



Recent developments in India's corporate & commercial laws

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Monthly Newsletter
May 2026



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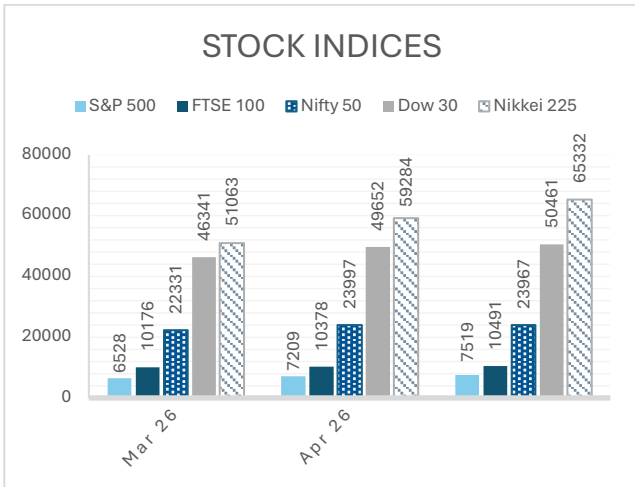
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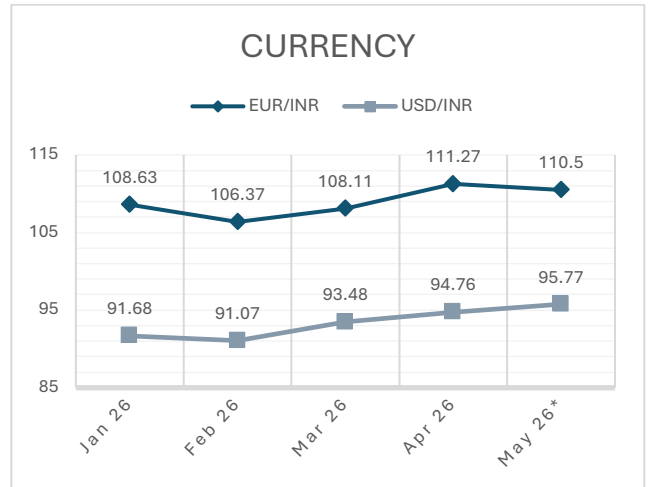
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Indian economy | May 2026

Snapshot of key indicators



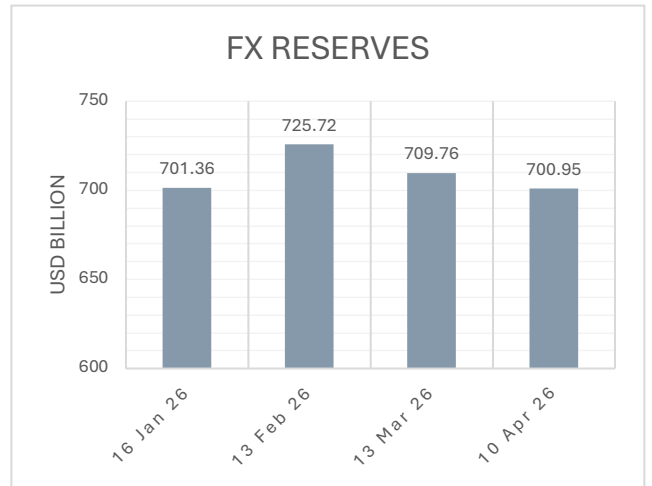
Source: S&P Dow Jones, FTSE Russel, NSE, and Nikkei



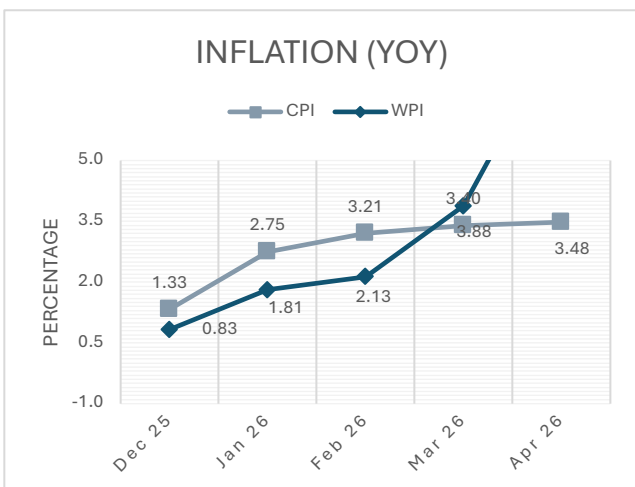
Source: Reserve Bank of India



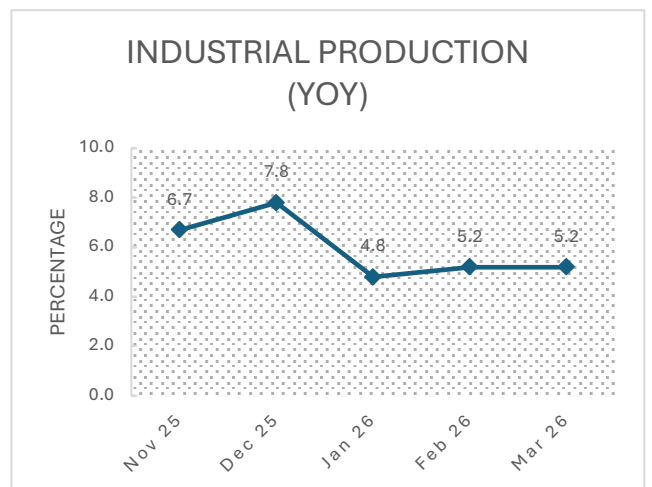
Source: Ministry of Commerce and Industry



Source: Reserve Bank of India



Source: Ministry of Statistics and Programme Implementation



Source: Ministry of Statistics and Programme Implementation

* As per the latest available data for May 2026

SEBI streamlines settlement mechanism for FPIs

Circular on FPI net settlement of funds

Until now, Foreign Portfolio Investors (**FPIs**) were required to settle each transaction individually on a gross basis. This meant the full value of each purchase had to be funded upfront, irrespective of any sale proceeds that the FPI was simultaneously receiving on the same day. In practice, this locked up large amounts of capital for short periods, increased the need for forex conversions, and raised the overall cost of operating in Indian markets.

Addressing this concern, the Securities and Exchange Board of India (**SEBI**) introduced the concept of net settlement for funds on a limited and calibrated basis, bringing Indian market practice in line with global standards already followed in the United States (via the DTCC system) and Europe (under CSDR regulations). The change shall take effect from 31 December 2026.

Key changes

- **Net funds settlement permitted:** FPIs may now use the proceeds from a sale to meet a purchase obligation arising within the same settlement cycle. Only the net difference needs to be arranged, significantly reducing the amount of capital that must be kept ready at any given time. For example, in the case of a purchase worth INR 10 crore and a sale worth INR 7 crores on the same day, the FPI only needs to arrange the balance INR 3 crores, effectively freeing up INR 7 crores of capital that would otherwise have been blocked under the old mechanism.
- **Gross settlement applicability:** The actual transfer of shares continues on a gross basis. Each securities transaction is processed individually and remains separately traceable. The reform applies only to the funds side of the settlement, not to the delivery of the underlying securities. This ensures that ownership records and delivery discipline are fully maintained.
- **Taxes unchanged:** Statutory levies such as Securities Transaction Tax (**STT**) and stamp duty are unaffected. This reform is limited to settlement mechanics only.
- **Outright transactions in distinct securities:** The netting benefit applies only to 'outright transactions' defined as either a purchase or a sale in a security within a settlement cycle, but not both. Where an FPI has both purchase and sale transactions in the same security within the same settlement cycle, gross settlement continues to apply. Additionally, excess outright sale proceeds cannot be applied towards non-outright purchase obligations.



Risks and safeguards

- **Counterparty risk:** If an FPI's sale transaction fails, the expected proceeds cannot be used to fund the purchase, potentially causing a settlement failure. If a sale transaction fails or is not confirmed by the custodian, its proceeds cannot be used for netting purposes. This ensures that only verified trades benefit from the liquidity advantages of net settlement while reducing settlement risk.
- **Calibrated rollout:** Netting calculations across multiple transactions within a single settlement cycle introduce the possibility of computational errors. SEBI's decision to limit the netting mechanism to eligible outright transactions, rather than all trades, is a deliberate precaution to contain this risk during the initial phase of implementation.

The net settlement framework is a practical, industry-responsive reform that addresses a long-standing structural inefficiency in India's capital markets. For FPIs, the immediate benefit is a meaningful reduction in the amount of capital that needs to be pre-funded for daily trading activity, along with lower forex conversion costs and reduced operational friction. For the broader market, greater FPI participation and improved liquidity efficiency are the expected outcomes.

At the same time, the partial nature of the reform signals that SEBI is proceeding cautiously. This is understandable given that linking the buy and sell legs of a trade introduces new risks that need to be carefully managed. The success of the framework will ultimately depend on the robustness of custodian oversight, the accuracy of netting systems, and the speed with which settlement failures are identified and managed. Depending on how smoothly implementation proceeds, a broader extension of net settlement to additional transaction types is a reasonable prospect in the medium term.

RBI revises registration norms for NBFCs

RBI (NBFC – Registration, Exemptions and Framework for Scale-Based Regulation) Amendment Directions, 2026

The Reserve Bank of India (RBI) has introduced a revised regulatory framework governing registration requirements and exemptions applicable to certain categories of Non-Banking Financial Companies (NBFCs), with effect from July 1, 2026 ([Amendment Directions](#)).

The Amendment Directions seek to reduce the compliance burden for NBFCs that neither access public funds nor maintain a customer-facing business model, on one hand, while simultaneously expanding the interpretational scope of the concepts of ‘public funds’ and ‘customer interface’, on the other.

Key changes

- **3-tier categorisation framework:** The Amendment Directions formally classify NBFCs into:
 - **Unregistered Type I NBFCs:** NBFCs not availing public funds and not having a customer interface, with asset size below INR 1,000 crore. They remain subject to conditions prescribed under the RBI Act, 1934, including annual board confirmations and disclosures in financial statements.
 - **Type I NBFCs:** NBFCs not availing public funds and not having a customer interface, but with an asset size of INR 1,000 crore or above.
 - **Type II NBFCs:** All other registered NBFCs.
- **Interpretation of ‘public funds’:** The RBI has clarified that ‘indirect receipt of public funds’ includes funds routed through associates or group entities having access to public funds, significantly broadening the regulatory scope of externally sourced funding.
- **Broad definition of ‘customer interface’:** The framework adopts an expansive understanding of customer interaction, which may extend to lending relationships, guarantees, and certain intra-group financing arrangements, thereby narrowing the category of entities that may practically qualify for exemption.
- **Auditor reporting obligations:** Statutory auditors of ‘Unregistered Type I NBFCs’ and ‘Type I NBFCs’ are required to submit exception reports to the RBI in case of any breach relating to public funds, customer interface, or exemption conditions.
- **Restrictions on overseas investments:** An ‘Unregistered Type I NBFC’ intending to undertake overseas investment in the financial services sector must obtain RBI registration. Such entities are also prohibited from undertaking overseas investments in non-financial sectors.



- **Mandatory group-level asset aggregation:** In case of multiple ‘Unregistered Type I NBFCs’ within a group company structure or floated by a common set of promoters, the aggregate asset size of all such entities must be considered for determining the INR 1,000 crore threshold. If the threshold is crossed, all such entities within the group would be required to obtain registration as ‘Type I NBFCs’. This discourages fragmentation of NBFC, regulatory arbitrage, and strengthens supervisory consistency.
- **Formal deregistration mechanism:** Existing NBFCs satisfying the exemption criteria may apply for deregistration through the RBI’s PRAVAAH portal by December 31, 2026, along with prescribed financial statements, board resolutions, and auditor certifications. This benefits promoter groups and captive treasury entities that carry on limited financial intermediation activities.

The Amendment Directions represent a noteworthy evolution in the RBI’s regulatory outlook towards NBFC supervision. By carving out a separate framework for entities operating without leverage and customer-facing activities, the RBI recognises that not all NBFCs carry the same degree of systemic or consumer risk, while rationalising the compliance burden applicable to low-risk NBFCs. The framework also improves regulatory certainty by formally defining previously ambiguous concepts and codifying exemption eligibility requirements.

Despite the intended regulatory relaxation, with the broad characterisation of public funds, uncertainty remains regarding the treatment of downstream equity infusions within group structures, which is particularly crucial for treasury and investment NBFCs funded through leveraged holding companies or promoter entities. While the framework is likely to reduce compliance burdens for genuinely passive or treasury-style NBFCs, the practical availability of the exemption may ultimately remain limited to a relatively narrow category of entities. Groups considering deregistration or exemption eligibility should therefore undertake a comprehensive review of their funding arrangements, intra-group transactions, overseas investment structures, and overall NBFC footprint before restructuring their operations based on the revised framework.

Centre operationalises FDI amendments for insurance and LBC frameworks

Amendments to FEM (Non-debt Instruments) Rules, 2019

The Ministry of Finance (Department of Economic Affairs) has introduced 2 significant amendments to the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (**NDI Rules**).

The first amendment revises Rule 6 of the FEMA NDI Rules and statutorily incorporates the changes introduced under Press Note 2 (2026 Series) issued by the Department for Promotion of Industry and Internal Trade (**DPIIT**) at a policy level – primarily relating to investments involving countries sharing land borders with India and seeking to clarify the framework governing beneficial ownership, indirect control, and reporting obligations in relation to such investments.

The second amendment liberalises the Foreign Direct Investment (**FDI**) framework applicable to the insurance sector by permitting up to 100% foreign investment in Indian insurance companies and insurance intermediaries under the automatic route, subject to regulatory safeguards and oversight by the Insurance Regulatory and Development Authority of India (**IRDAI**).

Key highlights | The first amendment

- **Government approval:** Investments by entities or citizens of countries sharing land borders with India, or investments where the beneficial owner is linked to such jurisdictions, continue to require prior Government approval. The restriction also extends to subsequent transfers resulting in beneficial ownership falling within the restricted category.
- **Beneficial ownership threshold:** The amendments align the concept of ‘beneficial owner’ with the framework prescribed under the Prevention of Money-laundering Act, 2002 (**PMLA**) and Rule 9(3) of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 (**PML Rules**), introducing a recognised threshold-based test for determining beneficial ownership, addressing a major ambiguity under the earlier Press Note 3 regime.
- **Beneficial ownership test:** Beneficial ownership may be considered vested in a Land-Bordering Country (**LBC**) where a person or entity from such jurisdiction:
 - Exceeds the prescribed beneficial ownership threshold.
 - Exercises control over the overseas investor entity.
 - Exercises ultimate effective control over the Indian investee entity.
- **Restriction for Pakistan-based investors:** Citizens of Pakistan and entities incorporated in Pakistan may invest only under the Government route and remain prohibited from investing in sectors such as defence, space, atomic energy, and other prohibited sectors.
- **Aggregation of rights and interests:** Rights and entitlements held by persons or entities from land-bordering jurisdictions must be assessed cumulatively, irrespective of whether such persons are acting together or independently.

- **Reporting obligations:** Investments involving indirect ownership links with land-bordering jurisdictions, which may not require Government approval, are nevertheless subject to reporting requirements prescribed by the Reserve Bank of India (**RBI**).
- **Exemption for multilateral banks and funds:** Multilateral banks or funds of which India is a member are expressly excluded from being treated as entities of a particular country or as beneficial owners.
- **Clarification for oil field participating interests:** The amendments also clarify that the issue or transfer of ‘participating interests or rights’ in oil fields by Indian companies to non-residents would constitute foreign investment and must comply with Schedule I of the FEMA NDI Rules.

Key highlights | The second amendment

- **100% FDI in insurance intermediaries:** In addition to insurance companies, insurance intermediaries – including insurance brokers, reinsurance brokers, insurance consultants, corporate agents, third-party administrators, surveyors and loss assessors, managing general agents and insurance repositories – may also receive up to 100% foreign investment under the automatic route.
- **Conditions:** Insurance intermediaries with a majority foreign shareholding are required to:
 - Operate as limited companies.
 - Appoint resident Indian leadership personnel, such as Chairperson, Managing Director or Chief Executive Officer, similar to the governance requirements for insurance companies with foreign investment.
 - Introduce technological and managerial expertise.
 - Disclose payments made to group or associated entities in prescribed formats.
- **Retention of 20% cap for Life Insurance Corporation of India (LIC):** Foreign investment in the LIC continues to remain capped at 20% under the automatic route.
- **IRDAI approval:** While investments are permitted under the automatic route, they remain subject to IRDAI approval and verification, as well as compliance with the Insurance Act, 1938.
- **Clarification for bank-linked insurance intermediaries:** Where banks or entities engaged primarily in non-insurance business are permitted to function as insurance intermediaries, the FDI caps applicable to their principal sector will continue to apply, subject to prescribed revenue thresholds.

While the liberalisation of the insurance sector is likely to position India as a significantly more attractive destination for global insurers, financial institutions, and strategic investors, broad control-based tests and cumulative aggregation principles under the LBC framework may continue to create complexities for venture capital and private equity funds with multi-layered ownership arrangements in assessing indirect beneficial ownership exposure. Further, the concept of ‘ultimate effective control’ remains inherently subjective and may require further regulatory guidance for consistent interpretation and implementation.



SEBI relaxes disqualification norms under the intermediary governance framework

SEBI (Intermediaries) Amendment Regulations, 2026

The Securities and Exchange Board of India (**SEBI**) has recently notified amendments to the ‘fit-and-proper person’ criteria applicable to intermediaries by balancing regulatory integrity with ease of doing business, shifting towards a more discretionary approach.

Key changes

- **Shift from automatic disqualification to principle-based assessment:** The language of Clause 3 of Schedule II has been amended from ‘not incurring any of the following disqualifications’ to ‘being subject to any of the following events’, signalling a move away from a rigid disqualification framework toward a contextual assessment based on the overall conduct and integrity of the person concerned. SEBI must make an affirmative determination of unfitness, based on a holistic assessment of the person's conduct, integrity, and track record.
- **Removal of certain disqualification factors:** SEBI has omitted provisions under which the mere filing of a criminal complaint or FIR by SEBI, or the filing of a charge sheet by an enforcement agency in matters concerning economic offences, constituted relevant disqualification factors.
- **Relaxation relating to winding-up proceedings:** The amendment removes the reference to the initiation of winding-up proceedings as a disqualification factor. Consequently, only a winding-up order will now remain relevant.
- **Introduction of mandatory disclosure obligations:** Under the newly inserted Clause 3A, applicants and intermediaries are now required to intimate SEBI within 15 working days of the occurrence of any event specified under Clause 3(b). This creates a clear, time-bound compliance obligation that did not previously exist in express terms.
- **Explicit recognition of the principle of *audi alteram partem*:** Clause 3B has been inserted, clarifying that a person may only be declared as not being a ‘fit-and-proper person’ after being granted a reasonable opportunity of being heard.

- **Restrictions on temporary suspension of registration applications:** SEBI has reduced the category of proceedings that may result in the temporary non-consideration of an application for registration. Under the amended Clause 5, only show cause notices issued under Sections 11(4) and 11B(1) of the SEBI Act, 1992, will trigger such restriction. Additionally, the duration for which an application would remain under non-consideration has been reduced from 1 year to 6 months.
- **Restrictions on fresh registration applications:** Under Clause 4, SEBI has omitted the default 5-year prohibition on applying for fresh registration in cases where the relevant regulatory order did not specify any prohibition period.

The amendment reflects a more balanced and practical approach by SEBI towards the ‘fit-and-proper person’ framework, shifting from a rule-based approach of automatic disqualifications towards a more proportionate and discretionary principle-based approach. The changes are expected to reduce regulatory uncertainty and increase ease of doing business, while continuing to preserve SEBI’s powers to take action in cases involving genuine risks to market integrity and investor protection.

RBI revamps regulatory framework for authorised forex dealers

Foreign Exchange Management (Authorised Persons) Regulations, 2026

Effective May 6, 2026, the Reserve Bank of India (RBI) has significantly overhauled the country's retail forex regulatory framework, consolidating multiple fragmented directions into a single, structured regime, and rationalising authorisation and renewal processes.

Key highlights

- **Reclassification of Authorised Dealers (AD):** The Regulations introduce a clearer categorisation of authorised persons under 3 categories:

Category	Eligible entities	Permitted activities
AD Category-I	Bank licensed by the RBI.	Any current/capital account transaction permissible under the Foreign Exchange Management Act, 1999 (Act).
AD Category-II	<ul style="list-style-type: none"> ▪ RBI-licensed or registered bank/Non-Banking Financial Company (NBFC). ▪ Full-Fledged Money Changer (FFMC) or a Forex Correspondent (FxC) with average annual forex turnover of INR 50 crore during the previous 2 FYs. ▪ Minimum net worth: INR 10 crore 	<p>Any non-trade current account transaction permissible under the Act, other than gift and donation.</p> <p>Foreign trade transactions up to INR 25 lakh per transaction.</p>
AD Category-III (new category)	<p>An entity:</p> <ul style="list-style-type: none"> ▪ Required to deal in foreign exchange incidental to the activities undertaken by it. Or ▪ That intends to offer innovative products and services that may involve dealing in foreign exchange. ▪ Minimum net worth: INR 2 crore 	As mentioned in the authorisation issued by RBI.

- **No fresh FFMC licences:** RBI will not consider fresh applications for licences. Existing FFMCs will be subject to renewal conditions: Minimum net-owned funds of INR 25 lakh (single-branch FFMC) and INR 50 lakh (multiple-branch FFMC).
- **Franchisee model to be phased out:** No fresh franchisee arrangements will be permitted. Existing franchisee arrangements must either discontinue or transition into the new FxC model within 2 years.
- **FxC arrangement:** AD Category-I and II entities may appoint FxCs for forex services delivery, formalising the principal-agent model:
 - FxCs may work with multiple principals.
 - All transactions undertaken by FxCs must be reflected in the books of the principal entity.
 - Principals must implement a board-approved policy governing FxC engagement.
 - Quarterly reporting of FxCs and business locations to RBI through APConnect app mandatory.
- **'Fit-and-proper' criteria strengthened:** Enhanced governance standards are prescribed for promoters, directors, and Key Managerial Personnel (**KMPs**):
 - At least 50% of directors or KMPs must possess experience in the financial services sector.
 - The members must satisfy integrity, reputation, and regulatory compliance requirements, including the absence of convictions, disqualifications, restraint orders, or sanctions from the relevant legal bodies.
- **Entities under investigation:** Applicants under investigation by the Directorate of Enforcement (**DoE**) are required to submit a No-Objection Certificate issued by the DoE within a period of 30 days prior to the application, unless no response is received from the DoE within 60 days.
- **Ownership changes:** Non-bank authorised persons must obtain prior RBI approval before any change in management, control, or ownership exceeding 50%.
- **Cooling-off period:** A 1-year hiatus will apply before entities, whose applications are rejected, authorisations revoked, or licences surrendered, may apply again.
- **Real-time operational reporting:** Non-bank authorised persons must report operational changes to RBI through the APConnect portal within 7 calendar days, including opening or closure of a place of business, and shifting of a registered office.

SEBI proposes alignment of the securitisation framework with RBI norms

Consultation paper on amendments to the SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008

The Securities and Exchange Board of India (**SEBI**) recently proposed to align its securitisation framework with Reserve Bank of India's (**RBI**) Master Direction – Securitisation of Standard Assets Directions, 2021 (**SSA Directions**).

India's securitisation market has expanded significantly in recent years, with Pass-Through Certificates (**PTCs**) accounting for a substantial portion of securitisation volumes in FY2026. Despite this growth, the market for listed SDIs has remained relatively limited. The proposed amendments seek to address structural bottlenecks and the operational and structural inconsistencies between the SEBI and RBI regimes, particularly for transactions originated by RBI-Regulated Entities (**REs**).

Key proposed amendments

- **Single asset securitisation:** Single obligor RBI-REs would be exempt from the 25% share ceiling on asset pooling prevalent at the time of issuance, permitting the listing of single-asset securitisation transactions, which are already recognised under the SSA Directions.
- **Disclosure obligations on the 'servicer':** The obligations of furnishing periodic reports and auditor certifications relating to the underlying asset pool would be transferred from the originator to the 'servicer', recognising its typical responsibility for monitoring collections and receivables, and maintaining pool-level data. This would improve the accuracy and timeliness of disclosures to trustees, rating agencies, and investors.
- **Revising board composition requirements for Special Purpose Distinct Entities (SPDEs):** Where the originator is an RBI-RE, it may appoint only 1 representative to the SPDE board without any veto rights, mirroring the SSA Directions and reinforcing the requirement of maintaining arm's length separation between the originator and the SPDE.
- **Relaxation of group entity restrictions:** RBI-regulated SPDEs would be permitted to acquire receivables from an originator belonging to the same group as the trustee, provided the originator does not exercise control over the SPDE or trustee.
- **Replacing winding up with trustee substitution:** Instead of mandating the winding up of securitisation schemes upon suspension or cancellation of a trustee's registration, SEBI may direct the appointment of a replacement trustee, preserving transaction continuity and protecting investor interests. Unwinding securitisation transactions could potentially amount to an impermissible buy-back of transferred assets under RBI regulations.

By aligning the listed SDI framework closely with the RBI's securitisation regime, the reforms are expected to improve structural flexibility, reduce compliance inconsistencies, and encourage greater participation in the listed securitisation market, while continuing to maintain governance safeguards and disclosure standards.

Centre proposes framework for urban water transport systems

Draft National Water Metro Policy, 2026

Inspired by the successful Kochi Water Metro model, the Ministry of Ports, Shipping, and Waterways has initiated plans to roll out water metro services across 18 Indian cities. The Draft National Water Metro Policy, 2026, has been issued in this regard with the aim of making water metros a regular part of urban mobility, similar to road and rail systems.

Key features

- **Formal integration into public transport:** Water metro is proposed as a recognised Mass Rapid Transit System (**MRTS**) mode alongside metro rail, Bus Rapid Transit System (**BRTS**), and regional rail, supported through a coordinated Centre-State framework.
- **Sustainability:** The policy mandates zero- or low-emission vessels, with electric, battery-operated, solar-assisted, and hybrid propulsion systems prioritised for future-ready sustainable transport.
- **Multimodal integration:** Water transport should connect smoothly with buses, metro rail, and other transport systems, ensuring last-mile connectivity.
- **Funding:** The implementation model includes multiple funding options such as Centre-State partnerships, Public-Private Partnerships (**PPP**), and fully Central/State-funding.
- **Domestic manufacturing, standardisation, and safety:** All water metro vessels are to be designed and built in India, with bulk procurement, standardised designs, mandatory technical standards, interoperability, and strict safety compliance encouraged to ensure reliable and scalable operations.
- **Suitability criteria for cities:** The policy identifies suitable cities and corridors based on navigable waterways, ridership potential, congestion relief benefits, tourism demand, flood resilience, and regional connectivity needs, as planning will involve the overall ecosystem infrastructure covering terminals, jetties, charging infrastructure, and emergency support systems.
- **Inland Waterways Authority of India (IWAI):** IWAI is designated as the nodal technical authority for project preparation, standard setting, DPR support, and regulatory coordination, especially on National Waterways.
- **Financial sustainability:** With an affordable and inclusive fare structure, the policy encourages non-fare revenue sources such as advertising, Transit-Oriented Development (**TOD**), waterfront development, tourism, and commercial activities.

The Draft National Water Metro Policy, 2026, marks a significant push toward integrating waterways into India's urban mobility framework through sustainable, low-cost, and inclusive transport solutions. The policy seeks to reduce pressure on congested road networks while promoting cleaner mobility options. With feasibility studies already completed for most of the proposed 18 cities, the initiative demonstrates strong implementation intent and potential to emerge as a scalable and citizen-centric model for future urban transport development in India.



Centre operationalises India's consolidated labour law framework

Central Rules under the Code on Wages, Social Security, Industrial Relations, and OSH

The Ministry of Labour and Employment has notified the Central Rules operationalising a consolidated framework that has replaced 29 Central labour legislations with the 4 Codes - Code on Wages, 2019; Code on Social Security, 2020; Industrial Relations Code, 2020; Occupational Safety, Health and Working Conditions Code, 2020.

The Central Rules would apply to establishments where the Central Government has been designated as the 'appropriate Government', such as public sector undertakings, railways, mines, ports, banking and insurance. State-notified Rules would govern establishments governed by the respective State Governments.

Key highlights | Code on Wages (Central) Rules, 2026

- Uniform definition of 'wages' across the labour framework.
- An 8-hour workday and 48-hour workweek structure.
- Introduction of a floor wage mechanism.
- Mandatory electronic wage slips and digitised wage records.
- Structured process for deductions and fines.
- Variable dearness allowance, to be revised twice a year – before April 1 and October 1.

Key highlights | Social Security (Central) Rules, 2026

- Formal inclusion of gig and platform workers within the social security framework.
- Mandatory contribution by aggregators towards social security schemes.
- Gratuity entitlement clarified for fixed-term employees.
- Detailed framework introduced for crèche facilities and maternity benefits.

Key highlights | Industrial Relations (Central) Rules, 2026

- Revised grievance redressal and conciliation framework.
- Model Standing Orders notified for key sectors – mines, manufacturing establishments, and service sector establishments.
- Procedures prescribed for strikes, lockouts, retrenchment, and closure.
- Introduction of the Worker Re-Skilling Fund framework.
- Electronic issuance and maintenance of notices permitted.
- Compounding mechanism introduced for specified offences.

Key highlights | Occupational Safety, Health and Working Conditions (Central) Rules, 2026

- Single registration framework through the Shram Suvudha Portal.
- Standardised appointment letter format.
- Enhanced workplace safety, hygiene, and welfare standards.
- Safeguards for the employment of women during night shifts.
- Single contractor licence mechanism for multi-state operations.
- Eligibility conditions prescribed for gig and platform workers to avail benefits.

SEBI expands permissible borrowing utilisation for leveraged InvITs

Circular amending the SEBI (Infrastructure Investment Trusts) Regulations, 2014

SEBI has expanded the permissible end-use of borrowings by highly leveraged Infrastructure Investment Trusts (**InvITs**), signalling a more flexible financing framework for infrastructure assets.

Pursuant to amendments to the SEBI (Infrastructure Investment Trusts) Regulations, 2014 (InvIT Regulations), notified on April 17, 2026, SEBI issued an operational circular on May 15, 2026, clarifying the additional purposes for which InvITs with net borrowings exceeding 49% of asset value may utilise fresh debt. The changes, effective immediately, are intended to provide operational flexibility, support long-term asset upkeep, and facilitate efficient refinancing within the infrastructure sector.

Additional permitted end-use

- Capital expenditure undertaken for capacity augmentation or enhancement of asset performance. Such borrowings were largely restricted to the acquisition or development of infrastructure projects.
- Major maintenance expenditure relating to road and bridge infrastructure projects, provided such expenditure:
 - Is not in the nature of routine maintenance.
 - Is undertaken in accordance with obligations and requirements under the relevant concession agreement.
- Refinancing existing debt by the InvIT, Special Purpose Vehicle (**SPV**), or Holding Company (**HoldCo**), provided that:
 - The original debt was utilised for purposes permitted under Regulation 20(3)(b)(ii) of the InvIT Regulations, i.e., for acquisition or development of infrastructure-related purposes.
 - Only the principal component is refinanced – not accrued interest, penalties, fees, charges, or similar amounts.



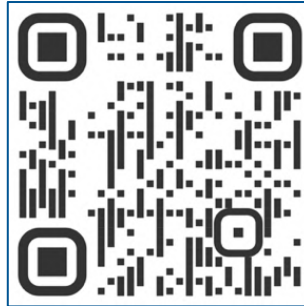
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