Newsletter

Volume 38, Mar 2025

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Editor's note

Dear Readers,

I am pleased to share our March 2025 newsletter, covering key legal and regulatory developments across arbitration, IBC, RBI, and SEBI.

Recent judicial pronouncements on arbitration front are noteworthy. The Supreme Court clarified that once an arbitral "seat" is designated, it functions as an exclusive jurisdiction clause. The Andhra Pradesh HC reaffirmed that limitation for arbitration begins from the notice date, and named arbitrators must be honoured unless bias is proven.

The Supreme Court has clarified that if the cause of action arises to file complaint u/s 138 of NI Act when moratorium under IBC is in place, directors of a corporate debtor cannot be prosecuted under Section 138 of the NI Act as IRP/RP is in charge of day-to-day affairs of the Company. In another ruling, the Court struck down fresh tax demands post-approval of a Resolution Plan, reinforcing its finality and preventing creditors from raising omitted claims later.

On the forefront of regulatory changes, the RBI has updated financial statement disclosure rules for banks and revised the treatment of Right-of-Use (ROU) assets for NBFCs, ensuring they are risk-weighted at 100% instead of being deducted from capital. The Priority Sector Lending (PSL) target for Urban Cooperative Banks has been reduced to 60% of ANBC/CEOBSE from FY 2024-25 onwards. Additionally, the RBI discontinued Gold Monetization Scheme.

Lastly, the Market Regulator SEBI has extended reporting timelines for AIFs issuing differential rights and a faster Rights Issue framework, reducing compliance time to 23 working days. The Social Stock Exchange framework has been revised, lowering the minimum subscription size for Zero Coupon Zero Principal instruments. SEBI has also mandated DigiLocker integration to minimize unclaimed assets in the securities market, and has refined ESG disclosures, introduced intraday position monitoring for index derivatives, and revised frameworks for REITs and InvITs.

As a special feature in this issue, we have included a knowledge paper on 'Family Settlement – Sanctity & Registration,' authored by Mr. Sanjay Gupta, Managing Partner – Dispute Resolution Group, which examines the legal sanctity of family settlements, judicial perspectives, and the implications of registration.

I hope you find this edition insightful.

Best wishes,

Navneet Gupta

Partner,
SNG & Partners

A. ARBITRATION AND CONCILIATION ACT, 1996

1. The moment 'seat' is determined, it would be akin to an exclusive jurisdiction clause: SC settles International Arbitration Jurisdiction dispute

"Where in an arbitration agreement there is an express designation of a place of arbitration, anchoring the arbitral proceedings to such place, and there being no other significant contrary indicia to show otherwise, such place would be the 'seat' of arbitration," the Supreme Court observed while resolving a jurisdictional dispute in an international arbitration.

The case involved a disagreement between Disortho S.A.S, a Colombian company, and Meril Life Science Private Limited, an Indian entity, regarding the interpretation of arbitration clauses in their distribution agreement. While Disortho invoked Indian jurisdiction for the appointment of an arbitrator, Meril argued that arbitration should proceed under Colombian rules. The Court examined conflicting contractual provisions, international precedents, and the principles of lex arbitri and lex contractus to determine the applicable laws.

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2. HC expounds: Mention of place of arbitration in an award is not a mandatory requirement under Section 31 unless specifically contested

Recently, the division judge bench of the Allahabad High Court held that the mere fact that the form under **Section 31** of the Arbitration and Conciliation Act inter alia indicates mentioning of place of arbitration, by itself does not make it mandatory to the extent that the lack of such mention in the award, without there being any challenge based on such absence, the award would stand vitiated.

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2. HC opines: 'Limitation period for arbitration begins from date of notice invoking arbitration, not contract termination'

In a recent judgment, the Andhra Pradesh High Court held that the limitation period for filing an application seeking appointment of arbitrator under **Section 11 (6)** of the Arbitration and Conciliation Act, 1996, commences only after a notice invoking arbitration has been issued by one of the parties and there has been either a failure or refusal on the part of the opposite party to make an appointment as per the procedure agreed upon between the parties.

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4. HC explains: 'Arbitration agreement must be honored unless valid grounds exist to disqualify the named arbitrator'

Recently, the Andhra Pradesh High Court has held that the request for seeking appointment of an independent arbitrator other than the named arbitrator cannot be entertained if there is no evidence to show that the named arbitrator would act in a partial or biased manner.

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4. 5. Arbitral awards enjoy a high degree of judicial defence and should not be interfered with: Delhi HC dismisses challenge under Section 34

Recently, the Delhi High Court upheld the rejection of an application under **Section 34** of the Arbitration and Conciliation Act, 1996, filed by a media company challenging an arbitral award. The case pertained to a contractual dispute over outstanding payments under a transport agreement. The Court observed that an arbitral tribunal's findings, based on documentary evidence should not be interfered with unless they are patently illegal or in contravention of public policy.

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B. INSOLVENCY AND BANKRUPTCY CODE, 2016 (IBC)

1. IBC proceedings & NI Act: SC clarifies director not liable under NI Act if moratorium is in place

In a recent judgment, the Supreme Court addressed the conflict between insolvency proceedings under the Insolvency and Bankruptcy Code, 2016 and criminal liability under **Section 138** of the Negotiable Instruments Act, 1881. The case involved a director of a corporate debtor facing prosecution for dishonored cheques despite the imposition of a moratorium under the IBC. The Court was tasked with deciding whether the moratorium barred such proceedings against the appellant.

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2. Once resolution plan is approved, no proceedings can continue on omitted claims, SC strikes down fresh tax demands post-resolution plan

"A successful resolution applicant cannot suddenly be faced with 'undecided' claims after the resolution plan submitted by him has been accepted." Emphasizing the finality of an approved Resolution Plan, the Supreme Court recently adjudicated on an insolvency dispute concerning M/s. Tehri Iron and Steel Casting Ltd. The case revolved around fresh tax demands raised post-approval of the Resolution Plan, despite no prior claims being made during the Corporate Insolvency Resolution Process. The appeal challenged the decisions of the NCLT and NCLAT, which upheld these demands, raising significant questions about statutory dues under the Insolvency and Bankruptcy Code, 2016.

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3. Section 18 of Limitation Act applies only if debt is acknowledged in writing: NCLAT on IBC Limitation

"As per Section 18 of the Limitation Act, an acknowledgment of present subsisting liability, made in writing in respect of any right claimed by the opposite party and signed by the party against whom the right is claimed, has the effect of commencing a fresh period of limitation from the date on which the acknowledgment is signed." With this principle in focus, the NCLAT examined whether the entries in the Corporate Debtor's balance sheets extended the limitation period under the Insolvency and Bankruptcy Code, 2016. The dispute arose from a financial creditor's attempt to invoke insolvency proceedings after a significant lapse of time, leading to a legal battle over the applicability of limitation laws.

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4. **Statutory penalties do not fall within insolvency moratorium: SC upholds NCDRC's power to impose penalties despite IBC moratorium**

"Criminal proceedings, including penalty enforcement, do not automatically fall within its ambit unless explicitly stated by law," observed the Supreme Court while deciding a case concerning the intersection of insolvency law and consumer protection. The case involved a real estate developer challenging penalties imposed by the NCDRC for failing to deliver residential units on time, arguing that an interim moratorium under the IBC shielded them from execution proceedings. The Court's ruling clarified the scope of insolvency protections and their impact on regulatory penalties, with significant implications for consumer rights and the real estate sector.

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5. **SC explains IBC's impact on NI Act proceedings: Moratorium under IBC bars Section 138 NI Act proceedings if cause of action arises later**

"Clause (c) of the proviso to Section 138 of the NI Act makes it clear that cause of action arises only when demand notice is served and payment is not made pursuant to such demand notice within the stipulated fifteen-day period."

In a recent ruling, the Supreme Court examined the correlation between the Insolvency and Bankruptcy Code and proceedings under **Section 138** of the Negotiable Instruments Act. The case arose from dishonored cheques issued by a company undergoing insolvency, raising the question of whether directors could still be prosecuted despite the moratorium under **Section 14** of the IBC. The Court's findings provided clarity on the scope of the moratorium and its impact on criminal liability.

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6. **Once approved, a Resolution Plan binds all creditors: Bombay HC on decree holders' rights under IBC**

"Once a resolution plan is duly approved by the adjudicating authority under sub-section (1) of Section 31, the claims as provided in the resolution plan shall stand frozen... all such claims, which are not a part of the resolution plan, shall stand extinguished." With these definitive words, the Bombay High Court recently ruled on a significant issue concerning the interconnectedness between a civil court decree and the insolvency resolution framework under the Insolvency and Bankruptcy Code, 2016. The case, arising

from a long-pending monetary decree, raised questions about the rights of decree-holders who fail to participate in the **Corporate Insolvency Resolution Process (CIRP)**. The judgment sheds light on the fate of such claims and the enforceability of bank guarantees in the wake of an approved Resolution Plan.

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C. MISCELLANEOUS

1. 20% pre-deposit condition must not deprive right to appeal in cheque bounce cases: Delhi HC on NI Act's Section 148

***"An order directing the deposit of compensation by the appellate Court is not absolute; it must be based on judicial discretion and applied in exceptional cases."*- Delhi HC**

Emphasizing the need for judicial discretion, the Delhi High Court examined whether the requirement of 20% deposit of the compensation amount as a precondition for suspending the sentence, was applied mechanically or based on sound legal principles. The dispute arose from a financial transaction where the petitioner, challenged the dismissal of his plea for waiver of this requirement. The Court's examination focused on whether the lower court had properly exercised its discretion in light of statutory provisions and established judicial precedents. Referring to Surinder Singh Deswal (2019) and **Jamboo Bhandari**, the Court observed that while the condition of deposit is generally justified, an exception can be made where the appellate Court is *"satisfied that the condition of deposit of 20% will be unjust or imposing such a condition will amount to deprivation of the right of appeal.*

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2. Delhi HC: Mere discrepancy in Cheque amount not sufficient to discharge accused under NI Act

Recently, the **Delhi High Court** set aside the discharge of an accused in a cheque dishonor case under **Section 138** of the Negotiable Instrument Act, 1881, ruling that a mere discrepancy in cheque figures and words does not invalidate it. The Court emphasized that statutory presumptions in favor of the holder of the cheque under **Sections 118** and **139** of the NI Act is statutory and cannot be disregarded merely on account of a discrepancy between the figures and words written on a cheque. It specifically observed, *"A mere discrepancy in the figures and words mentioned on the cheque does not ipso facto negate the legal presumption attached to the instrument. The burden to rebut this presumption lies on the accused, and unless cogent evidence is led to displace this presumption, the complaint cannot be dismissed at the threshold.*

SNG Observations: The Court despite mentioning the judgment and its ratio as held in in the case of Suman Sethi Vs Ajay K. Churiwal & Anr., I (2000) SLT 605 to the effect that while reading Section 138 as a whole, common sense must be applied to ascertain whether in the Notice issued under Clause B of Section 138A, demand has been made for the cheque amount and if no such demand is made, the

Notice would fall short of the legal requirement, held that the discrepancy in word and figure of a cheque cannot be ground of discharge. The court in our opinion erroneously presumed the error to be inadvertent. The court also erroneously relied heavily on the fact that such discrepancy did not weigh with the Bank as the Return Memo stated the cheque amount to be Rs.4,65,000/-. The court also completely overlooked the overwriting of the date on the cheque, as bank while returning the cheque has not considered this as a material interpolation meriting dishonour of the cheque. The court also fell in error in holding mismatch of figure would not make the cheque invalid especially when no Reply has been given by Respondent No.2 to the Legal Notice to refute his liability and has not questioned the Notice making a demand of Rs.4,65,000/-. Additionally, the Apex Court in the case of Suman Sethi (Supra), has also clarified that when there is in addition to the said amount, there is also a claim by way of interest, cost, etc.; whether the Notice is bad would depend on the language of the Notice. The Apex Court cautioned that if in a Notice while giving the breakup of the claim the cheque amount, interest, damages, etc are specifically specified, other such claims for interest, cost etc. would be superfluous and these additional claims would be severable and will not invalidate the Notice. If, however, in the Notice an omnibus demand is made without specifying what was due under the dishonoured cheque, Notice might well fail to meet the legal requirement and may be regarded as bad. Therefore, such omission to give rely cannot put Respondent No.2 under any advantageous position as has been done by the Hon'ble High Court.

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3. SC on Section 53A Transfer of Property Act: Possession under a sale agreement does not confer better rights than the original transferor

"The doctrine of merger does not make a distinction between an order of reversal, modification or an order of confirmation passed by the appellate authority", ruled the Supreme Court, while deciding contentious property dispute where the appellant challenged the execution of a decree on multiple grounds, including jurisdictional overreach by the executing court and alleged delay in enforcement. The Court analyzed the jurisdiction of the executing court, the impact of appellate decisions on trial court decrees, and the applicability of doctrines such as merger and lis pendens.

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D. RESERVE BANK OF INDIA (RBI)

1. Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021: Clarifications

The RBI has issued clarifications on the *Financial Statements - Presentation and Disclosures Directions, 2021*, in response to queries from banks and the Indian Banks' Association. These clarifications address key aspects of financial statement disclosures and balance sheet compilation.

Firstly, lien-marked deposits in the ordinary course of business should be classified under *Schedule 3: Deposits* instead of *Schedule 5: Other Liabilities and Provisions*. Secondly, advances covered under schemes like CGTMSE, CRGFTLIH, and NCGTC, which have explicit Central Government guarantees, must be disclosed under *Schedule 9(B)(ii): Advances Covered by Bank/Government Guarantee*. Lastly, disclosures for repo and reverse repo transactions must include both market value and face value terms.

These clarifications apply to all commercial and cooperative banks for financial statements prepared for the financial year ending March 31, 2025, and onwards. The 2021 Directions will be updated accordingly.

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2. Treatment of Right-of-Use (ROU) Asset for Regulatory Capital Purposes

The RBI has clarified that NBFCs, HFCs, and other regulated entities need not deduct Right-of-Use (ROU) assets from *Owned Fund, CET 1 capital, or Tier 1 capital*, provided the underlying leased asset is tangible. Instead, ROU assets will be risk-weighted at 100%, consistent with owned tangible assets, rather than being treated as intangible.

These changes, effective immediately, have been incorporated into the relevant Master Directions. The clarification applies to all NBFCs (including HFCs) and Asset Reconstruction Companies following *Companies (Indian Accounting Standards) Rules, 2015*.

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3. Review of Priority Sector Lending (PSL) Target – Urban Co-operative Banks (UCBs)

The RBI has revised the Priority Sector Lending (PSL) target for Urban Co-operative Banks (UCBs). Previously, UCBs were required to achieve a PSL target of 75% of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposure (CEOBSE), whichever is higher, by FY 2025-26, with interim targets of 60% for FY 2023-24 and 65% for FY 2024-25.

Following a review, the RBI has now set a revised PSL target of *60% of ANBC or CEOBSE, whichever is higher, effective from FY 2024-25 onwards*. All other provisions in the earlier circular remain unchanged. The instructions in this circular supersede relevant provisions of the previous PSL target-related guidelines issued on *June 8, 2023, and March 13, 2020*.

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4. Priority Sector Lending Certificates

The Reserve Bank of India (RBI) has issued a clarification regarding *Priority Sector Lending Certificates (PSLCs)*. This update modifies the description of PSLC – SF/MF (representing loans to small and marginal farmers) in an earlier circular from April 7, 2016.

Under the revised definition, *PSLC - SF/MF* will now count toward multiple targets, including the *Small/Marginal Farmers (SF/MF) sub-target, Weaker Sections sub-target, Non-Corporate Farmers (NCF) sub-target, overall agriculture target, and overall Priority Sector Lending (PSL) target*. Other provisions of the original circular remain unchanged.

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6. Gold Monetization Scheme (GMS), 2015 – Amendment

The RBI has amended the Gold Monetization Scheme (GMS), 2015, following the Government of India's decision to discontinue the Medium Term and Long Term Government Deposit (MLTGD) components effective March 26, 2025. Consequently, no new deposits under MLTGD will be accepted after March 25, 2025, at Collection and Purity Testing Centres (CPTCs), GMS Mobilisation, Collection & Testing Agents (GMCTAs), or designated bank branches. However, banks may continue offering Short Term Bank Deposits (STBD) at their discretion. Existing MLTGD deposits mobilized until March 25, 2025, will continue as per existing guidelines until redemption.

To reflect these changes, the RBI has amended its Master Direction on GMS, 2015, under its powers granted by the Banking Regulation Act, 1949. The revised provisions, effective from March 26, 2025, update guidelines on deposit classification, redemption, and handling charges. Additionally, the Frequently Asked Questions (FAQs) related to the scheme are also being updated. These amendments

apply to all Scheduled Commercial Banks, excluding Regional Rural Banks.

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7. General Notification for Sale and Issue of Government of India Securities (including Treasury Bills and Cash Management Bills)

The RBI has issued a notification regarding the sale and issuance of Government of India Securities, including Treasury Bills and Cash Management Bills. This supersedes the previous notifications issued in 2018.

The Government of India has now released the General Notification F.No.4(2)-B(W&M)/2018 dated March 26, 2025, outlining the framework for the issuance and auction of these securities. The revised general terms and conditions of sale of such securities relates to eligibility, minimum subscription, payment, transferability, repayment etc. A copy of the updated notification is enclosed for reference.

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8. Revised norms for Government Guaranteed Security Receipts (SRs)

The RBI has revised prudential norms for Security Receipts (SRs) guaranteed by the Government of India under the Master Direction on Transfer of Loan Exposures, 2021 (MD-TLE).

If a loan is transferred to an Asset Reconstruction Company (ARC) above its net book value (NBV), banks can reverse the excess provision to the Profit and Loss Account, provided the sale consideration is entirely in cash and government-guaranteed SRs. However, the SR portion must be deducted from CET 1 capital, and no dividends can be paid from it.

Government-guaranteed SRs will be valued based on the Net Asset Value (NAV) declared by ARCs. Unrealized gains from fair valuation must also be deducted from CET 1 capital, with no dividend distribution allowed. Any SRs remaining after guarantee settlement or expiry will be valued at 1. If converted into other instruments, they will follow the Prudential Framework for Resolution of Stressed Assets (2019).

These norms take immediate effect for all existing and future government-guaranteed SRs.

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E. SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

1. Relaxation in timeline for reporting of differential rights issued by AIFs

The SEBI has extended the deadline for Alternative Investment Funds (AIFs) to report differential rights issued to select investors. This requirement, introduced in a December 13, 2024, circular, applies to AIFs whose Private Placement Memorandums (PPMs) were filed on or after March 1, 2020, and have issued differential rights that do not conform to the Standard Setting Forum for AIFs' implementation standards.

Originally, AIFs were required to submit this information by February 28, 2025. However, based on industry representations requesting additional time, SEBI has extended the reporting deadline to March 31, 2025, to facilitate compliance. This circular comes into effect immediately and is issued under SEBI's regulatory powers to protect investors and promote the securities market.

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2. Faster Rights Issue with a flexibility of allotment to specific investor(s)

SEBI has introduced a new framework under the SEBI (ICDR) (Amendment) Regulations, 2025, requiring Rights Issues to be completed within 23 working days from Board approval. The subscription period is set between 7 to 30 days, with adjusted timelines for issues requiring shareholder approval.

Stock exchanges, depositories, and registrars must implement automated validation of investor applications within six months. SEBI has also modified the Master Circular on SEBI ICDR Regulations to streamline the process, including updates on rights entitlements, application forms, and online fee payments.

Effective April 7, 2025, these changes apply to Rights Issues approved thereafter, with stock exchanges and depositories required to update their systems accordingly.

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3. Framework on Social Stock Exchange ("SSE")

The SEBI has revised the framework for the Social Stock Exchange (SSE), reducing the minimum application size for subscribing to Zero Coupon Zero Principal (ZCZP) Instruments from ₹10,000 to ₹1,000. This decision follows recommendations from the SSE Advisory Committee and public feedback on the consultation paper.

The amendment modifies Paragraph 1, sub-paragraph AC, point (4) of SEBI's earlier circulars on SSE, aligning with SEBI's mandate to protect investor interests and regulate the securities market. The revised framework takes effect immediately.

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4. Harnessing DigiLocker as a Digital Public Infrastructure for reducing Unclaimed Assets in the Indian Securities Market

SEBI has mandated the use of DigiLocker to minimize Unclaimed Assets (UA) in the securities market by ensuring investors and their heirs can easily access financial holdings. DigiLocker will now include mutual fund (MF) and demat statements, allowing investors to view all assets in one place and nominate beneficiaries.

In case of an investor's demise, DigiLocker will notify nominees via SMS and email, enabling them to access financial details and facilitate transmission. AMCs, RTAs, and Depositories must integrate with DigiLocker, while KRAs must share investor demise details.

Effective from April 1, 2025, this initiative aims to prevent investments from becoming unclaimed by ensuring timely access for heirs.

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5. Online Filing System for reports filed under Regulation 10(7) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

The SEBI has introduced an online filing system for reports submitted under Regulation 10(7) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. Currently, these reports are filed via email, but SEBI is transitioning to its SEBI Intermediary Portal (SI Portal) for improved efficiency.

In the first phase, acquirers seeking exemptions under Regulation 10(1)(a)(i) and 10(1)(a)(ii) must file reports both via email and the SI Portal until May 14, 2025. From May 15, 2025,

only the SI Portal will be used for compliance. Additionally, fee payments for these reports will be processed exclusively through the SI Portal, replacing the existing payment link.

This circular takes effect immediately, and SEBI has provided a helpline for any queries.

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6. Disclosure of holding of specified securities in dematerialized form

SEBI has amended disclosure requirements under Regulation 31 of the LODR Regulations, 2015 to enhance transparency in shareholding patterns. Listed entities must now disclose Non-Disposal Undertakings (NDU), other encumbrances, and total pledged shares, including NDUs. ESOPs are explicitly included under outstanding convertible securities, and a new column has been added to report total shares on a fully diluted basis. Additionally, Table II now includes a footnote for promoter and promoter group shareholding, even if nil.

Stock exchanges and depositories must implement these changes, effective from the quarter ending June 30, 2025.

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7. Facilitating ease of doing business relating to the framework on "Alignment of interest of the Designated Employees of the Asset Management Company (AMC) with the interest of the unitholders"

SEBI has introduced amendments to the Mutual Funds Regulations, 1996 to simplify compliance with the "skin in the game" requirements, aligning the interests of AMC employees with unitholders. Effective April 1, 2025, the updated framework adjusts mandatory investment requirements for designated employees based on salary slabs, offering two options with or without ESOP inclusion. It also categorizes employees into slabs based on roles, ensuring investment alignment with fund risk profiles.

Key changes include allowing liquid fund managers to invest a portion of their mandatory holdings in riskier schemes, reducing lock-in periods for employees resigning before retirement, and revising disclosure norms. Violations of conduct will be reviewed by AMCs before SEBI consideration. Quarterly investment disclosures for designated employees

are now required on stock exchange websites.

Issued under SEBI's regulatory authority, this circular aims to balance investor protection with operational ease for AMCs.

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8. Industry Standards on "Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction"

The SEBI has extended the implementation date for the Industry Standards on Minimum Information for Review of Related Party Transactions from April 1, 2025, to July 1, 2025. This decision follows feedback from stakeholders requesting additional time for compliance.

The Industry Standards Forum (ISF)—comprising representatives from ASSOCHAM, CII, and FICCI—will incorporate this feedback to simplify the standards while ensuring adherence to the revised timeline. Stock exchanges are directed to inform listed entities about these changes.

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9. Extension of timelines for submission of offsite inspection data

SEBI has extended the deadline for Mutual Funds to submit offsite inspection data. Previously, they had to submit daily data in a monthly file within 10 days of the quarter's end. Now, based on industry feedback, the timeline has been extended to 15 days, while RTAs must continue submitting data on an ongoing basis.

This change takes immediate effect and aims to ease compliance while maintaining regulatory oversight.

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10. Extension of timelines for submission of offsite inspection data

SEBI has extended the deadline for Portfolio Managers to submit offsite inspection data from 10 to 15 calendar days after each quarter, based on industry feedback. Additionally, the requirement now applies from April 1, 2023, onwards. These changes, modifying Clauses 5.4.3 and 5.4.4 of the Master Circular for Portfolio Managers (June 7, 2024), take immediate effect.

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11. Measures to facilitate ease of doing business with respect to framework for assurance or assessment, ESG disclosures for value chain, and introduction of voluntary disclosure on green credits

The SEBI has introduced measures to enhance the ease of doing business by revising ESG disclosure requirements, introducing green credit disclosures, and providing flexibility in sustainability reporting.

Key updates include the introduction of a new leadership indicator under Principle 6 of BRSR, requiring listed entities to disclose the number of green credits generated or procured. To reduce compliance costs, listed companies can now choose between assessment or assurance for BRSR Core and ESG disclosures for the value chain, with third-party assessments allowed as per SEBI-approved standards. The applicability of BRSR Core has been expanded in a phased manner, extending to the top 1,000 listed entities by FY 2026-27. Additionally, ESG disclosures for value chain partners have been deferred by a year, with voluntary reporting starting from FY 2025-26 and assurance from FY 2026-27.

These provisions are effective immediately unless specified otherwise, with compliance mandated for all listed entities and stock exchanges.

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12. Intraday Monitoring of Position Limits for Index Derivatives

Effective April 1, 2025, SEBI mandates stock exchanges to monitor intraday position limits in equity index derivatives through at least four random daily snapshots.

Industry associations raised concerns about system readiness and the potential obsolescence of interim measures due to SEBI's proposed shift to delta-based limits with higher intraday thresholds.

In response, SEBI clarified that while exchanges must monitor intraday limits, no penalties will be imposed for breaches until further notice. Exchanges must also establish a Standard Operating Procedure (SOP) to notify market participants of monitoring mechanisms and breaches.

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13. Amendment to Master Circular for Real Estate Investment Trusts (REITs) dated May 15, 2024

The SEBI has issued amendments to the Master Circular for Real Estate Investment Trusts (REITs), focusing on lock-in provisions for preferential issues and guidelines for follow-on offers.

Lock-in Provisions for Preferential Issue: SEBI has revised the lock-in requirements for units allotted to sponsors and sponsor groups in preferential issues. Now, only 15% of the allotted units will be locked in for three years, while the remaining units will be locked in for one year. Additionally, inter-se transfers of locked-in units among sponsor group entities are permitted, provided the lock-in period continues with the transferee.

Follow-on Offer Guidelines: SEBI has introduced a framework for REITs to conduct follow-on offers, aligning with public issue requirements. Key provisions include mandatory dematerialization of units, in-principle listing approvals from stock exchanges, adherence to a minimum public unitholding of 25%, and specific timelines for allotment and listing. REITs must also comply with SEBI's due diligence and disclosure requirements before issuing follow-on offers.

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14. Amendment to Master Circular for Infrastructure Investment Trusts (InvITs) dated May 15, 2024

SEBI has amended the Master Circular for Infrastructure Investment Trusts (InvITs) to revise lock-in provisions for preferential issues and establish a regulatory framework for follow-on offers (FPOs).

Revised Lock-in Requirements for Preferential Issue of Units: Under the new lock-in rules, sponsors and sponsor groups must retain 15% of allotted units for three years if they remain project managers; otherwise, they must lock in 25% for the same period. Any remaining units will be subject to a one-year lock-in. Additionally, locked-in units can now be transferred among sponsors and their group entities, provided the lock-in period continues with the transferee.

Regulatory Framework for Follow-on Offers (FPOs) by InvITs: For follow-on offers, InvITs must adhere to IPO regulations, including obtaining in-principle approval from stock exchanges and issuing units in dematerialized form. The minimum public unitholding requirement is set at 25% on a post-issue basis. SEBI has also outlined due diligence

requirements and timelines for regulatory observations on FPO documents. These amendments aim to enhance ease of doing business and facilitate efficient fundraising for InvITs. The circular is effective immediately, and stock exchanges have been directed to disseminate its details.

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15. Extension towards Adoption and Implementation of Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)

SEBI has extended the Cybersecurity and Cyber Resilience Framework (CSCRF) compliance deadline by three months to June 30, 2025, for all regulated entities except MIIs, KRAs, and QRTAs. This extension follows requests for more time to ensure smooth implementation. Stock exchanges and depositories must notify members and publish the circular. The directive is effective immediately.

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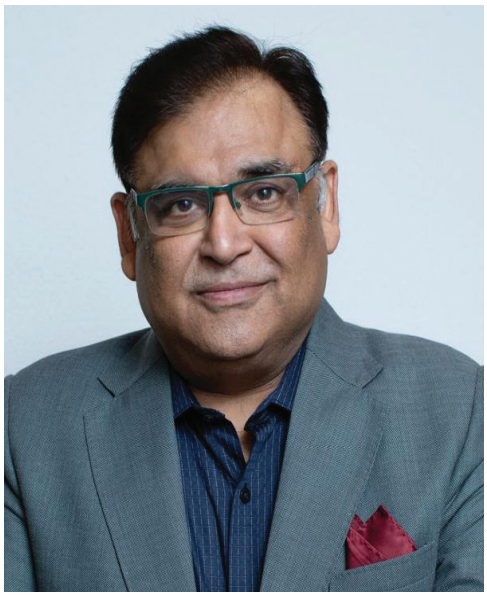
F. FAMILY SETTLEMENT- SANCTITY & REGISTRATION



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1. The Courts in India have placed family settlement at highest pedestal and the Courts are more inclined to enforce the family settlement amongst the parties, then to take an approach where family settlement is to be rescinded.

2. Any discussion on the family settlement its sanctity, objective, meaning, limitation on court interference and requirement of registration, would necessarily require reference to the celebrated judgment of Hon'ble Supreme Court in the matter of Kale and others Vs. Deputy Director of Consolidation and others, reported as (1976) 3 SCC 119.

3. In this judgment, a bench of three judges explained the meaning, object, and requirement of registration of a family settlement. In this judgment, the Hon'ble Supreme Court described the family settlement in the following words:-

   "By virtue of a family settlement or arrangement members of a family descending from a common ancestor or a near relation seek to sink their differences and disputes, settle and resolve their conflicting claims or disputed titles once for all in order to buy peace of mind and bring about complete harmony and goodwill in the family."

4. In this very judgment, the Hon'ble Supreme Court also explained the object and also commented on the interference of the courts while enforcing the family settlement in the following words:-

   "The object of the arrangement is to protect the family from long-drawn litigation or perpetual strifes which mar the unity and solidarity of the family and create hatred and bad blood between the various members of the family. It promotes social justice through wider distribution of wealth. Family therefore has to be construed widely. It is not confined only to people having legal title to the property."

5. The approach of the Courts on family settlement has been that if a dispute has been settled by way of a settlement, then it should not be allowed to be reopened by the parties to the agreement on frivolous or untenable grounds. The Courts are required to take liberal and broad view on the validity of the family settlement.

6. Also, it is not necessary that family settlement must be preceded by a dispute. Family settlement can be executed amongst family members having common interest in a property so as to outline present and or future enjoyment by them and demarcate their respective share holding in any jointly owned property(s). It is also not necessary that party must have equal distribution.

7. Judgments on the family settlement can be multiplied, and it is not necessary to refer to all the judgments. The Hon'ble Delhi High Court in its judgment dated October 4, 2024 titled ***Deepika Prashar and another Vs. Suman Singh Virk and another,*** reported as ***2024 SCC OnLine Del 6893***, while interpreting the Kale and others (supra) , held as under:-

> *72. ..... A family arrangement by which the property is being equitably divided between the various contenders so as to achieve an equal distribution of wealth instead of concentrating the same in the hands of a few, is a milestone in the administration of justice and, therefore, the courts have leaned in favour of upholding a family arrangement instead of disturbing the same on technical or trivial grounds. Where the courts find that the family arrangement suffers from a legal lacuna or a formal defect, the rule of estoppel is pressed into service and is applied to shut out the plea of the person, who, being a party to family arrangement, seeks to unsettle a settled dispute and claims to revoke the family arrangement. The courts must take a very liberal and broad view of the validity of the family settlement and try to uphold it and maintain it. The central idea in the approach of the courts is that, if by consent of parties a matter has been settled, it should not be allowed to be reopened by the parties to the agreement on frivolous or untenable grounds. Even if the family settlement was not registered, it would operate as a complete estoppel against the parties from contending to the contrary."*

8. The next aspect is on the requirement of registration of family settlement. The family settlement can be oral. It is a settled position in law that there is no requirement of registration of oral settlement. Many a times, a family settlement is orally made, and parties may decide to record the oral settlement by way of a memorandum. Family settlement, which was orally made and was later reduced into writing by way of a memorandum, will not require to be compulsorily registrable.

9. In respect of the cases where the family settlement is not oral but is by way of a written document then requirement of registration is to be examined from the nature and ownership of properties which are subject matter of family settlement. In cases where a family settlement is not creating a new interest of the parties in any immovable properties, which is the subject matter of the family settlement, then no registration would be required. To further illustrate, if there is a family settlement amongst five members in respect of various properties and all are having interest in those various properties and by way of family settlement, the parties are crystalizing their share and enjoyment in those properties, then no registration would be required.

10. On the aspect of registration, it would be relevant to quote a passage from the judgment of the Hon'ble Supreme Court titled ***Hansa Industries Pvt. Ltd. & Ors. v. Kidarsons Industries Pvt. Ltd.-(2006) 8 SCC 53.*** In this case, the Hon'ble Supreme Court while referring to the judgment in **Kale & Ors. (supra)**, held as under:-

> *"**14.** The aforesaid judgment of this Court refers to many other decisions to which we need not advert to in this case but some of those decisions do take the view that a compromise or family arrangement is based on the assumption that there is an antecedent title of some sort in the parties and the agreement acknowledges and defines what that title is, each party relinquishing all claims to property other than that falling to his share and recognising the right of the others, as they had previously asserted it, to the portions allotted to them*

respectively. That explains why no conveyance is required in these cases to pass the title from the one in whom it resides to the person receiving it under the family arrangement. It is assumed that the title claimed by the person receiving the property under the arrangement had always resided in him or her so far as the property falling to his or her share is concerned and therefore no conveyance is necessary."

11. Thus where a family settlement is not creating any new interest in the property will not require any registration.

12. To summarise and conclude, a passage from the decision of Kale (supra) on the binding effect, essentials and the requirement of registration of family settlement can thus be stated in terms of below:-

"(1) The family settlement must be a bona fide one so as to resolve family disputes and rival claims by a fair and equitable division or allotment of properties between the various members of the family;

(2) The said settlement must be voluntary and should not be induced by fraud, coercion or undue influence;

(3) The family arrangement may be even oral in which case no registration is necessary;

(4) It is well-settled that registration would be necessary only if the terms of the family arrangement are reduced into writing. Here also, a distinction should be made between a document containing the terms and recitals of a family arrangement made ***under the document*** *and a mere memorandum prepared after the family arrangement had already been made either for the purpose of the record or for information of the court for making necessary mutation. In such a case the memorandum itself does not create or extinguish any rights in immovable properties and therefore does not fall within the mischief of Section 17(2) of the Registration Act and is, therefore, not compulsorily registrable;*

(5) The members who may be parties to the family arrangement must have some antecedent title, claim or interest even a possible claim in the property which is acknowledged by the parties to the settlement. Even if one of the parties to the settlement has no title but under the arrangement the other party relinquishes all its claims or titles in favour of such a person and acknowledges him to be the sole owner, then the antecedent title must be assumed and the family arrangement will be upheld and the courts will find no difficulty in giving assent to the same;

(6) Even if bona fide disputes, present or possible, which may not involve legal claims are settled by a bona fide family arrangement which is fair and equitable the family arrangement is final and binding on the parties to the settlement."

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