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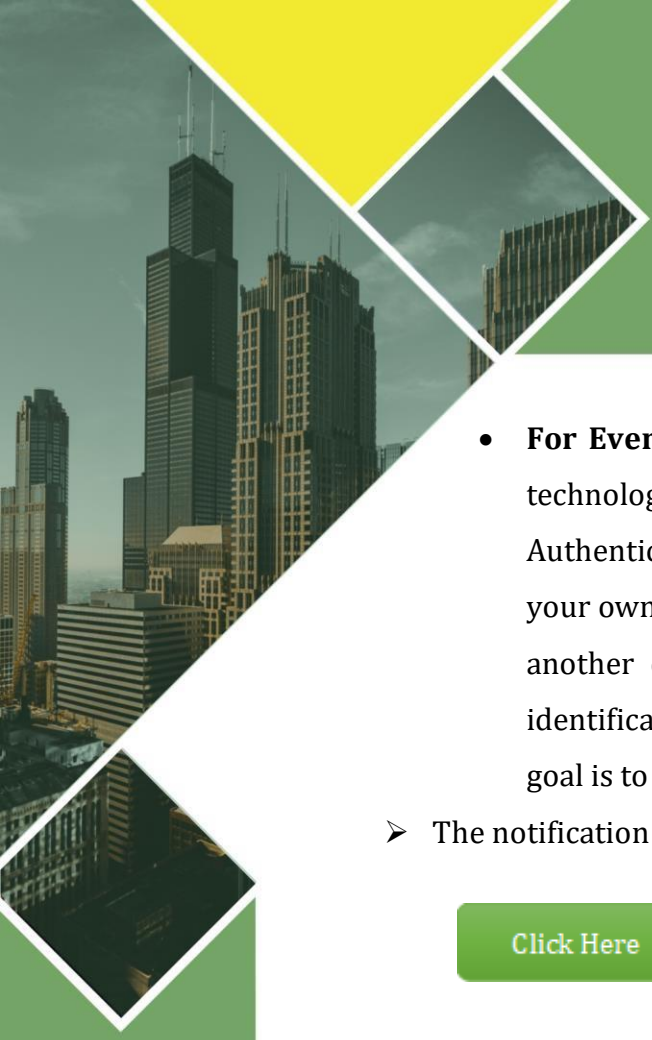
25th August 2025

Reserve Bank of India vide notification dated August 14, 2025, has amended Reserve Bank of India (Know Your Customer (KYC)) Directions, 2016

- The Reserve Bank of India (KYC) (2nd Amendment) Directions, 2025, is an update to the original 2016 KYC directions. The key changes are:
  - **Inclusion of Persons with Disabilities (PwDs):** Financial institutions are now explicitly directed not to discriminate against PwDs. When a KYC application is rejected, the reason must be documented by an officer.
  - **Aadhaar Face Authentication:** The amendment explicitly includes Aadhaar Face Authentication as a valid method for identity verification, a measure that is also supported by a new liveness check rule that should not exclude people with special needs.
  - **Expanded Scope of KYC Checks:** Financial institutions must now conduct KYC checks for occasional international money transfers, in addition to transactions of ₹50,000 or more.
- This circular directly impacts all regulated financial entities in India that are subject to the RBI's KYC directions. This includes all banks, Non-Banking Financial Companies (NBFCs), payment system providers, and other financial institutions that are governed by the RBI Act, Banking Regulation Act, or Payment and Settlement Systems Act. The guidelines also impact individual customers, particularly Persons with Disabilities (PwDs) and anyone conducting international money transfers or large occasional transactions.
- This new RBI rule is all about making the process of opening bank accounts and conducting financial transactions fairer and more modern.
  - **For People with Disabilities:** The new rule provides a formal assurance that banks cannot simply reject their KYC applications without a valid, documented reason. It also ensures that newer technologies like "liveness checks" (which prevent someone from using a photo instead of a live person) don't unfairly disadvantage them.



- **For Everyone Else:** The process of proving your identity is getting a technological upgrade with the formal acceptance of Aadhaar Face Authentication. This could make it easier to complete your KYC from your own home. Additionally, if you're sending or receiving money from another country, you can now expect your bank to ask for proper identification, just as they would for a large cash transaction. The overall goal is to make the system more secure and inclusive

➢ The notification is attached herein.

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Securities and Exchange Board of India vide circular dated August 18, 2025, has eextended timeline for implementation of SEBI Circular 'Margin obligations to be given by way of pledge/Re-pledge in the Depository System' dated June 03, 2025

➢ The Securities and Exchange Board of India (SEBI) has extended the deadline for a new framework related to margin obligations via pledge and re-pledge of securities in the depository system. Originally set to take effect on September 1, 2025, the new implementation date is now October 10, 2025. This extension was granted to allow depositories like CDSL and NSDL more time to complete system developments and conduct end-to-end testing. The core of the new framework is to ensure that a client's securities remain in their own demat account, even when pledged as collateral, which helps prevent their misuse by brokers.

➢ This circular primarily impacts all market infrastructure institutions and their members, including Stock Exchanges, Depositories (e.g., CDSL and NSDL), Clearing Corporations, Stock Brokers and Clearing Members. The guidelines also indirectly affect retail and institutional investors who pledge securities for trading.

➢ This change is a technical one, but its goal is to make the stock market safer for

investors.

- Before the new rule, when you pledged shares to your broker for margin (to get more money to trade), the shares would sometimes move out of your demat account and into the broker's. This created a risk of misuse.
- Under the new rule (effective from October 10, 2025), the pledged shares will stay in your own account. They will simply be marked as "pledged". This makes it much harder for a broker to misuse your shares and provides a clear record of your ownership.
- The recent circular is just a small delay. It doesn't change the final rule, but simply pushes back its start date by about a month to give the systems of all financial institutions enough time to be fully ready. This ensures a smooth transition and avoids any potential technical glitches.
- The circular is attached herein.

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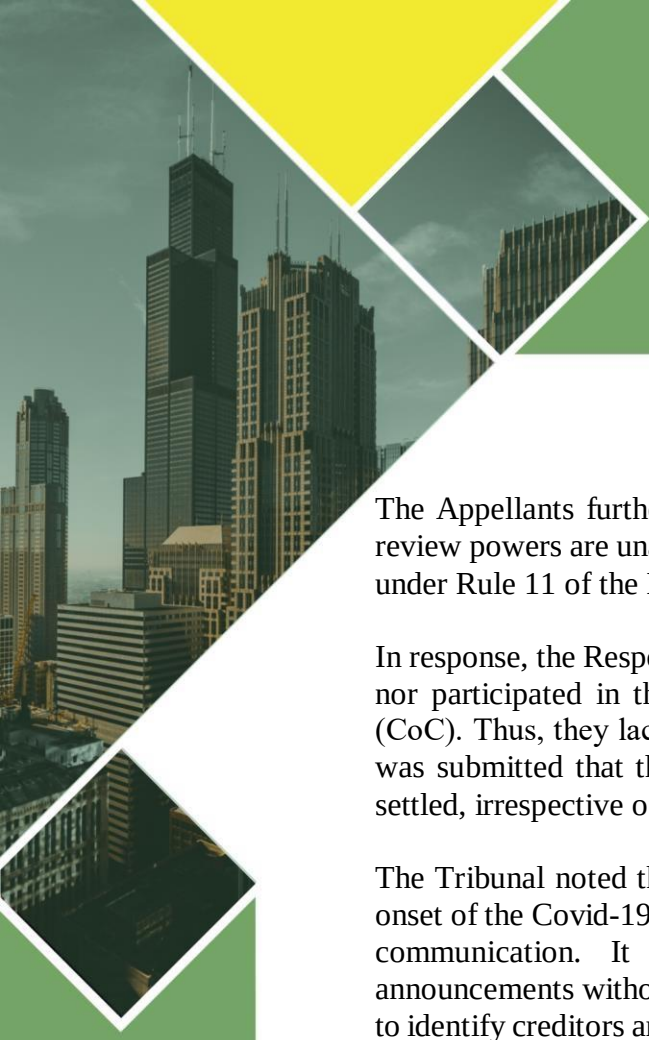
NCLAT: Resolution Professional's Failure To Individually Notify Homebuyers About Insolvency Proceedings Violates IBC Principles

The National Company Law Appellate Tribunal (NCLAT), New Delhi Bench comprising Justice Rakesh Kumar Jain, Mr. Naresh Salecha (Technical Member), and Mr. Indevar Pandey (Technical Member), has held that the Resolution Professional's failure to individually inform homebuyers of ongoing insolvency proceedings—despite the mandate of Regulation 6A of the CIRP Regulations, 2016—undermines the spirit of the Insolvency and Bankruptcy Code (IBC) and vitiates the entire process, particularly in the backdrop of the Covid-19 pandemic.

The appeal under Section 61 of the IBC arose from an order of the National Company Law Tribunal (NCLT), New Delhi, which had rejected an application seeking recall of an earlier order allowing withdrawal of the Corporate Insolvency Resolution Process (CIRP).

The Appellants contended that the CIRP withdrawal was obtained through fraud and suppression of material facts, excluding the legitimate claims of homebuyers. They argued that the Adjudicating Authority ignored substantial evidence of fraud and, in doing so, violated principles of natural justice. Accordingly, they sought recall of the withdrawal order to safeguard the interests of innocent homebuyers.



The Appellants further relied on *Union Bank of India (supra)* to emphasize that while review powers are unavailable, both the NCLT and NCLAT possess inherent jurisdiction under Rule 11 of the NCLAT Rules, 2016 to recall orders obtained by fraud.

In response, the Respondents argued that the Appellants neither filed claims with the IRP nor participated in the original Section 7 proceedings or the Committee of Creditors (CoC). Thus, they lacked the locus standi to challenge the NCLT's withdrawal order. It was submitted that the CIRP withdrawal remains valid if the original applicants have settled, irrespective of pending claims of other homebuyers.

The Tribunal noted that the initiation of CIRP and claims invitation coincided with the onset of the Covid-19 pandemic, when newspaper notices were not an effective means of communication. It was unrealistic to expect homebuyers to monitor public announcements without being directly served. Under Regulation 6, the RP was obligated to identify creditors and inform them individually, ensuring fair opportunity to file claims.

The Bench highlighted that Regulation 6A—introduced precisely to address such situations—requires RPs to notify creditors individually via post or electronic means using the corporate debtor's latest records. The failure to do so, despite availability of records, wrongfully excluded homebuyers from the process.

The Tribunal observed:

"This created a situation where the ex-management of the Corporate Debtor selectively settled with only those few homebuyers whose claims were filed, leaving out others from the same class of creditors. Such discriminatory treatment within a class is contrary to the IBC's fundamental principles and cannot be sustained."

It further held that in the present case, the CoC was already constituted before the withdrawal application was filed. However, the IRP falsely claimed otherwise, despite minutes of the second CoC meeting being on record. The withdrawal was allowed without obtaining the mandatory 90% CoC approval under Section 12A of the IBC.

Clarifying the scope of Section 12A, the Bench stated:

"Section 12A is not a procedural nicety; it embodies substantive protection against unilateral withdrawal of CIRP once collective rights are crystallized. Any deviation, particularly one induced by misrepresentation, is fraudulent and liable to be set aside."

Holding that the impugned order was vitiated by fraud, the NCLAT observed that the Appellants had substantiated their claims with documentary proof, which remained uncontroverted by the Respondents. The NCLT's refusal to recall the order despite such evidence amounted to a grave error of law and abdication of judicial responsibility.

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Accordingly, the appeal was allowed.

Case Title: *Bharti Goyal and Anr. v. Hector Realty Venture Pvt. Ltd. & Ors.*
Case Number: Company Appeal (AT) (Ins.) No. 1545 of 2024 & I.A. No. 5594 of 2024

Delhi High Court: Interim Relief Under Section 9 of Arbitration Act Cannot Be Used To Block Meetings for Director's Removal

A Division Bench of the Delhi High Court comprising Justices Anil Kshetarpal and Harish Vaidyanathan Shankar has ruled that an interim injunction under Section 9 of the Arbitration and Conciliation Act, 1996 ("ACA") cannot be granted to prevent the convening of a board or general meeting for the removal of a director. The Court held that such an order amounts to granting final relief at the interim stage and interferes with the statutory powers vested in a company under the Companies Act, 2013.

Background

The appeals arose under Section 37(1)(b) ACA read with Section 13(1A) of the Commercial Courts Act, 2015 against orders dated 09.06.2025 passed by the District Judge (Commercial Court), Saket Courts, restraining the appellant company from holding board meetings scheduled on 15.04.2025 and 12.05.2025 to consider removal of the respondent as director.

The respondent, appointed in October 2023 through an Executive Employment Agreement and holding shareholding rights under a Shareholders' Agreement, alleged that his salary was withheld, access to official email blocked, and meeting notices served without proper agenda details. He challenged the board and EGM notices under Section 9 ACA, claiming they violated Sections 169 and 173(3) of the Companies Act, 2013. The Commercial Court accepted his plea and restrained the company.

Arguments

- **Appellant's case:** The injunction virtually granted final relief and curtailed shareholders' statutory right to remove a director. Reliance was placed on *Ravinder Sabhawal v. XAD Inc.* (2018) SCC OnLine Del 1148.
- **Respondent's case:** The notices violated mandatory statutory requirements and deprived him of a fair opportunity to respond. Reliance was placed on *Jai Kumar Arya v. Chhaya Devi* (2017 SCC OnLine Del 11436).

High Court's Observations

- Section 9 relief cannot override statutory rights under the Companies Act, particularly the right of shareholders to remove a director.

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- The proviso to Section 173(3) permits shorter notice for urgent matters, and the allegations of financial irregularities justified urgency.
- The District Judge erred by not recording findings on prima facie case, balance of convenience, or irreparable harm—core requirements for interim relief.
- Reliance on *Chhaya Devi v. Rukmini Devi* (2017 SCC OnLine Del 10290) was misplaced, as that ruling stood overturned in *Jai Kumar Arya*.

Decision

The Court set aside the impugned orders, holding that restraining the convening of meetings for director removal was neither legally sustainable nor factually justified.

Case Title: *Drharors Aesthetics v. Debulal Banerjee*
Case No.: FAO (COMM) 163/2025, CM APPL. 36952/2025

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