



AU COURANT

RGNUL FINANCIAL AND MERCANTILE LAW REVIEW

January - March, 2026

PREFACE

It gives us immense joy to share the January to March edition of our quarterly newsletter, “*Au Courant*,” with our readers.

In this edition, major happenings in various fields of law such as Insolvency Law, Arbitration, Competition Law, Technology Law, Banking Law and Securities Law have been recorded in the ‘*News Updates*’ segment to keep the readers abreast of the latest legal developments. The current on-goings in various fields of law have been analysed succinctly in the ‘*Weekly Highlights*’ section to provide readers with some food for thought.

Further, in the ‘*Courts this Quarter*’ section, Supreme Court’s Decisions in the *Ankhim Holdings Pvt. Ltd. v. Zaveri Construction Pvt. Ltd.* and *Amazon NV Investment Holdings LLC v. Future Retail Ltd.* have been analyzed. Moreover, the sections that were introduced in the previous edition of the Newsletter comes back, namely, ‘*Lex Simplifica*’, and ‘*Clause & Effect*.’

We hope that this Edition of the *Au Courant* finds you well and is once again an enjoyable and illuminating read for you!



NEWS UPDATES

NEWS UPDATES: SECURITIES

SEBI Notifies New Stock Brokers Regulations, 2026

The Securities and Exchange Board of India has notified the SEBI (Stock Brokers) Regulations, 2026, replacing the 1992 framework with a consolidated regime governing broker registration, conduct, and compliance. The reforms tighten governance, expand disclosure and compliance obligations, and reflect a shift toward stronger investor protection and modernised oversight of securities market intermediaries.

Retail Participation Recognised in Corporate Debt Issues under NCS Regulations

The Securities and Exchange Board of India has amended the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 to formally recognise retail individual investors in corporate debt issues, setting a ₹2 lakh investment threshold. The reforms also permit issuers to offer targeted incentives, such as additional interest or discounted pricing, to specified investor categories.

NEWS UPDATES: SECURITIES

SEBI Proposes Amendments to Disclosure Requirements for Listed Entities

In February 2026, the Securities and Exchange Board of India issued a consultation paper proposing amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Among other aspects, the consultation addresses periodic reporting obligations and timelines for dissemination of material information to investors. SEBI invited feedback from market participants. The consultation forms part of the regulator's ongoing review of disclosure norms governing listed companies within India's securities framework.

SEBI Issues Interim Order in Insider Trading Investigation

In February 2026, the Securities and Exchange Board of India issued an interim order restraining certain individuals from accessing the securities market in connection with an ongoing investigation under the SEBI (Prohibition of Insider Trading) Regulations, 2015. The order relates to alleged trading activities based on unpublished price-sensitive information concerning a listed company. Pending completion of the investigation, the regulator directed the concerned entities not to buy, sell, or otherwise deal in securities. Further proceedings are expected following the completion of the investigation.

NEWS UPDATES: SECURITIES

SEBI Bars Promoters of Elitecon International Over Market Manipulation

The Securities and Exchange Board of India barred promoters of Elitecon International from accessing the securities market after finding prima facie evidence of misleading disclosures and suspicious trading patterns. The action highlights SEBI's increasing crackdown on corporate governance lapses and signals stricter enforcement against market manipulation in India's capital markets.

SEBI Notifies ICDR Amendment Regulations, 2026 to Tighten Disclosure Norms

The Securities and Exchange Board of India notified amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, with effect from 16 March 2026, for strengthening disclosure requirements for companies raising capital. The move reinforces SEBI's disclosure-based regime and aims to enhance transparency, investor confidence, and accountability in India's primary securities market. By demanding more detailed reporting, these rules aim to give retail investors better information and protection.

NEWS UPDATES: INSOLVENCY

Supreme Court on Telecom Spectrum in Insolvency Proceedings

In February 2026, the Supreme Court of India held that telecom spectrum cannot be treated as a transferable asset during insolvency proceedings. The ruling arose in proceedings concerning telecom companies undergoing insolvency resolution, where questions were raised regarding the treatment of spectrum licenses as part of the corporate debtor's assets. The Court clarified that spectrum is a sovereign natural resource owned by the State and administered by the Department of Telecommunications. It further noted that telecom operators only possess a limited right to use spectrum under license conditions. Such rights cannot be automatically transferred through insolvency resolution plans without regulatory approval.

NCLT Admission Standard Clarified by Supreme Court

The Supreme Court of India clarified the scope of inquiry required by the National Company Law Tribunal when considering applications for initiation of corporate insolvency resolution proceedings. The Court held that the tribunal is required to determine only whether a financial debt exists and whether a default has occurred. It observed that the admission stage is intended to be summary in nature and does not require a detailed examination of disputes between the parties or an assessment of the corporate debtor's financial viability. The decision reiterates the need for limited judicial scrutiny at the threshold stage of insolvency proceedings.

NEWS UPDATES: INSOLVENCY

Limits on NCLT's Jurisdiction over Asset Ownership Disputes:

The Supreme Court has clarified in *Gloster Cables v. Shyam Sundar* that the NCLT cannot decide disputed questions of asset ownership under Section 60(5) of the IBC unless the issue is directly connected to the insolvency resolution process. The Court warned tribunals against encroaching on the jurisdiction of other courts when disputes extend beyond insolvency proceedings.

IBBI Introduces Revised Electronic Liquidation Reporting Forms

The Insolvency and Bankruptcy Board of India has introduced revised electronic forms under the IBBI (Liquidation Process) Regulations, 2016 to streamline liquidation reporting. The new LIQ-1 to LIQ-4 forms consolidate data requirements, enable auto-population on the regulatory portal, and aim to reduce compliance burdens while improving the accuracy and timeliness of filings by insolvency professionals.

NEWS UPDATES: INSOLVENCY

India Amends Insolvency Law to Speed Up Resolution Process

In March 2026, the Insolvency and Bankruptcy Code (Amendment) Bill, 2025 was passed by the Lok Sabha in the hopes of streamlining the Corporate Insolvency Resolution Process, and reduce tribunal delays. The reforms introduce a creditor-led initiation mechanism, enhance accountability of the Committee of Creditors, and emphasise revival over liquidation, marking a shift toward a more efficient, market-driven insolvency regime. It also sets a strict 14-day limit to mandatorily accept CIRP applications upon proof of default. The same also empowers the Central Government to frame rules related to group insolvencies, and cross-border insolvency proceedings.

NCLAT Dismisses BSE Appeal, Affirms IBC Supremacy in Demat Freeze Dispute

In a significant ruling, the National Company Law Appellate Tribunal dismissed appeals by the Bombay Stock Exchange and upheld NCLT's power to defreeze demat accounts during insolvency. The tribunal reaffirmed that the Insolvency and Bankruptcy Code overrides securities regulations in matters connected to insolvency resolution. This ensures resolution professionals can still recover asset value for creditors, even if stock exchange listing fees are unpaid.

NEWS UPDATES: ARBITRATION

Tregenta Hotels Private Limited Vs M/S Hotel Grand Centre Point And Others

The Supreme Court held that arbitration commences upon receipt of a notice invoking arbitration, not court filings. It set aside the Karnataka High Court's view, reaffirming Section 21's primacy. The Court ruled that linking commencement to Section 11 petitions distorts the Act, restoring interim relief granted under Section 9.

R. Savithri Naidu v. Cotton Corporation of India Ltd.: SARFAESI Sale Does Not Extinguish Arbitral Award Execution

The Supreme Court has held in the case of R. Savithri Naidu v. Cotton Corporation of India Ltd. that a sale conducted in compliance with SARFAESI legislation will not provide any legal justification for avoiding the enforcement of an existing Arbitral Award. This ruling significantly limits a debtor's ability to prevent enforcement of an arbitral award through subsequent statutory transactions involving property owned by the debtor. Thus, it reinforced the principle that Arbitral Awards have primacy and their enforcement must be upheld during execution.

NEWS UPDATES: ARBITRATION

M/s Eminent Colonizers Pvt. Ltd. v. Rajasthan Housing Board: Pre-2015 Section 11 Appointment Operates as Res Judicata

In the *M/s Eminent Colonizers Pvt. Ltd. v. Rajasthan Housing Board* case, the Supreme Court ruled that orders for appointments under Section 11 issued after 2015 clearly show that an Arbitration Agreement exists, is valid and also have the effect of being res judicata between the parties involved. Therefore, Section 34 Courts cannot revisit the issue. They must accept the finality of the procedural requirements established in *SBP & Co. v. Patel Engineering Limited* for legacy arbitrations and must distinguish between the effect of precedent and the effect of res judicata.

Clarifies: Absence of Arbitration Agreement Renders Award Non-Est

The Supreme Court has held that mere participation in unilaterally invoked arbitration proceedings does not create estoppel or confer jurisdiction on the arbitrator. In *M/S Bharat Udyog Ltd. v. Ambernath Municipal Council*, a Division Bench of Justices P.S. Narasimha and Alok Aradhe ruled that the State Government's unilateral appointment of an arbitrator under the Maharashtra Municipal Councils Act was invalid as no arbitration agreement existed in the octroi collection contract. The Court affirmed the Bombay High Court's judgment and dismissed the Special Leave Petition.

NEWS UPDATES: ARBITRATION

Supreme Court Sets High Bar for Overturning Enforcement of Foreign Arbitration Awards

The Supreme Court has held that Indian courts cannot reopen the merits of a foreign arbitral award at the enforcement stage or use the “public policy” exception under Section 48 of the Arbitration Act to re-litigate issues already decided by the seat court. A bench of Justices Sanjay Kumar and K. Vinod Chandran dismissed the challenge by promoters of FSSPL against a Singapore award of ₹1,400 crore, calling it a meritless attempt to delay enforcement.

NEWS UPDATES: COMPETITION

Abuse of Dominant Position – Competition Commission of India v. Intel Corporation

The Competition Commission of India imposed a ₹27.38 crore penalty on Intel Corporation for abusing its dominant position in the boxed microprocessor market. Intel engaged in unfair practices, restricted competition, and violated Section 4 of the Competition Act, 2002, adversely affecting market fairness and consumer choice in India.

NEWS UPDATES: COMPETITION

Global Turnover Penalty Debate – Competition Commission of India v. Apple Inc.

The Competition Commission of India examined penalty calculation against Apple Inc., but no final penalty order based on global turnover was imposed at that stage. The issue remains guided by the Supreme Court ruling in *Excel Crop Care Ltd. v. Competition Commission of India*, which mandates penalties based on relevant turnover to ensure proportionality.

CCI v. Intel Corporation: Abuse of Dominant Position in the Boxed Desktop Microprocessor Market

Intel Corporation was fined by CCI on February 12, 2026 in the amount of INR 27.38 crore under the provisions of Section 4 of the Competition Act (2002). The basis for this penalty was that the warranty policy of Intel with respect to microprocessors purchased from registered domestic resellers within India. It gave them a lesser entitlement than was provided to those resellers worldwide. The Commission determined that this would limit consumer choice and negatively affect parallel importers and create significant negative effects on competition in India.

NEWS UPDATES: COMPETITION

CCI v. IndiGo: Artificial Scarcity and Prima Facie Abuse of Dominance in the Domestic Aviation Market

The Competition Commission of India commenced a full investigation of IndiGo under Section 4 of the Competition Act (2002). IndiGo has a 64% share of the domestic aviation market, operates more than 400 aircraft and has an exclusive right to operate on 330 routes in India. While CCI found no indication of lack of competition within airlines' ability to provide services to customers. During the peak times in travel, IndiGo's mass cancellation of flights and failing to provide customers with viable alternative carrier choices created significant barriers to customers from making competitive carrier choices, thus resulting in a significant detrimental effect on competition.

Competition Commission clears merger of Udemy with Chess Merger Sub

The Competition Commission of India has approved the merger of Chess Merger Sub, a Coursera's wholly-owned subsidiary, with Udemy Inc. Existing Coursera shareholders will own approximately 59% and Udemy stockholders will own about 41% of the combined company on a fully diluted basis. This all-stock deal, announced in December 2025 and valued at about USD 2.5 billion, will make Udemy a wholly-owned subsidiary of Coursera. The transaction is expected to close in the second half of this year.

NEWS UPDATES: COMPETITION

CCI Clears BookMyShow of Abuse of Dominance Allegations

The Competition Commission of India (CCI) has closed the information filed by Vijay Gopal, founder of Vanila Entertainments, against Big Tree Entertainment Pvt Ltd., the operator of BookMyShow. The filing alleged an abuse of dominant position. While the Commission acknowledged that Big Tree Entertainment Pvt Ltd. enjoys a dominant position in the relevant market for "online intermediation services for booking of movie tickets in India," it ruled that there was no contravention of Sections 4(2)(a)(i), 4(2)(b)(i), and 4(2)(c) of the Competition Act, 2002. The CCI observed that this dominance is tempered by the presence of other market players and the reciprocal commercial dependence between BookMyShow and cinema operators.

Antitrust Regulation of Digital Platforms– Apple Inc.

The Competition Commission of India is investigating Apple Inc. for alleged abuse of dominance in its App Store, including restrictive policies, mandatory in-app payment systems, and excessive commissions imposed on developers, potentially violating competition law and limiting fair market access.

RBI Proposes Cooling-Off Period for Co-operative Bank Directors

The Reserve Bank of India has proposed draft amendments to governance rules for co-operative banks mandating a three-year cooling-off period for directors after completing the maximum ten-year continuous tenure. The move aims to prevent circumvention of statutory limits and strengthen board governance under the Banking Regulation Act, 1949.

RBI Releases Financial Stability Report

In February 2026, the Reserve Bank of India released its Financial Stability Report examining the condition of India's banking and financial system. The report provides updated data on key indicators including capital adequacy ratios, levels of non-performing assets, and trends in credit growth across scheduled commercial banks. It also evaluates potential systemic risks arising from domestic and global financial developments. The report noted improvements in the asset quality of banks while emphasizing the importance of maintaining adequate capital buffers to withstand macroeconomic uncertainties. The publication forms part of RBI's periodic assessment of financial stability and resilience within the Indian financial sector.

RBI Imposes Monetary Penalties on Banks for Regulatory Non-Compliance

In February 2026, the Reserve Bank of India imposed monetary penalties on several banks for non-compliance with regulatory directions relating to lending norms, customer due diligence, and reporting requirements under the Banking Regulation Act, 1949. The central bank clarified that the penalties were imposed based on deficiencies in regulatory compliance and do not question the validity of transactions entered into by the concerned banks with their customers.

RBI Unveils Payments Vision 2028, Expands Oversight of Digital Players

The Reserve Bank of India unveiled its Payments Vision 2028, proposing e-cheques, stronger security frameworks, and wider regulatory oversight over digital payment platforms. The policy signals a major shift toward tighter regulation of fintech and digital banking ecosystems while promoting innovation and financial inclusion.

RBI Caps Loans Against Shares at ₹1 Crore to Curb Market Risk

The Reserve Bank of India capped loans against shares at ₹1 crore per borrower and ₹25 lakh for IPO financing. The system-wide cap curbs excessive leverage, reduces speculative exposure, and strengthens prudential regulation of banks' capital market lending under the Banking Regulation Act, 1949.

SEBI Amends Merchant Bankers Regulations to Expand Permitted Activities

The Securities and Exchange Board of India has amended the SEBI (Merchant Bankers) Regulations, 1992 to update it from the erstwhile 1992 regulations which reflected fraction of India's current market capitalization. The reforms formally raised the minimum net worth of Merchant Bankers from INR 5 crores, to INR 10 and 50 crores, respective to their accompanying functions. Aside, a minimum "liquid net-worth" has been mandated upon Merchant Bankers. From amendments to compliance timelines, to the broadening of the market's scope, this amendment hopes to do away with the archaic regulations.

NEWS UPDATES: TMT

IT Amendment Rules, 2026: Regulating Synthetically Generated Information

On February 20, 2026, MeitY released the Information Technology (Intermediary Guidelines) Amendment Rules, 2026 that set the standard for a legal framework for synthetically generated information (SGI) in India for the first time. With this legal framework for AI-generated content, including deep fakes or digitally manipulated images/videos, there must be a clear label to indicate this; embedding of metadata of the AI-generated content and a user stated declaration of the AI-generated content. A Significant Social Media Intermediary that is found to not be in compliance with the requirements of Section 79 of the Information Technology Act, 2000 will lose their safe harbour protection and be subject to civil and criminal litigation. Additionally, there is a three-hour timeframe for the removal of synthetic content that is prohibited, including child sexual abuse material (CSAM) and non-consensual intimate images (NCII)

Challenge to the DPDP Act's Amendment to the RTI Act: Supreme Court Issues Notice, Declines Stay

A Supreme Court Bench led by Chief Justice Surya Kant issued a notice in petitions filed on February 15, 2026, challenging the amendment to Section 8(1)(j) of the Right to Information Act, 2005, by the Digital Personal Data Protection Act, 2023. The Petitioners contended that the amendment unduly restricts the availability of personal information that is disclosed in the public interest. The Bench stated that issues related to privacy and issues of transparency need to be balanced, declined to stay the matter on an interim basis and directed the matter to be referred to a larger Bench for hearing.

NEWS UPDATES: TMT

The National Human Rights Commission issues a notice to the Ministry of Electronics and Information Technology

The National Human Rights Commission has issued a notice to the Ministry of Electronics and Information Technology over serious lapses in minors' digital safety and data protection by major online platforms. Citing systemic violations of the Digital Personal Data Protection Act, the National Human Rights Commission flagged risks of tracking, profiling, and unauthorised data sharing affecting minors. It has sought a detailed Action Taken Report within 15 days on compliance status, enforcement actions, and measures to protect minors across platforms, including social media, ed-technology, and AI services.

TRAI issues guidelines to curb spam calls and fraud text messages

The Telecom Regulatory Authority of India has tightened rules to curb spam calls and fraud messages by directing telecom operators to share AI-based spam data within two hours through a blockchain-based Distributed Ledger Technology (DLT) platform. Numbers receiving five or more complaints within 10 days may be blocked. The new guidelines, issued on February 27, aim to enhance accountability for both originating and receiving operators and provide faster protection to over a billion mobile users from scams and financial frauds.



HIGHLIGHTS OF THE QUARTER

SEBI (MUTUAL FUNDS) REGULATIONS, 2026: REGULATORY CONSOLIDATION AND RECALIBRATION

The decision of the Securities and Exchange Board of India to publish the notification of the SEBI (Mutual Funds) Regulations, 2026 on January 14, 2026, with a date of April 1, 2026, is a fundamental rebalancing of the mutual fund regulatory framework. This legislative exercise, replacing the SEBI (Mutual Funds) Regulations, 1996, has a compression of regulatory volume of 162 to 88 pages with the amount of textual content being removed of around 54%.

The redesign of the Total Expense Ratio framework eliminates a desperate flaw in the law whereby Regulation 52 of the 1996 framework imposed statutory costs alongside discretionary ones. Decoupling of statutory impositions in the Base Expense Ratio brings out some sense of clarity in attributing costs. The re-establishment of index fund expense limits to 0.90% and reduction of brokerage limits to 6 basis points on cash market transactions augments the fiduciary cost requirements and therefore may lead to renegotiation of the current fund management arrangements and the need to amend scheme information reports.

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Replacing the governance provisions with streamlined structure that govern sponsor eligibility, demarcation of Asset Management Company and trustees, as well as consolidation of prudential investment norms is a change in the prescriptive rule-based regulation to principle-based supervision. This simplification of the structure can possibly reduce the cases of strict liability but place more interpretative liability on fund fiduciaries to decide the compliance levels.

SUPREME COURT MANDATES TRANSPARENCY AND REASONED COC DECISIONS TO SAFEGUARD HOMEBUYERS UNDER IBC

The Supreme Court has issued key directions relating to the protection of homebuyers interests under the Insolvency and Bankruptcy Code, 2016. The Court opined that although the commercial wisdom of the Committee of Creditors is central to insolvency resolution, such discretion must be exercised with transparency in cases involving real estate developers. Recognising homebuyers as financial creditors, the Court noted that insolvency proceedings in the real estate sector have significant commercial and consumer ramifications.

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It directed that the Information Memorandum shall mandatorily disclose comprehensively and completely details of all allottees; where the Committee of Creditors, upon due consideration, finds it not viable to approve handover of possession, it shall mandatorily record cogent and specific reasons in writing for such decision and any recommendation for liquidation by the Committee of Creditors shall be given with a reasoned justification in writing, with proper application of mind and due consideration of all viable alternatives, in consonance with the objective of the Code.

The decision protects the interests of stakeholder that ensures viable real estate projects are resolved without undermining the legitimate commercial expectations of homebuyers. By insisting on reasoned decision-making and complete disclosure, the Supreme Court has sought to curb arbitrary liquidation of real estate projects and promote resolution mechanisms that preserve asset value.

SEBI PROPOSES OVERHAUL OF 'FIT AND PROPER' TEST FOR MARKET INTERMEDIARIES

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The 'Fit and Proper Person' framework that regulates stock brokers and other market intermediaries is being thoroughly reformed by the Securities and Exchange Board of India (SEBI). The broking industry will be greatly relieved by the proposed changes, which seek to replace strict rule-based triggers with a principle-based assessment approach. Intermediaries would no longer be automatically disqualified under the new framework if law enforcement agencies filed a charge sheet, FIR, or criminal complaint.

Rather, disqualification would only occur following a conviction for moral turpitude, securities law violations, or economic offenses. This avoids irreversible repercussions in cases that result in acquittal and is consistent with the idea that a person is innocent until and unless proven guilty. The proposed changes are expected to prevent intermediaries, key managerial personnel, and controlling shareholders from facing punitive consequences before a final judicial outcome. Additionally, SEBI has suggested that voting rights restrictions be used in place of mandatory share divestment, allowing those in charge to maintain economic ownership.

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The default five-year ban on new registration would only be applicable when specifically stated, and the cooling-off period after show-cause notices would be shortened from one year to six months. The right to a hearing before being deemed "not fit and proper" has been expressly codified by the regulator. Furthermore, intermediaries would only be impacted by group entity disqualification if it were formally announced by SEBI. Public comments on these proposals are invited until February 25, 2026.

DGFT PROPOSES DIGITAL TRADE FACILITATION BILL FOR ELECTRONIC DOCUMENTS AND BHARAT TRADE NET

The Ministry of Commerce and Industry, the Directorate General of Foreign Trade (DGFT) is seeking the input of exporters, industry bodies, export promotion councils, commodity boards etc. regarding the draft Digital Trade Facilitation Bill, 2026. This corresponds with the Union Budget 2025-26 plan of Digital Public Infrastructure to support a fully digital, interoperable, internationally aligned trade system.

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The Bill provides that electronic trade documents (contained in the First Schedule) enforce rights and obligation or claims throughout international trade and may not be rejected by the reason that they are electronic. In order to be reliable they are supposed to be able to facilitate identification and verifiable audit trails and the technology-neutral standards need to conform to the UNCITRAL principles. Electronic records are controllable as are the paper documents and hence transfers, endorsements and amendments in electronic format are identical. It provides a secure process of paper-to-electronic nullifying the former form. The framework encompasses digital identity and trust services, which entail electronic signatures, seals, time stamping, delivery and archiving.

The providers must be up to standard security, available and report breaches besides being liable in failure to a limit. The laws are also compatible with the foreign systems of similar nature that are supposed to be accorded recognition, and the authenticated electronic documents are regarded as being eligible evidence. The remarks should be offered within 30 days of the Trade Notice.

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INDIA'S UPDATED FDI POLICY FOR LAND-BORDERING COUNTRIES: STRENGTHENING SAFEGUARDS WHILE ENCOURAGING INVESTMENT

The changes in the Foreign Direct Investment (FDI) policy regarding investment by the countries that have a land border with India have been approved by the Union Cabinet. The amendment brings in a revised definition of the term Beneficial Owner in accordance with the Prevention of Money Laundering Rules, 2005, and utilizes the beneficial ownership test at the tier of the investor entity. The revision of the policy will allow investments by these countries where the beneficial ownership of up to 10 percent is non-controlling and automatic, but limited by sectoral restrictions and reporting.

The Cabinet has also resolved that the submissions to the investment in certain manufacturing sectors which include capital goods, electronic components, polysilicon and ingot-wafer manufacturing will be handled within a set period of 60 days, meant to help speed up approvals. The changes revised earlier restrictions that were proposed under Press Note 3 (2020) that the investments made by the neighboring countries should be approved by the government to make sure that no opportunistic takeovers are bound to occur as a result of the COVID-19 pandemic.

The reformed structure aims at ensuring national security protection, enhancing ease of business, increasing FDI inflows, promoting domestic manufacturing and including Indian companies into the global supply chains.

RBI PROPOSES NEW GUIDELINES FOR LIMITING CUSTOMER LIABILITY IN SMALL-VALUE DIGITAL FRAUDS

The Reserve Bank of India (RBI) recently released draft guidelines to protect consumers from the growing risk of digital banking fraud. Issued in March 2026, this policy aims to establish a clear restitution system for unauthorized transactions, particularly for small amounts. To qualify for this relief, the total financial loss must be INR 50,000 or less. The policy allows victims to recover either 85% of their lost funds or INR 25,000, whichever is lower.

However, the RBI has imposed a strict limit on this remedy, a customer may claim this relief only once in their lifetime. This limitation is designed to balance victim compensation against the risk of encouraging careless financial behavior.

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Additionally, procedural compliance is mandatory. The Victims must report the incident to their bank and the National Cyber Crime Reporting Portal within five days. A major shift in this proposal involves the burden of proof. The bank now holds the primary responsibility to prove that the customer acted negligently, e.g., by willingly sharing their authentication details. If the financial institution cannot conclusively establish this contributory negligence, the customer is entitled to the refund.

The rules offer absolute protection when the fraud results from the bank's own system failures or internal security breaches. In such scenarios, the principle of "zero liability" applies. The consumer is fully protected and can recover the entire stolen amount, entirely bypassing the INR 25,000 statutory limit. These draft rules are currently under review and are expected to govern digital transactions starting July 1, 2026.



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Ankhim Holdings Pvt. Ltd. v. Zaveri Construction Pvt. Ltd.

Facts:

Ankhim Holdings Pvt. Ltd. (Appellant) and Zaveri Construction Pvt. Ltd. (Respondent), later placed into liquidation, entered into a partnership for the development of an SRA project in Mumbai. Disputes arose between the parties, following which the Appellant filed an application under Section 9 of the Arbitration and Conciliation Act, 1996 before the Bombay High Court. The parties subsequently agreed to certain consent terms, and the High Court appointed a sole arbitrator.

Thereafter, a moratorium under Section 14 of the Insolvency and Bankruptcy Code, 2016 was imposed on the Respondent. During this period, the Appellant sought interim reliefs, and the Arbitral Tribunal passed orders under Section 17 allowing certain sale transactions. The Respondent, through the Resolution Professional, challenged the continuation of arbitration under Section 16, but the Tribunal rejected this challenge.

COURTS THIS QUARTER

Subsequently, when liquidation proceedings were initiated, the arbitral proceedings were terminated. The Appellant then filed a petition under Section 15(2) seeking substitution of the arbitrator. While appointing a substitute arbitrator, the Bombay High Court held that the arbitral proceedings conducted during the moratorium period were a nullity.

Issues:

- i. Whether a court exercising jurisdiction under Section 15(2) of the Arbitration and Conciliation Act, 1996 can declare prior arbitral proceedings as a nullity.
- ii. Whether substitution of an arbitrator permits courts to revisit or invalidate earlier proceedings and orders of the Arbitral Tribunal.

Contentions

The Appellant argued that Section 15(2) only permits substitution of the arbitrator and does not give courts the power to set aside earlier proceedings. It was submitted that Sections 15(3) and 15(4) ensure continuity of arbitral proceedings, and that the Act is a self-contained code limiting judicial interference.

The Respondent argued that proceedings during the moratorium under Section 14 of the Insolvency and Bankruptcy Code, 2016 were void, and the High Court was justified in treating them as a nullity.

COURTS THIS QUARTER

Holding:

The Supreme Court held that Section 15(2) must be read along with Sections 15(3) and 15(4), and that substitution of an arbitrator does not affect the continuity of proceedings or allow courts to invalidate earlier orders.

The Court emphasised that the Arbitration and Conciliation Act, 1996 is a self-contained code, and courts cannot go beyond the powers granted under it. It held that the High Court exceeded its jurisdiction by setting aside orders passed under Sections 16 and 17 and by declaring prior proceedings a nullity without following the statutory remedy under Section 37.

Accordingly, the Supreme Court partly allowed the appeal and set aside the High Court's finding on nullity. Considering the passage of time and the involvement of third-party rights, the Court exercised its powers under Article 142 of the Constitution to uphold the validity of such transactions.

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Amazon NV Investment Holdings LLC v. Future Retail Ltd

Facts:

Amazon NV Investment Holdings LLC invested in Future Coupons Pvt. Ltd., which held shares in Future Retail Ltd. Their agreements restricted Future Retail from transferring retail assets to certain entities, including Reliance Industries Ltd., and provided for arbitration under SIAC Rules.

In 2020, Future Retail entered into a deal with Reliance, allegedly breaching these restrictions. Amazon initiated SIAC arbitration and obtained an interim order from an Emergency Arbitrator restraining the transaction. Amazon then sought enforcement in India under Section 17(2) of the Arbitration and Conciliation Act, 1996, but Future Retail challenged it, arguing that Indian law does not recognise Emergency Arbitrators.

COURTS THIS QUARTER

Issues:

- i. Whether an Emergency Arbitrator qualifies as an arbitral tribunal under the Arbitration and Conciliation Act, 1996.
- ii. Whether an Emergency Arbitrator's award is enforceable under Section 17(1) and Section 17(2) of the Act.

Appellant:

The Appellant argued that since the parties agreed to SIAC Rules, which include Emergency Arbitration, such procedures must be upheld under the principle of party autonomy. It contended that an Emergency Arbitrator's interim order is akin to one under Section 17 and should be enforceable.

Respondent:

The Respondent argued that the Act does not recognise Emergency Arbitrators and that Section 17 applies only to a formally constituted tribunal. Hence, such awards cannot be enforced in India.

Holding:

The Supreme Court held that an Emergency Arbitrator falls within the scope of an arbitral tribunal under the A&C Act 1996. It found that Section 17 is broad enough to cover interim orders passed by such arbitrators, making them enforceable under Section 17(2).

The Court also emphasised party autonomy, noting that adoption of SIAC Rules is valid and, in the absence of any statutory bar, the Emergency Arbitrator's award was enforceable in India.



LEX SIMPLIFICA

India's IBC 2026 Overhaul: Group Insolvency & Longer Clawback Window

In April 2026, Parliament passed the Insolvency and Bankruptcy Code (Amendment) Act, 2026. This law marks a major change toward a more advanced and globally aligned framework for insolvency. The legal recognition of group insolvency and the planned lengthening of the "look-back" window for avoidance transactions are two of its most important changes.

In the past, India's IBC worked on an entity-specific model, which had trouble with the complexities of modern conglomerates where assets and liabilities are deeply intertwined across subsidiaries. Instead of "substantive consolidation," the 2026 Act uses a "procedural coordination" model. This makes it possible for the same NCLT benches, insolvency professionals, and creditor committees to oversee related entities at the same time. The Act keeps the overall enterprise value of a corporate group by making sure that all of its members have the same resolution plans. This stops asset sales from being broken up and court orders from being inconsistent.

LEX SIMPLIFICA

The change to the "look-back" period for getting back fraudulent, undervalued, or preferential transactions is just as important. Before, the review window started on the day the NCLT officially accepted the case. This gave promoters a chance to strategically take assets during the "twilight period," which is the time between filing and admission that happens because of judicial backlogs. The 2026 Act re-attaches this window to the date the application was filed, adding a new period of financial history that was previously safe from being looked at.

These reforms, along with the new out-of-court Creditor-Initiated Insolvency Resolution Process (CIIRP) and the 14-day admission rule, are all meant to stop strategic litigation and get the most money back. The Act strengthens India's credit culture and brings its processes in line with global UNCITRAL standards by putting "resolution over recovery" first.



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The Corporate Laws (Amendment) Bill, 2026: A New Phase in the Indian Corporate Landscape

Introduction:

The Corporate Laws (Amendment) Bill, 2026 marks a new phase of reform in India's corporate law framework. The Bill seeks to amend both the Companies Act, 2013 and the Limited Liability Partnership Act, 2008, with the objective of streamlining regulatory processes such as compliance burdens, revise penalty structures and strengthen governance mechanisms. Its underlying rationale is to ensure efficiency while sustaining investor confidence and corporate accountability.

While the amendment aims to improve ease of doing business, it raises concerns about weaker enforcement and over-reliance on delegated rule, creating a tension between flexibility and oversight.

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Key Changes

First, the Bill substantially expands the definition of a ‘small company’ by raising the paid-up capital and turnover limits by two times. The change will allow many more private companies to participate in the relaxed compliance regime and thus ease compliance and promote formalization, as well as focus on growth, rather than procedural compliance, for management.

Second, the formal statutory recognition of share linked instruments such as restricted stock units and stock appreciation rights modernizes employee compensation frameworks. By bringing unlisted companies closer to current market practices, the amendment provides increased flexibility in retaining talent and makes Indian companies more attractive to highly skilled workers.

Third, the Corporate Social Responsibility (CSR) framework has been revamped with thresholds being increased and the introduction of flexibility through government exemptions. The change effectively tightens the compliance net requiring fewer mid-sized companies to comply and pushing CSR from being an inflexible mandate to a principles based model with more discretion.

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Fourth, as per the proposed amendment in section 134, boards are now required to respond to auditor comments, and to disclose if, and when, they disagree with the recommendations of the audit committee, enhancing transparency and reinforcing investor confidence in financial reporting.

Fifth, the bill proposes to insert new Sections 132A to 132K, significantly strengthening National Financial Reporting Authority(NFRA) by granting it independent regulation-making powers and expanded enforcement tools. NFRA can now directly investigate and penalise auditors for professional misconduct or violations of the Companies Act. Non-compliance with its orders will attract criminal penalties, including imprisonment. This transforms NFRA into a robust statutory regulator.

Way Forward:

For the bill to achieve meaningful reform, its implementation must strike a careful balance between facilitation and regulation. Expanding the definition of small company may increase flexibility but could weaken oversight, making periodic review necessary. Recalibrating the requirements for CSR, while being a relief to small businesses, poses a danger of reducing its importance as an accountability tool.

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Finally, enhanced regulatory powers must be exercised with safeguards to prevent excessive control and ensure fair enforcement. In conclusion, the Bill's real impact will depend on how well it balances business convenience with responsible and ethical corporate behaviour with a measured approach that supports growth while maintaining fairness and transparency.

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