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INSOLVENCY & BANKRUPTCY

IBC Moratorium Does Not Automatically Extend to Promoters and Directors: Supreme Court Remands BSE-Spice Energy Dispute to SAT

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Introduction

The Supreme Court, on 17 November 2026, clarified that the moratorium under Section 14 of the Insolvency and Bankruptcy Code, 2016 (IBC) operates in respect of the corporate debtor and does not automatically extend to its promoters or directors.

In *BSE Ltd. v. Spice Energy Pvt. Ltd. & Anr.*, Civil Appeal No. 7038 of 2025, a Division Bench comprising Justice Sanjay Kumar and Justice Sanjeev Sachdeva set aside an order of the Securities Appellate Tribunal (SAT), which had extended the protection of the moratorium to an erstwhile promoter of a corporate debtor undergoing Corporate Insolvency Resolution Process (CIRP). The Supreme Court held that the SAT had erroneously applied Section 14 of the IBC without examining the remaining issues arising in the appeal, particularly the interpretation and applicability of circulars issued by the Securities and Exchange Board of India (SEBI) under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

The judgment assumes significance in the context of insolvency proceedings and securities-market regulation, particularly concerning the extent of moratorium protection available to persons associated with a corporate debtor and the recovery of outstanding statutory and regulatory dues.

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Factual Background

The dispute arose when the Review Committee of the Bombay Stock Exchange Limited (BSE), by its order dated 26 April 2023, rejected the request made by Spice Energy Pvt. Ltd. (SEPL) for de-freezing its demat account. The account had been frozen pursuant to a communication dated 14 January 2023 issued by the Surveillance Cell of the National Securities Depository Limited (NSDL).

Aggrieved by the decision, SEPL approached the SAT, Mumbai, by way of Appeal No. 569 of 2023. By its order dated 30 April 2025, the SAT allowed the appeal, quashed the BSE Review Committee's order and directed BSE to refund the entire amount realised from SEPL towards outstanding Annual Listing Fees (ALF) payable by M/s Cals Refineries Limited, along with interest. It further directed the immediate de-freezing of SEPL's demat account.

The SAT proceeded on the basis that Cals Refineries Limited had been admitted into CIRP on 17 October 2017 pursuant to a petition filed under Section 9 of the IBC. It held that the moratorium under Section 14, read with the overriding effect of Section 238 of the IBC, prevented recovery of the outstanding dues from SEPL, an erstwhile promoter of the corporate debtor.

Aggrieved by the SAT's decision, BSE approached the Supreme Court. By an interim order dated 30 May 2025, the Supreme Court stayed the operation of the SAT's order.

Legal Issues Before the Supreme Court

The principal question before the Supreme Court was whether the moratorium under Section 14 of the IBC, which operates against a corporate debtor upon commencement of CIRP, could be extended to its promoters or directors. The Court was also required to examine whether the SAT could determine the dispute solely on the basis of the moratorium without considering the applicability of SEBI circulars issued under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, and the legal status of SEPL vis-à-vis the corporate debtor.

The controversy therefore necessitated an examination of the scope of the moratorium under the IBC and its interaction with the regulatory framework governing listed companies.

Scope of the Moratorium under Section 14 of the IBC

The Supreme Court categorically held that the moratorium under Section 14 of the IBC operates only in the context of the corporate debtor and does not extend to its promoters or directors. The Court observed that the SAT's interpretation of the provision was contrary to its express language, which confines the moratorium to proceedings and actions against the corporate debtor.

The SAT had rejected BSE's contention that the moratorium applied only to Cals Refineries Limited and not to its promoters, reasoning that such an interpretation would defeat the underlying objective of the IBC. However, the Supreme Court found this reasoning unsustainable, holding that the statutory protection under Section 14 could not be extended to persons other than the corporate debtor merely by invoking the broader objectives of the insolvency framework.

The Court's observations reaffirm the distinction between the corporate debtor and persons associated with it, particularly its promoters and directors, for the purpose of determining the applicability of the statutory moratorium.

Interaction Between the IBC and SEBI Regulatory Framework

The Supreme Court further observed that the dispute involved questions concerning the interpretation and application of SEBI circulars issued under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. Although SEPL had not challenged the validity of the circulars or the regulations, their construction and applicability were relevant to determining the liability sought to be imposed upon SEPL.

The Court noted that the SAT had failed to examine these regulatory provisions, having disposed of the appeal solely on the basis of Section 14 of the IBC. It also observed that the SAT had not considered the specific issue raised concerning SEPL's status vis-à-vis Cals Refineries Limited.

Accordingly, the Supreme Court emphasised that the applicability of the IBC moratorium could not be considered in isolation where the dispute also involved obligations arising under the securities-market regulatory framework. The SAT was required to examine the relevant regulatory provisions and the parties' respective legal positions before arriving at a determination.

Decision of the Supreme Court

The Supreme Court set aside the SAT's order dated 30 April 2025 and remanded the matter to the SAT for fresh consideration on merits and in accordance with law.

The Court noted that, pursuant to its interim order dated 10 February 2026, SEPL had deposited ?58,04,505 with BSE, without prejudice and under protest, to secure the de-freezing of its demat account. The Court directed that the amount deposited would abide by the outcome of the appeal upon its fresh consideration by the SAT.

Importantly, the Supreme Court left all issues open for consideration by the SAT, including SEPL's entitlement to claim a refund along with interest, should it ultimately succeed in the appeal. The Court accordingly disposed of the appeal without expressing a final determination on the underlying liability.

Legal and Commercial Implications

The judgment provides important guidance to promoters, directors, listed companies, stock exchanges, insolvency professionals and financial institutions dealing with obligations arising during corporate insolvency proceedings. It reinforces that the moratorium under Section 14 of the IBC is a statutory protection available to the corporate debtor and cannot automatically be extended to its promoters or directors.

For stock exchanges and other regulatory authorities, the decision highlights the importance of examining the applicable SEBI regulations and circulars while determining disputes involving outstanding regulatory dues. For promoters and directors, it underscores that the commencement of CIRP against a company does not, by itself, provide immunity from claims or proceedings against them in their individual capacities.

The judgment also reiterates the importance of reasoned adjudication by specialised tribunals. The SAT is required to consider all material factual and legal issues raised before it rather than disposing of a dispute solely by reference to one statutory provision, particularly where the dispute involves the interplay of multiple regulatory frameworks.

Conclusion

The Supreme Court's decision in *BSE Ltd. v. Spice Energy Pvt. Ltd. & Anr.* reinforces the statutory limits of the moratorium under Section 14 of the IBC and clarifies that its protection does not automatically extend to promoters and directors of a corporate debtor. By setting aside the SAT's order and remanding the dispute for fresh consideration, the Court also emphasised the need to examine the applicability of securities-market regulations alongside the insolvency framework.

While the judgment does not finally determine SEPL's liability for the outstanding Annual Listing Fees or its entitlement to a refund, it establishes an important distinction between the insolvency protection available to a corporate debtor and the independent legal position of persons associated with it. The decision is therefore relevant to the interpretation of the IBC, securities-market compliance and the enforcement of regulatory obligations during and after insolvency proceedings.

Frequently Asked Questions

1. Does the moratorium under Section 14 of the IBC extend to promoters and directors?

No. The Supreme Court clarified that the moratorium under Section 14 of the IBC operates in respect of the corporate debtor and does not automatically extend to its promoters or directors.

2. Can a stock exchange recover outstanding listing fees from a promoter of a company undergoing CIRP?

The commencement of CIRP does not automatically protect a promoter from recovery proceedings. However, the promoter's liability must be determined independently by examining the applicable regulatory framework and the relevant facts.

3. Does Section 238 of the IBC override SEBI regulations?

Section 238 gives the IBC overriding effect in the event of inconsistency with other laws. However, the applicability of this provision must be examined in the context of the specific statutory and regulatory obligations involved.

4. Can a promoter's demat account be frozen for dues payable by a company undergoing CIRP?

The Supreme Court did not finally determine the legality of freezing SEPL's demat account. It remanded the matter to SAT for fresh consideration, including examination of the applicable SEBI circulars and SEPL's legal status vis-à-vis the corporate debtor.

5. What happens when the Supreme Court remands a matter to SAT?

When a matter is remanded, SAT must reconsider the dispute in accordance with the Supreme Court's directions. In this case, SAT must examine the outstanding issues on merits, including the applicability of the relevant SEBI regulatory provisions.

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