



May 2026

This edition of the finance newsletter highlights significant regulatory and legal developments across the banking, payments, insolvency and startup financing landscape in India. Recent measures introduced by the Reserve Bank of India (“**RBI**”), the Securities and Exchange Board of India (“**SEBI**”), the Insolvency and Bankruptcy Board of India (“**IBBI**”) and the Ministry of Commerce and Industry (“**MoCI**”) reflect a continued policy emphasis on strengthening financial market infrastructure, improving insolvency resolution outcomes, facilitating digital payments, streamlining investment fund regulations and deepening institutional support for India’s startup ecosystem.

On the regulatory front, RBI has revised the limits for investment by Foreign Portfolio Investors (“**FPIs**”) for debt instruments for financial year 2026–27, while also introducing operational guidelines aimed at facilitating faster cross-border inward remittances. RBI has further consolidated the regulatory framework governing recurring digital payments, introducing enhanced customer protection measures, revised authentication requirements and streamlined compliance obligations for payment system participants.

SEBI has also introduced significant amendments to the regulatory framework governing real estate investment trusts, infrastructure investment trusts and Alternative Investment Funds (“**AIF**”). These changes include revisions to liquid asset norms and risk classification matrices for investment trusts, clarification regarding the status of special purpose vehicles in infrastructure investment trusts, reduction in minimum investment thresholds for social impact funds, introduction of an “inoperative fund” framework for AIFs and a fast-track mechanism for processing placement memoranda for certain AIF schemes.

The insolvency regime has also witnessed significant developments. IBBI has mandated the adoption of International Valuation Standards (“**IVS**”) for valuations conducted under the Insolvency and Bankruptcy Code, 2016 (“**IBC**”). In addition, the Insolvency and Bankruptcy Code (Amendment) Act, 2026 (“**Amendment Act**”) introduces substantial reforms to the insolvency and liquidation framework, including the introduction of a Creditor-Initiated Insolvency Resolution Process (“**CIIRP**”), enhanced powers for Committees of Creditors (“**CoC**”) during liquidation, revised timelines for adjudication and important clarifications relating to extinguishment of claims and avoidance proceedings.

The Government has also approved the establishment of the Startup India Fund of Funds 2.0 with a corpus of INR 10,000 crore to mobilise venture capital investments for startups, with a particular focus on deep-tech, manufacturing and early-stage innovation-driven sectors.

This edition also covers key judicial and industry developments. It includes the ‘RBI’s Omnibus Framework for Self-Regulatory Organisations’ applicable to all Self-Regulatory Organisations (“**SROs**”), the recent judgment of the Supreme Court of India (“**Supreme Court**”) recognising that a limited defence of set-off may survive against a corporate debtor, and the clarification by the National Company Law Appellate Tribunal (“**NCLAT**”) on when a third-party mortgage may constitute a ‘financial debt’ under the IBC.

RBI updates

Limits for investment in debt and sale of credit default swaps by FPIs

RBI, *vide* [circular](#) dated April 6, 2026, has revised the investment limits for FPIs in debt instruments for the financial year 2026-27. The investment limits are as follows:

1. the limits for FPI investment in Government Securities (“**G-Secs**”), State Government Securities (“**SGSs**”) and corporate bonds will remain unchanged at 6%, 2% and 15% respectively, of the outstanding stocks of securities for the general route;
2. the allocation of incremental changes in the G-Sec limit (in absolute terms) over the 2 (two) sub-categories – ‘General’ and ‘Long-term’ – has been retained at 50:50 for 2026-27;
3. the entire increase in limits for SGSs (in absolute terms) has been added to the ‘General’ sub-category of SGSs;
4. all investments by eligible investors in the ‘specified securities’ will be reckoned under the fully accessible route;
5. with effect from April 1, 2026, all existing and future investments under the voluntary retention route are subject to the investment limits stipulated for FPI investments under the general route; and
6. the aggregate limit for the notional amount of credit default swaps sold by FPIs has been retained at 5% of the outstanding stock of corporate bonds. Accordingly, an additional limit of INR 3,30,464 crore (Indian Rupees three lakh thirty thousand four hundred and sixty-four crore) has been specified for financial year 2026-27.

Guidelines to facilitate faster cross-border inward payments

RBI, *vide* [circular](#) dated April 9, 2026, has issued new guidelines to facilitate faster cross-border inward payments, in line with its Payments Vision 2025 and the G20 roadmap for cross-border payments, focusing primarily on reducing delays at the beneficiary bank stage by streamlining beneficiary-bank processes. These directions have been issued by RBI under Sections 10(2) and 18 of the Payment and Settlement Systems Act, 2007. Some of the key guidelines, effective from October 9, 2026, are as follows:

1. banks must inform their customers of the receipt of cross-border inward transactions immediately on receipt of inward message. Messages received after close of operating hours of banks must be informed to customer immediately at the start of the next business day;
2. banks must endeavour to credit the inward payments received during the foreign exchange market hours within the same business day to the beneficiary’s account, and credit the inward payments received after market hours on the next business day, subject to compliance with the extant Foreign Exchange Management Act, 1999 (“**FEMA**”) and other regulatory requirements;
3. banks must undertake reconciliation and confirmation of credit in the nostro account frequently, either on a near real-time basis or at periodic intervals, with the reconciliation interval ordinarily not exceeding 1 (one) hour;
4. banks may, based on their risk assessment and subject to compliance with extant FEMA guidelines, put in place a straight through process for crediting the inward payments to the account of individual residents; and
5. banks may, within a reasonable time, provide digital interfaces for customer facilitation in relation to foreign exchange transactions (including submission of documents and monitoring), subject to applicable FEMA and regulatory requirements.

Digital Payments – E-mandate Framework, 2026

RBI, *vide* [notification](#) dated April 21, 2026, has issued the Digital Payments – E-mandate Framework, 2026 (“**Framework**”), consolidating and superseding the earlier circulars governing recurring digital payment transactions. The Framework has come into effect immediately and applies to all payment system providers and participants

processing recurring transactions through cards, Prepaid Payment Instruments (“**PPIs**”) and Unified Payments Interface (“**UPI**”), including domestic and cross-border transactions.

Some of the key features of the Framework are as follows:

1. it applies to all payment system providers and payment system participants in respect of processing of recurring transactions, domestic or cross-border, using cards / PPI / UPI;
2. mandatory Additional Factor of Authentication (“**AFA**”) for registration, modification or withdrawal of e-mandates;
3. pre-transaction notifications to customers at least 24 (twenty-four) hours prior to debit, with an option to opt out of specific transactions or revoke mandates;
4. recurring transactions up to INR 15,000 (Indian Rupees fifteen thousand) permitted without AFA, while transactions exceeding this threshold require authentication;
5. higher threshold of INR 1,00,000 (Indian Rupees one lakh) without AFA for insurance premium payments, mutual fund subscriptions and credit card bill payments;
6. mandatory post-transaction notifications (informing the customer about the merchant’s name, transaction amount, date and time of debit, reference number of transaction and e-mandate, reason for debit, i.e., e-mandate registered by the customer) and grievance redressal mechanisms for customers; and
7. no charges on customers for availing e-mandate facilities and recognition of mapping existing mandates to reissued cards.

The Framework strengthens customer protection and compliance obligations in the recurring payments ecosystem while streamlining the regulatory framework governing e-mandates. Financial institutions, payment aggregators and merchants offering subscription-based or recurring payment services may need to review their authentication, notification and compliance processes to align with the updated requirements.

SEBI updates

Real Estate Investment Trusts and Infrastructure Investment Trusts

SEBI, *vide* notifications dated April 16, 2026, has introduced amendments under the [SEBI \(Real Estate Investment Trusts\) \(Amendment\) Regulations, 2026](#) and [SEBI \(Infrastructure Investment Trusts\) \(Amendment\) Regulations, 2026](#). Some of the key amendments are as follows:

1. the definition of ‘liquid asset’ is amended. The minimum credit risk value threshold is reduced to 10 (ten) (*earlier this was 12 (twelve)*) for cash, units of overnight mutual fund schemes and units of liquid mutual fund schemes, and instruments under Class B-I are now included (along with Class A-I) in the potential risk class matrix; and
2. under the provisions of ‘investment conditions and distribution policy’, the credit risk value of units of liquid mutual funds schemes is reduced to 10 (ten) (*earlier this was 12 (twelve)*) and instruments under Class B-I are now included (along with Class A-I) in the potential risk class matrix.

Further, under the SEBI (Infrastructure Investment Trusts) (Amendment) Regulations, 2026, the definition of Special Purpose Vehicles (“**SPV**”) is amended. An SPV is defined to mean a company or a limited liability partnership which holds not less than 90% of its assets directly in infrastructure projects and does not invest in other SPVs. A proviso is inserted stating that in respect of a SPV holding an infrastructure project, the conclusion or termination of the concession agreement or such other agreement of a similar nature must not affect its status as an SPV and such an SPV will continue to be classified as an SPV subject to the fulfilment of such conditions specified by SEBI.

AIFs

SEBI, *vide* [notification](#) dated April 16, 2026, has amended the SEBI (AIFs) Regulations, 2012. Some of the key amendments are as follows:

1. the minimum investment for individual investors in social impact funds under Regulation 10(c) (dealing with investment in AIF) is reduced to INR 1,000 (Indian Rupees one thousand) (*earlier this was INR 2,00,000 (Indian Rupees two lakh)*); and
2. Regulation 29 has been amended to provide that distribution of liquidated assets during winding up will be subject to conditions specified by SEBI, and a new sub-regulation 10A has been inserted to provide that an AIF may be tagged as an 'inoperative fund', in such manner and subject to conditions as may be specified by SEBI from time to time.

On April 30, 2026, SEBI issued a [circular](#) on fast-track mechanism for processing of placement memorandum of AIF. SEBI has decided to follow a fast-track mechanism for launch of schemes in respect of the Private Placement Memorandum ("PPM") filed by angel funds and AIF schemes, other than large value fund for accredited investors. Further, it is clarified that in terms of Regulations 12 (dealing with Schemes) and 19 (dealing with other AIFs) of the SEBI (AIF) Regulations, 2012, AIFs can proceed with launch of their new schemes and circulate the PPM to their investors for soliciting funds after 30 (thirty) days of filing of application with SEBI, unless otherwise advised. Additionally, the first close of the scheme must be declared not later than 12 (twelve) months from the date on which the AIF becomes eligible to launch its scheme.

IBBI updates

Valuation Standards for the purpose of valuation conducted under the IBC

IBBI, *vide* [circular](#) dated April 1, 2026, has mandated the use of IVS, issued by the International Valuation Standards Council, for all valuations conducted under the IBC and regulations made thereunder. This applies to all processes governed by IBC including Corporate Insolvency Resolution Process ("CIRP"), liquidation, and voluntary liquidation to ensure transparent, objective, and credible valuation of assets of the corporate debtor.

Amendment Act

The Central Government, *vide* [notification](#) dated April 6, 2026, has notified the Amendment Act. The amendments materially overhaul the corporate insolvency and liquidation framework, strengthen creditor rights, and seek to improve timelines, value maximisation and procedural efficiency in insolvency proceedings. However, the operative impact of several amendments is subject to notification, prescription of procedural conditions and/or applicability to specified categories of corporate debtors.

An overview of the key amendments introduced under the Amendment Act is as follows:

1. **Introduction of CIIRP:** The Amendment Act introduces a CIIRP process for notified categories of corporate debtors. The process may be initiated by eligible financial creditors, subject to prescribed creditor approval thresholds, prior intimation to the corporate debtor and an opportunity to make representations. The framework contemplates a debtor-in-possession model with oversight by creditors and a resolution professional. The process is required to be completed within 150 (one hundred and fifty) days, extendable once by 45 (forty-five) days, and may be converted into CIRP in specified circumstances.
2. **Enhanced role of CoC during liquidation:** The CoC will now continue to function during the liquidation process and supervise the conduct of the liquidation process. The CoC is also empowered to replace the liquidator with a voting share of not less than 66%, significantly increasing creditor oversight during liquidation proceedings.
3. **Restoration of CIRP before liquidation:** Before passing a liquidation order, the adjudicating authority may now restore the CIRP (once only) for a further period of up to 120 (one hundred and twenty) days in specified cases,

including cases where no resolution plan has been received or approved, provided the CoC approves such restoration by a voting share of not less than 66%. This appears intended to maximise opportunities for revival of the corporate debtor before liquidation.

4. **Clarification regarding avoidance proceedings:** The Amendment Act expressly clarifies that proceedings relating to preferential, undervalued, extortionate, fraudulent or wrongful transactions will continue even after completion of CIRP or liquidation process, as applicable, and the CoCs will determine the manner of pursuing such proceedings and the distribution of the proceeds arising out of such proceedings, in such manner and subject to such conditions as may be specified. Creditors, members and partners are also permitted to independently initiate such proceedings where the resolution professional or liquidator fails to do so.
5. **Changes to treatment of dissenting financial creditors:** The amendments revise the framework governing payments to dissenting financial creditors under a resolution plan. The revised provision expressly incorporates 'fair and equitable' treatment standards and links minimum payouts to the lower of: (a) the liquidation value payable to such dissenting financial creditor; and (b) the amount that would have been payable to such creditor if the resolution plan value were distributed in accordance with the waterfall under Section 53 of the IBC.
6. **Extinguishment of claims upon approval of resolution plan:** The Amendment Act expressly provides that, unless otherwise specified in the resolution plan, claims against the corporate debtor and its assets arising prior to plan approval will stand extinguished. It also bars continuation or initiation of proceedings based on such claims after approval of the plan. This statutory formulation strengthens the clean-slate principle and should be read with caution when discussing judicial decisions permitting limited defensive set-off.
7. **Time-bound adjudication requirements:** The amendments prescribe timelines for key stages of insolvency proceedings, including a 30 (thirty) day timeline for approval or rejection of resolution plans from the date of receipt of the resolution plan by the adjudicating authority, and similar time-bound disposal requirements for liquidation orders and dissolution applications, with adjudicating authorities required to record reasons for delays. Further, the NCLAT is required to dispose of appeals within 3 (three) months from the date of filing of such appeals.
8. **Material changes to liquidation framework:** The Amendment Act introduces a 180 (one hundred and eighty) day timeline from the liquidation commencement date for completion of liquidation, extendable by 90 (ninety) days by the National Company Law Tribunal for sufficient reasons, subject to an overall outer limit of 1 (one) year. The amendments also prescribe that voluntary liquidation must be completed within a period not exceeding 1 (one) year, subject to such conditions as may be specified. In addition, the Amendment Act introduces revised rules relating to relinquishment and enforcement of security interests, and provisions governing treatment of surplus recoveries and secured creditor realisations.
9. **Changes relating to guarantor assets and secured creditors:** Creditors enforcing security interests over guarantor assets may now permit transfer of such assets as part of resolution plan during CIRP, subject to prior prescribed approval of the CoC. The amendments also introduce a consent-based framework for secured creditors proposing to enforce commonly secured assets, subject to the approval thresholds prescribed under the Amendment Act and applicable regulations.
10. **Reduced voting thresholds in pre-packaged insolvency process:** The Amendment Act reduces certain approval thresholds in the pre-packaged insolvency framework from 66% to 51%, including thresholds relevant to initiation of the pre-packaged insolvency process, potentially making such processes more commercially viable and easier to implement.

MoCI update

Startup India Fund of Funds 2.0

The Central Government, *vide* [MoCI notification](#) dated April 13, 2026, has approved the establishment of 'Startup India Fund of Funds 2.0' with a total corpus of INR 10,000 crore (Indian Rupees ten thousand crore) for the purpose of mobilising venture capital for the startup ecosystem of the country. The scheme will contribute to the corpus of SEBI-registered Category I and Category II AIFs for investing in equity and equity-linked instruments of entities recognised as startups by the Central Government.

Some of the key features of the scheme are as follows:

1. **Expanded sectoral focus:** The scheme adopts a segmented approach targeting: (a) deep-tech startups; (b) smaller micro venture capital funds supporting early-stage startups; (c) technology-driven manufacturing startups aligned with the 'Make in India' initiative, and (d) sector-agnostic startups.
2. **Operational flexibility for capital-intensive sectors:** The scheme contemplates larger corpus support for AIFs investing in deep-tech and manufacturing sectors, support for longer-duration funds, and higher government contribution for sectors where private capital remains limited.
3. **Support for startup ecosystem development:** Up to 5% of returns generated under the scheme may be deployed towards ecosystem development initiatives such as mentorship, workshops, capacity building, plug-and-play infrastructure and regulatory support.
4. **Co-investment framework:** The scheme may also function as an umbrella platform for co-investment by ministries, departments and institutional investors into specified sectors or themes.
5. **Strengthened governance and monitoring:** An Empowered Committee chaired by the Secretary, Department of Promotion of Industry and Internal Trade will oversee implementation and performance of the scheme. A Venture Capital Investment Committee will evaluate AIF proposals for funding under the scheme.

The Small Industries Development Bank of India ("**SIDBI**") will continue as the implementing agency for the scheme, alongside additional domestic implementing agencies that may be appointed in accordance with the scheme framework issued by the Department for Promotion of Industry and Internal Trade.

JSA updates

Omnibus Framework for SROs in RBI regulated entities

The regulatory landscape governing financial entities witnessed a significant evolution on March 21, 2024, with RBI introducing the Omnibus Framework for recognising SROs for Regulated Entities of RBI ("**Omnibus Framework**"). This comprehensive framework is a significant industry milestone, offering a structured approach towards recognising SROs and enhancing regulatory oversight within the financial sector. It encompasses objectives, responsibilities, eligibility criteria, and governance standards, which is designed to foster collaboration, transparency, and growth while addressing critical industry concerns. In our view, Omnibus Framework represents a significant milestone for the industry, especially considering the previous regulatory uncertainties and overnight changes. It will also enable the extension of regulatory recognition to existing SROs such as the Digital Lenders Association of India, Merchant Payments Alliance of India, and Fintech Association for Consumer Empowerment, thereby solidifying their role in upholding industry standards and best practices.

For a detailed analysis, please refer to the [JSA Prism of April 2, 2026](#).

The Supreme Court holds that the defence of set off can be raised against a corporate debtor in arbitration proceedings even if the claims stand extinguished upon approval of a resolution plan

The Supreme Court, in a recent judgment, has held that while claims not forming part of an approved resolution plan stand extinguished, a limited right to raise the defence of a set off in respect of such claim may survive, depending on the terms of the resolution plan and the facts of each case. The Supreme Court examined the interplay between the 'clean slate' principle under the IBC after the approval of a resolution plan and the permissibility of raising a plea of set off in proceedings under the Arbitration and Conciliation Act, 1996.

The judgement marks a limited evolution of the 'clean slate' principle by carving out a narrow exception, recognising that claims may survive as a defence by way of set off where the resolution plan does not expressly bar it. Accordingly, the judgement affords limited protection to a party that has failed to lodge its claim within prescribed timelines, by permitting a reduction of liability through a plea of set off, even when the underlying claim is not admitted.

For a detailed analysis, please refer to the [JSA Prism of April 24, 2026](#).

NCLAT clarifies financial creditor status in third-party mortgage transactions under the IBC

NCLAT has clarified that a third-party mortgage may constitute a 'financial debt' under the IBC. It has held that where a security provider undertakes an express covenant to pay the underlying debt, such obligation may be treated as a guarantee, thereby elevating the creditor's status to that of a financial creditor, even in the absence of direct disbursement to the corporate debtor.

The ruling draws a clear distinction between a mere third-party security arrangement and one coupled with a substantive obligation to discharge the debt.

For a detailed analysis, please refer to the [JSA Prism of April 25, 2026](#).

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15 Practices and
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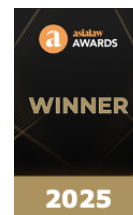
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