Lex Favios
Advocates & Solicitors

07th September 2026

RESERVE BANK OF INDIA (URBAN CO-OPERATIVE BANKS – CLASSIFICATION, VALUATION AND OPERATION OF INVESTMENT PORTFOLIO) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India ("RBI"), vide **Circular No. RBI/2026-27/249, DOR.MRG.REC.No.217/00-00-011/2026-27 dated September 2, 2026**, has issued the **Reserve Bank of India (Urban Co-operative Banks – Classification, Valuation and Operation of Investment Portfolio) Second Amendment Directions, 2026.** The amendment modifies the existing provisions under Chapter VIII of the RBI (Urban Co-operative Banks – Classification, Valuation and Operation of Investment Portfolio) Directions, 2025, dated November 28, 2025, concerning investments in non-SLR securities. The amendment has been introduced in view of the establishment of the Indian Digital Payment Intelligence Corporation (IDPIC) as the nation's central digital payment fraud intelligence platform and to enable Urban Co-operative Banks ("UCBs") to acquire membership of IDPIC.

ANALYSIS

- Under the amended framework, RBI has permitted Urban Co-operative Banks to acquire equity shares of the Indian Digital Payment Intelligence Corporation (IDPIC) for acquiring membership of the entity. Accordingly, Paragraph 101.(5) of the 2025 Directions has been substituted to specifically include equity shares of IDPIC alongside equity shares of the Umbrella Organization ("UO") of the UCB sector.
- The amendment further expands the entities in which UCBs may hold equity shares where such investment is necessary for acquiring membership. Paragraph 107.(1) has been substituted to include Market Infrastructure Companies ("MICs"), the Umbrella Organization of the UCB sector, IDPIC, and Central Co-operative Banks ("CCBs")/State Co-operative Banks ("StCBs").
- The inclusion of IDPIC within the permitted investment framework is intended to facilitate the participation of UCBs in the central digital payment fraud intelligence ecosystem. The establishment of IDPIC is aimed at strengthening information-sharing and intelligence relating to digital payment frauds, thereby supporting a more coordinated approach towards addressing fraud-related risks in the digital payments ecosystem.
- The amendment has been issued by RBI in exercise of the powers conferred under Section 35A of the Banking Regulation Act, 1949, read with Section 56 thereof, along with other enabling provisions of law. RBI has stated that the amendments are considered necessary and expedient in the public interest.

- The amended Directions come into effect from September 2, 2026, i.e., the date of their issuance. Accordingly, UCBs may acquire equity shares of IDPIC for the purpose of obtaining membership in accordance with the amended provisions.

KEY TAKEAWAYS

- UCBs can now acquire equity shares of IDPIC for obtaining membership, thereby allowing Urban Co-operative Banks to formally participate in the Indian Digital Payment Intelligence Corporation and access its digital payment fraud intelligence framework.
- IDPIC has been expressly incorporated into the permitted investment framework for UCBs. The amendment to Paragraph 101.(5) places IDPIC alongside the Umbrella Organization of the UCB sector, providing a clear regulatory basis for such equity investment.
- The scope of entities covered under Paragraph 107.(1) has been expanded to include Market Infrastructure Companies (MICs), the Umbrella Organization of the UCB sector, IDPIC, and CCBs/StCBs, where acquiring equity shares is necessary for obtaining membership of these entities.
- The amendment is intended to strengthen the role of UCBs in combating digital payment fraud. By enabling UCBs to become members of IDPIC, the framework facilitates their participation in a centralized digital payment fraud intelligence ecosystem and promotes better coordination and information-sharing.
- The amended Directions have immediate effect from September 2, 2026. The changes have been issued by RBI in the public interest under the powers conferred by Section 35A read with Section 56 of the Banking Regulation Act, 1949.

The notification is attached herein.

Click Here

SEBI TO REVIEW SETTLEMENT PRICE METHODOLOGY FOR DERIVATIVE CONTRACTS IN LIGHT OF THE CLOSING AUCTION SESSION (CAS) ROLLOUT

The Securities and Exchange Board of India ("SEBI"), vide **Press Release PR No. 53/2026 dated September 3, 2026,** has announced that it may propose certain changes to the methodology for determination of settlement prices of derivative contracts on expiry. The announcement follows the experience gathered during the initial period of implementation of the Closing Auction Session ("CAS") in the Equity Cash Segment and the feedback received from market participants. SEBI has stated that a consultation paper in this regard will be issued in about a week. CAS was introduced by SEBI vide circular dated January 16, 2026, with effect from August 3, 2026, for determination of the closing price of securities, and the closing price so determined also serves as the basis for determination of settlement prices for derivative contracts on expiry.

ANALYSIS

- CAS was introduced in the Equity Cash Segment with effect from August 3, 2026, for determination of the closing price of securities. As stipulated in the circular dated January 16, 2026, the closing price determined through CAS additionally forms the basis for determination of settlement prices of derivative contracts on expiry, thereby linking the cash segment price discovery mechanism directly to derivative settlement outcomes.
- The CAS framework was finalised after an extensive consultative process. This included two rounds of public consultation undertaken on December 5, 2024 and August 22, 2025, deliberations in the advisory committee, and discussions with Stock Exchanges, broker associations, institutional investors, market participants and other stakeholders. SEBI has recorded that the inputs received through these consultations were examined and duly considered while finalising the framework.
- Since implementation, SEBI has continued to engage with Stock Exchanges, brokers, proprietary traders, software vendors, mutual funds, industry associations and Foreign Portfolio Investors, with a view to facilitating smooth implementation and addressing operational and other issues arising during the initial period of adoption.
- SEBI has monitored the functioning of CAS and its impact on the market during the first month of its operation. Feedback and suggestions were received from market participants and stakeholders through multiple channels, including social media and other media platforms.

Lex Favios
Advocates & Solicitors

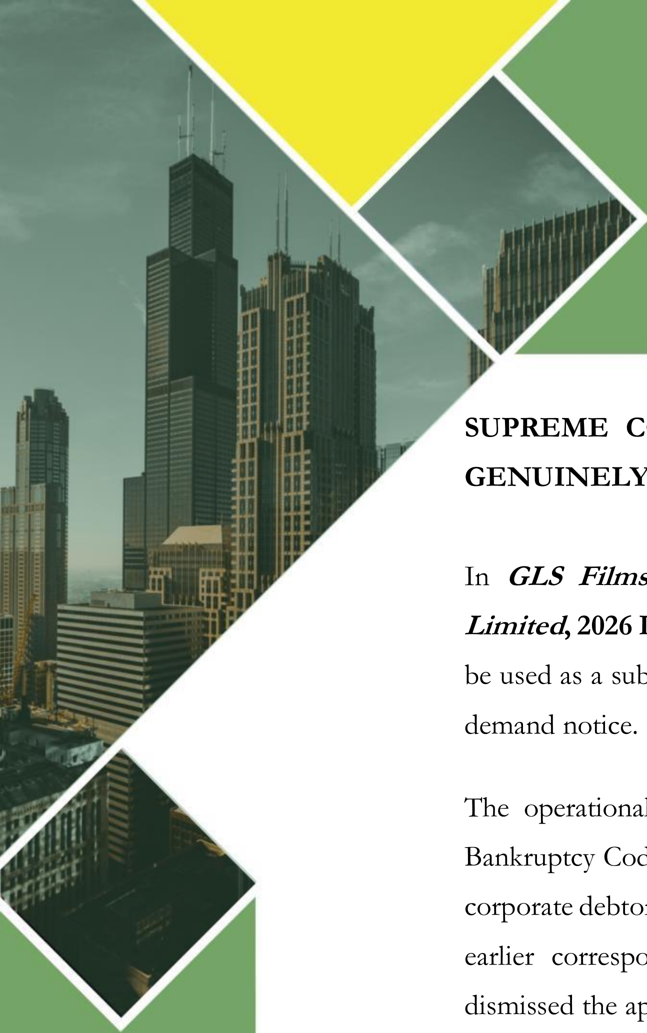
- Among the issues raised, a significant area of feedback relates specifically to the determination of settlement prices of derivative contracts on expiry on the basis of the closing price determined through CAS.
- Having considered the experience of the initial period of CAS implementation and the stakeholder feedback received, SEBI may propose certain changes in the methodology for determination of settlement prices of derivative contracts. A consultation paper setting out the proposed changes is to be issued in about a week.

KEY TAKEAWAYS

- SEBI has signalled a possible revision of the settlement price methodology for derivative contracts on expiry, in response to the operational experience of the first month of CAS and feedback received from market participants.
- The existing framework remains unchanged for the present. The press release is an announcement of intent and does not by itself modify the CAS-based settlement price methodology; the closing price determined through CAS continues to serve as the basis for derivative settlement prices until any revision is formally notified.
- A consultation paper is expected within approximately one week of September 3, 2026. Market participants, including Stock Exchanges, brokers, proprietary traders, mutual funds and FPIs, may wish to prepare their responses and assess the operational implications of any potential change in methodology.
- The concern is specific to the derivative segment. SEBI's release identifies settlement price determination on expiry as the significant area of feedback, while the CAS mechanism for determination of closing prices in the Equity Cash Segment itself has not been called into question.
- The development reflects SEBI's continued consultative approach, consistent with the two rounds of public consultation and advisory committee deliberations that preceded the introduction of CAS.

The press release is attached herein.

Click Here



SUPREME COURT REAFFIRMS: IBC CANNOT BE USED TO RESOLVE GENUINELY DISPUTED CLAIMS

In ***GLS Films Industries Private Limited v. Chemical Suppliers India Private Limited*, 2026 INSC 344**, the Supreme Court reiterated that insolvency proceedings cannot be used as a substitute for recovery where a genuine dispute existed before issuance of the demand notice.

The operational creditor initiated proceedings under Section 9 of the Insolvency and Bankruptcy Code, 2016, seeking approximately Rs 2.93 crore for chemicals supplied to the corporate debtor. The debtor disputed the claim, alleging defective supplies and relying upon earlier correspondence seeking reconciliation and credit notes. Although the NCLT dismissed the application, the NCLAT reversed that decision and directed its admission.

Restoring the NCLT's order, the Supreme Court applied the test laid down in *Mobilox Innovations v. Kirusa Software*. At the admission stage, the adjudicating authority must only determine whether the debtor has raised a plausible contention requiring further investigation. It cannot examine whether that defence is likely to succeed on merits.

The Court found that letters, emails and a police complaint preceding the statutory demand notice demonstrated an ongoing dispute. Discrepancies in the parties' ledgers, changing demand figures and the creditor's claim for 24% interest further showed that neither the amount payable nor the party liable had been conclusively determined. The Court also clarified that evidence emerging after commencement of insolvency proceedings may be considered where it relates to, or contains admissions concerning, facts existing before commencement.

The ruling reinforces an important distinction: the IBC is intended to address insolvency, not to provide creditors with leverage for recovering contested debts. Operational creditors should therefore ensure that their claims are clear, crystallised and undisputed before invoking Section 9, while corporate debtors should maintain contemporaneous documentation evidencing any dispute.

SECTION 34 LIMITATION BEGINS AFTER DISPOSAL OF A FORMAL SECTION 33 APPLICATION: SUPREME COURT

In ***National Highway Authority of India v. T. Younis & Anr.*, 2026 INSC 616**, the Supreme Court clarified the computation of limitation for challenging an arbitral award where an application under Section 33 of the Arbitration and Conciliation Act, 1996 has been filed.

Following an arbitral award concerning compensation for land acquired under the National Highways Act, 1956, both parties filed applications under Section 33 seeking corrections or additions to the award. After their dismissal, NHAI instituted proceedings under Section 34. The Karnataka High Court held that NHAI's Section 33 application sought substantive modification rather than correction of a clerical or computational error and, therefore, could not extend the limitation period. The Section 34 applications were consequently dismissed as time-barred.

Setting aside the High Court's decision, the Supreme Court held that Section 34(3) does not distinguish between Section 33 applications that are allowed, dismissed or ultimately found to be untenable. Once the tribunal's jurisdiction under Section 33 is formally invoked and the application is entertained, limitation for challenging the award begins from the date on which that application is disposed off.

The Court distinguished *State of Arunachal Pradesh v. Damani Construction Co.*, (2007) 10 SCC 742, where the party had merely sent a letter seeking review instead of filing a formal Section 33 application. It also reaffirmed the principles in *Geojit Financial Services Ltd. v. Sandeep Gurav*, 2025 INSC 1021.

Importantly, the Court cautioned that sham, frivolous or mala fide Section 33 applications filed solely to circumvent limitation may invite exemplary and punitive costs.
The judgment provides procedural certainty: parties need not file precautionary Section 34 petitions while a properly instituted Section 33 application remains pending.

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