

Newsletter
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Editor's note

Dear Readers,

I am pleased to share our January 2025 newsletter, covering key legal and regulatory developments across arbitration, IBC, RBI, SEBI, and insurance regulations. This edition highlights critical judicial rulings, compliance measures, and policy updates shaping India's financial and legal landscape.

The Delhi High Court has reaffirmed that once an issue has been adjudicated, it cannot be re-litigated. This reinforces the finality of arbitration and prevents unnecessary legal challenges that delay dispute resolution.

The National Company Law Appellate Tribunal (NCLAT) has ruled that Employees' Provident Fund (EPF) assessments cannot continue during the Corporate Insolvency Resolution Process (CIRP) but may proceed during liquidation. The National Company Law Tribunal (NCLT) Delhi determined that profit-sharing joint ventures do not create debtor creditor relationship. Reinforcing the need for timely resolution, the Supreme Court cautioned against unwarranted judicial interference in insolvency proceedings.

In the financial sector, the Reserve Bank of India (RBI) has introduced key measures to enhance stability and consumer protection, such as issuance of the Master Direction on Credit Information Reporting, 2025, amendments to the Foreign Exchange Management Act (FEMA) to expand the scope of Special Non-Resident Rupee (SNRR) accounts, allowing exporters to maintain foreign currency accounts and streamlined foreign investment payments, launching of Mobile Number Revocation List (MNRL) to mitigate unauthorized transactions, introduction of a framework under the Payment and Settlement Systems Act, 2007, to streamline penalty procedures and ensure proportionate regulatory action in the digital payments ecosystem.

Further, in a significant move to streamline the settlement process by ARCs, RBI has amended Master Directions paving way for settlement by Independent Advisory Committee or as per board approved policy depending upon the amount or nature of account. Now settlement can be done only if settlement is considered the best option.

The Securities and Exchange Board of India (SEBI) has announced revised timelines for credit rating agencies, stricter disclosure norms for investment advisers, and mandatory daily risk-adjusted return disclosures for mutual funds. Further, it has tightened due diligence norms for debenture trustees, strengthened evaluation mechanisms for MIs, and extended the review timeline for ESG ratings following material events.

In the insurance sector, the Insurance Regulatory and Development Authority of India (IRDAI) has implemented consumer-friendly reforms. One major change is capping annual premium hikes for senior citizens at 10% for individuals aged 60 and above. Insurers must now consult with the regulator before withdrawing or significantly modifying policies for senior citizens. Additionally, IRDAI has expanded the regulatory sandbox framework to encourage financial innovation and has consolidated regulations on information sharing and record-keeping to enhance governance and data security.

This issue also features an article by our Partner, Navneet Gupta, on Gujarat International Finance Tec-City (GIFT City). As India's first International Financial Services Centre (IFSC), GIFT City has become a hub for financial institutions, banking units, capital market intermediaries, and insurance services. The article provides valuable insights into its role in shaping India's global financial presence.

I hope you find this edition insightful.

Best wishes,

Rajesh Narain Gupta

Founder & Chairman,
SNG & Partners

A. ARBITRATION AND CONCILIATION ACT, 1996

1. Delhi HC on Arbitration: A party cannot be permitted to re-adjudicate the same issue

The Delhi HC in a recent judgment stated that, the principle that a party cannot be permitted to re-adjudicate the same issue is based on public policy. The Courts of competent jurisdiction have to ensure that no one should be made to face the same kind of litigation twice over as such a process is contrary to fair play and justice. The Court cannot be expected to act mechanically merely to deliver a purported dispute raised by an applicant at the doors of an arbitrator, else in a situation such as the present one where an award has been set aside and the aggrieved party wants to initiate another round of arbitration only to take a second bite at the cherry, the process of the Court would be susceptible to abuse by parties to litigate endlessly which completely goes against the aim and objective of the Act of 1996.

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2. Calcutta High Court's clarification on arbitration jurisdiction: 'Seat of arbitration has exclusive jurisdiction'

Calcutta High Court explains once the "seat" of arbitration is designated in an agreement, it is to be treated as the exclusive jurisdiction for all arbitration proceedings. Further, when there is an express designation of a "venue" and no alternative seat is specified, the venue is considered the juridical seat of arbitration.

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B. INSOLVENCY AND BANKRUPTCY CODE, 2016 (IBC)

1. Can EPF assessment continue during CIRP? NCLAT explains 'Suits or proceedings against the corporate debtor' under IBC

In a recent judgment, the NCLAT examined whether assessment proceedings under the Employees' Provident Funds & Miscellaneous Provisions Act (hereinafter referred to as "EPF & MP Act") can continue during the Corporate Insolvency Resolution Process (hereinafter referred to as "CIRP").

The Tribunal held that after initiation of moratorium under Section 14, sub-section (1), no assessment proceedings can be continued by the EPFO. If after an order of liquidation is passed, Section 33(5), does not prohibit initiation or continuation of assessment proceedings for the reason that section 33(5) bars "suit or other legal proceeding" in contract to section 14 which bars "suits or proceedings". Thus, after the commencement of liquidation there is no bar against assessment proceeding to be conducted by statutory Authorities, including the EPFO to carry on the assessment. No claim on the basis of assessment carried during the moratorium period, which is prohibited under Section 14(1) can be pressed in the CIRP.

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2. NCLAT upholds validity of insolvency claim: 'Acknowledgment of Payment' in reply to demand notice validates timely filing of claims

In a recent judgment, the NCLAT addressed the issue of whether an Operational Creditor's claim was time-barred under the Limitation Act, highlighting the importance of payment acknowledgment in determining the limitation period for filing claims.

The judgment revolves around the interpretation of Section 19 of the Limitation Act, which allows the limitation period to be extended if certain conditions are met after a payment is made. The case involved a dispute over whether the claims of an Operational Creditor were time-barred, with the Corporate Debtor arguing that the claim was overdue according to the Limitation Act.

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3. NCLAT on insolvency asset distribution: A dissenting financial creditor would receive payment as per their entitlement

The National Company Law Appellate Tribunal (NCLAT) recently observed, *“a dissenting financial creditor would receive payment as per their entitlement... this entitlement could also be satisfied by allowing the enforcement of the security interest, up to the value receivable.”*

This statement underlines the Tribunal’s position on how creditors are to be paid during liquidation proceedings, emphasizing that the distribution of assets should be aligned with admitted claims rather than security interests. This important judgment follows a challenge from IDBI Bank over the asset distribution methodology adopted by the Liquidator in the case of ESS DEE Aluminium Limited, which had been admitted to the Corporate Insolvency Resolution Process (hereinafter referred to as “CIRP”) in 2020 and later ordered for liquidation in 2021.

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4. Supreme Court emphasizes the dangers of unjustified interference with CIRP, stating ‘an unjustified interference with the proceedings breaches the discipline of law

In a recent ruling, the Supreme Court emphasized the need for timely action in corporate insolvency proceedings noting the importance of adhering to statutory remedies under the [Insolvency and Bankruptcy Code](#) (IBC), stating, *“The importance of concluding the CIRP proceedings was highlighted by this Court, on a number of occasions,”* and warned that *“an unjustified interference with the proceedings initiated under the Insolvency and Bankruptcy Code 2016, breaches the discipline of law.”*

This judgment arises from appeals filed against the Karnataka High Court’s intervention in the Corporate Insolvency Resolution Process (hereinafter referred to as “CIRP”) of Associate Decor Ltd. The key issue revolved around the alleged delay in filing the writ petition challenging the process and the jurisdiction of the High Court over matters already under the purview of the Adjudicating Authority.

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5. Supreme Court rules CCI approval ‘mandatory’ but ‘directory’ for CoC in CIRP, says ‘failure to obtain CCI approval leads to specific consequence’

In a recent judgment, the Supreme Court addressed issues surrounding the Corporate Insolvency Resolution Process (CIRP) under the [Insolvency and Bankruptcy Code \(IBC\)](#), particularly in the context of statutory approvals required under the Competition Act.

The Court emphasized that *“the approval by the CCI is ‘mandatory’, the approval by the CCI prior to approval of CoC is ‘directory’,”* and further highlighted the need for a *“literal interpretation”* of statutory provisions, noting that *“statutory enactment must ordinarily be construed according to its plain meaning.”* This case sheds light on the importance of compliance with both the Competition Act and the IBC during the resolution process.

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6. NCLAT clarifies moratorium period: “no extension allowed after 180 days” in personal guarantor insolvency

In a recent ruling, the NCLAT addressed a substantial issue related to the extension of the moratorium period under the Insolvency and Bankruptcy Code (IBC). The Tribunal emphasized, *“A fresh moratorium in terms of Section 101 of the Code shall commence as applicable... The moratorium shall cease to have effect at the end of the period of 180 days. When the statutory scheme is clear and unambiguous, there is no role of any interpretive process to find out the jurisdiction of NCLT to extend the period of Moratorium.*

When statute provides a date for cessation of the Moratorium it cannot be extended by the Adjudicating Authority or by this Tribunal against the statutory intendment under Section 101(1)”

The case arose when the Personal Guarantor’s resolution process saw the expiration of the initial 180-day moratorium, prompting the Resolution Professional to seek an extension. The central question before the Tribunal was whether the moratorium, once expired, could be extended beyond the statutory limit under Section 101 of the [Insolvency and Bankruptcy Code](#) (hereinafter referred to as “IBC”)

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7. NCLT Delhi dismisses CIRP petition: Joint Ventures with profit sharing do not constitute operational debt under Section 5(21) of the IBC

The NCLT Delhi, in its detailed analysis, emphasized the importance of distinguishing between a debtor-creditor relationship and other types of business arrangements when considering petitions under the [Insolvency and Bankruptcy Code, 2016](#). As noted, *“the Adjudicating Authority must evaluate whether there is an Operational Debt, whether the debt is due and payable, and whether a dispute exists.”*

The case involved a petition filed by M/s Transline Technologies Limited (Operational Creditor) for initiating the Corporate Insolvency Resolution Process (CIRP) against M/s Experio Tech Private Limited (Corporate Debtor). The dispute arose over unpaid dues following a series of transactions and an agreement that led the Corporate Debtor to argue the existence of a joint venture with sharing of profits rather than a typical creditor-debtor arrangement. The Tribunal, after reviewing the nature of the agreement and the facts presented, deliberated on whether the relationship qualified under the Code.

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8. ‘Material irregularity, illegality, fraud, or collusion’ required to set aside public auction sales, says Supreme Court

Where the sale deed requires registration, ownership does not pass until the deed is registered, even if possession is transferred, and consideration is paid without such registration. The registration of the sale deed for an immovable property is essential to complete and validate the transfer. Until registration is affected, ownership is not transferred.

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9. IBBI issues directions regarding use of eBKray auction platform

The Insolvency and Bankruptcy Board of India (IBBI) vide its Circular No. IBBI/LIQ/81/2025 dated January 10, 2025 titled ‘Mandatory Use of eBKray Auction Platform for Liquidation Processes’, in exercise of the powers conferred u/s 196 of the IBC, 2016, has issued directions regarding the use of the eBKray auction platform.

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10. **Delhi High Court clears petitioners in NI Act case, states that IRP takes control of company affairs post-CIRP, making directors liable no longer**

The Hon'ble Delhi High Court clarified that once a company enters CIRP and a moratorium under **Section 14** of the **IBC** is in effect, all pending or new proceedings under **Section 138** of the **NI Act** against the corporate debtor must be stayed. The High Court further observed that once the CIRP has been admitted the control over the corporate debtor and its accounts vests with the Interim Resolution Professional ("IRP"), as clarified under **Sections 17** and **18** of the **IBC**.

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C. NEGOTIABLE INSTRUMENTS ACT

1. **Rajasthan High Court defines scope of Section 143A of NIA: "The provisions are applicable only in cases After 01.09.2018"**

The Rajasthan High Court has reiterated that **Section 143A, Negotiable Instruments Act**, inserted after an amendment in 2018 introducing payment of interim compensation to complainant in a cheque bouncing case, has prospective application and cannot be applied to complaints filed before the amendment in a retrospective manner.

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D. MISCELLANEOUS

1. **Supreme Court stipulates demolition of illegal constructions: 'Violation of directions will lead to contempt proceedings'**

No banks shall sanction trade license or loans for illegal constructions, unless completion/ occupation certificates stand verified, clarified Apex Court. The Supreme Court emphasized the importance of adhering to planning laws and the need for strict action against unauthorized constructions. The Court stated: *"Unauthorized constructions without planning approval cannot be encouraged"*.

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E. RESERVE BANK OF INDIA (RBI)

1. Master Direction – (Credit Information Reporting) Directions, 2025

The Reserve Bank of India (RBI) has issued the Master Direction – *Credit Information Reporting Directions, 2025*, consolidating various instructions related to credit information reporting. This framework aims to standardize the reporting and dissemination of credit data while ensuring the security and confidentiality of sensitive information.

The directions apply to a wide range of regulated entities, including commercial banks, non-banking financial companies (NBFCs), asset reconstruction companies, and credit information companies (CICs). It outlines the membership criteria for CICs, specifies data formats for reporting credit information, and establishes procedures for data validation, dissemination, and consumer grievance redressal.

It includes provisions for data formats, validation, grievance redressal, and best practices. Additionally, it introduces a Data Quality Index for accurate credit reporting. The new directions replace previous circulars, simplifying compliance for regulated entities.

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2. Master Direction - (Non-resident Investment in Debt Instruments) Directions, 2025

The Reserve Bank of India (RBI) has updated its guidelines for non-resident investment in India's debt market with the Master Direction – *Reserve Bank of India (Non-resident Investment in Debt Instruments) Directions, 2025*. The framework introduces three investment routes: the General Route, Voluntary Retention Route (VRR), and Fully Accessible Route (FAR).

Under the General Route, FPIs can invest in government and corporate debt securities within set limits. The VRR offers more flexibility, allowing FPIs to invest with fewer restrictions in exchange for a commitment to hold investments for at least three years. The FAR enables FPIs, NRIs, and OCIs to invest in specified government securities without any investment limits.

The VRR includes a 2,50,000 crore investment limit, with allocation made on a 'first-come-first-served' or auction basis. FPIs must invest at least 75% of their committed portfolio

size within three months and maintain this throughout the retention period. FPIs may also transfer investments between routes and reinvest income generated from VRR investments.

Additionally, FPIs can trade government securities in both primary and secondary markets, with transactions requiring reporting to the NDS-OM platform. The guidelines also emphasize compliance, with custodians ensuring adherence to investment requirements. Violations may lead to regulatory actions by SEBI.

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3. Formation of new district in the State of Nagaland – Assignment of Lead Bank Responsibility

The Reserve Bank of India (RBI) has issued a circular regarding the formation of a new district, Meluri, in the state of Nagaland, following the Government of Nagaland’s notification dated November 02, 2024. As per the circular, the State Bank of India (SBI) has been designated as the Lead Bank for the newly formed district, with the assigned district working code “02R.” The lead bank responsibilities for other districts in Nagaland remain unchanged.

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4. e-Kuber Availability for Government Transactions on March 30, 2025

The Reserve Bank of India (RBI) has announced that March 30, 2025, which falls on a Sunday, will be designated as a working day for Government transactions through its e-Kuber platform. This decision comes in response to a request from the Office of the Controller General of Accounts, Government of India, to ensure that all Government receipts and payments for the financial year 2024-25 are processed and accounted for.

Despite Sundays typically being non-working days for e-Kuber, the platform will remain open on March 30, 2025, allowing transactions to be completed and cash balances for the Central and State Governments to be finalized.

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5. Foreign Exchange Management (Deposit) (Fifth Amendment) Regulations, 2025

The Reserve Bank of India (RBI) has introduced the *Foreign Exchange Management (Deposit) (Fifth Amendment) Regulations, 2025*, which amend the 2016 regulations to improve the management of non-resident deposit accounts. Key changes include allowing transfers between repatriable Rupee accounts for bona fide transactions, expanding access to Special Non-Resident Rupee (SNRR) accounts for non-residents with business interests in India, and aligning the tenure of SNRR accounts with the contract or business duration.

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6. Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) (Fifth Amendment) Regulations, 2025

The Reserve Bank of India (RBI) has introduced the *Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) (Fifth Amendment) Regulations, 2025*, which amend the 2015 regulations. The key update allows exporters in India to open, hold, and maintain Foreign Currency Accounts with banks outside India for receiving export proceeds and advance remittances. These funds can be used for paying imports into India or repatriated within a specified period, ensuring compliance with repatriation and realisation requirements. This amendment aims to provide more flexibility for exporters in managing foreign currency transactions.

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7. Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Third Amendment) Regulations, 2025

The Reserve Bank of India (RBI) has issued the *Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Third Amendment) Regulations, 2025*, amending the 2019 regulations. Key updates include clarifications on payment and remittance processes for various foreign investments in India. These amendments specify the mode of payment for different transactions, such as the purchase or sale of equity instruments, foreign portfolio investments, and investments by foreign venture capital investors, all of which must be made via inward remittances or repatriable foreign currency accounts.

The regulations also introduce provisions for the issuance of convertible notes by Indian start-ups and update the definition of “banking channels” to include rupee vostro accounts. Additionally, the amendments streamline the remittance of proceeds from these investments, allowing funds to be credited to repatriable foreign currency or Rupee accounts.

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8. Coverage of customers under the nomination facility

The RBI has emphasized the need for all deposit account holders to have a nomination in place to ensure smooth claims settlement for family members after the depositor’s death. Despite previous instructions, many accounts lack nominations. Banks and NBFCs are required to ensure full coverage, with progress reported quarterly starting March 31, 2025. They must also promote the nomination facility through awareness drives and ensure staff is trained to handle related claims.

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9. Prevention of financial frauds perpetrated using voice calls and SMS – Regulatory prescriptions and Institutional Safeguards

The RBI has issued new guidelines to prevent financial frauds via voice calls and SMS, addressing the misuse of mobile numbers in digital transactions. Regulated Entities (REs) such as banks and NBFCs are urged to use the Mobile Number Revocation List (MNRL) to clean their customer databases and implement procedures for updating mobile numbers to prevent fraud. They must also adhere to specific voice and SMS rules, using distinct numbering series for transactional and promotional communications. Additionally, REs should adopt the Digital Consent Acquisition (DCA) system for customer consent before sending commercial communications. To protect customer data, REs are responsible for ensuring confidentiality and reporting misuse to authorities. The RBI emphasizes customer awareness on fraud prevention, including DND registration and reporting suspicious communications. These measures aim to enhance security and trust in digital financial services.

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10. Guidelines on Settlement of Dues of borrowers by ARCs

Reserve Bank of India vide circular no. DoR.SIG.FIN. REC.56/26.03.001/2024-25 dated January 20, 2025, (“Circular”) has amended paragraph 15 of the Master Direction – Reserve Bank of India (Asset Reconstruction Companies) Directions, 2024 dated April 24, 2024 (“Master Directions”) which prescribes guidelines on settlement of dues payable by the borrowers of the Assets Reconstruction Companies (“ARCs”). The circular prescribed producer for Settlement of accounts having debt of more than 1 crore as well as for accounts having debt less than or equal to Rs. 1.00 crore. Settlement of accounts with more than Rs. 1.00 crore can be done only after the proposal is examined by Independent Advisory Committee (IAC), other accounts (except fraud or wilful defaulter accounts) can be settled as per board approved policy. Fraud or wilful defaulter accounts can be settlement on with innervation of IAC irrespective of amount involved. Now settlement can be done only after all possible ways to recover the dues have been examined and settlement is considered as the best option available.

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11. Private Placement of Non-Convertible Debentures (NCDs) with maturity period of more than one year by HFCs

The RBI has updated guidelines for Housing Finance Companies (HFCs) on the private placement of Non-Convertible Debentures (NCDs) with maturities over one year. The new rules, previously applicable to Non-Banking Financial Companies (NBFCs), will now apply to HFCs as well, replacing the old guidelines from 2021. These changes take effect immediately for all new NCD placements by HFCs.

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12. Framework for imposing monetary penalty and compounding of offences under the Payment and Settlement Systems Act, 2007

On January 30, 2025, the RBI issued a *Framework for imposing monetary penalty and compounding of offences under the Payment and Settlement Systems Act, 2007 (PSS)*. This framework streamlines the process for addressing non-compliance by payment systems [defined under section 2(i) PSS], detailing penalty scenarios, amounts, the RBI’s

powers, and the procedures for imposing penalties and compounding contraventions. Key points include:

- **Offenses and Penalties:** The RBI now has the authority to penalize for offenses like operating without authorization, non-compliance with AML guidelines, breaches of limits, and inadequate data storage, etc.
- **Penalty Power:** The RBI can impose penalties up to 10 lakh or double the amount involved in the contravention, whichever is higher. However, some may argue the penalty is insufficient for addressing serious non-compliance.
- **Compounding of Contraventions:** For minor violations not punishable by jail, the RBI can settle issues without legal action.
- **Designated Authority:** A new committee will be formed to handle monetary penalties and compounding at the RBI's Central/Regional Offices.
- **Material Contraventions:** Only significant contraventions will be penalized or compounded, providing clarity and reducing disputes.
- **Penalty Procedure:** The process for imposing penalties includes a show cause notice, personal hearing, and a speaking order, streamlining the process.
- **Penalty Quantum:** Penalty amounts will be based on factors like intent, proportionality, and mitigating circumstances, with a cap on the penalty.
- **Compounding Procedure:** To apply for compounding, applicants must submit relevant documents, confirm they're not under investigation, and undergo a review. A decision will be made within six months, and if approved, no further action will be taken.
- **Non-payment Scenario:** The RBI has clarified the payment period and consequences of non-payment.

This framework strengthens RBI's ability to address non-compliance within the growing payment ecosystem.

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F. SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

1. Measure for ease of doing business -Settlement of Account of Clients who have not traded in the last 30 days

SEBI has updated its guidelines for settling client accounts with no trades in the past 30 days. Under the previous rules, brokers were required to settle these accounts within three working days, which led to operational inefficiencies. The revised guidelines now align settlements with the upcoming monthly settlement cycle set by the exchanges. Clients with no trades for 30 days will have their funds settled on the next scheduled monthly settlement date. If the client trades before that date, the settlement will follow their preferred cycle (monthly or quarterly). This change, effective immediately, aims to improve operational efficiency while continuing to safeguard investor interests.

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2. Measures for Ease of Doing Business for Credit Rating Agencies (CRAs)

SEBI has revised timelines in the Master Circular for Credit Rating Agencies (CRAs) to improve operational efficiency. The changes include specifying timelines in “working days” rather than “days” to accommodate delays from external entities like bankers and trustees. Key updates are: press releases must be issued within 7 working days (previously 7 days); rating reviews for debt servicing delays must be done within 2 working days (previously 2 days); ratings can be migrated to the “INC” category within 5 working days if No-default Statements are missing for three months (previously 7 days); and CRAs have 2 working days to follow up with issuers if no response is received from the Debenture Trustee within 1 working day (previously 1 day). These changes are effective immediately.

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3. Guidelines for Investment Advisers

SEBI’s recent circular brings several important updates to the Investment Advisers (IA) framework. Notably, it introduces provisions for part-time IAs, allowing individuals engaged in unrelated businesses, such as those regulated by financial sector bodies (e.g., ICAI), to register as part-time advisers. These IAs must maintain a clear separation between their advisory services and other business activities.

The circular also addresses the use of Artificial Intelligence (AI) tools by IAs, requiring them to disclose the extent of AI usage in their advisory services and ensure data security. Furthermore, IAs now have more flexibility in charging fees, with the ability to change fee structures without waiting 12 months, while the maximum fees have been slightly revised.

Additionally, the circular strengthens compliance by requiring IAs to conduct annual audits, disclose audit findings, and maintain a website with updated details by June 30, 2025. These measures aim to enhance investor protection, improve transparency, and streamline the operational processes for IAs.

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4. Guidelines for Research Analysts

SEBI's amendments to the Research Analyst (RA) regulations, effective December 16, 2024, introduce key updates. These include revised qualification and certification requirements for RAs, which existing individual RAs can bypass if they hold NISM certifications. A new deposit structure requires RAs to maintain a deposit based on their maximum client count from the previous year, with deadlines for compliance set for April 30, 2025.

Investment Advisers (IAs) can now register as RAs but must ensure a clear separation between advisory and research services. Fees for individual clients are capped at 1.51 lakh per year, with compliance required by June 30, 2025. Additionally, RAs must ensure segregation of research and distribution activities at the client level, disclose any AI tool usage in research, and follow SEBI's guidelines for model portfolio recommendations.

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5. Procedure for seeking waiver or reduction of interest in respect of recovery proceedings initiated for failure to pay penalty

SEBI has issued a procedure for seeking a waiver or reduction of interest on penalty recovery. This applies when the principal amount has been fully paid, and the interest is causing genuine hardship or arose from circumstances beyond the applicant's control. Applications must be submitted to the Recovery Officer, providing relevant documents and satisfying specific criteria. The Competent Authority will review the application, and a decision will be made within 12 months. Waivers or reductions are not available for interest related to unpaid SEBI fees or disgorgement amounts. The circular is effective immediately and outlines detailed steps for the application process.

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6. Revise and Revamp Nomination Facilities in the Indian Securities Market

SEBI has updated the nomination norms for demat accounts and mutual fund folios to streamline asset transmission and reduce unclaimed assets. The revised guidelines, effective from March 1, 2025, include mandatory nomination for single account holders, the ability to nominate up to 10 individuals, and the option for investors to specify their nominee's share. Additionally, enhanced security for online nominations and simplified transmission processes to nominees are introduced. The circular also allows for guardians for minor nominees and provides clear protocols for opting out of nomination. These changes aim to ensure smoother asset distribution and safeguard investor interests.

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7. Disclosure of Risk Adjusted Return-Information Ratio (IR) for Mutual Fund Schemes

SEBI has mandated the daily disclosure of the "Information Ratio" (IR) for equity-oriented mutual fund schemes to measure risk-adjusted returns. This will provide investors with a clearer picture of a scheme's performance relative to its benchmark, considering volatility. AMCs must publish IR on their websites in a downloadable format, with explanations on its calculation and significance. The new requirement will be effective within three months, aiming to enhance transparency and assist in better investment decisions

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8. Timeline for Review of ESG Rating pursuant to occurrence of 'Material Events'

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SEBI has extended the timeline for reviewing ESG ratings after the publication of the Business Responsibility and Sustainability Report (BRSR) to 45 days, while other material events still require reviews within 10 days. This change, effective immediately, addresses operational challenges and aims to improve the review process.

[Read More](#)

9. Development of Web-based portal: iSPOT(Integrated SEBI Portal for Technical glitches) for reporting of technical glitches

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SEBI has launched iSPOT (Integrated SEBI Portal for Technical Glitches) for Market Infrastructure Institutions (MIs) to report technical glitches and submit Root Cause Analysis (RCA) reports. Starting February 3, 2025, MIs must use iSPOT for submitting both preliminary and final reports, replacing the email submission process. The portal will centralize data, improve traceability, and streamline compliance monitoring. MIs can access it through their existing SEBI Intermediary Portal login, and must update their systems to comply with the new requirements.

[Read More](#)

10. Format of Due Diligence Certificate to be given by the DTs

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SEBI has updated the format for the Due Diligence Certificate (DDC) required from Debenture Trustees (DTs) for unsecured debt securities. As per the new guidelines, at the time of filing the draft offer document with stock exchanges, the issuer must submit a DDC from the DT in the specified format (Annex-A). Similarly, at the time of filing the listing application, the issuer must submit a DDC as per the format in Annex-B. Additionally, SEBI has modified certain provisions in the Master Circular for DTs to align with the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021. These updates are effective immediately.

[Read More](#)

11. Details/clarifications on provisions related to association of persons regulated by the Board, MIs, and their agents with persons engaged in prohibited activities

SEBI has issued clarifications regarding the association of persons regulated by the Board (such as stock exchanges, clearing corporations, depositories, and their agents) with individuals or entities involved in prohibited activities. The regulations, effective from August 29, 2024, prohibit these regulated entities and their agents from associating directly or indirectly with any person who:

- Provides advice or recommendations on securities without SEBI registration or permission.
- Makes claims about returns or performance related to securities without SEBI authorization.

These provisions are intended to ensure compliance and protect investors. The circular clarifies that associations with those engaged solely in investor education, as long as they do not engage in prohibited activities, are permissible. It also provides detailed guidelines, including responsibilities for ensuring compliance and penalties for violations.

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12. Parameters for external evaluation of Performance of Statutory Committees of Market Infrastructure Institutions (MIs); and Mechanism for internal evaluation of Performance of MIs and its Statutory Committees

SEBI has issued guidelines for the external and internal performance evaluations of Market Infrastructure Institutions (MIs) and their statutory committees. MIs must conduct an external evaluation every three years, starting with FY 2024-2025, with the first report due by September 30, 2025. Evaluations will cover roles, effectiveness, and governance, using a rating framework for consistency.

MIs must also conduct annual internal evaluations, submitting reports to the Governing Board within three months of the financial year's end. The circular details the appointment process for external agencies, requiring SEBI's approval and ensuring no conflict of interest. These provisions are effective from the 30th day of the circular's issuance. MIs must update their internal rules and inform market participants.

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G. INSURANCE AND REGULATORY DEVELOPMENT AUTHORITY OF INDIA (IRDAI)

1. Review of revision in premium rates under health insurance policies for senior citizens:

Insurance Regulatory and Development Authority of India (IRDAI) vide its Circular Ref: IRDAI/HLT/CIR/ MISC/27/1/2025 dated January 30, 2025, had addressed the rising health insurance premiums for senior citizens aged 60 and above.

Observing steep increases in premium rates, IRDAI has capped annual premium hikes at 10% for this age group. Any proposed revision beyond this limit or withdrawal of health insurance products for senior citizens requires prior consultation with the regulator.

IRDAI also directed insurers to publicize senior citizen-focused measures and work toward common empanelment of hospitals with standardized package rates, similar to the PMJAY scheme, to mitigate hospital costs.

Additionally, insurers must maintain a dedicated channel for senior citizens' claims and grievances, with details available on their websites. These directives aim to protect senior citizens, often the most financially vulnerable, from disproportionate premium hikes and ensure fair access to health insurance.

[Read More](#)

2. IRDAI notifies few amendments to strengthen existing regulatory framework

The Insurance and Regulatory Development Authority of India (IRDAI) vide its Press release dated January 10, 2025 titled 'IRDAI further strengthens the Regulatory framework', has notified few regulations/amendments, in continuation of the process of strengthening the regulatory architecture.

1. Regulations on Regulatory Sandbox

As a notable addition in the form of an enabling provision to file Inter-Regulatory Sandbox proposals, cutting across more than one financial sector, the scope of the sandbox has been expanded to encourage proposals that foster innovation, improve efficiency and ease of doing business. This has made the Regulations more of principle-based, whereby operational aspects will be issued through a master circular.

2. Regulations on Maintenance of Information by the Regulated Entities and Sharing of Information by the Authority

This next addition is a consolidation of the (a) IRDA

(Sharing of Confidential information concerning domestic or foreign entity) Regulations, 2012; (b) IRDAI (Maintenance of Insurance Records) Regulations, 2015; and (c) IRDAI (Minimum Information required for Investigation and Inspection) Regulations, 2020, which sets guidelines for sharing confidential information and electronic record-keeping with robust security and privacy measures.

3. Amendments to Meetings Regulations

In order to enhance operational flexibility, governance and efficiency of conducting meetings, the IRDA notified amendments to (a) IRDAI (Meetings)(Amendment) Regulations, 2025; (b) IRDAI (Insurance Advisory Committee) (Amendment) Regulations, 2025; and (c) IRDAI (Re-Insurance Advisory Committee) (Amendment) Regulations, 2025.

The above-mentioned amendments are a measure towards more dynamic and principle-oriented regulatory framework, which may foster enhanced governance norms & stipulations over maintenance of data security. Striking a balance between the insurer and the insured is of paramount importance, when it comes to settlement of claims. Hence, these measures may prove as a significant step towards upholding policyholder protection in the dynamic insurance landscape.

[Read More](#)



H. GIFT CITY- A CONCEPT NOTE

WHAT IS GIFT CITY:

Gujarat International Finance Tec–City, properly known as “Gift City” is being developed on the banks of the River Sabarmati in Ahmedabad, the state of Gujarat. Gift City is being established on a land admeasuring 886 acres out of which there is plan to develop 62 million sq. ft. of built-up area consisting of approximately 41.5 million sq.ft. of commercial space, 13.65 million sq. ft. of residential space and remaining areas for social activities. The Gujarat Urban Development Company Limited, an undertaking of Govt. of Gujarat, through Gujarat International Finance Tech – City Company Limited is developing the Gift City. The Gift City has seamless transport connectivity internally as well as excellent connectivity to different part of the world through Ahmadabad International Airport. Gift City would consist of Special Economic Zone (“SEZ”) along with exclusive Domestic Tarif Area (“DTA”). While SEZ would spread in area approximately 261 acres, 625 acres have been earmarked as DTA ¹.

EVOLUTION OF GIFT CITY:

As per the Special Economic Zone Act 2005 ² (“SEZ Act”), the Central Government may set up one International Financial Services Centre (“IFSC”) in a Special Economic Zone (“SEZ”). As such the Gift City is situated in Kandla Special Economic Zone, Gujarat. Gift City is approved multi services Special Economic Zone (“GIFT SEZ”) under the SEZ Act.

In 2019, Government of India enacted International Financial Services Centres Act, 2019 (“IFSC Act”) with the objective to establish an authority to develop and regulate the financial services market in International Financial Services Centres (“IFSC”) and for other connected matters. IFSC Act established International Financial Services Centres Authority (“IFSCA”) to act as an “Authority” under IFSC Act ³. IFSC Act vested all powers which were exercisable by a regulator under Reserve Bank of India Act, Securities and Exchange Board of India Act, Insurance Regulatory and Development Authority of India Act and Pension Fund Regulatory and Development Authority Act in IFSCA in so far as these relates to the regulation of the financial products in IFSC ⁴. Accordingly, various enactments as mentioned in Schedule II of the IFSC Act, such as the Reserve Bank of India Act, 1934, the Banking Regulation Act, 1949, the Securities Contracts (Regulation) Act, 1956, the Securities and Exchange Board of India Act, 1992, the Depositories Act, 1996, the Insurance Regulatory and Development Authority Act, 1999, the Insurance Act, 1938 etc. have been amended to confer such powers and authority on IFSCA ⁵.

1 Source:

<https://api.giftgujarat.in/public/tool-guides-for-setting/DoingBusinessatIFSC.pdf>

2 Section 2(q) read with Section 18 of the Special Economic Zone Act 2005

3 Section 4 of IFSC Act 2019

4 Section 13 of IFSC Act 2019

5 Section 33 of IFSC Act 2019

STATUS OF UNITS IN IFSC:

IFSC is the first step towards bringing financial services transaction relatable to India, back to Indian shores and to cater the customers outside Indian jurisdiction, in currency other than Indian Rupees.

To facilitate establishment of IFSC, RBI under Foreign Exchange Management Act, 1999 (“FEMA”) issued FEM (International Financial Services Centre) Regulations, 2015 (“IFSC Regulations”) to regulate Financial Institutions (“FI”), as defined therein, rendering financial services or undertaking financial transactions, as defined therein, in IFSC.

Any FI or branch thereof set up any IFSC and recognised as such by the Govt. of India or regulatory authorities shall be treated as a Person Resident in India ⁶. As the FI in IFSC would be a Person Resident outside India, it would have the following effect :-

- i) Any investment in any Indian entity shall be treated as Foreign Direct Investment (“FDI”) and shall have to comply with all extant regulations including FEMA Regulations for such FDI investment.
- ii) Any borrowing made by a Person Resident in India from FI would be treated as an External Commercial Borrowing.
- iii) Resident individuals can make investments in units in IFSC such as shares of companies Resident outside India under Liberalised Remittance Scheme subject to applicable conditions contained therein.

ESTABLISHMENT OF BANKING UNIT IN IFSC.

IFSCA has notified The International Financial Services Centres Authority (Banking) Regulations, 2020 (as amended from time to time) (“Banking Regulations”) for establishment of a banking units and connected operational matters.

As per Banking Regulations, Indian banks (excluding cooperative banks as definition of Indian Bank ⁷ does not include co-operative banks) and foreign banks can set up their branch in Gift City. The word “Indian Bank” not only includes a bank established in India but also subsidiary of foreign banks incorporated in India. Thus the foreign banks not having the presence in India may also be setup a branch in Gift City.

Banking unit may be set up as:

- (a) IFSC Banking Unit or IBU i.e. Banking Unit licensed or permitted by the Authority to operate in an IFSC as a subsidiary company of the Parent Bank ; or
- (b) IFSC Banking Company or IBC, i.e. a Banking Unit licensed or permitted by the Authority to operate in an IFSC as a branch of the Parent Bank.

A Parent Bank who has already set up an IBU in an IFSC, may be permitted to convert the same to an IBC, with the prior approval of the Authority.

⁶ Regulation 3 of IFSC Regulations

⁷ Regulation 2(f) of Banking Regulations

Procedure for establishment of a banking unit⁸ :

- (1) A Parent bank desirous of establishing a banking units shall submit an application to the Authority in the form and manner as specified by the Authority.
- (2) The applicant shall satisfy the following requirements for grant of licence by the Authority:
 - (a) Parent Bank shall provide a minimum capital of USD 20 million or such other amount as may be specified by the Authority, or equivalent in any foreign currency to its Banking Unit, for the purposes of starting operations, that shall be maintained on unimpaired basis, at all times;
 - (b) Parent Bank shall obtain a No Objection Letter from its home regulator regarding setting up of them Banking Unit in the International Financial Services Centre;
 - (c) Parent Bank shall submit an undertaking that it shall provide liquidity to its BU whenever needed for the operations of the BU.
- (3) As IFSC is a Gift City SEZ Area, permission of establishment of Banking Unit will also be required from Commissioner, Kandla SEZ.
- (4) Banking Units may undertake any or all of the activities mentioned under clause (e) of sub-section (1) of Section 3 of the Act or Section 6 of the Banking Regulation Act, 1949, except those expressly prohibited by the Authority, subject to compliance with such terms and conditions or guidelines as may be specified by the Authority, including matters relating to design, execution and risk management ⁹. Thus a Banking Unit set up in Gift City, can undertake the following activities:
 - Commercial Banking: - External Commercial Borrowing, trade finance, factoring services, guarantee and indemnity business, equipment leasing and hire purchase etc.
 - Capital Market Business: - Becoming a trading member of a stock exchanges for specified products, issue of perpetual debt instruments, undertake money market operations, investment in Indian securities under FPI route etc.
 - Private Banking: - Offering of structured deposits, distributor of mutual fund units, insurance, and other financial products.
 - Financial Services: - Such as underwriting, custodial securities, trustee and financially services, retailing of government securities, etc.
- (5) A Banking Unit shall be permitted to function as a banker to an issue in an IFSC, without any additional registration requirement, subject to compliance with the regulatory provisions that may be specified by the Authority from time to time ¹⁰.
- (6) Referral services is also a permitted activity under Banking Regulations. “Referral

8 Regulation 3 of Banking Regulations

9 Regulation 13 of Banking Regulations

10 Regulation 3(3) of IFSC (Capital Market Intermediaries) Regulations 2021

services” means an activity in which a BU, pursuant to an arrangement with a financial product or financial service provider, refers its clients or the clients of its Parent Bank as potential customers (or “leads”), to such financial product or financial service provider for providing them the financial product(s) or financial service(s).

- (7) A banking unit will be required to comply with prudential regulatory requirements as may be prescribed by the Authority, from time to time ¹¹.
- (8) Parent bank may establish a Global Administrative Office in IFSC for (i) managing, administering, or coordinating operations of the Parent Bank or any of the Group entities either in IFSC or outside IFSC; (ii) providing support services to Parent Bank or any of the Group entities for execution of the permitted activities either in IFSC or outside IFSC ¹². “Group entities” here shall mean any holding company, subsidiaries, branches or any other entity, in whatever legal form, through which the Parent bank undertakes its operations or permitted activities.
- (9) Parent bank may establish a Representative Office ¹³ or “RO” in for (i) marketing of financial products; (ii) collection of data; (iii) carrying out of outreach operations.

ESTABLISHMENT OF FINANCE COMPANY/ FINANCE UNIT IN IFSC

IFSCA has issued International Financial Services Centres Authority (Finance Company) Regulations, 2021 (“Finance Company Regulations”) for establishment of a Finance Company or Finance Unit in IFSC.

As per Finance Company Regulations:

- (1) A Finance Company ¹⁴ can be set up either as a subsidiary or a joint venture, or as a newly incorporated company under the Companies Act, 2013 provided it does not accept public deposit from resident and non-resident, and it is not registered with the Authority as a Banking Unit.
- (2) An incorporated entity in its home jurisdiction can set up a Finance Unit ¹⁵ in IFSC.
- (3) An entity can commence business as a Finance Company or Finance Unit in IFSC only after obtaining a certificate of registration from the Authority ¹⁶. If Finance Company or Finance Unit is regulated by a financial sector regulator in its home jurisdiction then a No-Objection Certificate from the home regulator for setting up a Finance Unit in the IFSCs, wherever applicable, is also required to be taken.
- (4) A Finance Company or Finance Unit will have and maintain minimum owned fund, depending on the category of activity(ies) or a combination of activities and

11 Chapter III of Banking Regulations

12 Section 3(9) of Banking Regulations

13 Section 3(9) of Banking Regulations

14 Regulation 2(e) of Finance Company Regulations

15 Regulation 2(f) of Finance Company Regulations

16 Regulation 3 of Finance Company Regulations

shall be required to comply with prudential regulatory requirements as may be prescribed by the Authority, from time to time ¹⁷.

(5) Permitted Core activities and Non-Core Permitted Activities for a Finance Company or Finance Units shall be as under ¹⁸:

Permitted Core activities such as lending in the form of loans, commitments and guarantees, credit enhancement, securitisation, financial lease, and sale and purchase of portfolios; Factoring and forfaiting of receivables; Undertaking investments, including subscribing, acquiring, holding, or transferring securities; Buy or Sell derivatives; Global/Regional Corporate Treasury Centres; etc.

Non-core Activities such as Merchant Banking; Registrar and Share Transfer Agent; Trusteeship Services; Investment Advisory Services; Portfolio Management Services; etc.

ESTABLISHMENT OF CAPITAL MARKET INTERMEDIARIES IN IFSC

IFSCA has issued International Financial Services Centres Authority (Capital Market Intermediaries) Regulations, 2021 (“Capital Market Regulations”) paving way for the Broker dealers, Clearing members; Depository participants; Investment bankers; Portfolio managers; Investment advisers, Custodians etc. (“Capital Market Intermediary”) to establish their offices in IFSC.

A Capital Market Intermediary shall obtain a certificate of registration from the Authority prior to commencement of operations in an IFSC ¹⁹ and shall abide by the Code of Conduct as specified in Schedule III of Capital Market Regulations ²⁰. Specific obligations and responsibilities of Capital Market Intermediaries have been prescribed in Chapter IV of the Regulations.

A registered capital market intermediary incorporated in IFSC (and not entities incorporated outside IFSC and operating in an IFSC in the form of branch) may undertake cross boarder activities subject to certain conditions as may be stipulated ²¹.

INSURANCE SERVICES IN IFSC

IFSCA has issued IFSCA (Registration of Insurance Business) Regulations, 2021 (“Insurance Regulations”) which applies apply to :-

i) Indian insurer or re-insurer

17 Chapter II of Finance Company Regulations

18 Regulation 5 of Finance Company Regulations

19 Regulation 3 of Capital Market Regulations

20 Regulation 13 of Capital Market Regulations

21 Regulation 63 of Capital Market Regulations

- ii) Foreign insurer or re-insurer
- iii) Branch office of a foreign insurer
- iv) A public company or a wholly owned subsidiary of an insurer or re-insurer
- v) A body corporate incorporated under the laws of any country outside India not being in the nature of a private company.

No person can establish an International Financial Service Centre Insurance Office (“IIO”) and commence the business of insurance or re-insurance in an IFSC without obtaining registration from the Authority in accordance with these Regulations ²².

An Indian insurer or re-insurer, desirous of setting up a place of business in an unincorporated form in an IFSC, shall be duly registered with IRDAI for undertaking the business of insurance or re-insurance in India and has been granted a No Objection Certificate by the IRDAI to set up place of business in an IFSC. Similarly a foreign insurer or foreign re-insurer, desirous of setting up branch in an unincorporated form in an IFSC should be registered or licensed for transacting insurance or re- insurance business, or both, in its home country or country of its incorporation or domicile and has been granted No Objection Certificate by the regulatory or supervisory authority of its home country or country of its incorporation or domicile, to set up an office in an IFSC.

The Board of the Applicant shall undertake to comply with the assigned capital, solvency, net owned funds and other requirements as may be specified by the Authority from time to time ²³.

Permitted Activities for IIO ²⁴:

An IIO registered with the Authority may carry any of the following class of businesses as may be permitted by the Authority subject to such conditions as may be specified:-

- (a) Life Insurance Business;
- (b) General Insurance Business;
- (c) Health Insurance Business; or
- (d) Re-insurance Business.

In case of re-insurance business, the IIO may accept re-insurance business from the cedents based in the IFSC, in relation to risk emanating from other SEZs and re-Insurance business from outside India or may accept re-insurance business from the insurers operating in DTA in accordance with the order of preference for cession specified in the IRDAI (Re-insurance) Regulations, 2018 ²⁵.

IIO shall be required to comply with basic regulatory and governance requirements,

22 Regulation 4 of Insurance Regulations

23 Regulation 5 of Insurance Regulations

24 Regulation 10 of Insurance Regulations

25 Regulation 15 of Insurance Regulations

such as net owned funds, paid up capital, solvency requirements, reporting etc., as mentioned in Chapter V of the Insurance Regulations.

ESTABLISHMENT OF GLOBAL IN HOUSE CENTRE IN IFSC

Global In-House Centre i.e. a unit set up in the IFSC for providing support services, directly or indirectly, to entities within its financial services group, including but not limited to banks and non-banking financial companies, financial intermediaries, investment banks, insurance companies, re-insurance companies, actuaries, brokerage firms, funds, stock exchanges, clearing houses, depositories, and custodians, for carrying out a financial service in respect of a financial product can be established as per the International Financial Services Centres Authority (Global In-House Centres) Regulations, 2020 (“Global House Regulations”), issued by IFSCA for registration of Global In-House Centre and other connected matters.

GIHC shall exclusively cater to its financial services group ²⁶, i.e. any entity which is regulated by a financial services regulator or any other competent body regulating financial services activities in its home jurisdiction and include its holding, subsidiary or associate companies, branch, or subsidiary of a holding company to which it is also a subsidiary ²⁷.

A Global In-House Centre, shall provide services to non-resident entities only and can deal in freely convertible foreign currency only ²⁸.

INCENTIVES AND EXEMPTIONS TO UNITS IN IFSC ²⁹

A. DIRECT TAX INCENTIVES:

Under Income Tax Act 1961, following direct tax incentives have been given to units established in IFSC:

100% tax exemption for 10 consecutive years out of 15 years

IFSC Unit has the flexibility to select any 10 years out of 15 years block

MAT / AMT @ 9% of book profits applies to Company / others setup as a unit in IFSC - MAT not applicable to companies in IFSC opting for new tax regime

Dividend paid to shareholders of company in IFSC

From 01 April 2020, dividend income distributed by Company in IFSC to be taxed in the hands of the shareholder.

B. INDIRECT TAX INCENTIVES

Indirect tax benefits available to units in IFSC are as follows:

²⁶ Regulation 3 of Global House Regulations

²⁷ Regulation 2(f) of Global House Regulations

²⁸ Regulation 6 of Global House Regulations

²⁹ Source: <https://accreditation.giftgujarat.in/tax-benefits>

No GST on services

- received by unit in IFSC
- provided to IFSC / SEZ units, Offshore clients

GST applicable on services provided to Domestic Tariff Area

C. EXEMPTIONS AND RELAXATIONS FROM MINISTRY OF CORPORATE AFFAIRS.

The Ministry of Corporate Affairs issued two notifications on 04.01.2017 granting certain exemptions and relaxations from certain provisions of the Companies Act, 2013 to companies located in IFSC. For example a Public Company, established in Gift City shall have following exceptions, modifications, or adaptations of various provisions of the Companies Act 2013:

Company, which is a subsidiary of a Foreign Company, the financial year of the subsidiary may be the same as a financial year of its holding company, and approval of tribunal shall not be required.

A specified IFSC Public Company shall be formed only as a company limited by shares. Thus formation of a company limited by guarantee is not permitted.

A specified IFSC Public Company shall have its registered office at the International Financial Service Centre located in the approved Multi Services Special Economic Zone set up under the Special Economic Zones Act 2005 where it is licensed to operate, at all times. Further, it can change its registered office from one place to another within International Financial Service Centre only with the authority of resolution passed by the Board of Directors. However, the registered office cannot be shifted outside the International Financial Service Centre.

Section 43 relating to “Kinds of Share Capitals” and Section 47 relating to “Voting Rights” shall not apply where Memorandum or Article of Association of such company provides for it.

The requirement of having at least One Woman Director, under section 149 (1) is not applicable.

Section 177 relating to Constitution of Audit Committee. and section 178 relating to Constitution of Nomination and Remuneration Committee and Stakeholders Relationship Committee shall not apply.

Various resolutions which were otherwise required to be passed only in the meeting of the Board of Directors under sections 179 (3), may be passed at the meeting of the board or through resolutions passed by circulation.

Section 186 (1) relating to Loan and Investment by a Company shall not apply.

Section 186 (2),(3) & (5) shall not apply if a company passes a resolution either at a meeting of the board or by circulation.

Section 196 relating Appointment Managing Director or Manager and Section 197 relating to overall Maximum Managerial Remuneration, shall not apply.

PUBLIC ISSUE BY UNITS IN IFSC

To facilitate initial public offer of specified securities by an unlisted entity, a follow-on public offer, rights issue, preferential issues of specified securities by a Listed Entity etc., IFSCA has issued International Financial Services Centres Authority (Listing) Regulations, 2024 (“Listing Regulations”).

Further in August 28, 2024, in exercise of the powers conferred by section 30 of the Securities Contracts (Regulation) Act, 1956, the Central Government amended the Securities Contracts (Regulation) Rules, 1957 to bring the IFSC and IFSCA within the purview of the Securities Contracts (Regulation) Rules, 1957 and inserted the following explanation in rule 19A, after the explanation to sub-rule (6), namely:

“Explanation. – For the purposes of this rule, the provisions of sub-rules (1) to (5) shall apply to, or in relation to, a company listed on a recognised stock exchange in an International Financial Service Centre, subject to the modification that references to “twenty-five per cent.” in those sub-rules shall be construed as references to “ten per cent.” and the first proviso to sub-rule (5) shall not apply to such company.”

Thus the minimum float requirements stand reduced from 25% to 10% of the share capital for listing in international stock exchanges at GIFT City.

As per Listing Regulations, an issuer shall be eligible to list its securities or any other permitted financial product on a recognised stock exchange subject to the following conditions³⁰:

- (a) the issuer is incorporated or set up either in an IFSC or in India, or in a Foreign Jurisdiction in accordance with the relevant laws of its home jurisdiction;
- (b) the issuer operates in conformity with its constitution; and
- (c) the issuer is eligible to issue such securities or other financial products, that are proposed to be listed on the recognised stock exchange, in conformity with the relevant laws of its home jurisdiction.

A public Indian company proposing to list its equity shares on a recognised stock exchange shall be required to meet the eligibility criteria provided under Schedule XI of the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 and the Companies (Listing of equity shares in permissible jurisdictions) Rules, 2024.

The securities shall be denominated in a specified foreign currency for listing and trading³¹.

A supranational or a multilateral or a statutory institution; a municipality or any similar body; and an entity which offers or proposes to offer sovereign debt securities, shall also be entitled to list their debt securities.

The securities and other permitted financial products listed or proposed to be listed on a recognised stock exchange shall be freely transferable and held in dematerialised

30 Regulation 6 of Listing Regulations

31 Regulation 7 of Listing Regulations

form. The debt securities and such other financial products may also be held with an international central securities depository.

GIFT CITY- DTA

The entities who have established their offices in Gift SEZ Area cannot strive of their own and may need the support and services of other experts e.g. experts from Information and Technology etc. Thus to encourage such entities to establish their offices in Domestic Tariff Area, the Government of Gujarat has come out with its Information and Technology Policy, 2022-27 which provides for various incentives to IT and ITES units such as ³²:-

All eligible IT/ITeS units shall be entitled to Capex support of varied amount depending upon their category to be determined as per the policy.

Reimbursement of contribution made by employer under Employees Provident Fund.

Interest subsidy on loans.

Reimbursement of electricity charges paid to Government of Gujarat for a period of five years etc.

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Partner*

32 Policy can be accessed at: <https://giftsez.com/documents/IT-POLICY-FInal-2022.pdf>

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