



CORPORATE LAW WATCH VOL. IV

WELCOME TO THE CORPORATE LAW WATCH

We are pleased to present the latest edition of Corporate Law Watch, capturing key corporate, securities, regulatory, and policy developments in India.

This edition highlights key regulatory and policy developments shaping India's corporate and financial landscape, including updates from SEBI, RBI, the Ministry of Finance, DPIIT, and IBBI, as well as reforms in foreign investment, foreign exchange, and governance frameworks.

1. Ministry of Finance and DPIIT amend legislation to permit 100% FDI in insurance sector under Automatic Route

The Ministry of Finance notified the Indian Insurance Companies (Foreign Investment) Amendment Rules, 2025[1], operationalising up to 100% foreign direct investment (FDI) in Indian insurance companies and realigning governance requirements.

Subsequently, the Department of Promotion of Indian Industry & Trade ('DPIIT') also revised the Consolidated FDI Policy, 2020[2] to permit 100% FDI in insurance companies and insurance intermediaries under the Automatic Route (with the limits for LIC being capped at 20% under the Automatic Route).

The salient features of the revised FDI Policy are as follows:

i) Automatic Route eligibility requires IRDAI licensing/verification and compliance with all applicable requirements under the Insurance Act, 1938 Foreign Investment Rules, as amended.

ii) Only 1 (one) amongst the chairperson, managing director or chief executive officer is required to be a resident Indian citizen.

iii) Insurance companies with more than 49% FDI are no longer required to retain 50% of their net profits in general reserves if their solvency margin falls below 180%.

iv) Merger or amalgamation of insurance companies with non-insurance entities is now permitted, subject to prior approval of the IRDAI. Additionally, the threshold for IRDAI approval of share transfers or issuances in insurers has been increased to 5% from 1% of paid-up equity capital.

Key takeaways:

(a) The provisions relating to equity in insurance companies have now been streamlined with the existing framework under the Foreign Exchange Management (Non-Debt Instrument) Rules, 2019.

(b) Listed insurance companies / intermediaries need to ensure that any proposed board or KMP re-constitution is also compliant with SEBI regulations.

These reforms are aimed at modernizing the sector and attracting foreign capital, while also enhancing regulatory

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oversight and aligning India's insurance regime with global standards, fostering growth and increased market participation.

2. RBI notifies the Foreign Exchange Management (Guarantees) Regulations, 2026[3]

The Foreign Exchange Management (Guarantees) Regulations, 2026 ('**Guarantees Regulations**'), governing cross-border guarantees inter alia introduces a consolidated, compliance-driven regime via AD Category-I banks.

Under the updated framework, the term "guarantee" is defined to expressly include counter-guarantees and exclude guarantees undertaken by AD bank branches in IFSC / outside India; and certain Irrevocable Payment Commitments for Foreign Portfolio Investors.

The salient features of the Guarantees Regulations are given below:

(a) resident Indians are permitted to act as surety or principal if:

(i) The underlying transaction is not prohibited under FEMA; and

(ii) The surety and principal debtor are eligible to lend / borrow under FEMA (Borrowing & Lending) Regulations, 2018.

(b) AD-bank guarantees backed by 100% collateral / counter-guarantee from a (a)non-resident are exempt from the requirement in (b) above.

(c) Any issuance, modification or invocation of guarantees must be reported to the AD bank in the prescribed form.

Key takeaways:

(a) The regulations provide for comprehensive reporting of all guarantees – issued, modified or invoked, to AD banks.

(b) AD Banks would also be required to refer to the regulatory guidelines issued by Department of Regulation, Reserve Bank of India from time to time.

(c) Quarterly reporting on issuance of guarantee for Trade Credit will be discontinued from the quarter ending March 2026.

3. RBI notifies FEMA-regulations governing export and import of goods & services, effective October 1, 2026

The Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026[4], unifies the compliance framework for goods and services under one regime; along with the detailed Directions issued on Jan 16, 2026.

Under the new framework:

(a) Service exporters have been formally inducted into the compliance framework, on par with exporters of goods.

(b) AD banks have been given greater day-to-day discretion to assess bona fides and manage closures.

Key takeaways:

(a) From October 01, 2026 onwards, service exporters are required to file Export Declaration Forms within 30 (thirty) days from the end of the month of invoice (consolidated filings allowed).

(b) Service exporters must now integrate Export / Import Data Processing and Monitoring System ('EDPMS' / 'IDPMS') for improving realisation & repatriation windows, set-off, third-party arrangements, merchanting trade, and AD monitoring obligations.

(c) Simplified process for closures of small-value entries is now permitted.

4. SEBI issues Master Circular for Social Stock Exchange ('SSE') & Consultation Paper on SIF Ticket Size & SSE Fund-Raise Conditions[5]

The Master Circular issued on January 19, 2026, consolidates all prior Social Stock Exchange ('SSE') instructions (under ICDR and LODR) into a single Master



Circular, rescinding prior circulars to the extent covered while saving past actions and rights.

Key takeaways:

(a) The Master Circular covers eligibility, reporting governance disclosures, fundraising including via Zero Coupon Zero Principal (ZCZP) instruments, and ongoing compliance for NPOs and for-profit social enterprises.

(b) Any previously applicable circular has been duly rescinded and henceforth compliance under the consolidated framework would be mandatory.

(c) Depositories have also issued related circulars, directions and checklists relating to the market infrastructure and intermediaries.

The Master Circular is intended to serve as the single reference for stakeholders (including exchanges, depositories, intermediaries and NPOs) on the requirements relating to the SSE.

The Master Circular was followed up with a consultation paper proposing targeted changes to deepen participation in India's Social Stock Exchange (SSE) ecosystem. The proposals: (i) slash the minimum investment by individual investors in Social Impact Funds (SIFs) that invest solely in SSE-listed/registered NPOs; (ii) allow NPOs more time to remain registered on SSE without raising funds; and (iii) provide calibrated flexibility on minimum subscription for ZCZP issuances.

Key takeaways:

(a) The minimum investment by an individual in SIFs is proposed to be drastically reduced from ₹2,00,000/- to ₹1,000/-. This is in alignment with the minimum application size permitted for ZCZP under the ICDR framework and is intended to widen retail participation.

(b) Recognising practical delays such as tax registration renewals and other statutory permissions, SEBI proposes a one year extension to NPOs, so they can remain registered on SSE without a fund-raise (raising the total to

three years), subject to SSE approval.

(c) For projects where costs and outcomes are clearly divisible on a 'per unit' basis, SEBI proposes reducing the minimum subscription threshold from 75% to 50%, provided the SSE conducts appropriate due diligence to ensure meaningful deployment at the lower threshold. For other projects, the 75% norm would continue to apply. It is also proposed that fundraising documents must explain the plan for balance capital (a) and the potential impact if a shortfall persists.

5) SEBI floats Consultation Paper proposing revamp of 'Fit and Proper Person' criteria under Intermediaries Regulations[6]

The Consultation Paper proposes amendments to Schedule II of the SEBI (Intermediaries) Regulations, 2008, to inter alia introduce greater procedural clarity and fairness, including:

(a) Codifying the right to be heard before declaring a person as not being "fit and proper";

(b) Refining disqualifying events (for instance, the threshold for winding-up of intermediary is now the passing of a final winding-up orders, not mere initiation of initiation of proceedings);

(c) Removing the default 5 (five) years' ineligibility for defaults where period is not specified; and

(d) Reducing non-consideration window for fresh registration post receipt of a Show Cause Notice from 1 (one) year to 6 (six) months; and

(e) Ongoing obligation to notify disqualifying events within 7 (seven) days.

6. SEBI floats Consultation Paper on flexibility to AIFs in winding up schemes, registration surrender[7]

The Consultation Paper proposes to amend the existing regulations to streamline the process of winding up of AIF



schemes. The Paper includes the following proposals:

(a) Retention Of Funds Beyond Permissible Fund Life – where all retained monies must be invested only in liquid, high-quality instruments in line with Regulation 15(f) until final distribution.

(b) Specification Of Operational Expense Heads – it is proposed that SEBI should prescribe specific heads of operational expenses for which retention of monies beyond the permissible fund life will be allowed.

(c) Tagging such AIFs as “inoperative funds” – Such inoperative AIFs can complete litigation, tax, or operational matters with reduced ongoing compliance, instead of being fully active funds. However, they can apply for final surrender of registration only after all liabilities are settled and the fund’s bank balance is NIL.

(d) Extension of “Inoperative” status to AIFs without retained monies – AIFs which have not retained any monies beyond the permissible fund life but exist only for contingent reasons (e.g. possible future inflows from favourable litigation), may also apply for inoperative status.

(e) Regulatory Framework for inoperative funds – a specific, lighter compliance framework for all inoperative AIFs.

7. RBI Proposes Exemption for Certain NBFCs Under SBR Framework[8]

The draft of the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Amendment Directions, 2026 (“Draft Directions”) revisits the regulatory framework for NBFCs that neither access public funds nor maintain a customer interface. These entities were earlier classified in the ‘Base Layer’ under the Scale Based Regulatory (SBR) Framework.

Key takeaways:

(a) NBFCs that do not raise public funds and do not engage directly with customers, and that have an asset

size below ₹ 1,000 crores will be eligible for exemption from the RBI’s registration requirement.

(b) Procedural guidance has been envisaged for NBFCs falling under this category including those currently registered as Type I NBFCs to either surrender their certificate of registration or transition to an appropriate regulatory classification, depending on their activities and future business plans.

(c) A comprehensive set of FAQs have been published, detailing regulatory intent, operational expectations, and implications of the Draft Directions.

8. IBBI Issues Discussion Paper Proposing Amendments to Strengthen CIRP Procedures[9]

The Discussion Paper published on February 16, 2026, proposes targeted amendments to the IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 (“**CIRP Regulations**”) to enhance transparency, creditor oversight, and procedural consistency of the corporate insolvency resolution process.

The Discussion Paper identifies four key areas requiring reform and seeks to codify best practices that have emerged in insolvency proceedings, while reinforcing the underlying IBC objectives of value maximisation, timely resolution, and creditor primacy.

Key takeaways:

(a) Recording CoC Deliberations on Resolution Plans

The Discussion Paper proposes mandating that CoC minutes capture specific aspects of plan evaluation beyond feasibility and viability, including:

- comparative creditor recoveries vis-à-vis fair and liquidation values;
- adequacy of market discovery, including use of challenge mechanisms;
- capability and credibility of the resolution applicant, including fund certainty.

This ensures that the rationale underlying CoC decision-making is clearly reflected in the record, reducing disputes and evidentiary gaps.



(b) Streamlined Framework for CIRP Costs

Recognising the operational gap before CoC constitution, the Discussion Paper proposes a calibrated regime that balances flexibility for the Interim Resolution Professional (IRP) with early creditor oversight:

- **Initial 30-day window:** IRP may incur only essential value-preserving expenses (asset protection, essential services, statutory compliance, minimal operations) without prior CoC approval.
- **Post-facto scrutiny:** All such expenses must be explained at the first CoC meeting.
- **Mandatory Going Concern Assessment Report:** At the first CoC meeting, the Resolution Professional must present a structured assessment covering viability, projected cash flows, working capital needs, and risks of value erosion.
- **CoC-anchored decision:** The CoC will then decide whether the debtor should continue as a going concern, and to what extent.
- **Ongoing approvals:** After the first CoC meeting, all CIRP costs would require prior CoC approval with periodic estimates and comparison of actuals.

This ensures that operational continuity is a considered commercial choice rather than a default practice.

(c) Limitation of the CoC's Role

To eliminate ambiguity and prevent selective forwarding of claims, the Discussion Paper proposes that:

- all delayed but acceptable claims must be placed before the Adjudicating Authority within one week for condonation/adjudication; and
- such claims must be placed before the CoC only for their recommendation on treatment within the resolution plan, if relevant.

This ensures that the role of the CoC remains limited to commercial considerations.

(d) Exclusion of Related Operational Creditors

Where CoCs are constituted solely of operational creditors, the Discussion Paper proposes excluding related OCs from participation, to ensure neutrality of decision-making.

This is also aimed at preventing indirect promoter influence through related entities and aligns Regulation 16 of the CIRP Regulations with the principle underpinning Section 21 of the IBC, which restricts related financial creditors from voting rights.

9. RBI Overhauls External Commercial Borrowing (ECB) Framework via Borrowing & Lending (First Amendment) Regulations, 2026^[10]

On February 9, 2026, the RBI notified the Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026 (“**Amended ECB Regulations**”), revising the erstwhile ECB regime. The amendment is effective from the date of publication in the Official Gazette and grandfathering is provided for ECBs that already have an LRN (Loan Registration Number) with a key carve-out that reporting must follow the amended rules going forward. The Amended ECB Regulations substitutes core definitions, inserts a new restriction on end-use, refines resident-NRI/OCI INR loan conditions, and recasts provisions related to eligible lenders, currency/forms, limits, minimum average maturity period (MAMP), costs, security, conversion/refinancing, reporting, and “untraceable borrower” treatment).

Key takeaways:

(a) Complete Revision of the Definition Section

The Amended ECB Regulations substitute the principal definition section with expanded and updated terms governing benchmark rates, cost of borrowing, control, authorised dealers, real estate conditions, infrastructure classification, industrial parks, trade credit, related-party criteria, and various account-type definitions.

(b) New Regulation 3A – Refined End-Use Restrictions

The Amended ECB Regulations introduce a detailed list of prohibited end-uses, including chit funds, Nidhi companies, real estate business (subject to narrow exceptions for construction-development and industrial parks), most agricultural and plantation activities (with controlled-conditions exceptions), trading in TDRs, certain securities-related transactions, repayment of certain domestic loans, and on-lending for restricted purposes.



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(c) INR Borrowing by Resident Individuals from NRI/OCI Relatives

Under the Amended ECB Regulations, a resident individual may borrow in INR from an NRI or a relative who is an OCI cardholder, provided funds come through inward remittance or debit to the lender's NRE/NRO/FCNR(B)/SNRR account. The borrowing must be strictly on a non-repatriation basis, and all repayments must be credited to the lender's NRO account.

(d) Expanded Eligibility and Treatment of Borrowers under Investigation

The Amended ECB Regulations allow any non-individual resident entity incorporated or established under a Central or State Act to raise ECB. Entities undergoing restructuring or insolvency resolution may do so if expressly permitted. Borrowers facing investigations, adjudications, or appeals may still raise ECB, subject to disclosure in Form ECB-1.

(e) Recognised Lenders and Greater Flexibility on Currency of Borrowing

The Permitted lenders now include persons resident outside India, overseas branches of entities regulated by RBI, and financial institutions or their branches established in IFSCs. ECB may be raised in foreign currency or Indian Rupees, and currency re-denomination is permissible subject to exchange-rate safeguards set out in the Amended ECB Regulations.

(f) Revised Borrowing Limits

The Amended ECB Regulations allow eligible borrowers to raise ECB up to the higher of:

- USD 1 billion of outstanding ECB, or
- 300% of net worth per the latest audited standalone financials.

This limit does not apply to borrowers regulated by domestic financial regulators.

(g) Minimum Average Maturity Period (MAMP)

The default minimum average maturity under the Amended ECB Regulations is (3) three years. Borrowers in the manufacturing sector may raise ECB with a maturity between one and three years up to USD 150 million. MAMP exceptions apply for conversions to non-debt instruments, certain refinancings, lender waivers, and

corporate-action-driven repayments. Annex I provided therein provides an illustration of MAMP computation.

(h) Pricing and Cost Conditions

The Amended ECB Regulations require the cost of borrowing to align with market conditions. For ECBs with shorter maturity (below three years), cost ceilings aligned with trade credit rules apply. Prepayment charges and penal interest must similarly mirror market rates.

(i) Receipt, Parking, and Utilisation of ECB Proceeds

Under the Amended ECB Regulations, drawdown may occur only after receiving the LRN. INR-intended proceeds must be credited to the borrower's INR account with the designated AD Category-I bank by the end of the following month and may be temporarily parked in unencumbered fixed deposits. FCY-intended proceeds may be held in domestic or overseas FCY accounts and temporarily invested in permissible instruments for up to one year.

(j) Security & Guarantees Framework

The Amended ECB Regulations allow securing ECBs through charges over movable, immovable, financial, or intangible assets and through guarantees in accordance with the FEMA Guarantees framework. Conditions have been specified for creation of security, obtaining NOCs from existing lenders, and enforcement of collateral, including the handling of assets that cannot be directly acquired by overseas lenders.

(k) Refinancing and Conversion to Non-Debt Instruments

Existing ECBs may be refinanced without violating MAMP continuity. Conversion of ECB including matured but unpaid ECB into non-debt instruments is permitted, subject to applicable rules. No additional cost may be charged to facilitate such conversion, and lender consent is required.

(l) Changes to Terms and Change of Designated AD Bank

Any modification to ECB parameters must comply with the Amended ECB Regulations and requires lender consent. Change of the designated AD Category-I bank requires a no-objection certificate from the existing designated bank.

(m) Debt Servicing

Principal, interest, and related charges may be remitted in accordance with the Amended ECB Regulations. If the



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ECB was availed from a lender's NRO account, all servicing must be credited back to the same NRO account.

(n) Reporting Requirements & Classification of "Untraceable Borrowers"

The Amended ECB Regulations mandate timely submission of Form ECB-1, Revised ECB-1, and Form ECB-2. Persistent non-filing of required returns for four consecutive quarters, coupled with non-responsiveness and an inoperative registered office, may result in the borrower being designated an "untraceable borrower," requiring the designated AD bank to notify RBI and enforcement authorities.

[1] MoF notification published Dec 30, 2025 (reported Jan 1, 2026), amending the 2015 Rules

[2] Press Note No. 1 (2026 Series)

[3] <https://www.rbi.org.in/scripts/NotificationUser.aspx?id=13269&Mode=0>

[4] FEMA 23(R)/2026-RB: Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026

[5] https://www.sebi.gov.in/legal/master-circulars/jan-2026/master-circular-for-framework-on-social-stock-exchange-_99166.html

[6] https://www.sebi.gov.in/reports-and-statistics/reports/feb-2026/consultation-paper-on-proposed-amendments-to-schedule-ii-of-the-securities-and-exchange-board-of-india-intermediaries-regulations-2008-fit-and-proper-person-criteria-_99485.html

[7] https://www.sebi.gov.in/reports-and-statistics/reports/feb-2026/consultation-paper-on-flexibility-to-alternative-investment-funds-aifs-in-winding-up-the-scheme-surrendering-the-registration-_99541.html

[8] https://www.rbi.org.in/scripts/Bs_Connect2RegulateDetails.aspx?prid=320

[9] <https://ibbi.gov.in/uploads/whatsnew/0d3a369d7d8a358fbb0b1d5ff171739f.pdf>

[10] https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11510

Contributed by:



Rajarshi Chakrabarti
Senior Partner



Govindshankar Krishnan
Senior Associate



Aakash Karekar
Associate

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