2026 INSC 1109
Date of Judgment: 12 October 2026

The Supreme Court, in a recent judgment, has clarified that where an arbitration agreement mentions two different locations, the entire agreement must be read together to determine the actual seat of arbitration. The Court held that merely mentioning a particular place in an arbitration clause does not automatically make it the juridical seat of arbitration.

Background of the Case:

The dispute arose from a Franchise Agreement dated 3 August 2023 between the parties. Clause 32.4 of the Agreement provided that the location of arbitration would be Delhi, whereas Clause 32.5 stated that arbitration proceedings would be held in Goa. Further, Clause 38 conferred exclusive jurisdiction upon the courts in Goa.
Following a dispute, the respondent approached the Delhi High Court under Section 11(6) of the Arbitration and Conciliation Act, 1996, seeking appointment of an arbitrator. The Delhi High Court allowed the application and appointed an arbitrator.
The appellant challenged the order before the Supreme Court, arguing that Goa was the juridical seat of arbitration and, therefore, the Delhi High Court lacked jurisdiction.

Supreme Court's Findings:

The Supreme Court held that where an agreement mentions more than one place for arbitration, the mere reference to a location cannot conclusively determine the juridical seat. In such cases, the intention of the parties must be determined by reading the agreement as a whole.



Relying upon its earlier judgments in *BGS SGS SOMA JV v. NHPC Ltd.*, (2020) 4 SCC 234, and *Arif Azim Company Ltd. v. Micromax Informatics FZE*, (2025) 9 SCC 750, the Court observed that the place mentioned for holding arbitration proceedings does not automatically become the seat where other provisions of the agreement indicate a different intention.

The Court noted that Clause 32.5 provided for arbitration proceedings in Goa, while Clause 38 expressly conferred exclusive jurisdiction upon the courts in Goa. Accordingly, the Supreme Court held that Goa was the juridical seat of arbitration, while Delhi was merely a venue. Consequently, the Supreme Court set aside the Delhi High Court's order appointing the arbitrator and granted liberty to the parties to approach the appropriate jurisdictional High Court.

Conclusion:

This judgment highlights the importance of clearly identifying the seat and venue of arbitration while drafting commercial agreements. It also clarifies that where contractual clauses mention different locations, courts must consider the entire agreement to determine the intention of the parties. The decision provides important guidance on territorial jurisdiction in applications for appointment of arbitrators under Section 11 of the Arbitration and Conciliation Act, 1996.



Lex Favios
Advocates & Solicitors

Relevant experience across transactions, regulation and Disputes

Lex Favios advises domestic and international clients across corporate transactions, private capital, banking and finance, securities regulation, restructuring and complex commercial disputes.
Our team regularly acts for banks, financial institutions, investment funds, listed entities and major corporates on regulatory strategy, enforcement, insolvency proceedings and arbitration. The firm is empanelled with and has acted for leading banks, financial institutions, hospitality brands and major corporates, and its work has been recognised by publications including India Business Law Journal, IFLR1000 and BW Legal

In case you have suggestions or do not wish to receive our newsletter,

please email us at info@lexfavios.com

Contact details

Sumes Dewan

Managing Partner

Lex Favios

Email: sumes.dewan@lexfavios.com

Tel: 91-11-41435188/45264524