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VEDANAM

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Why Vedanam?

Mehta & Mehta proudly presents VEDANAM, our monthly newsletter designed to equip legal professionals, Company Secretaries, Chartered Accountants, and all Stakeholders navigating complex regulatory and legal environments. VEDANAM delivers meticulously curated:

- Timely Regulatory Updates
- Comprehensive Case Law Analysis
- Strategic Knowledge Article

With the release of our June 2025 issue, we reaffirm our commitment to providing you with the actionable knowledge needed to proactively navigate and thrive in today's dynamic business and legal landscapes.

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SEBI UPDATE - EXTENSION OF TIMELINES FOR COMPLIANCE WITH CERTAIN PROVISIONS OF CIRCULAR DATED JANUARY 02, 2026

The Securities and Exchange Board of India (SEBI), vide Circular dated June 11, 2026, has extended the timelines for compliance with certain provisions of its Circular dated January 02, 2026 issued pursuant to the SEBI (Merchant Bankers) (Amendment) Regulations, 2025.

The extension has been granted in response to industry representations highlighting operational challenges in implementing the Separate Business Unit (SBU) framework and seeking alignment of net worth and liquid net worth compliance requirements with the financial year-end.

Revised Compliance Timelines

Requirement	Existing Timeline	Revised Timeline
Transfer of activities to Separate Business Unit(s) under Regulation 13A(2) and Clause 11.2.1 of the MB Circular	July 03, 2026	December 31, 2026
Compliance with Clause 11.2.10 of the MB Circular	July 03, 2026	December 31, 2026
Net Worth Requirements under Regulation 7 – Phase I	January 02, 2027	March 31, 2027
Net Worth Requirements under Regulation 7 – Phase II	January 02, 2028	March 31, 2028
Liquid Net Worth Requirements under Regulation 7A – Phase I	January 02, 2027	March 31, 2027
Liquid Net Worth Requirements under Regulation 7A – Phase II	January 02, 2028	March 31, 2028
Intimation to SEBI regarding categorisation as Category I or Category II Merchant Banker	January 02, 2027	March 31, 2027

SEBI has clarified that all other provisions of the Circular dated January 02, 2026 remain unchanged and shall be complied by the Merchant Bankers.

SEBI UPDATE - NORMS FOR BASE PRICE, PRICE BANDS, CALL AUCTION IN PRE-OPEN SESSION AND CLOSE-OUT PROCEDURE FOR EXCHANGE TRADED FUNDS (ETFS)

SEBI has revised the norms governing Exchange Traded Funds (ETFs) to improve price discovery and align ETF trading mechanisms with the movement of their underlying assets. Effective from 1 September 2026, the base price for ETFs will be determined using the previous day's closing price (last 30-minute VWAP) instead of the T-2 day NAV, with a transition to T-1 day closing NAV targeted from 1 April 2027. Dynamic price bands have been introduced for Equity and Debt ETFs (initial ±10%, extendable up to ±20%) and Commodity ETFs (initial ±6%, extendable in stages), while Overnight and Liquid ETFs will continue to have a fixed ±5% band. SEBI has also prescribed revised close-out procedures for Overnight and Liquid ETFs and mandated a pre-open call auction mechanism for Gold and Silver ETFs to facilitate efficient price discovery. These measures are aimed at reducing pricing inefficiencies, enhancing market stability, and strengthening investor protection in the ETF segment.

SEBI UPDATE - GUIDELINES FOR WINDING UP OF AIFS WITH RESPECT TO RETENTION OF PROCEEDS AND ‘INOPERATIVE FUND’ STATUS

SEBI has introduced a framework permitting AIFs and erstwhile VCFs to retain liquidation proceeds beyond the permissible fund life in specified circumstances, including pending or anticipated litigation, tax/regulatory demands, or residual winding-up expenses. The circular also introduces the concept of an “Inoperative Fund”, allowing AIFs that have completed investment activities and seek to surrender registration, but continue to retain monies or await the outcome of pending litigation, to obtain an inoperative status from SEBI. Such funds are prohibited from launching new schemes or charging management fees and are subject to a reduced compliance framework, while being required to submit annual status reports on retained monies and outstanding liabilities. The retained funds must be invested in accordance with Regulation 15(1)(f) of the SEBI (AIF) Regulations, 2012, and the facility is also extended to Venture Capital Funds registered under the erstwhile SEBI (VCF) Regulations, 1996. The circular is effective immediately.

SEBI UPDATE - CLARIFICATION WITH RESPECT TO APPLICABILITY OF THE BENEFIT OF EARLY PAY-IN IN COMMODITY DERIVATIVES SEGMENT

SEBI has clarified the applicability of the Early Pay-in (EPI) facility in the Commodity Derivatives Segment by revising Para 11.3.1 of the Master Circular dated August 4, 2023. Under the revised framework, Clearing Corporations shall continue to provide EPI facilities allowing market participants to deposit certified goods in accredited warehouses against relevant commodity derivative contracts. For positions where early pay-in has been made, Clearing Corporations may, based on their risk assessment, exempt participants from all types of margins; however, collection of mark-to-market (MTM) margins shall remain mandatory for such positions. The circular will come into effect from September 21, 2026, and stock exchanges and clearing corporations have been directed to implement necessary system changes and disseminate the provisions to their members.

SEBI UPDATE - EASE OF DOING BUSINESS – RELAXATION IN CERTIFICATION REQUIREMENT FOR PERSONS ASSOCIATED WITH INVESTMENT ADVICE (PAIA) – SALES AND OTHER NONCORE SERVICES

SEBI has introduced an ease-of-doing-business measure by relaxing the certification requirements for Persons Associated with Investment Advice (PAIA) who are engaged only in sales and other non-core services. Such personnel, including sales staff and relationship managers who interact with clients but are not directly involved in providing investment advice, will now be required to obtain the lighter NISM Series-XXV-B: Persons Associated with Investment Advice (Sales and Other Non-Core Services) Certification Examination instead of the existing NISM Series-X-A and X-B Investment Adviser certifications. However, PAIAs involved in investment advice functions must continue to obtain the NISM Series-X-A (Level 1) and Series-X-B (Level 2) certifications. Further, personnel who already hold the Series X-A and

X-B certifications as on the date of the circular are exempt from obtaining the Series XXV-B certification until the validity of their existing certifications expires. The circular has come into force with immediate effect.

SEBI UPDATE - EASE OF DOING BUSINESS – RELAXATION IN CERTIFICATION REQUIREMENT FOR PERSONS ASSOCIATED WITH INVESTMENT ADVICE (PAIA) – SALES AND OTHER NONCORE SERVICES

SEBI UPDATE - REVIEW OF NORMS FOR UTILIZATION OF INTEREST OR INCOME FROM IPF OF THE DEPOSITORIES

SEBI, vide Circular dated July 7, 2026, has revised the norms governing the utilization of interest or income earned from investments made out of the Investor Protection Fund (IPF) of Depositories. Earlier, 100% of such interest or income was required to be added back to the IPF corpus. Pursuant to the revised framework, Depositories shall contribute at least 95% of the interest or income earned annually from IPF investments back to the IPF corpus, while up to 5% may be utilized towards expenses related to dedicated IPF Trust employees, administrative and statutory costs (including taxes, audit fees, charity commissioner fees, etc.). Any unutilized portion of the 5% allocation must be ploughed back into the IPF, and any expenses exceeding the prescribed limit shall be borne by the Depository. The revised provisions, introduced to ensure uniformity and consistency with similar norms applicable to stock exchanges, shall come into effect from September 1, 2026.

SEBI UPDATE - REVIEW OF NORMS FOR UTILIZATION OF INTEREST OR INCOME FROM IPF OF THE DEPOSITORIES

RBI UPDATE - RESERVE BANK OF INDIA (COMMERCIAL BANKS – CREDIT FACILITIES) THIRD AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (RBI) has issued the Reserve Bank of India (Commercial Banks – Credit Facilities) Third Amendment Directions, 2026 under Sections 21 and 35A of the Banking Regulation Act, 1949. The amendments introduce a comprehensive framework governing bank lending to Real Estate Investment Trusts (REITs) and strengthen the existing regulatory framework for Infrastructure Investment Trusts (InvITs).

Inclusion of REITs and InvITs in Sectoral Lending Provisions

RBI has amended Chapter II of the Directions to expressly include REITs within lending to the real estate sector and InvITs within lending to the infrastructure sector. This provides formal recognition of these investment vehicles within the bank credit framework.

New Framework for Lending to REITs

A new Section F has been inserted in Chapter VIII permitting banks to lend to SEBI-registered and regulated REITs. Banks may lend only to listed REITs having at least 80% of underlying assets generating positive operational cash flows for a minimum period of one year. Banks are required to formulate Board-approved policies covering appraisal, underwriting standards, exposure limits, DSCR benchmarks, and monitoring mechanisms.

Restrictions and End-use Monitoring

Banks must ensure strict monitoring of end-use of funds and prevent the use of REIT financing to support stressed SPVs. Refinancing of existing SPV debt is permitted only for completed projects that have obtained Completion Certificates (CC), Occupancy Certificates (OC), or equivalent approvals. Loan structures involving bullet or balloon repayments are generally prohibited, except for investments in debt securities such as bonds, debentures, and commercial paper.

Acquisition Finance and Prudential Limits for REITs

Bank finance provided to REITs for acquisitions will be subject to the acquisition finance framework under Chapter XI, with certain relaxations. RBI has also prescribed prudential leverage safeguards, including a cap whereby aggregate exposure of all banks to a REIT and its underlying SPVs/holding companies cannot exceed 49% of the value of the REIT's assets. Banks must additionally ensure compliance with SEBI-prescribed leverage limits.

Security Requirements for REIT Lending

All lending to REITs must be fully secured through mechanisms such as charges over underlying immovable property, assignment of rental cash flows and receivables, and pledges of equity interests in SPVs. Loan agreements must incorporate robust lender protection provisions, including escrow arrangements and restrictions on additional indebtedness without lender consent.

Revised Framework for Lending to InvITs

RBI has substituted Paragraph 137A of Chapter IX with a detailed framework governing lending to InvITs. Banks may lend only to listed, SEBI-regulated InvITs, provided at least 80% of their assets are invested in completed, revenue-generating infrastructure projects that have generated positive cash flows for at least one year. Similar requirements relating to Board-approved policies, end-use monitoring, refinancing conditions, repayment structures, and acquisition finance have been prescribed.

Prudential and Security Norms for InvITs

The revised framework introduces prudential leverage limits identical to those applicable to REITs, including the 49% aggregate bank exposure cap. Banks must obtain comprehensive security coverage through charges over project assets, assignment of cash flows, pledges of equity interests, and other enforceable security interests. Loan documentation must also provide safeguards such as escrow mechanisms, lender step-in rights, termination payment protections, and restrictions on additional borrowings.

The Amendment Directions will come into force on October 1, 2026, or earlier if adopted by a bank in their entirety.

RBI Update - Reserve Bank of India (Commercial Banks – Credit Facilities) Third Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (COMMERCIAL BANKS – CONCENTRATION RISK MANAGEMENT) THIRD AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (RBI) has issued the Reserve Bank of India (Commercial Banks – Concentration Risk Management) Third Amendment Directions, 2026 consequent to the amendments introduced under the Commercial Banks – Credit Facilities framework for lending to REITs and InvITs. The amendments have been issued under Sections 21 and 35A of the Banking Regulation Act, 1949.

Internal Exposure Limits for Real Estate Sector

Under the amendment, RBI has deleted Paragraph 94 of Chapter V and introduced a new Paragraph 94A requiring banks to establish internal limits for their aggregate exposure to the real estate sector. Banks are also required to prescribe sub-limits for various categories of real estate exposures based on their business model and risk appetite.

Prudential Cap on Exposure to REITs

As an additional safeguard, RBI has prescribed that the sub-limit for a bank's aggregate exposure to Real Estate Investment Trusts (REITs) shall be subject to a prudential ceiling of 10% of the bank's eligible capital base. This measure is intended to strengthen concentration risk management and prevent excessive exposure to the REIT sector.

These Directions shall come into force from October 1, 2026, or an earlier date if the directions contained in the Reserve Bank of India (Commercial Banks – Credit Facilities) Third Amendment Directions, 2026 are adopted by a bank in entirety.

RBI Update - Reserve Bank of India (Commercial Banks – Concentration Risk Management) Third Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (SMALL FINANCE BANKS – CREDIT FACILITIES) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (RBI) has issued the Small Finance Banks – Credit Facilities (Second Amendment) Directions, 2026, introducing a detailed regulatory framework for lending by Small Finance Banks (SFBs) to Infrastructure Investment Trusts (InvITs).

Under the revised framework, SFBs may lend only to listed InvITs registered and regulated by SEBI. Eligible InvITs must have at least 80% of their assets invested in completed and revenue-generating infrastructure projects that have generated positive operational cash flows for a minimum period of one year.

SFBs are required to establish Board-approved policies governing lending to InvITs, including appraisal standards, DSCR benchmarks, exposure limits, monitoring mechanisms, and end-use verification. Banks must ensure that financing is not used to support stressed SPVs and may refinance only completed projects that have commenced commercial operations.

The amendment prohibits bullet or balloon repayment structures, except for exposures through bonds, debentures, and commercial paper. Further, SFBs are expressly prohibited from extending finance to InvITs for acquiring equity in other entities.

To strengthen prudential safeguards, RBI has prescribed that the aggregate exposure of all banks to an InvIT and its underlying SPVs or holding companies shall not exceed 49% of the value of the InvIT’s assets, subject to compliance with SEBI-prescribed leverage limits.

The Directions also mandate comprehensive security coverage, including charges over underlying assets, assignment of cash flows and receivables, pledges of equity interests, and other enforceable security interests. Loan agreements must contain adequate lender protection measures such as escrow mechanisms, lender step-in rights, and restrictions on additional borrowing.

The amendment will come into effect

from October 1, 2026, or earlier if adopted by a bank in its entirety.

RBI Update - Reserve Bank of India (Small Finance Banks – Credit Facilities) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (ALL INDIA FINANCIAL INSTITUTIONS – CREDIT FACILITIES) AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (RBI) has issued the Reserve Bank of India (All India Financial Institutions – Credit Facilities) Amendment Directions, 2026, introducing a comprehensive framework governing lending by All India Financial Institutions (AIFIs) to Infrastructure Investment Trusts (InvITs). The amendment replaces the existing provisions on InvIT financing and permits lending only to listed InvITs registered and regulated by SEBI.

AIFIs are required to adopt Board-approved policies covering appraisal standards, underwriting norms, DSCR benchmarks, exposure limits, valuation methodologies, and monitoring mechanisms. Lending is permitted only to InvITs with at least 80% of their assets invested in completed and revenue-generating infrastructure projects that have generated positive cash flows for at least one year. AIFIs must also ensure strict end-use monitoring and prevent funding from being used to support stressed SPVs.

The revised framework permits refinancing of existing SPV debt only for completed projects that have commenced commercial operations and prohibits bullet or balloon repayment structures, except for exposures through bonds, debentures, and commercial paper. RBI has further introduced a dedicated framework for acquisition finance by InvITs, permitting AIFIs to finance acquisitions of control in non-financial infrastructure companies, subject to prescribed conditions relating to valuation, leverage, minimum net worth, security, and exposure limits.

To strengthen prudential safeguards, AIFIs must ensure that the leverage of borrowing InvITs remains within SEBI-prescribed limits and undertake robust cash flow assessments. All lending to InvITs must be fully secured through charges over underlying assets, assignment of cash flows, pledges of equity interests in SPVs, and other enforceable security interests. Loan agreements must also incorporate strong lender protection measures, including escrow mechanisms, lender step-in rights, and restrictions on additional borrowings.

The Directions shall come into effect from October 1, 2026, or earlier if adopted by an AIFI in its entirety.

RBI Update - Reserve Bank of India (All India Financial Institutions – Credit Facilities) Amendment Directions, 2026 from October 1, 2026, or earlier if adopted by a bank in its entirety.

RBI Update - Reserve Bank of India (Small Finance Banks – Credit Facilities) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (ALL INDIA FINANCIAL INSTITUTIONS – CREDIT FACILITIES) AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (RBI) has issued the Reserve Bank of India (All India Financial Institutions – Credit Facilities) Amendment Directions, 2026, introducing a comprehensive framework governing lending by All India Financial Institutions (AIFIs) to Infrastructure Investment Trusts (InvITs). The amendment replaces the existing provisions on InvIT financing and permits lending only to listed InvITs registered and regulated by SEBI.

AIFIs are required to adopt Board-approved policies covering appraisal standards, underwriting norms, DSCR benchmarks, exposure limits, valuation methodologies, and monitoring mechanisms. Lending is permitted only to InvITs with at least 80% of their assets invested in completed and revenue-generating infrastructure projects that have generated positive cash flows for at least one year. AIFIs must also ensure strict end-use monitoring and prevent funding from being used to support stressed SPVs.

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To strengthen prudential safeguards, AIFIs must ensure that the leverage of borrowing InvITs remains within SEBI-prescribed limits and undertake robust cash flow assessments. All lending to InvITs must be fully secured through charges over underlying assets, assignment of cash flows, pledges of equity interests in SPVs, and other enforceable security interests. Loan agreements must also incorporate strong lender protection measures, including escrow mechanisms, lender step-in rights, and restrictions on additional borrowings.

The Directions shall come into effect from October 1, 2026, or earlier if adopted by an AIFI in its entirety.

RBI Update - Reserve Bank of India (All India Financial Institutions – Credit Facilities) Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (COMMERCIAL BANKS - PRUDENTIAL NORMS ON CAPITAL ADEQUACY) EIGHTH AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (RBI) has issued the Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Eighth Amendment Directions, 2026 to align the capital adequacy framework with the revised lending norms for Real Estate Investment Trusts (REITs) introduced under the Commercial Banks – Credit Facilities Third Amendment Directions, 2026. The amendment inserts new Paragraphs 61A and 61B in Chapter IV of the Directions, prescribing that exposures to REITs shall be treated as Commercial Real Estate (CRE) exposures and assigned a risk weight of 100% for capital adequacy purposes. However, where such exposures qualify as capital market exposures under the Commercial Banks – Concentration Risk Management Directions, 2025, a higher risk weight of 125% shall apply. Further, lending to REITs undertaken by overseas branches of Indian banks shall attract a risk weight of 150%. The amendment will come into effect from October 1, 2026, or earlier if a bank adopts in entirety the provisions of the Commercial Banks – Credit Facilities Third Amendment Directions, 2026.

RBI Update - Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Eighth Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (COMMERCIAL BANKS - PRUDENTIAL NORMS ON CAPITAL ADEQUACY) EIGHTH AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (RBI) has liberalised the foreign portfolio investment (FPI) framework under Schedule III of the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019, by permitting all individual persons resident outside India, and not just NRIs and OCIs, to invest in equity instruments of listed Indian companies through recognised stock exchanges, subject to enhanced investment limits. AD Category-I banks are now permitted to open repatriable INR accounts for such investors and shall report and monitor investments in the same manner as applicable to NRIs/OCIs. Any reclassification of such investments from FPI to FDI due to breach of prescribed limits or otherwise shall be carried out in accordance with the RBI's existing framework. Banks are required to ensure compliance with FEMA provisions, SEBI regulations, and other applicable laws by implementing appropriate systems, procedures, and investor due diligence measures. The directions have come into effect immediately.

RBI Update - Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Eighth Amendment Directions, 2026

RBI UPDATE - FOREIGN EXCHANGE MANAGEMENT (MODE OF PAYMENT AND REPORTING OF NON-DEBT INSTRUMENTS) (AMENDMENT) REGULATIONS, 2026

The Reserve Bank of India has amended the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 to operationalise the recent liberalisation of foreign portfolio investments by individual persons resident outside India. The amendment expands Schedule III to permit all eligible individual foreign investors, including NRIs and OCIs, to invest in listed Indian companies on a repatriation basis through designated repatriable rupee accounts, with consideration payable through inward remittances or repatriable deposit accounts. Corresponding provisions have been introduced for remittance of sale proceeds and investments under the International Exchanges Scheme (Schedule XI). Further, the reporting framework has been revised by replacing the existing LEC reporting requirement with Form LEC (IFI), under which designated Authorised Dealer Category-I banks are required to report purchases and transfers of equity instruments by individual foreign investors, including NRIs and OCIs, on Indian stock exchanges. The amendments come into force from the date of publication in the Official Gazette and are intended to facilitate broader foreign participation in Indian capital markets while ensuring appropriate regulatory oversight.

RBI Update - Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Amendment) Regulations, 2026

RBI UPDATE -RESERVE BANK OF INDIA (COMMERCIAL BANKS - RESPONSIBLE BUSINESS CONDUCT) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (RBI) has issued the Reserve Bank of India (Commercial Banks – Responsible Business Conduct) Second Amendment Directions, 2026, effective from 1 January 2027, introducing a comprehensive framework governing the advertising, marketing, and sale of financial products and services by commercial banks. The Directions aim to strengthen customer protection by defining and prohibiting practices such as mis-selling, compulsory bundling, and the use of dark patterns, while mandating explicit customer consent, suitability and appropriateness assessments, transparent disclosures, and fair marketing practices. Banks are required to establish detailed policies covering product suitability, customer compensation, engagement and oversight of Direct Selling/Marketing Agents (DSAs/DMAs), grievance redressal, and feedback mechanisms. The framework also prescribes standards for promotional communications, customer interactions, prevention of coercive sales practices, and compensation in cases of mis-selling, thereby enhancing transparency, accountability, and responsible conduct in the distribution of both bank-owned and third-party financial products and services.

RBI Update -Reserve Bank of India (Commercial Banks - Responsible Business Conduct) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (SMALL FINANCE BANKS - RESPONSIBLE BUSINESS CONDUCT) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (RBI) has issued the Reserve Bank of India (Small Finance Banks – Responsible Business Conduct) Second Amendment Directions, 2026, effective from 1 January 2027, introducing a comprehensive framework governing the advertising, marketing and sale of financial products and services by Small Finance Banks (SFBs). The Directions seek to strengthen customer protection by prescribing standards on explicit customer consent, suitability and appropriateness assessments, transparent disclosures, grievance redressal, customer compensation, and responsible engagement of Direct Selling Agents (DSAs) and Direct Marketing Agents (DMAs). The framework defines and prohibits practices such as mis-selling, compulsory bundling and the use of dark patterns in digital interfaces, while requiring SFBs to implement robust policies, codes of conduct, customer feedback mechanisms, and controls over third-party product distribution. The amendments are aimed at promoting fair sales practices, enhancing transparency in customer interactions, and ensuring greater accountability in the distribution of both own and third-party financial products and services by SFBs.

RBI Update - Reserve Bank of India (Small Finance Banks - Responsible Business Conduct) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (PAYMENTS BANKS - RESPONSIBLE BUSINESS CONDUCT) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (RBI) has issued the Reserve Bank of India (Payments Banks – Responsible Business Conduct) Second Amendment Directions, 2026, effective from 1 January 2027, establishing a comprehensive framework for the advertising, marketing and sale of financial products and services by Payments Banks (PBs). The Directions introduce key concepts such as mis-selling, compulsory bundling, dark patterns, and explicit customer consent, while mandating suitability and appropriateness assessments, transparent disclosures, fair marketing practices, and robust grievance redressal mechanisms. PBs are required to formulate detailed policies governing customer protection, engagement and oversight of Direct Selling Agents (DSAs) and Direct Marketing Agents (DMAs), customer feedback, and compensation in cases of mis-selling. The framework also prohibits deceptive digital interface practices, coercive sales tactics, and unauthorised promotional communications, thereby strengthening transparency, accountability, and responsible conduct in the distribution of both own and third-party financial products and services by Payments Banks.

RBI Update - Reserve Bank of India (Payments Banks - Responsible Business Conduct) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (LOCAL AREA BANKS - RESPONSIBLE BUSINESS CONDUCT) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (RBI) has issued the Reserve Bank of India (Local Area Banks – Responsible Business Conduct) Second Amendment Directions, 2026, effective from 1 January 2027, introducing a comprehensive regulatory framework governing the advertising, marketing and sale of financial products and services by Local Area Banks (LABs). The Directions prescribe enhanced customer protection measures, including mandatory explicit customer consent, suitability and appropriateness assessments, transparent disclosures, customer feedback mechanisms, and compensation in cases of mis-selling. The framework also defines and prohibits practices such as mis-selling, compulsory bundling, and the use of dark patterns in digital interfaces, while establishing governance requirements for the engagement and oversight of Direct Selling Agents (DSAs) and Direct Marketing Agents (DMAs). Further, LABs are required to adopt detailed policies, codes of conduct, grievance redressal mechanisms, and controls over the distribution of both own and third-party financial products, with the objective of promoting fair business conduct, transparency, and accountability in customer interactions.

RBI Update - Reserve Bank of India (Local Area Banks - Responsible Business Conduct) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (REGIONAL RURAL BANKS - RESPONSIBLE BUSINESS CONDUCT) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (RBI) has issued the Reserve Bank of India (Regional Rural Banks – Responsible Business Conduct) Second Amendment Directions, 2026, effective from 1 January 2027, introducing a comprehensive framework governing the advertising, marketing and sale of financial products and services by Regional Rural Banks (RRBs). The Directions strengthen customer protection by mandating explicit customer consent, suitability and appropriateness assessments, transparent disclosures, customer feedback mechanisms, and compensation for losses arising from mis-selling. The framework defines and prohibits practices such as mis-selling, compulsory bundling, and the use of dark patterns in digital interfaces, while prescribing robust governance requirements for the engagement, oversight, and conduct of Direct Selling Agents (DSAs) and Direct Marketing Agents (DMAs). RRBs are also required to implement detailed policies, codes of conduct, grievance redressal systems, and controls over the distribution of both own and third-party financial products and services, with the objective of promoting fair business practices, transparency, accountability, and enhanced consumer confidence in the banking sector.

RBI Update - Reserve Bank of India (Regional Rural Banks - Responsible Business Conduct) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (URBAN CO-OPERATIVE BANKS - RESPONSIBLE BUSINESS CONDUCT) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (Urban Co-operative Banks – Responsible Business Conduct) Second Amendment Directions, 2026, effective from 1 January 2027, introduce a comprehensive framework governing the advertising, marketing and sale of financial products and services by UCBs. The amendments define key concepts such as compulsory bundling, dark patterns, explicit consent, mis-selling, DSAs/DMAs and TPPS, and mandate UCBs to adopt a board-approved policy covering suitability assessment, customer compensation, feedback mechanisms and oversight of sales agents. UCBs must obtain explicit customer consent, ensure transparent disclosures, prohibit misleading advertisements, compulsory bundling and dark patterns, conduct suitability and appropriateness assessments before selling products, and establish robust controls over DSAs/DMAs. The Directions also require customer feedback within 30 days of sale, provide for refund and compensation in cases of mis-selling, and mandate compliance with applicable RBI, SEBI, IRDAI, PFRDA, DoT and TRAI regulations, thereby significantly strengthening consumer protection, transparency and accountability in the sale of financial products and services by UCBs.

RBI Update - Reserve Bank of India (Urban Co-operative Banks - Responsible Business Conduct) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (RURAL CO-OPERATIVE BANKS - RESPONSIBLE BUSINESS CONDUCT) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (Rural Co-operative Banks – Responsible Business Conduct) Second Amendment Directions, 2026, effective from January 1, 2027, introduce a comprehensive framework governing the advertising, marketing, and sale of financial products and services by Rural Co-operative Banks (RCBs). The amendments define key concepts such as compulsory bundling, dark patterns, explicit consent, mis-selling, Direct Selling/Marketing Agents (DSAs/DMAs), and third-party products and services (TPPS), and mandate RCBs to adopt detailed policies covering suitability assessment, customer protection, compensation for mis-selling, and oversight of DSAs/DMAs. RCBs must obtain explicit customer consent, ensure transparent disclosures of product features, risks, fees and charges, prohibit dark patterns and compulsory bundling, maintain a Code of Conduct for employees and agents, and establish safeguards against mis-selling. The Directions also prescribe standards for promotional communications, customer interactions, suitability and appropriateness assessments, multilingual documentation, acknowledgment of applications, post-sale documentation, customer feedback mechanisms, and compensation for proven cases of mis-selling. Additionally, RCBs are required to comply with applicable guidelines issued by RBI, SEBI, IRDAI, PFRDA, TRAI, DoT, and the CCPA, with an annexure providing an illustrative list of prohibited dark patterns relevant to banking services.

RBI Update - Reserve Bank of India (Rural Co-operative Banks - Responsible Business Conduct) Second Amendment Directions, 2026

RBI UPDATE -RESERVE BANK OF INDIA (ALL INDIA FINANCIAL INSTITUTIONS - RESPONSIBLE BUSINESS CONDUCT) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (All India Financial Institutions – Responsible Business Conduct) Second Amendment Directions, 2026 introduce a comprehensive regulatory framework governing the advertising, marketing, and sale of financial products and services by AIFIs, effective from 1 January 2027. The Directions define key concepts such as compulsory bundling, dark patterns, explicit consent, mis-selling, DSAs/DMAs, and third-party products and services (TPPS), and mandate AIFIs to adopt a board-approved policy covering product suitability, customer protection, compensation for mis-selling, and oversight of sales intermediaries. AIFIs must ensure transparent marketing, obtain explicit customer consent, provide clear disclosures of product features, charges, risks, and terms, and prohibit deceptive user-interface practices and dark patterns. The framework also prescribes conduct standards for employees, DSAs/DMAs and TPPS representatives, requires assessment of product suitability and appropriateness before sale, mandates separate and clear consent for multiple products, and prohibits compulsory bundling and incentive structures that encourage mis-selling. Further, AIFIs must establish customer feedback mechanisms, provide refunds and compensation in proven mis-selling cases, maintain public disclosure of engaged DSAs/DMAs, and ensure compliance with RBI, SEBI, IRDAI, PFRDA, DoT, TRAI and CCPA guidelines, thereby strengthening customer protection, transparency, and responsible business conduct across the financial services ecosystem.

RBI Update -Reserve Bank of India (All India Financial Institutions - Responsible Business Conduct) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (NON-BANKING FINANCIAL COMPANIES – RESPONSIBLE BUSINESS CONDUCT) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Second Amendment Directions, 2026, effective from January 1, 2027, introduce a comprehensive framework governing the advertising, marketing and sale of financial products and services by NBFCs (excluding CICs, NBFC-AAs, NOFHCs and NBFCs without customer interface). The Directions mandate NBFCs to formulate a comprehensive policy covering product suitability and appropriateness, customer consent, prevention of mis-selling, customer compensation, and oversight of Direct Selling Agents (DSAs) and Direct Marketing Agents (DMAs). The amendments introduce key concepts such as explicit consent, compulsory bundling, mis-selling, dark patterns and third-party products and services (TPPS), while requiring NBFCs to ensure transparent disclosures, obtain product-wise customer consent, assess suitability of products before sale, prohibit compulsory bundling of third-party products, regulate conduct of employees and sales intermediaries, and prevent the use of deceptive digital practices. Further, NBFCs are required to establish customer feedback mechanisms, provide compensation in cases of mis-selling, maintain public disclosures relating to DSAs/DMAs, and ensure compliance with applicable guidelines issued by RBI, SEBI, IRDAI, PFRDA, TRAI and other regulatory authorities, thereby strengthening consumer protection, fair sales practices and accountability across physical and digital distribution channels.

RBI Update - Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (HOUSING FINANCE COMPANIES) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (Housing Finance Companies) Second Amendment Directions, 2026, effective from January 1, 2027, align the regulatory framework applicable to Housing Finance Companies (HFCs) with the newly introduced comprehensive conduct standards governing the advertising, marketing and sale of financial products and services by NBFCs. Pursuant to these amendments, the existing provisions relating to “Advertising, Marketing and Sales” and the “Code of Conduct for DSAs/DMAs” under the Reserve Bank of India (Housing Finance Companies) Directions, 2025 stand repealed and replaced. HFCs are now required to comply with paragraphs 101A to 101ZA of Chapter IIIA of the Reserve Bank of India (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025, which prescribe detailed requirements relating to customer suitability and appropriateness assessments, explicit consent, disclosure standards, regulation of DSAs/DMAs and third-party product providers, prevention of mis-selling and compulsory bundling, prohibition of dark patterns, customer feedback mechanisms, compensation for mis-selling, and enhanced governance and compliance obligations, thereby establishing a uniform and strengthened consumer protection framework across the NBFC sector, including HFCs.

RBI Update - Reserve Bank of India (Housing Finance Companies) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (COMMERCIAL BANKS – UNDERTAKING OF FINANCIAL SERVICES) THIRD AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (Commercial Banks – Undertaking of Financial Services) Third Amendment Directions, 2026, effective from January 1, 2027, revise the regulatory framework governing agency business and referral services undertaken by commercial banks and align customer conduct and protection requirements with the Reserve Bank of India (Commercial Banks – Responsible Business Conduct) Directions, 2025. The amendments redefine agency business and referral services, introduce the concepts of regulated financial products and services, third-party products and services (TPPS), and third-party product and service providers (TPPSPs), and permit banks to facilitate the sale of only regulated financial products and services through agency arrangements on a fee-based, non-risk participation basis. Banks are required to ensure compliance with the Responsible Business Conduct Directions, undertake appropriate due diligence of TPPSPs, maintain transparency regarding products offered through agency and referral arrangements, and ensure robust grievance redressal mechanisms. Under referral arrangements, banks may only market and refer customers to TPPSPs without undertaking any sales or post-sale activities, must clearly disclose their limited role, ensure that the bank's name or brand does not feature in product documentation, and avoid integrating TPPS processes into banking platforms except through redirection links. The amendments also remove certain earlier provisions relating to agency and referral services and consolidate customer protection, conduct, disclosure and sales-related requirements under the Responsible Business Conduct framework.

RBI Update - Reserve Bank of India (Commercial Banks – Undertaking of Financial Services) Third Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (SMALL FINANCE BANKS – UNDERTAKING OF FINANCIAL SERVICES) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (Small Finance Banks – Undertaking of Financial Services) Second Amendment Directions, 2026, effective from January 1, 2027, revise the regulatory framework governing agency business and referral services undertaken by Small Finance Banks (SFBs). The amendments redefine

Agency Business" and "Referral Services", introduce new definitions for "Regulated Financial Products and Services", "Third-party Product and Service (TPPS)" and "Third-party Product and Service Provider (TPPSP)", and remove certain existing provisions relating to agency arrangements. Under the revised framework, SFBs may undertake agency business only for regulated financial products and services on a fee basis without risk participation and must comply with the provisions of the RBI (Small Finance Banks – Responsible Business Conduct) Directions, 2025. Banks must ensure that TPPS providers have robust grievance redressal mechanisms. For referral arrangements, SFBs may only refer customers to TPPS providers for regulated financial products and services, with their role being strictly limited to referral and marketing, without engaging in sales. The Directions also mandate transparency through publication of TPPS lists on digital platforms, prohibit integration of TPPS processes with bank platforms except through redirection links, and require due diligence on TPPS providers to mitigate reputational risks. Additionally, customer service and conduct-related provisions are consolidated under the RBI (Small Finance Banks – Responsible Business Conduct) Directions, 2025.

RBI Update - Reserve Bank of India (Small Finance Banks – Undertaking of Financial Services) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (PAYMENTS BANKS – UNDERTAKING OF FINANCIAL SERVICES) AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (Payments Banks – Undertaking of Financial Services) Amendment Directions, 2026, effective from January 1, 2027, revise the regulatory framework governing agency business and referral services undertaken by Payments Banks. The amendments redefine "Agency Business" and "Referral Services", introduce definitions for "Regulated Financial Products and Services", "Third-party Product and Service (TPPS)" and "Third-party Product and Service Provider (TPPSP)", and remove certain existing provisions relating to agency and referral arrangements. Under the revised framework, Payments Banks may undertake agency business only for regulated financial products and services permitted under Section 6(1) of the Banking Regulation Act, 1949, on a fee basis without risk participation, with upfront disclosure to customers and compliance with the RBI (Payments Banks – Responsible Business Conduct) Directions, 2025. Banks must ensure that TPPS providers have effective grievance redressal mechanisms. For referral arrangements, Payments Banks may only market and refer customers to TPPS providers and cannot sell products under such arrangements. The Directions require clear disclosure of the bank's limited role, publication of TPPS lists on digital channels, prohibition on integration of TPPS processes within the bank's platform except through redirection links, and due diligence on TPPS providers to mitigate reputational risks. Customer service and conduct-related provisions are simultaneously consolidated under the RBI (Payments Banks – Responsible Business Conduct) Directions, 2025.

RBI Update - Reserve Bank of India (Small Finance Banks – Undertaking of Financial Services) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (REGIONAL RURAL BANKS – UNDERTAKING OF FINANCIAL SERVICES) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (Regional Rural Banks – Undertaking of Financial Services) Second Amendment Directions, 2026, effective from January 1, 2027, revise the regulatory framework governing agency business and referral services undertaken by Regional Rural Banks (RRBs) and align customer conduct requirements with the RBI (Regional Rural Banks – Responsible Business Conduct) Directions, 2025. The amendments redefine "Agency Business" and "Referral Services", introduce definitions for "Regulated Financial Products and Services", "Third-party Product and Service (TPPS)" and "Third-party Product and Service Provider (TPPSP)", and prescribe revised conditions for distribution of mutual fund and insurance products. RRBs may undertake agency business for mutual funds and insurance products on a fee basis without risk participation, subject to compliance with applicable SEBI and IRDAI regulations, RBI's Responsible Business Conduct Directions, adequate control mechanisms, upfront disclosure to customers, and ensuring that product providers maintain robust grievance redressal arrangements. Only products covered under the relevant arrangements may be displayed on RRBs' websites or digital channels. The Directions also revise the framework for insurance referral arrangements by requiring compliance with RBI's Responsible Business Conduct Directions and applicable IRDAI regulations, while omitting certain earlier provisions and deleting the requirement relating to disclosure of commission and fees to customers. Overall, the amendments consolidate customer service and conduct-related requirements under the RBI (Regional Rural Banks – Responsible Business Conduct) Directions, 2025 and strengthen governance, transparency and customer protection in the distribution of third-party financial products by RRBs.

RBI Update - Reserve Bank of India (Regional Rural Banks – Undertaking of Financial Services) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (URBAN CO-OPERATIVE BANKS – UNDERTAKING OF FINANCIAL SERVICES) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (Urban Co-operative Banks – Undertaking of Financial Services) Second Amendment Directions, 2026, effective January 1, 2027, revise the framework governing agency and referral arrangements undertaken by UCBs by introducing updated definitions of Agency Business, Referral Services, Regulated Financial Products and Services, Third-Party Products and Services (TPPS) and Third-Party Product and Service Providers (TPPSP), while aligning all customer conduct and service-related requirements with the RBI (Urban Co-operative Banks – Responsible Business Conduct) Directions, 2025. The amendments require UCBs undertaking mutual fund distribution, insurance corporate agency business, insurance referral business, online trading facilitation and National Pension System (NPS) Point of Presence services to comply with the Responsible Business Conduct Directions, conduct such activities strictly on a fee-based and no-risk participation basis, make appropriate customer disclosures, ensure that only authorised third-party products are displayed on digital channels, and verify that partner entities maintain robust grievance redressal mechanisms. The Directions also remove several existing provisions relating to disclosure of commissions, insurance and referral arrangements, update eligibility and application requirements for online trading facilities, and consolidate customer protection, transparency and conduct standards under a single Responsible Business Conduct framework.

<u>RBI Update - Reserve Bank of India (Regional Rural Banks – Undertaking of Financial Services) Second Amendment Directions, 2026</u>

RBI UPDATE - RESERVE BANK OF INDIA (RURAL CO-OPERATIVE BANKS – UNDERTAKING OF FINANCIAL SERVICES) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (Rural Co-operative Banks – Undertaking of Financial Services) Second Amendment Directions, 2026, effective January 1, 2027, revise the framework governing agency and referral arrangements of Rural Co-operative Banks (RCBs) by redefining Agency Business and Referral Services, introducing definitions for Regulated Financial Products and Services, Third-Party Products and Services (TPPS) and Third-Party Product and Service Providers (TPPSP), and consolidating all customer service and conduct-related requirements under the RBI (Rural Co-operative Banks – Responsible Business Conduct) Directions, 2025. The amendments remove certain existing provisions relating to insurance distribution and referral arrangements, mandate compliance with the Responsible Business Conduct Directions and applicable IRDAI regulations, require all permitted financial services activities to be undertaken strictly on a fee-based and no-risk participation basis with upfront customer disclosures, ensure that partner insurance companies maintain robust grievance redressal mechanisms, and permit display only of authorised insurance products on the bank's websites and digital channels. The Directions are aimed at strengthening customer protection, transparency, governance and accountability in the distribution and referral of third-party financial products by RCBs.

RBI Update - Reserve Bank of India (Rural Co-operative Banks – Undertaking of Financial Services) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (NON-BANKING FINANCIAL COMPANIES – UNDERTAKING OF FINANCIAL SERVICES) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (Non-Banking Financial Companies – Undertaking of Financial Services) Second Amendment Directions, 2026, effective January 1, 2027, overhaul the regulatory framework governing agency business undertaken by NBFCs and HFCs by redefining Agency Business, introducing definitions for Regulated Financial Products and Services, Third-Party Products and Services (TPPS) and Third-Party Product and Service Providers (TPPSP), and consolidating customer conduct and service-related requirements under the RBI (Non-Banking Financial Companies – Responsible Business Conduct) Directions, 2025. The amendments permit NBFCs and eligible HFCs to undertake insurance distribution under corporate agency or broking models without prior RBI approval, subject to compliance with IRDAI regulations, while requiring distribution of insurance, mutual funds and NPS products to be conducted strictly on a fee-based and no-risk participation basis, with upfront disclosures, adherence to applicable sectoral regulations, robust grievance redressal arrangements by partner entities, and display only of authorised third-party products on digital channels. The Directions also omit several existing provisions relating to insurance and mutual fund distribution and strengthen governance, transparency and customer protection standards across all third-party financial product distribution activities undertaken by NBFCs and HFCs.

RBI Update - Reserve Bank of India (Non-Banking Financial Companies – Undertaking of Financial Services) Second Amendment Directions, 2026

RBI UPDATE - MASTER DIRECTIONS ON AUTHORISATION TO OPERATE A PAYMENT SYSTEM

The Master Directions on Authorisation to Operate a Payment System consolidate and streamline the regulatory framework for entities seeking or holding authorisation to operate payment systems under the Payment and Settlement Systems Act, 2007. The Directions introduce an on-tap authorisation mechanism, prescribe eligibility criteria including minimum net-worth certification, fit and proper requirements for promoters and management, and restrictions on investments from FATF non-compliant jurisdictions. Authorisations will generally be granted with perpetual validity, subject to continued regulatory compliance and satisfactory supervisory assessment. The Directions also establish a comprehensive framework for voluntary surrender of Certificates of Authorisation (CoA), including customer liability settlement, escrow management, public disclosures, and auditor certifications. Further, a one-year cooling-off period has been prescribed for entities whose authorisation is revoked, surrendered, or refused, as well as for new entities promoted by such persons, unless waived by RBI in exceptional circumstances. The Directions repeal and consolidate several earlier circulars relating to on-tap authorisation, FATF-related investments, perpetual validity of CoA, voluntary surrender, cooling-off periods, and net-worth computation, thereby creating a unified regulatory framework for payment system operators.

RBI Update - Master Directions on Authorisation to operate a Payment System

RBI UPDATE - RESERVE BANK OF INDIA (COMMERCIAL BANKS- PRUDENTIAL NORMS ON CAPITAL ADEQUACY) NINTH AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India, through the Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Ninth Amendment Directions, 2026, has amended the Capital Adequacy Directions, 2025, to provide regulatory capital relief for exposures covered under the Emergency Credit Line Guarantee Scheme (ECLGS) 5.0. Pursuant to the amendment, a new Paragraph 34A has been inserted, stipulating that exposures guaranteed under ECLGS 5.0 shall attract a zero percent risk weight to the extent of 75% of the guaranteed portion, representing the portion of the claim amount expected to be settled within thirty days from the date of guarantee invocation. The balance exposure shall continue to attract risk weights in accordance with the existing prudential norms. This amendment, issued under Section 35A of the Banking Regulation Act, 1949, aligns with the Government-backed .

credit guarantee framework notified by NCGTC and is effective immediately

RBI Update - Reserve Bank of India (Commercial Banks- Prudential Norms on Capital Adequacy) Ninth Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (ALL INDIA FINANCIAL INSTITUTIONS – PRUDENTIAL NORMS ON CAPITAL ADEQUACY) THIRD AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India, through the Reserve Bank of India (All India Financial Institutions – Prudential Norms on Capital Adequacy) Third Amendment Directions, 2026, has amended the Capital Adequacy Directions, 2025, to extend regulatory capital relief to exposures covered under the Emergency Credit Line Guarantee Scheme (ECLGS) 5.0. A new Paragraph 29A has been inserted providing that exposures guaranteed under ECLGS 5.0 shall attract a zero percent risk weight to the extent of 75% of the guaranteed portion, representing the portion of the guarantee where the settlement amount is expected to be received within thirty days from the date of invocation. The remaining portion of the exposure shall continue to attract risk weight in accordance with the existing prudential norms. Issued under Section 45L of the Reserve Bank of India Act, 1934, the amendment aligns the capital treatment for All India Financial Institutions with the Government-backed ECLGS 5.0 framework and has come into force with immediate effect.

RBI Update - Reserve Bank of India (All India Financial Institutions – Prudential Norms on Capital Adequacy) Third Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (URBAN CO-OPERATIVE BANKS – PRUDENTIAL NORMS ON CAPITAL ADEQUACY) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India, through the Reserve Bank of India (Urban Co-operative Banks – Prudential Norms on Capital Adequacy) Second Amendment Directions, 2026, has amended the Capital Adequacy Directions, 2025, to provide regulatory capital relief for exposures covered under the Emergency Credit Line Guarantee Scheme (ECLGS) 5.0. By inserting a new Paragraph 17(6)A, the amendment stipulates that exposures guaranteed under ECLGS 5.0 shall attract a zero percent risk weight to the extent of 75% of the guaranteed portion, representing the portion of the guarantee where the settlement amount is expected to be received within thirty days from the date of invocation. The balance exposure shall continue to attract risk weights in accordance with the existing prudential norms. Issued under Section 35A read with Section 56 of .

the Banking Regulation Act, 1949, the amendment aligns the capital adequacy treatment for Urban Co-operative Banks with the Government-backed ECLGS 5.0 framework and has come into force with immediate effect

RBI Update - Reserve Bank of India (Urban Co-operative Banks – Prudential Norms on Capital Adequacy) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (REGIONAL RURAL BANKS - PRUDENTIAL NORMS ON CAPITAL ADEQUACY) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India, through the Reserve Bank of India (Regional Rural Banks – Prudential Norms on Capital Adequacy) Second Amendment Directions, 2026, has amended the Capital Adequacy Directions, 2025, to extend regulatory capital relief for exposures covered under the Emergency Credit Line Guarantee Scheme (ECLGS) 5.0. A new Paragraph 15(5)A has been inserted, providing that exposures guaranteed under ECLGS 5.0 shall attract a zero percent risk weight to the extent of 75% of the guaranteed portion, representing the portion of the guarantee where the settlement amount is expected to be received within thirty days from the date of invocation. The remaining exposure shall continue to attract risk weights in accordance with the existing prudential norms. Issued under Section 35A of the Banking Regulation Act, 1949, the amendment aligns the capital adequacy treatment applicable to Regional Rural Banks with the Government-backed ECLGS 5.0 framework and has come into force with immediate effect.

RBI Update - Reserve Bank of India (Regional Rural Banks - Prudential Norms on Capital Adequacy) Second Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (NON-BANKING FINANCIAL COMPANIES – PRUDENTIAL NORMS ON CAPITAL ADEQUACY) THIRD AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India, through the Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Third Amendment Directions, 2026, has amended the Capital Adequacy Directions, 2025, to provide regulatory capital relief for exposures covered under the Emergency Credit Line Guarantee Scheme (ECLGS) 5.0. By inserting a new Paragraph 18(2)(iv)(f), the amendment provides that exposures guaranteed under ECLGS 5.0 shall attract a zero percent risk weight to the extent of 75% of the guaranteed portion, representing the portion of the guarantee where the settlement amount is expected to be received within thirty days from the date of invocation. The balance exposure shall continue to attract risk weights in accordance with the extant prudential norms. Issued under Section 45L of the Reserve Bank of India Act, 1934, the amendment aligns the capital adequacy treatment applicable to Non-Banking Financial Companies (NBFCs) with the Government-backed ECLGS 5.0 framework and has come into force with immediate effect.

RBI Update - Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Third Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (SMALL FINANCE BANKS – PRUDENTIAL NORMS ON CAPITAL ADEQUACY) SIXTH AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India, through the Reserve Bank of India (Small Finance Banks – Prudential Norms on Capital Adequacy) Sixth Amendment Directions, 2026, has amended the Capital Adequacy Directions, 2025, to provide regulatory capital relief for exposures covered under the Emergency Credit Line Guarantee Scheme (ECLGS) 5.0. A new Paragraph 25A has been inserted, stipulating that exposures guaranteed under ECLGS 5.0 shall attract a zero percent risk weight to the extent of 75% of the guaranteed portion, representing the portion of the guarantee where the settlement amount is expected to be received within thirty days from the date of invocation. The remaining exposure shall continue to attract risk weights in accordance with the existing prudential norms. Issued under Section 35A of the Banking Regulation Act, 1949, the amendment aligns the capital adequacy framework applicable to Small Finance Banks with the Government-backed ECLGS 5.0 scheme and has come into force with immediate effect.

RBI Update - Reserve Bank of India (Small Finance Banks – Prudential Norms on Capital Adequacy) Sixth Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (INTEREST RATE ON DEPOSITS) AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Interest Rate on Deposits) Amendment Directions, 2026 for Commercial Banks, Small Finance Banks, Regional Rural Banks, Local Area Banks, Urban Co-operative Banks, and Rural Co-operative Banks. The amendments, effective from June 17, 2026, temporarily relax the interest rate restrictions on certain non-resident deposits until September 30, 2026. Specifically, banks are permitted to offer interest rates on fresh NRE deposits with tenors of three years and above, including renewals on maturity, without being subject to the existing cap linked to comparable domestic term deposits. Similarly, the interest rate ceiling on fresh FCNR(B) deposits with tenors of three to five years, including renewed deposits, has been temporarily withdrawn. However, transfers from NRO accounts to NRE accounts are not eligible for this relaxation. The objective of the measure is to provide banks greater flexibility in mobilising foreign currency and NRI deposits during the specified period.

RBI Update - Reserve Bank of India (Interest Rate on Deposits) Amendment Directions, 2026

RBI UPDATE - REPORTING OF FCNR (B) DEPOSITS, ECB AND OFCB MOBILIZED UNDER RESERVE BANK'S SWAP FACILITY

The Reserve Bank of India (RBI) has directed all Authorised Dealer (AD) Category-I banks to submit daily data, by 6:00 p.m., on FCNR (B) deposits, External Commercial Borrowings (ECBs), and Overseas Foreign Currency Borrowings (OFCBs) mobilized under the RBI's swap facilities introduced through circulars dated June 8, 2026. The prescribed reporting formats for FCNR (B) deposits, ECBs, and OFCBs are provided in Annexures I, II, and III respectively, and must be submitted to the designated RBI email addresses. Banks are also required to submit NIL statements on days with no transactions (except Saturdays and holidays). Further, data relating to FCNR (B) deposits, ECBs, and OFCBs mobilized from June 8, 2026, until the issuance of these directions must be reported along with the first submission due on June 22, 2026.

RBI Update - Reporting of FCNR (B) Deposits, ECB and OFCB mobilized under Reserve Bank's Swap Facility

RBI UPDATE - RESERVE BANK OF INDIA CASH RESERVE RATIO AND STATUTORY LIQUIDITY RATIO THIRD AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India (RBI) has issued the Third Amendment Directions, 2026 under the Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) frameworks applicable to Commercial Banks, Small Finance Banks, Urban Co-operative Banks, Rural Co-operative Banks, and Regional Rural Banks. Under the amended directions, fresh Non-Resident (External) Rupee (NRE) term deposits with a tenor of three years or more, mobilized or renewed between June 19, 2026 and September 30, 2026, shall be exempt from the maintenance of CRR and SLR requirements. The CRR exemption will be effective from the reporting fortnight beginning July 16, 2026, based on NDTL computation as on June 30, 2026, and will continue for the original deposit amount as long as the deposits remain on the bank's books. Transfers from Non-Resident (Ordinary) (NRO) accounts to NRE accounts will not qualify for the exemption. The amendments, which came into force with immediate effect, also introduce corresponding changes to reporting formats and relevant provisions of the respective CRR and SLR Directions, with the objective of encouraging inflows of long-term NRE deposits.

RBI Update - Reserve Bank of India Cash Reserve Ratio and Statutory Liquidity Ratio Third Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA [DISBURSEMENT OF GOVERNMENT PENSION BY AGENCY BANKS (ABS)] FIRST AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India [Disbursement of Government Pension by Agency Banks (ABs)] First Amendment Directions, 2026, effective immediately, revising the framework for recovery and refund of excess pension payments. The amended directions require agency banks to ensure that no recovery of excess pension is made without prior notice to, and knowledge and consent of, the pensioner, and mandate obtaining a Letter of Undertaking from pensioners for refunding any excess pension credited to their accounts. In cases of bank-attributed errors, such as clerical or calculation mistakes, banks must immediately credit the excess amount to the Government account upon detection, follow the prescribed recovery procedure, and implement a Board-approved policy governing recovery of excess pension payments, including a cut-off period beyond which recovery will not be pursued. For excess payments arising from Government-attributed errors, banks are required to recover amounts based on Government instructions, while ensuring that any recovery from a pensioner's account balance (other than monthly pension payments) is supported by the customer's express authorization. Any ambiguity in Government instructions must be referred to the concerned Government authority and not to the Reserve Bank of India.

RBI Update - Reserve Bank of India [Disbursement of Government Pension by Agency Banks (ABs)] First Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (COMMERCIAL BANKS - PRUDENTIAL NORMS ON CAPITAL ADEQUACY) TENTH AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Tenth Amendment Directions, 2026, effective from 1 April 2027, revising the methodology for computation of Net Open Position (NOP) and capital charge for foreign exchange risk to align with international standards and ensure uniform implementation across banks. The amended framework requires banks to calculate NOP and maintain foreign exchange risk capital charges at both standalone and consolidated levels on a continuous basis, while excluding certain positions such as capital deductions, specific regulatory capital instruments, and non-performing or matured unpaid securities. The Directions introduce a detailed framework permitting the exclusion of eligible structural foreign exchange positions—such as capital investments and accumulated surpluses in overseas branches, subsidiaries, joint ventures, associates, IFSC Banking Units, and Offshore Banking Units—from NOP, subject to prescribed conditions, documentation, consistency requirements, and supervisory review. Further, comprehensive guidelines have been provided for measuring currency exposures, treatment of derivative positions, overseas operations, gold positions, and portfolio-level foreign exchange risk. The overall capital requirement for foreign exchange risk, including gold, will continue to be calculated at 9% of the overall NOP determined using the prescribed shorthand method, in addition to capital requirements for credit, interest rate, and other applicable risks.

RBI Update - Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Tenth Amendment Directions, 2026

RBI UPDATE- RESERVE BANK OF INDIA (LOCAL AREA BANKS - PRUDENTIAL NORMS ON CAPITAL ADEQUACY) AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Local Area Banks – Prudential Norms on Capital Adequacy) Amendment Directions, 2026, effective from 1 April 2027, revising the framework for computation of capital charge on foreign exchange risk to align with international standards and promote consistency across Local Area Banks (LABs). The amended directions require LABs to maintain capital for foreign exchange risk on a continuous basis at the close of each business day and prescribe a detailed methodology for calculating Net Open Position (NOP) across all foreign currency and gold exposures in both the banking and trading books. Certain positions, including those deducted from regulatory capital and non-performing or matured unpaid securities, are excluded from forex risk capital requirements. The revised framework sets out the treatment of spot, forward, derivative, guarantee, future income and expense positions, as well as gold exposures, for determining NOP. LABs are required to calculate overall NOP using the prescribed shorthand method, under which the higher of aggregate net long or net short currency positions, together with the net gold position, forms the basis for computing the capital charge. The capital requirement for foreign exchange and gold positions will continue to be 9% of the overall NOP, in addition to capital requirements for credit risk, interest rate risk and other applicable risks.

RBI Update- Reserve Bank of India (Local Area Banks - Prudential Norms on Capital Adequacy) Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (SMALL FINANCE BANKS - PRUDENTIAL NORMS ON CAPITAL ADEQUACY) SEVENTH AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Small Finance Banks – Prudential Norms on Capital Adequacy) Seventh Amendment Directions, 2026, effective from 1 April 2027, to align the methodology for computation of Net Open Position (NOP) with international standards and ensure uniform implementation across Small Finance Banks (SFBs). While SFBs are not required to maintain a capital charge for foreign exchange risk, those operating as Authorised Dealer Category-I banks must compute and monitor NOP on a continuous basis at the close of each business day. The amendment introduces a new Annex VII prescribing a comprehensive framework for calculating NOP, including the treatment of spot, forward, derivative, guarantee, future income and expense positions, and gold exposures across both trading and banking books. Certain positions, such as those deducted from regulatory capital and specified non-performing or matured unpaid securities, are excluded from NOP calculations. The Directions also prescribe the shorthand method for measuring overall foreign exchange exposure, require the use of authorised benchmark-based spot rates, and mandate that SFBs follow the RBI's Master Direction on Risk Management and Inter-Bank Dealings for reporting, applicable limits and NOP-INR requirements.

RBI Update - Reserve Bank of India (Small Finance Banks - Prudential Norms on Capital Adequacy) Seventh Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (REGIONAL RURAL BANKS - PRUDENTIAL NORMS ON CAPITAL ADEQUACY) THIRD AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Regional Rural Banks – Prudential Norms on Capital Adequacy) Third Amendment Directions, 2026, effective from 1 April 2027, to strengthen and standardise the framework for computation of Net Open Position (NOP) and capital requirements for foreign exchange and gold exposures across Regional Rural Banks (RRBs). The amendment prescribes a detailed methodology for calculating NOP, requiring RRBs to monitor foreign exchange risk on a continuous basis at the close of each business day and include all foreign currency and gold positions held in both the banking and trading books. Certain positions, such as those deducted from regulatory capital and specified non-performing or matured unpaid securities, are excluded from NOP calculations. The Directions provide comprehensive guidance on the treatment of spot, forward, derivative, guarantee, future income and expense positions, and gold exposures, and require RRBs to determine overall NOP using the prescribed shorthand method based on aggregate net long or short currency positions and gold positions. Further, the NOP is required to be risk-weighted at 100%, with such capital requirement being in addition to capital requirements for credit and other applicable risks. The amended framework also aligns reporting, limit monitoring and NOP-INR requirements with the RBI's Master Direction on Risk Management and Inter-Bank Dealings.

RBI Update - Reserve Bank of India (Regional Rural Banks - Prudential Norms on Capital Adequacy) Third Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (URBAN CO-OPERATIVE BANKS - PRUDENTIAL NORMS ON CAPITAL ADEQUACY) THIRD AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Urban Co-operative Banks – Prudential Norms on Capital Adequacy) Third Amendment Directions, 2026, effective from 1 April 2027, to strengthen and standardise the methodology for computation of Net Open Position (NOP) and capital charge on foreign exchange and gold exposures across Urban Co-operative Banks (UCBs). The amended framework requires UCBs to maintain capital for foreign exchange risk on a continuous basis at the close of each business day and prescribes detailed guidelines for calculating NOP by including all foreign currency and gold positions held in both the banking and trading books. Certain positions, including those deducted from regulatory capital and specified non-performing or matured unpaid securities, are excluded from NOP calculations. The Directions provide comprehensive guidance on the treatment of spot, forward, derivative, guarantee, future income and expense positions, as well as gold exposures, and require UCBs to determine overall NOP using the prescribed shorthand method based on aggregate net long or short currency positions and gold positions. The capital requirement for foreign exchange and gold positions shall continue to be 9% of the overall NOP, in addition to capital requirements for credit, interest rate and other applicable risks. Further, the amendment clarifies that only Authorised Dealer (AD) UCBs are required to apply risk weights on foreign exchange NOP, while other UCBs need to consider only gold-related NOP for market risk purposes, and all eligible UCBs must comply with the RBI's Master Direction on Risk Management and Inter-Bank Dealings for reporting and limit monitoring requirements.

RBI Update - Reserve Bank of India (Urban Co-operative Banks - Prudential Norms on Capital Adequacy) Third Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (RURAL CO-OPERATIVE BANKS - PRUDENTIAL NORMS ON CAPITAL ADEQUACY) AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Rural Co-operative Banks – Prudential Norms on Capital Adequacy) Amendment Directions, 2026, effective from 1 April 2027, to establish a uniform framework for the computation of Net Open Position (NOP) and capital requirements relating to foreign exchange and gold exposures across Rural Co-operative Banks (RCBs). The amendment introduces a detailed methodology for calculating NOP, requiring RCBs to monitor foreign exchange risk on a continuous basis at the close of each business day and include all foreign currency and gold-related assets, liabilities and off-balance sheet exposures in the calculation. Certain positions, including those deducted from regulatory capital and specified non-performing or matured unpaid securities, are excluded from NOP computation. The Directions prescribe the treatment of spot, forward, derivative, guarantee, future income and expense positions, and gold exposures, and require overall NOP to be determined using the shorthand method based on aggregate net long or short currency positions and gold positions. Further, the NOP is required to be risk-weighted at 100%, with such capital requirement being in addition to credit risk and other applicable capital requirements. The amendment also clarifies that risk weights on foreign exchange NOP are applicable only to Authorised Dealer RCBs, while other RCBs are required to consider only gold-related NOP, and mandates compliance with the RBI's Master Direction on Risk Management and Inter-Bank Dealings for reporting, limit monitoring and NOP-INR requirements.

RBI Update - Reserve Bank of India (Rural Co-operative Banks - Prudential Norms on Capital Adequacy) Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (ALL INDIA FINANCIAL INSTITUTIONS (AIFIS) – PRUDENTIAL NORMS ON CAPITAL ADEQUACY) FOURTH AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (All India Financial Institutions (AIFIs) – Prudential Norms on Capital Adequacy) Fourth Amendment Directions, 2026, effective from 1 April 2027, revising the framework for computation of Net Open Position (NOP) and capital charge for foreign exchange risk to align with international standards and ensure consistent implementation across AIFIs. The amended directions require AIFIs to compute NOP and maintain foreign exchange risk capital charges at both standalone and consolidated levels on a continuous basis, while excluding specified positions such as regulatory capital deductions, certain capital instruments and non-performing or matured unpaid securities. The framework also introduces provisions permitting the exclusion of eligible structural foreign exchange positions, including investments and accumulated surpluses in overseas branches, subsidiaries, joint ventures, associates, IFSC Banking Units and Offshore Banking Units, subject to prescribed conditions and supervisory oversight. Detailed guidelines have been provided for measuring currency exposures, treatment of derivative and gold positions, overseas operations, and portfolio-level foreign exchange risk. Further, the overall capital requirement for foreign exchange and gold exposures will continue to be 9% of the overall NOP determined using the prescribed shorthand method, in addition to capital requirements applicable to credit, interest rate and other risks.

RBI Update - Reserve Bank of India (All India Financial Institutions (AIFIs) – Prudential Norms on Capital Adequacy) Fourth Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (NON-BANKING FINANCIAL COMPANIES – REGISTRATION, EXEMPTIONS AND FRAMEWORK FOR SCALE BASED REGULATION) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Second Amendment Directions, 2026, effective immediately, revising the framework for identification and regulation of NBFCs under the Scale Based Regulatory (SBR) regime. The amendment simplifies the criteria for classification of NBFCs in the Upper Layer (NBFC-UL) by providing that all NBFCs with an asset size of ₹1,00,000 crore or more, based on their latest audited financial statements, will be identified annually by the RBI for inclusion in the Upper Layer, replacing the earlier multi-parameter assessment framework. The RBI has also removed certain existing provisions relating to the identification process and periodic review mechanisms, while providing that the asset-size threshold for NBFC-UL classification will be reviewed every three years. Further, a new provision has been introduced requiring NBFCs that are group entities of Scheduled Commercial Banks to comply with the applicable provisions of the Reserve Bank of India (Commercial Banks – Undertaking of Financial Services) Directions, 2025, where similar business activities are undertaken by both the parent bank and the NBFC. However, such entities will continue to retain their classification under the applicable layer of the SBR framework, notwithstanding the additional compliance requirements.

[RBI Update - Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Second Amendment Directions, 2026]

RBI UPDATE - RESERVE BANK OF INDIA (NON-BANKING FINANCIAL COMPANIES – CONCENTRATION RISK MANAGEMENT) THIRD AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Non-Banking Financial Companies – Concentration Risk Management) Third Amendment Directions, 2026, effective immediately, revising concentration risk norms applicable to NBFCs under the Scale Based Regulatory Framework. The amendment withdraws the existing exemptions from concentration norms available to Government-owned NBFCs and mandates that such entities comply with exposure limits applicable to the regulatory layer in which they are classified. Existing breaches as on the date of issuance may continue until maturity without any increase in exposure, although NBFCs in the Middle Layer and Upper Layer may exceed prudential limits where the incremental exposure is fully covered through eligible credit risk transfer instruments, resulting in zero net additional exposure. The Directions further clarify that exposures covered by State Government guarantees may be treated as exposures to the guaranteeing State Government and will be exempt from prudential exposure limits, subject to a 20% risk weight on such guaranteed exposures. Additionally, for Infrastructure Finance Companies (IFCs) classified as NBFCs in the Upper Layer, the permissible exposure limit to a group of connected counterparties has been enhanced, allowing an additional exposure of up to 20% of Tier 1 capital and increasing the overall concentration limit for such group exposures to 45%, thereby providing greater operational flexibility for financing large infrastructure projects.

[RBI Update - Reserve Bank of India (Non-Banking Financial Companies – Concentration Risk Management) Third Amendment Directions, 2026]

RBI UPDATE - RESERVE BANK OF INDIA (NON-BANKING FINANCIAL COMPANIES – GOVERNANCE) AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Non-Banking Financial Companies – Governance) Amendment Directions, 2026, effective immediately, to revise governance requirements applicable to NBFCs under the Scale Based Regulatory Framework. The amendment introduces an exemption for NBFCs classified in the Upper Layer (NBFC-UL) that are fully owned and controlled by the Government, providing that the governance provisions specified under paragraph

43 of the Directions shall not apply to such entities. This change reflects the RBI's review of the regulatory framework for NBFC-ULs and recognises the distinct ownership and oversight structure of Government-controlled NBFCs, while continuing to subject other Upper Layer NBFCs to the prescribed governance requirements.

RBI Update - Reserve Bank of India (Non-Banking Financial Companies – Governance) Amendment Directions, 2026

RBI UPDATE - RESERVE BANK OF INDIA (NON-BANKING FINANCIAL COMPANIES – FINANCIAL STATEMENTS: PRESENTATION AND DISCLOSURES) SECOND AMENDMENT DIRECTIONS, 2026

The Reserve Bank of India has issued the Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Second Amendment Directions, 2026, effective immediately, to revise disclosure requirements applicable to NBFCs under the Scale Based Regulatory Framework. The amendment provides that the disclosure and presentation requirements prescribed under paragraph 23 of the Directions shall not apply to NBFCs classified in the Upper Layer (NBFC-UL) that are fully owned and controlled by the Government. This relaxation follows the RBI's review of the regulatory framework governing Upper Layer NBFCs and recognises the distinct ownership, accountability and reporting structures applicable to Government-owned NBFCs, while retaining the existing financial statement presentation and disclosure requirements for all other NBFC-UL entities.

RBI Update - Reserve Bank of India (Non-Banking Financial Companies – Financial Statements: Presentation and Disclosures) Second Amendment Directions, 2026

RBI UPDATE - MODIFICATION OF RETURNS / REPORTING REQUIREMENTS UNDER FEMA, 1999

The Reserve Bank of India has issued revised reporting requirements under the Foreign Exchange Management Act, 1999, effective immediately, with the objective of rationalising reporting obligations and simplifying compliance for Authorised Persons. The revised framework introduces updated reporting formats, including a modified FLM-8 return that will now capture details of write-off of foreign currency notes, while discontinuing the requirement to obtain prior RBI approval for write-offs exceeding USD 2,000. Entities maintaining Nostro accounts and reporting relevant transactions through FETERS have been exempted from filing FLM-8 returns. Further, Authorised Persons with franchisee arrangements and Indian Agents operating under the

Money Transfer Service Scheme (MTSS) are required to submit quarterly lists of franchisees and sub-agents, respectively, within 15 days from the end of each calendar quarter. The RBI has also discontinued several reporting requirements, including FLM-1 to FLM-7 registers, the quarterly statement relating to foreign currency accounts opened from export proceeds of foreign currency notes or travellers' cheques, separate reporting of additional MTSS locations and related confirmations, and the MTSS collateral statement, while continuing to require maintenance of adequate records and collateral in accordance with extant regulations. These changes are aimed at reducing compliance burden while ensuring the availability of necessary supervisory information.

RBI Update - Modification of Returns / Reporting requirements under FEMA, 1999

RBI UPDATE - FOREIGN EXCHANGE MANAGEMENT (DEPOSIT) (SIXTH AMENDMENT) REGULATIONS, 2026

The Reserve Bank of India has notified the Foreign Exchange Management (Deposit) (Sixth Amendment) Regulations, 2026, introducing significant liberalizations to the operation of deposit accounts by non-residents. The amendment inserts the definition of International Financial Services Centre (IFSC) and permits persons resident outside India to open, hold, and maintain Special Non-Resident Rupee (SNRR) Accounts with authorised dealers in India, their overseas branches, and branches located in IFSCs. It also expands permissible transfers by allowing credits to NRE accounts from NRO accounts and transfers from NRO accounts to NRE or SNRR accounts within the limits prescribed under the Foreign Exchange Management (Remittance of Assets) Regulations, 2016. Further, Schedule 4 has been substantially liberalized by permitting SNRR accounts to be used for permissible current and capital account transactions with residents as well as bona fide transactions with non-residents, deleting several existing operational restrictions, and enabling transfers between non-residents through SNRR accounts based on the account holder's instructions specifying the underlying purpose of the transaction.

IBBI UPDATE - INSOLVENCY AND BANKRUPTCY BOARD OF INDIA (INSOLVENCY RESOLUTION PROCESS FOR CORPORATE PERSONS) (FOURTH AMENDMENT) REGULATIONS, 2026.

The Insolvency and Bankruptcy Board of India (IBBI) has notified the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Fourth Amendment) Regulations, 2026.

Representation of Operational Creditors:

Regulation 16 has been amended to provide that the operational creditors' representative committee shall comprise the eighteen largest unrelated operational creditors. Further, where the number of such unrelated operational creditors is less than eighteen, all such creditors shall be included in the committee.

Assistance to committee where creditors other than scheduled banks or public financial institutions hold significant voting share.

A new Regulation 16E has been inserted providing that where creditors other than scheduled banks or public financial institutions hold more than 66% voting share in the CoC, the Resolution Professional shall invite the five largest unrelated operational creditors, including the three largest statutory authorities based on admitted claims, to attend CoC meetings as observers without voting rights. The Resolution Professional is also required to record their observations, if any, in the minutes of the CoC meetings.

Approval of committee for insolvency resolution process costs.

Regulation 31B has been substituted to require that all insolvency resolution process costs incurred up to the first CoC meeting, together with the justification for such costs, be placed before the CoC for approval. The Resolution Professional must also prepare and place a Going Concern Assessment Report covering estimated income, expenditure, cash flows, working capital requirements, and material risks of value erosion. Based on this report, the CoC shall determine whether the operations of the corporate debtor should continue and, if so, the scope and duration of such operations.

After the first CoC meeting, all CIRP costs may be incurred only with prior approval of the CoC.

Enhanced Recording of CoC Deliberations

Regulation 39 has been amended to require the CoC to record its deliberations and rationale regarding
(i) the feasibility and viability of each resolution plan,
(ii) the expected realisable value to creditors as compared to the fair value and liquidation value, and
(iii) the adequacy of market discovery undertaken during the CIRP, including the use of a challenge mechanism or re-invitation of resolution plans, wherever applicable.

IBBI Update - Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Fourth Amendment) Regulations, 2026.

"WHETHER A PROSPECTIVE RESOLUTION APPLICANT CAN CHALLENGE REFUSAL OF FURTHER EXTENSION FOR SUBMISSION OF A RESOLUTION PLAN AFTER ITSELF PARTICIPATING IN A FRESH FORM-G PROCESS BUT FAILING TO SUBMIT ANY PLAN"

Hindagro Exports India Pvt. Ltd. Vs. Paramjeet Singh Bhatia, RP of Hind Agro Industries
Ltd. – NCLT Allahabad Bench

Facts

The CIRP of Hind Agro Industries Ltd. commenced on 03.03.2023, and Mr. Paramjeet Singh Bhatia was appointed as the Resolution Professional. Pursuant to Form-G issued on 22.08.2024, Hind Agro Exports India Pvt. Ltd. submitted its EOI and was included in the list of prospective resolution applicants. The deadline for submission of resolution plans was extended twice by the CoC, but the applicant & subsequent request for a further extension was rejected by the Resolution Professional on 04.12.2024. Aggrieved by the rejection, the applicant filed the present application seeking, inter alia, to set aside the RP's decision and restrain further steps in the CIRP.

Thereafter, as no resolution plan was received in the earlier round, a fresh Form-G was issued on 18.01.2025. The applicant again submitted an EOI and was included in the list of prospective resolution applicants but did not submit any resolution plan.

Issue

Whether the applicant could continue to challenge the RP's refusal to grant a further extension in the earlier round of the resolution process after a fresh Form-G had been issued and the applicant had participated in the fresh process without submitting a resolution plan.

Order

The NCLT held that the earlier round of the resolution process had become exhausted and that the applicant's challenge to the refusal of further extension had become stale. Since the applicant participated in the fresh process by submitting an EOI but failed to submit a resolution plan, it was deemed to have abandoned its interest in the process. Accordingly, the Tribunal held that the reliefs sought no longer survived and dismissed the application.

"WHETHER A SECTION 7 PETITION UNDER IBC IS MAINTAINABLE AFTER TRANSFER OF AN ADMITTED WINDING-UP PROCEEDING FROM THE HIGH COURT WHERE NO IRREVERSIBLE LIQUIDATION STEPS WERE TAKEN"

Prudent ARC Ltd. Vs. Super Property Maintenance Pvt. Ltd. – NCLT Principal Bench

Facts

The petition was filed by Prudent ARC Limited, acting as trustee of Prudent Trust-82/23, under Section 7 of the Insolvency and Bankruptcy Code, 2016 seeking initiation of CIRP against Super Property Maintenance Pvt. Ltd. The Corporate Debtor had availed various credit facilities from Lakshmi Vilas Bank, including a term loan and overdraft facilities aggregating to approximately ₹21.91 crore. Following defaults in repayment, the account was classified as NPA on 24.04.2018. Subsequently, Lakshmi Vilas Bank merged with DBS Bank India Limited, which later assigned the debt to the petitioner through an Assignment Agreement dated 28.04.2023.

A winding-up petition against the Corporate Debtor had earlier been admitted by the Delhi High Court, and an Official Liquidator had been appointed. However, by order dated 18.08.2025, the High Court transferred the winding-up proceedings to the NCLT for consideration under the IBC, noting that no auction, sale, attachment, or other irreversible liquidation steps had taken place. The petitioner claimed an outstanding debt of ₹30.56 crore and sought commencement of CIRP.

Issue

Whether a Section 7 application could be entertained after transfer of an already admitted winding-up petition to the NCLT, and whether the petitioner had established the existence of a financial debt and default warranting initiation of CIRP.

Order

The NCLT held that transfer of winding-up proceedings to the NCLT was permissible where no irreversible liquidation steps had been taken and the Official Liquidator had no objection to the transfer. Relying on settled Supreme Court precedents, the Tribunal observed that the IBC prioritizes resolution over liquidation.

The Tribunal further found that the petitioner had established the existence of financial debt and default through loan documents, promissory notes, the assignment agreement, statements of account, and Information Utility records. Since the account had been classified as NPA on 24.04.2018 and the outstanding amount of ₹30.56 crore was far above the statutory threshold, the requirements of Section 7 stood satisfied. Accordingly, the petition was admitted, CIRP was commenced against the Corporate Debtor, moratorium under Section 14 was imposed, and Vikas Kumar Garg was appointed as the Interim Resolution Professional.

“WHETHER INTEREST STIPULATED IN INVOICES AND CONSISTENTLY UNDISPUTED BY THE CORPORATE DEBTOR CAN BE INCLUDED IN OPERATIONAL DEBT FOR CROSSING THE SECTION 4 THRESHOLD?

Zenith Media Scope Pvt. Ltd. Vs. Nirvikar Films LLP – NCLT Principal Bench

Facts

Zenith Media Scope Pvt. Ltd., an operational creditor engaged in digital advertising and media services, filed a petition under Section 9 of the Insolvency and Bankruptcy Code, 2016 against Nirvikar Films LLP seeking initiation of CIRP. The Operational Creditor had provided advertisement and promotion services to the Corporate Debtor pursuant to a purchase order dated 11.04.2022. While a substantial portion of the dues was paid, an outstanding principal amount of

₹89,56,353/- remained unpaid. The invoices dated 29.08.2022 and 01.09.2022, as well as a credit note dated 31.03.2023, stipulated interest at 18% per annum on delayed payments.

The Operational Creditor repeatedly demanded payment of the principal along with accrued interest. In response, the Corporate Debtor sought time for payment but did not dispute the outstanding dues, the levy of interest, or the contractual arrangement between the parties. A demand notice under Section 8 was thereafter issued claiming a total amount of ₹1,49,14,432/-, comprising principal and interest. As the dues remained unpaid, the present Section 9 petition was filed.

Issue

Whether the interest claimed on delayed payment could be included in the operational debt for determining the threshold under Section 4 of the IBC, and consequently whether the requirements for admission of the petition under Section 9 were satisfied.

Order

The NCLT held that although the original purchase order did not contain an express clause regarding interest, the subsequent invoices and credit note specifically provided for interest at 18% per annum on delayed payments. The Tribunal observed that the Corporate Debtor never disputed the levy, entitlement, or computation of interest and had merely sought additional time to clear the dues.

In the absence of any pre-existing dispute, the Tribunal held that the interest component formed part of the operational debt. Since the aggregate debt, including interest, amounted to ₹1,49,14,432/-, exceeding the statutory threshold under Section 4 of the Code, the conditions for admission under Section 9 stood satisfied. Accordingly, the petition was admitted, CIRP was commenced against Nirvikar Films LLP, moratorium under Section 14 was declared, and Lovneet Handa was appointed as the Interim Resolution Professional.

"WHETHER LIMITATION FOR FILING THE APPEAL UNDER SECTION 61(2) OF THE INSOLVENCY AND BANKRUPTCY CODE, 2016 COMMENCED FROM THE DATE OF PRONOUNCEMENT OF THE IMPUGNED ORDER OR FROM THE DATE OF ITS UPLOADING ON THE TRIBUNAL WEBSITE"

Sasmita Kumari Sadangi Vs. Genext Greenpower Solutions Pvt. Ltd. and Anr. – NCLAT Chennai

Facts

The appellant, Sasmita Kumari Sadangi, claiming to be the suspended director of Yellowstone EV Power Private Limited, challenged the NCLT order dated 20.02.2026 admitting the Corporate Debtor into CIRP under Section 7 of the Insolvency and Bankruptcy Code, 2016. Along with the appeal, the appellant filed an application seeking condonation of delay, contending that limitation should be computed from 24.02.2026, the date on which the impugned order was uploaded on the NCLT website. The appeal was e-filed on 08.04.2026. However, the Registry calculated limitation from the date of pronouncement of the order, i.e., 20.02.2026, and reported a delay of 17 days.

The record revealed that the appellant had actively contested the proceedings before the NCLT and was represented through counsel when the matter was heard and reserved for orders. It was also noted that the appellant applied for a certified copy of the order only on 06.04.2026, well beyond 30 days from the date of pronouncement.

Issue

Whether limitation for filing an appeal under Section 61 of the IBC would commence from the date of pronouncement of the NCLT order or from the date on which the order was uploaded on the Tribunal's website, and whether the delay in filing the appeal was condonable.

Order

The NCLAT held that since the appellant had actively participated in the proceedings and was aware of the hearing and reservation of orders, limitation commenced from the date of pronouncement of the order, i.e., 20.02.2026, and not from the date of its uploading on the website. The Tribunal further observed that the appellant's application for a certified copy was made only on 06.04.2026, demonstrating a lack of diligence and disentitling her from claiming any benefit on account of the later uploading of the order.

The Appellate Tribunal concluded that even after granting the maximum benefit available under Section 61(2) and its proviso, the appeal remained delayed by 17 days beyond the permissible period and was therefore barred by limitation. Accordingly, the application for condonation of delay was rejected and the appeal was dismissed.

"WHETHER AN APPROVED RESOLUTION PLAN CAN BE RE-OPENED BY A BELATED ONE-TIME PAYMENT PROPOSAL AFTER REPEATED NON-IMPLEMENTATION?"

Taguda Pte. Ltd. Vs. State Bank of India and Anr. – NCLAT New Delhi

Facts

The Corporate Debtor, Ushdev International Limited, was admitted into CIRP on 17.05.2018. Taguda Pte. Ltd. emerged as the successful resolution applicant, and its revised resolution plan was approved by the NCLT on 03.02.2022. Under the approved plan, the appellant was required to pay ₹227 crore, including ₹225 crore to financial creditors. However, the plan remained unimplemented for more than three years. The appellant attributed the delay to pending regulatory approvals, including approval from the Reserve Bank of India, and funding-related issues involving a foreign investor.

On an application filed by State Bank of India, the NCLT directed implementation of the plan. The appellant challenged those directions before the NCLAT, which also directed deposit of the plan amount, but the appellant failed to comply. Earlier challenges by the appellant were dismissed by the NCLAT and subsequently by the Supreme Court. Thereafter, when the liquidation application was heard and orders were reserved, the appellant filed an interlocutory application offering a one-time unconditional payment of the entire resolution amount. The NCLT rejected the application and ordered liquidation of the Corporate Debtor, leading to the present appeal.

Issue

Whether the appellant could rely on pending regulatory approvals and a belated one-time payment proposal to avoid liquidation, and whether the liquidation order was sustainable in light of the earlier proceedings that had already attained finality.

Order

The NCLAT held that the obligation to obtain all regulatory approvals within the period contemplated under Section 31(4) of the IBC and the RFRP rested exclusively upon the successful resolution applicant. Mere pendency of approval applications could not justify indefinite delay in implementation of an approved resolution plan. The Tribunal observed that the appellant had failed to implement the plan for more than three years and had also failed to comply with earlier deposit directions.

The Appellate Tribunal further held that the issues relating to RBI approval, funding arrangements, and requests for additional time had already been considered and rejected in earlier proceedings, which had attained finality upon dismissal of the appellant's challenge by the Supreme Court. The fresh appeal was therefore an impermissible attempt to re-litigate settled issues. The one-time payment proposal filed after conclusion of arguments and reservation of orders was found to be a unilateral and belated attempt to avoid the consequences of default, having never been approved by the lenders or considered by the competent stakeholders. Holding that continued non-implementation of the resolution plan had resulted in prolonged delay and value erosion, the Tribunal upheld the liquidation order passed under Section 33 of the Code. The appeal was dismissed with costs of ₹5 lakhs imposed on the appellant.

THE MINISTRY OF CORPORATE AFFAIRS HAS GRANTED A RELAXATION IN ADDITIONAL FEES FOR THE DELAYED FILING OF FORM DPT-3 FOR FY 2025-26. THIS EXTENSION IS DUE TO ONGOING CAPACITY ENHANCEMENT AND RESTORATION ACTIVITIES AT THE DATA CENTER FOLLOWING A FIRE INCIDENT ON JUNE 5, 2026. COMPANIES CAN NOW FILE FORM DPT-3 (RETURN OF DEPOSITS) WITHOUT ANY ADDITIONAL FEES UP TO JULY 31, 2026, INSTEAD OF THE ORIGINAL JUNE 30, 2026 DEADLINE.

MCA Notification G.S.R. 432(E) dated 01 June 2026

In exercise of the powers conferred under Section 247 read with Sections 458, 459 and 469 of the Companies Act, 2013, the Central Government has notified the Companies (Registered Valuers and Valuation) Amendment Rules, 2026.

Key Amendment: Rule 12(1)(i) of the Companies (Registered Valuers and Valuation)
Rules, 2017 has been substituted to provide that a Registered Valuer Organisation (RVO) shall:

(i) be registered under Section 25 of the Companies Act, 1956 or Section 8 of the Companies Act, 2013;:
a) have a minimum paid-up share capital of Rs. 25 lakh;
b) have the sole object of regulating valuers of one or more asset classes; and
c) have bye-laws incorporating the requirements specified in Annexure III to the Rules.

Further, existing RVOs not meeting the minimum paid-up share

capital requirement
shall comply with this provision on or before 31st March 2028.
The amendment came into force on the date of its publication in the Official Gazette, i.e., 1st June 2026.

NITIGRITIES OF PASSING AND RECORDING OF CIRCULAR RESOLUTION

(An examination with reference to section 175 of the Companies Act 2013 read with Rule 5 of Companies (Meeting of the Board and its Powers) Rules 2014 and also with reference to secretarial standard 1)

A small brief

Many a times in an organization, certain decisions are called for, from the board of directors and it is always not possible and practical to convene a board meeting of the directors. To meet and overcome the situation, the law makers have provided to get the decisions of the board of directors by way of passing circular resolution and such resolutions passed by circulation are deemed to be passed at the duly convened board meetings of the board of directors and have equal authority.

The law makers have laid down procedures in the provisions of the Companies Act 2013 read with Rule 5 of Companies (Meeting of the Board and its Powers) Rules 2014 and secretarial standard 1 issued by the Institute of Company Secretaries of India. The company secretary being a compliance officer has to ensure strict compliance while getting the circular resolution passed. If the procedures are not adhered to – non compliance or violation happens – the law makers would view it seriously and the consequences would follow with an issue of show cause notice, resulting into establishment of offence in case of non-compliance and finally the company may have to end up with filing of compounding offence under section 441 of the Companies Act 2013. In view of this, the company secretary has to be very careful and ensure the required compliance as required are fully adhered too.

This article is examining the procedure, consequences of non-compliance and finally, dealing with the filing of compounding of offence in case of non-compliance / violation, if happens.

1. A brief about circular resolution

A company incorporated under the Companies Act 2013, is a legal entity and an artificial person and such artificial person cannot act by itself and the company could act only through its members of the board i.e. the board of directors of the company. The board of directors by virtue of the provisions of the Companies Act 2013 read with the Articles of Association of the company are entitled to exercise all such powers, and to do all such acts and things, as the company is authorised to exercise and do, subject to the restrictions and limitations imposed by the

Companies Act 2013, read with Memorandum and Articles of Association of the company along with the decisions taken by way of resolutions by the members of the company at the company's general meeting(s) relating to the company's policy and operations and such other matters.

Meetings of the board of directors enable discussions on matters placed before the directors and facilitate decision making based on the collective wisdom of the board of directors. However, it may not be always possible and practical to convene a board meeting of the board of directors to discuss matters, which do not warrant detailed discussions at the meeting or, in respect of which urgent decisions are required. In such circumstances, passing of resolution by circulation can be resorted to. Resolutions passed byb circulations are deemed to be passed at the duly convened board meeting of the board of directors and have equal authority. Similarly, the various committees (such as CSR Committee, Audit Committee, Remuneration and Nomination Committee etc.) of the board could also pass the circular resolution in the respective committees in case of need arises.

2. Relevant provisions of the Companies Act on passing of circular resolution

The relevant provisions for passing of circular resolution are of section 175 of Companies Act 2013. The sub-section (1) of section 175 states that no resolution shall be deemed to have been duly passed by the board or by a committee thereof by circulation, unless the resolution has been circulated in draft, together with the necessary papers, if any, to all the directors, or members of the committee, as the case may be, at their addresses registered with the company in India or by hand delivery or by post or by courier, or through such electronic means as may be prescribed and has been approved by a majority of the directors or members, who are entitled to vote on the resolution.

The same section further provides that, where not less than one-third of the total number of directors of the company for the time being requires that any resolution under circulation must be decided at a meeting, the chairperson shall put the resolution to be decided at a meeting of the Board.

The sub-section (2) of section 175 providers that a resolution under sub-section (1) shall be noted at a subsequent meeting of the board or the committee thereof, as the case may be, and made part of the minutes of such meeting. Going by the provisions of sub-section (1) of section 175 it is clear that the authority for passing the resolution by circular is as per below.

- The chairperson of the board or the managing director should decide

- Where there is no chairperson or managing director, any director should decide whether the approval of the board for a particular business should be obtained by means of a resolution by circulation.

- In cases where not less than one-third of the total number of directors for the time being require the resolution under circulation to be decided at a meeting, the chairperson should put the resolution to be decided at a meeting of the board.

The Companies Act 2013 has spelled out that the items of business which are required by the Act or by any other applicable law to be considered by the duly convened board meeting has to be placed only at the board meeting and these items cannot be passed by way of circular resolution. The secretarial standard-1 has specified illustrative items of business which shall not be passed by circulation in its Annexure A categorizing the general business items, specific items, items of business involving corporate actions and also additional items of business relating to listed companies.

3. Procedure for passing of circular resolution

Let us discuss the procedure to be followed for passing the circular resolution as to the circulation of required documents to the board members, approval, recording etc.

3.1 Circulation of documents of the proposed resolution to be passed

Whenever it is proposed to pass a resolution by circulation, then the proposed resolution should be sent in draft form, together with the necessary papers providing the background information, need arising for passing the circular resolution, individually to all the directors at the same time. The resolution together with all papers is required to be sent to all directors including interested directors and directors who are usually residing abroad as well.

With the Information Technology Act in place, sending the circular resolution by e-mails to all directors are the most appropriate way, which is faster, prompt and easiest way. The proposed draft of the circular resolution to be passed along with the necessary papers could also be circulated by hand delivery, or by postal delivery such as speed post or by courier, or by facsimile or any other electronic mode, besides via e-mail as said earlier. Each of the items of business proposed to be passed by way of circular resolution could be well explained by a pre-ample note setting out the required and relevant details of the proposal and the draft of the resolution proposed to be passed by the board of directors by way of circular resolution. The note could also indicate how to signify assent or dissent to the proposed resolution and the date by which a director could signify his assent or dissent to the resolution or require a meeting.

Care is required to be taken that each of the resolution proposed to be passed could be well explained separately and the decision of the directors are required to be sought for each of the resolution. The documents could specify stating that a maximum period of seven days from the date of receipt of draft of the resolution is given to the directors to respond and last date could be then computed accordingly

3.2 Approval of the proposed resolution

The resolution is passed when it is approved by a majority of directors entitled to vote other than interested directors on the resolution, unless not less than one-third of the total number of directors for the time being require the resolution under circulation to be decided at a meeting which is as per the provision of section 175 of the Companies Act 2013 as discussed in the earlier paragraphs.

However, if any specific provision requiring special majority or the affirmative vote of any particular director (s) of the company is specified in the Articles of Association of the company, then, the proposed resolution is required to be passed only with the assent of such special majority or such affirmative vote as provided in the articles of association of the company.

4. Time when Resolution is said to have passed

This is the crucial question i.e. as to what point of time the resolution is deemed to have been passed. The resolution shall be deemed to have been passed

- on the last date specified for signifying assent or dissent by the directors or
- the date, on which responses from all the directors have been received, whichever is earlier.

and the resolution shall be effective from the date of passing, if no other effective date is specified in such Resolution.

4.1 Dating of resolution

Directors signify their assent or dissent by signing the resolution to be passed by circulation. Directors should append the date on which they have signed the resolution. In case a director does not append a date, the date of receipt by the company of the signed resolution should be taken as the date of signing.

4.2 Interested director on the resolution

In cases where any director has a interest in the proposed resolution, then the interest of a director is yet to be communicated to the company, the concerned director should disclose his interest before the last date specified and the interested director should abstain from voting on the proposed resolution.

4.3 cases where director does not respond

In case the director doesn't respond on or before the last date specified for signifying assent or dissent, it should be presumed that the director has abstained from voting.

5. When majority of directors does not respond/ approve

If the approval for the proposed resolution is not responded by majority of directors entitled to vote is not received by the last date specified for receipt of such approval, then, the resolution shall be considered not passed / resolution not approved.

6. Passing resolution – prospective / retrospective

All resolutions are to be prospective and no retrospective resolutions.

In this connection, one could also refer the judgment delivered by the Honourable Delhi High Court in the case of ROC vs. Gomukh Finance & Investment in August 2012 which spelled out that "Board director cannot appoint director with retrospective effect". However, a resolution with retrospective effect could be passed with an exception where the same is permitted by law. For example, retrospective date of appointment of additional directors cannot be done as seen the case law above but any revisionary nature /modifications in terms and conditions, remuneration etc., on an ongoing matter could be with retrospective date.

7. Recording

As provided in sub-section (2) of section 175 of the Companies Act 2013, resolutions passed by circulation should be noted at the next meeting of the board and the text thereof with dissent or abstention, if any, should be recorded in the minutes of such board / committee meeting. Minutes should also record the fact that the interested director did not vote on the resolution.

The Secretarial standard – 1 vide its clause 6.4 also states that recording resolutions passed by circulation shall have to be noted at a subsequent Meeting of the board and the text thereof with dissent or abstention, if any, shall be recorded in the minutes of such meeting.

8. Validity

Resolution passed by circular resolution should be considered valid as if it had been passed at a duly convened board meeting of the board of directors. However this does not dispense with the requirement for the board of directors to meet at the specified frequency for board meetings.

9. Role of the Company Secretary

The company secretary being a compliance office and key managerial person by definition and also officer in default has to ensure that the required compliance is adhered to as provided by the provisions of the Companies Act 2013 read with the rules provided under the Companies (Meeting of the Board and its Powers) Rules 2016 and the secretarial standard 1 for board meetings.

It is very pertinent to note that the circular resolution passed by the board or committee is required to be noted as per sub-section (2) of section 175 of the Companies Act 2013 read with clause 6.4 of secretarial standard 1 at the next meeting of the board / committee.

10. Things which could go wrong

Hypothetically let us assume that the company in question had not taken note of the circular resolution passed in the subsequent board meeting – though the procedural issue of passing of the circular resolution has been taken care. If such an event takes place, what would be the consequences?

11. Regulatory Inspection

As per sub-section (5) of section 206 of the Companies Act 2013, the Central Government carry out the inspection of the books of accounts, minute book and other documents relating to a particular financial year and if it is noticed that the company has not recorded the circular resolution passed by way of noting at the next board meeting which is the mandatory requirement as per sub-section 2 of section 175 and made part of the minutes of such meeting, then, the regulator would issue show cause notice initially, which would then follow penal actions against the company and the defaulting officers.

12. Consequences of default (if any)

All the companies, Public companies – listed or unlisted or Private companies are required to report in its extract of annual return annexed to the Board report the details of compounding of offences under the headings "Penalties / Punishment / Compounding of offences pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014.

The Annual report format for reporting the penalties / punishments/ compounding offences are as under

EXTRACT OF ANNUAL RETURN

as at the financial year ended ...DD / MM / YY..........

[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Managementand Administration) Rules, 2014]

VII. PENALTIES / PUNISHMENT / COMPOUNDING OF OFFENCES:

TYPE	Section of the Companies Act	Brief Description	Details of Penalty, Punishment, Compounding fees Imposed	Authority RD/NCLT COURT	Appeals made if any (give details)
A Company Penalty Punishment Compounding					

	Act		Imposed		details)
B Directors Penalty Punishment Compounding					
B Other officers in default Penalty Punishment Compounding					

The recipient / readers of the annual report would know the non-compliance committed by the company and the compounding fees details from the above extract of the annual return, which would obviously affect the reputation of the company.

12.2. Reporting by unlisted Public companies covered under Secretarial Audit

The public companies (listed and unlisted both) which are required to annex Secretarial audit report [Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the secretarial auditor based on his / her verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, he / she is required to report that in his / her opinion, the company has, during the audit period covering the financial year complied with the statutory provisions as per the acts listed down in the report stating that the company has a compliance-mechanism in place to the extent required.

Since the secretarial auditor has to state that the provisions of the Companies Act, 2013 and the rules made thereunder amongst other acts / laws applicable specifically to the Company are complied with.

While reporting, the secretarial auditor would report that during the period under review the Company has complied with the provisions of the Companies Act 2013, Rules, Regulations, Guidelines, Standards, etc. except to the extent as mentioned below. (The non-compliance list would be provided by the auditor)

12.3 Reporting by listed companies under Corporate Governance report

The listed entities are under the SEBI (Listing Obligation and Disclosure Requirements) Regulations 2015 is required to disclose in its "Corporate Governance Report", on the meeting of the board and its process.

If the company is in compliance on board process, the reporting would be by and large read as under:-

Meetings of the Board Frequency:

The Board meets at least once a quarter to review the quarterly results and other items of the Agenda.

Whenever necessary, additional meetings are held. In case of business exigencies or urgency of matters, Resolutions are passed by circulation, as permitted by law, which is confirmed in the next Board / Committee Meeting .

As we discussed, the non-compliance, if any taken place the same would be finding a place in the secretarial audit report submitted by the secretarial auditors report as discussed in the earlier para. Obviously, the corporate governance report would undergo a change to this extent.

12.4 Board Report (by listed and unlisted public companies

As provided in section 134 (3) (f) of the Companies Act 2013, the board report need to provide explanation or comments by the board on every qualification, reservation or adverse remarks or disclaimer made by the secretarial auditor in its board report.

The board report therefore has to contain the necessary explanations / comments etc. relating to non-compliance reported by the secretarial auditor.

Conclusion

13. From the foregoing paragraphs, it is very clear that the company secretary has to take utmost care in ensuring the required compliance with reference to the applicable provisions of the Companies Act 2013 read with the rules framed thereunder and also the secretarial standard -1 relating to board meeting procedures such as notice, agenda, passing resolutions, minutes preparation,

circulation of the minutes, entering into minutes book and finally signing of minutes etc.

Although, passing a resolution via circular resolution, though it appears to be a very simple and easy procedure, unless one complies with the applicable provisions, the company would land up in a situation of non-compliance and violation. When this happens, enormous time and money would be spent in sorting out the issue – i.e. undergoing inspection procedure followed by issue of show cause notice, reply, personal hearing and finally following the procedure of compounding application and filing necessary e-forms through e-filing etc.

Since company secretary professional are well versed not only in Companies Act but also in all other corporate laws, the company secretary professional would be able advise the right things to the board of directors and also to ensure that the applicable provisions of the regulations are well taken care of and at the same time the company secretary delivers the need of the organization with his / her capabilities and skills and ensure compliance all the time by following the principle of doing the things "First Time Right". Further, the Company Secretary professionals have to also ensure, they add value to the organization, implement the world better practices from the other parts of the world practiced under the Combined Code of UK or under the Kings II code of corporate governance and even from other governance practices from the rest of the world and ensure that the organization in which the Company Secretary professional serves or render services, to ensure the organization in excelling achievement of excellence in governance practices

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