Lex Favios
Advocates & Solicitors

02nd September 2025

Securities and Exchange Board of India vide circular dated August 26, 2025, has provided relaxation in the timeline to submit net worth certificate by the Stock Brokers to offer margin trading facility to their clients

- The Securities and Exchange Board of India (SEBI) has revised the deadlines for stock brokers to submit their half-yearly net worth certificates. Previously, these certificates were due by April 30 and October 31 each year. The new, relaxed deadlines are now: May 31 for the half-year ending March 31 and November 15 for the half-year ending September 30.
- The circular directly impacts stock brokers in India, particularly those who offer margin trading facilities (MTF) to their clients. It also impacts the stock exchanges (such as NSE and BSE), which have been instructed to update their rules and regulations to reflect the new timelines and inform their members.
- In simple terms, SEBI has given stock brokers more time to submit a crucial financial document. This document, the net worth certificate, proves that a broker is financially sound enough to lend money to clients for margin trading. By extending the deadlines by 31 days (for the March reporting period) and 15 days (for the September reporting period), SEBI is making it easier for brokers to manage their compliance work.
- Essentially, it's a move by the market regulator to reduce the administrative burden on stock brokers, allowing them to better coordinate their audits and financial disclosures. This promotes an "ease of doing business" environment in the securities market without compromising investor protection.
- The circular is attached herein.

Click Here

Lex Favios
Advocates & Solicitors

Securities and Exchange Board of India vide circular dated August 29, 2025, has extended timelines and update of reporting authority for IAs and RAs w.r.t. SEBI Circular for Compliance to Digital Accessibility Circular

- The Securities and Exchange Board of India (SEBI) has issued a circular (SEBI/HO/ITD-1/ITD_VIAP/P/CIR/2025/121) that extends the deadlines for Investment Advisers (IAs) and Research Analysts (RAs) to comply with the digital accessibility framework. This framework, based on the Rights of Persons with Disabilities Act, 2016, requires regulated entities to make their digital platforms accessible to people with disabilities. Additionally, the circular updates the reporting authority for these entities.
- The revised deadlines are:
  - Submission of Compliance Report: Extended from August 30, 2025, to September 30, 2025.
  - Appointment of Accessibility Professional: Extended from September 14, 2025, to December 14, 2025.
  - Conduct of Accessibility Audit: Extended from October 31, 2025, to April 30, 2026.
- The reporting authority for IAs and RAs has also been changed. They will now report their compliance directly to the BSE (earlier they were reporting to BSE Administration & Supervision Limited (BASL) and SEBI).
- This circular primarily impacts two key professions in the financial services industry:
  - Investment Advisers (IAs): Professionals who provide investment advice to clients for a fee.
  - Research Analysts (RAs): Professionals who prepare and publish research reports on securities.
- The change also affects other SEBI-regulated entities that must comply with the digital accessibility framework, such as stock exchanges, clearing corporations, and depositories.

- In simple terms, SEBI is giving Investment Advisers and Research Analysts more time to make sure their websites and apps are accessible to everyone, including people with disabilities. It's an extension of a previous deadline, which was implemented to ensure that a person with a disability can easily use their digital platforms to get financial advice or research reports.
- The other major change is that instead of reporting to multiple authorities, these professionals now have a single point of contact—the BSE—for submitting their digital accessibility compliance reports. This change simplifies the reporting process and reduces the administrative burden on these professionals.
- The circular is attached herein.

Click Here

Liquidation the Only Remedy Where Sole Financial Creditor Is a Related Party: NCLAT New Delhi

The National Company Law Appellate Tribunal (NCLAT), Principal Bench, New Delhi, comprising Justice N. Seshasayee (Judicial Member), Arun Baroka (Technical Member), and Indevar Pandey (Technical Member), has ruled that liquidation remains the only available remedy when the sole financial creditor of a company is also a related party.

Case Background

M/s STROS Esquire Elevators & Hoists Pvt. Ltd. was incorporated as a joint venture between the appellant and another company. The appellant held 50% of the shares and also extended loans to the company. When repayment failed, the Corporate Insolvency Resolution Process (CIRP) was initiated and an Interim Resolution Professional (IRP) was appointed.

The IRP discovered that the appellant was both the sole financial creditor and a related party, making it impossible to constitute a Committee of Creditors (CoC). Faced with this issue, the IRP sought directions from the adjudicating authority. An amicus curiae advised that liquidation was the only possible course, but the adjudicating authority instead asked the appellant to withdraw the CIRP application. Dissatisfied, the appellant filed an appeal.

Appellant's Submissions

The appellant argued, relying on *Phoenix ARC Pvt. Ltd. v. Spade Financial Services Ltd.* [(2021) 3 SCC 475], that the proviso to Section 21(2) of the Insolvency and Bankruptcy Code (IBC) was meant to exclude related parties from the CoC only to prevent conflicts of interest. Since no other creditors existed in this case, allowing the sole financial creditor (even if related) to form the CoC would still align with legislative intent.

The appellant further contended that the adjudicating authority's order left it without any remedy under law. The Resolution Professional supported this position, also noting that the corporate debtor was no longer operational.

NCLAT's Findings

While acknowledging the appellant's submissions, the NCLAT held that the law does not permit constitution of a CoC consisting only of a related party. It stressed that it was for the legislature, not the judiciary, to address such gaps.

The bench observed that the corporate debtor was defunct and beyond revival, making liquidation the only viable course. It emphasized that the IBC does not envisage commencement of CIRP without a validly constituted CoC.

Importantly, the Tribunal remarked that no judicial body should leave a litigant without a remedy. Accordingly, it set aside the impugned order and directed liquidation of the corporate debtor.

Case Details

- **Case Name:** *STROS-Sedlcanske Strojirny, a.s. v. Poonam Basak (IRP for STROS Esquire Elevators & Hoists Pvt. Ltd.)*
- **Case No.:** Company Appeal (AT) (Ins) No. 2159 of 2024

Dismissal of Section 8 Application Operates as Res Judicata; Section 11 Court Cannot Refer Parties to Arbitration: Delhi High Court

The Delhi High Court, per Justice Purushaindra Kumar Kaurav, has held that the dismissal of an application under Section 8 of the Arbitration and Conciliation Act, 1996 (A&C Act) operates as *res judicata*. Accordingly, a Court hearing a Section 11 petition cannot refer parties to arbitration unless the order dismissing the Section 8 application is set aside or interfered with.

Lex Favios
Advocates & Solicitors

Background

The parties had executed a Collaboration Agreement on 26.11.2018, under which the petitioner undertook construction work in exchange for ownership and possession of the second floor of the property. Although construction was completed, the respondent failed to deliver possession as agreed.

Respondent No. 1 thereafter filed a civil suit for permanent injunction before the Civil Judge–01, Tis Hazari Courts, New Delhi. The petitioner, upon receiving summons, moved an application under Section 8 of the A&C Act, which was rejected by order dated 06.05.2023. An appeal was also dismissed on 18.04.2023, with the Appellate Court observing that referring the matter to arbitration would improperly split the parties, which the Act does not permit.

Submissions

The petitioner argued that the subject matter of the civil suit (a decree of injunction) and the relief sought under Section 11 (possession of the second floor) were distinct. It contended that the Section 8 dismissal was on technical grounds and did not bar recourse under Section 11 of the Act.

Conversely, the respondents submitted that once the Civil Judge had dismissed the Section 8 plea, and the Appellate Court upheld it, the Section 11 petition was not maintainable.

Court's Findings

Agreeing with the respondents, the High Court held that the rejection of a Section 8 application operates as *res judicata*, preventing the same issue from being re-agitated under Section 11. The Court accordingly dismissed the Section 11 petition and vacated its earlier order dated 06.05.2025.

Case Details

- **Case Name:** *Surender Bajaj v. Dinesh Chand Gupta & Ors.*
- **Case No.:** ARB.P. 1076/2025

Lex Favios
Advocates & Solicitors

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