THE CENTRE FOR CORPORATE LAW
NATIONAL LAW UNIVERSITY ODISHA

#INSIGHTS

AUGUST, 2025

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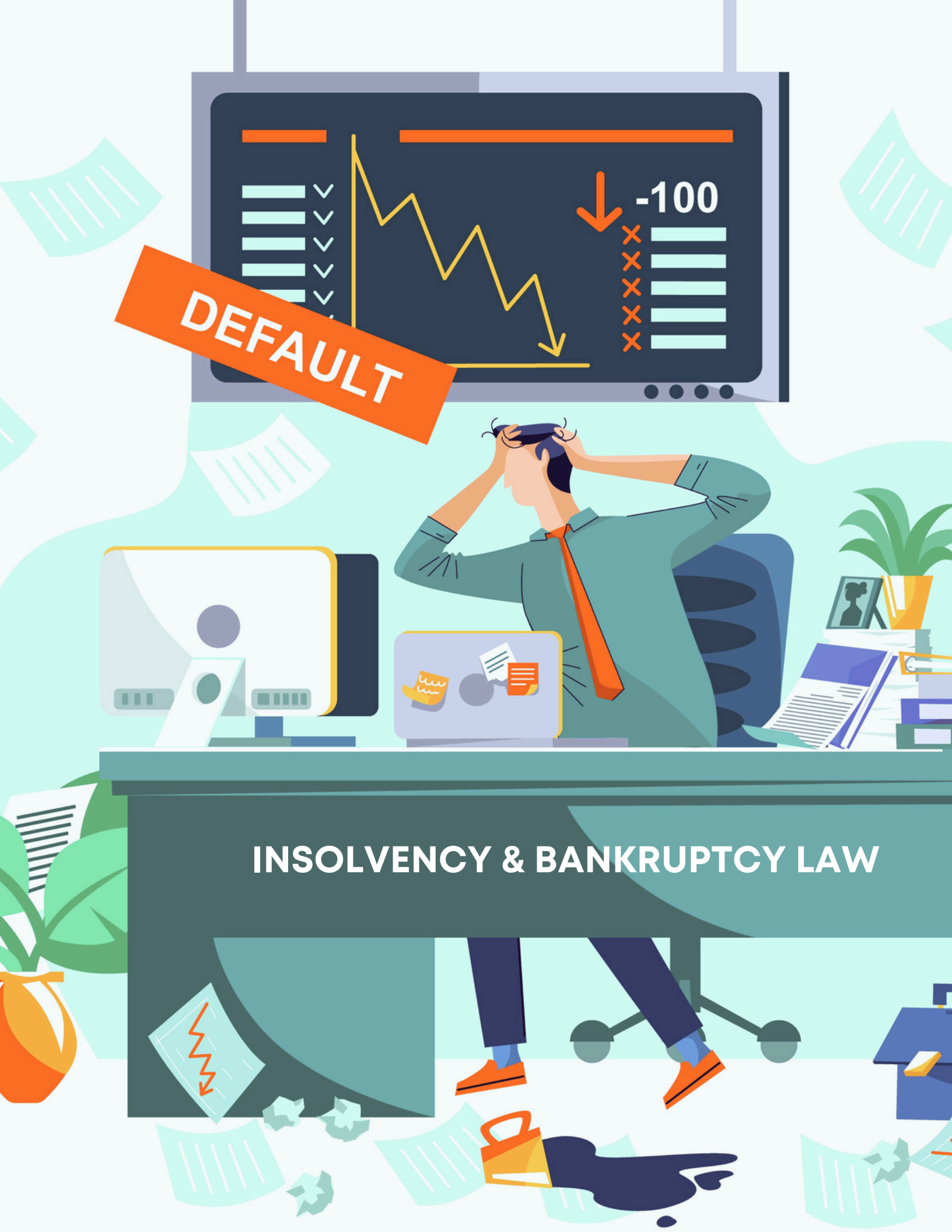


INSOLVENCY & BANKRUPTCY LAW

Finance Minister introduces the new Insolvency and Bankruptcy Code (Amendment) Bill, 2025 ("the Amendment Bill") in the Lok Sabha. [Link]

The new Amendment Bill was introduced by the Finance and Corporate Affairs Minister, Nirmala Sitharaman, in the Lok Sabha on August 12, 2025. The Amendment Bill aims to reduce delays as well as maximise the value for all stakeholders while also improving governance of all the processes under the Insolvency and Bankruptcy Code, 2016 ("**IBC**").

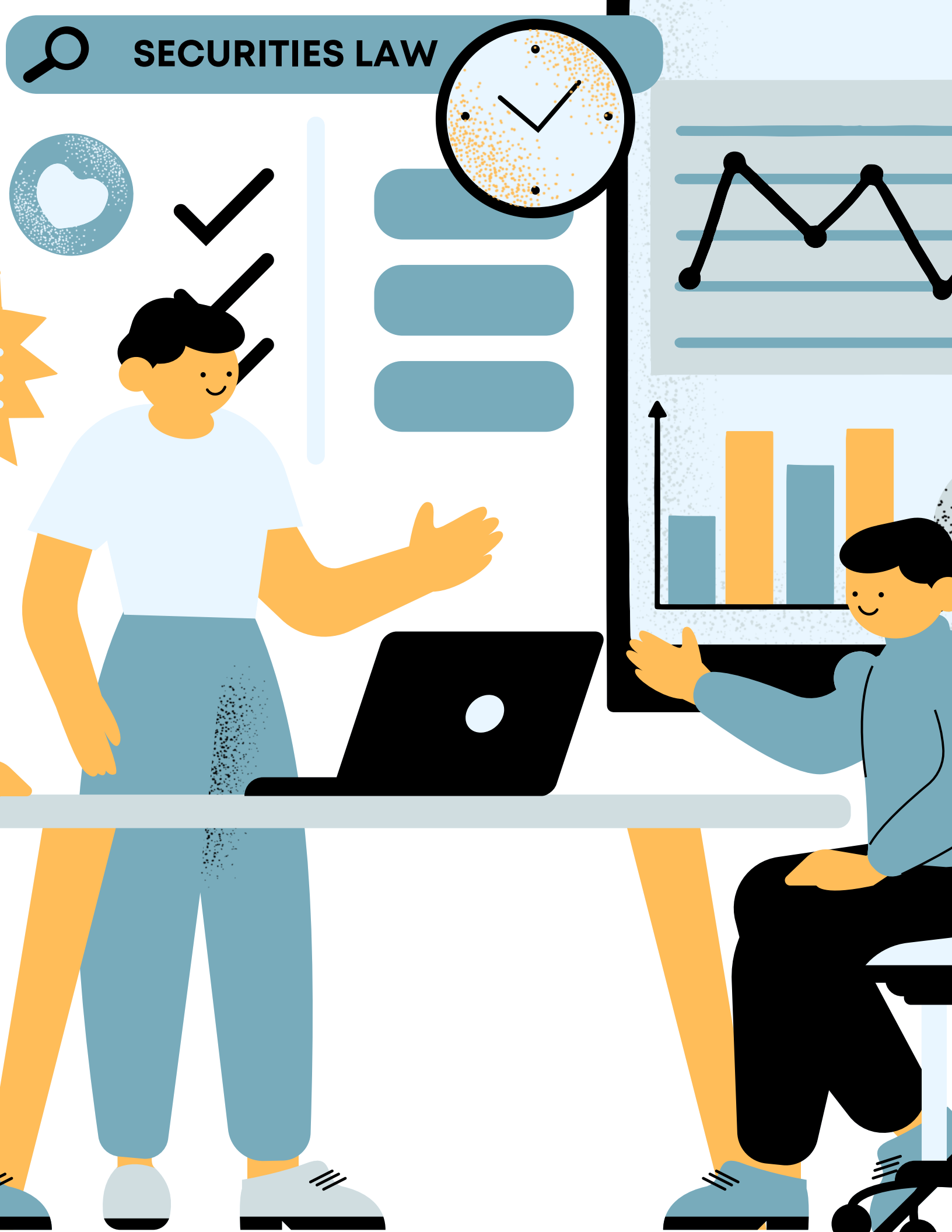
Since the IBC has been introduced, several challenges have persisted, including procedural delays, misuse of withdrawal provisions, inefficiencies in group and cross-border insolvencies, frivolous litigation that clogs tribunals, and prolonged processes, underscoring the need for reforms.

The Amendment Bill introduces several structural changes to strengthen oversight, streamline procedures, and expand the scope of insolvency law. Key measures include widening the "service provider" regime under the Insolvency and Bankruptcy Board of India, introducing a creditor-initiated insolvency resolution process ("**CIIRP**") with safeguards against misuse, and shifting the power to appoint interim resolution professionals away from debtors. It also provides for two-stage approval of resolution plans, clarifies the "clean slate" effect post-approval, and ensures fair minimum payouts to dissenting creditors.

It further proposes frameworks for group insolvency and cross-border insolvency, aligning India with global best practices. It provides for extended powers for the Committee of Creditors ("**CoC**"), tighter treatment of personal and corporate guarantors (including allowing CoC-approved transfer or enforcement of guarantor assets into the resolution process). Additionally, the Amendment Bill also clarifies that only contractually agreed security interests will be regarded as secured, especially relative to government dues.

Looking ahead, the Amendment Bill, if passed, is expected to foster a more agile insolvency ecosystem, reducing resolution timelines by 20-30% in complex cases, minimizing value erosion, and boosting investor confidence through predictability and global alignment. The enhanced CoC powers, mandatory admissions, and guarantor asset pooling would improve recovery rates and reduce delays for creditors while empowering them in liquidation scenarios. Dissenting creditor safeguards and clarified security interests will protect rights and potentially increase foreign investment. Further, CoC oversight and penalties will promote greater independence among Resolution Professionals and Liquidators.

However, stricter rules might reduce flexibility in negotiations, and there is a risk of overburdening debtors with obligations under CIIRP. Also, the removal of moratorium protection for guarantors may discourage individuals from acting as guarantors and could shift risk or cost burdens in unexpected ways. Thus, the Amendment Bill moves India's insolvency architecture toward greater transparency and alignment with international best practice, while balancing the trade-offs between creditor protection and procedural flexibility.


SECURITIES LAW

Securities and Exchange Board of India ("SEBI") has released a Consultation Paper ("2025 Consultation Paper") proposing an overhaul of the Related Party Transactions ("RPTs") framework. [Link]

On August 4, 2025, the SEBI released the 2025 Consultation Paper. The 2025 Consultation Paper proposes a significant overhaul of the framework governing RPTs under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**SEBI LODR Regulations**"). The aim is to strike a balance between curbing misuse of RPTs for value diversion and easing the compliance burden on corporates.

The 2021 amendments to the SEBI LODR Regulations had already expanded the definition of related party and introduced stricter materiality thresholds. Under Regulation 23(1) of SEBI LODR Regulations, an RPT is material at the group level if it exceeds Rs. 1000 Crores ("**cr**") or 10% of consolidated turnover, requiring audit committee and shareholder approval (with related parties excluded from voting). However, the threshold is too low for many large companies, burdening approvals for immaterial transactions. Further, since materiality at the subsidiary level is tested only against a subsidiary's standalone turnover, large group-level transactions can bypass scrutiny at the holding company level.

Currently, disclosures are required for audit committee or shareholder approval of RPTs, except where the value is below Rs. 1 cr in a financial year.

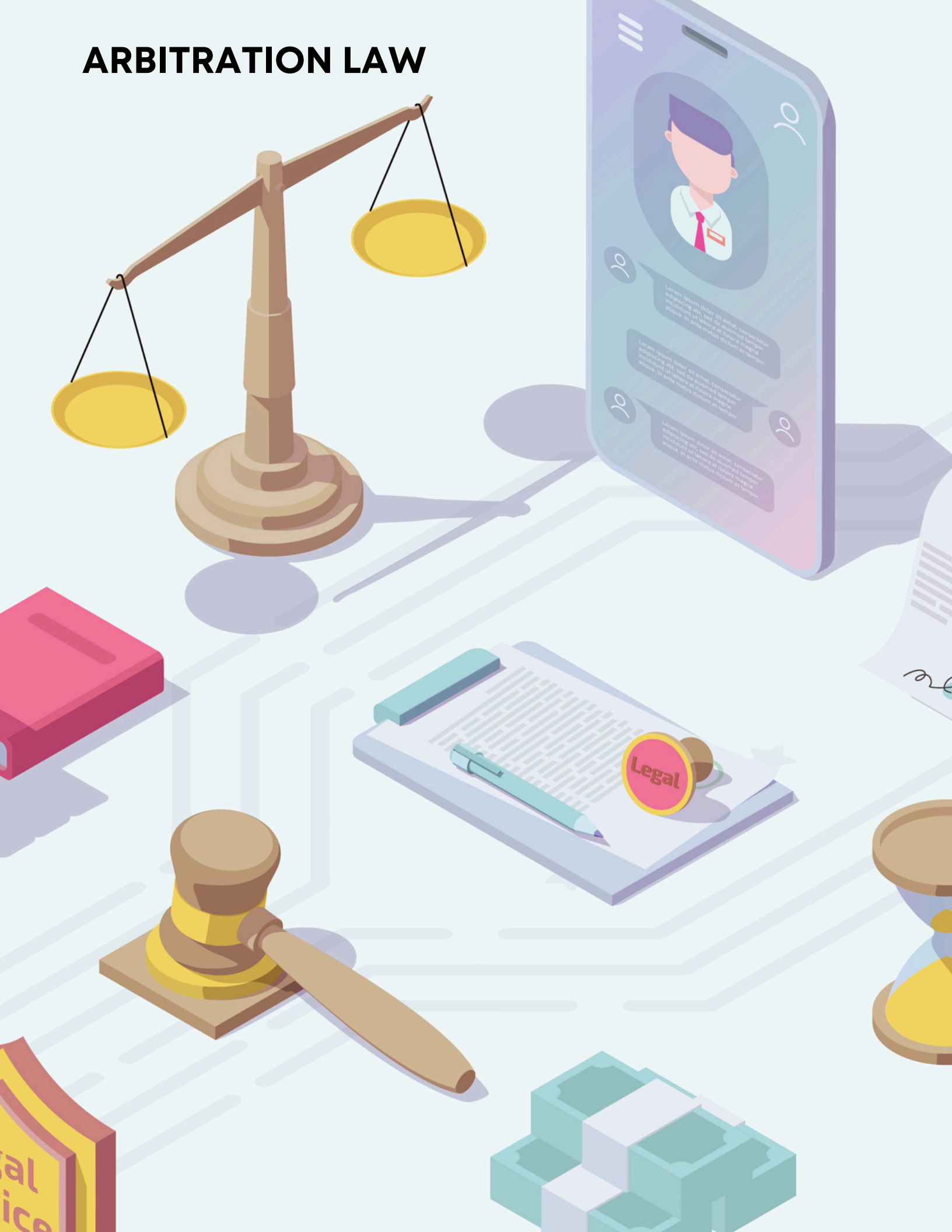
The 2025 Consultation Paper introduces a more balanced materiality framework, where thresholds vary by turnover slabs. For instance, a company with a turnover below Rs. 20,000 cr will have a materiality threshold of 10% of turnover, and so on, subject to a maximum cap of Rs. 5,000 cr. Omnibus approvals, if passed at the annual general meeting, may be extended up to 15 months instead of one year.

Further, it eases disclosure requirements by providing that RPTs exceeding Rs. 1 cr but falling below 1% of consolidated turnover or Rs. 10 cr (whichever is lower) be accompanied by only minimal prescribed disclosures. It also proposes to restrict exemptions to directors, key managerial persons, and their relatives, removing the blanket carve-outs available under the current framework.

These reforms seek to balance compliance efficiency with effective oversight. Variable thresholds are likely to reduce routine scrutiny for larger firms while ensuring proportionate checks on smaller companies. However, extending omnibus approvals to 15 months may dilute monitoring, as gaps could be exploited by promoters to push deals with reduced oversight.

Similarly, applying materiality at the group level and tightening exemptions will raise compliance costs but also strengthen safeguards against promoter-driven value transfers. The shift to a proportionate and risk-sensitive framework, as opposed to a one-size-fits-all framework, eases unnecessary shareholder approvals. However, robust safeguards such as audit committee vigilance, independent valuations, and anti-fragmentation measures will remain critical to sustaining investor confidence and preventing regulatory loopholes.

ARBITRATION LAW



Supreme Court ("SC") holds that non-signatories cannot be present in arbitral proceedings, citing breach of confidentiality [*Kamal Gupta & Anr v. M/s L.R. Builders Pvt. Ltd & Anr. Etc.*]. [Link]

The SC has held that a non-signatory to an arbitration agreement cannot be allowed to attend the arbitral proceedings. The apex court held that allowing 'strangers' to attend the proceedings would not only lead to a breach of confidentiality, but would also be unknown to the law.

Previously, courts have held that non-signatories may be bound by the arbitral award, or that they can also be referred to arbitration in exceptional cases. But the question of whether non-signatories can attend proceedings has been raised for the first time through this case.

In this case, the court set aside a High Court ("**HC**") of Delhi judgment that had allowed a non-signatory to remain present during the arbitral proceedings. Further, it also dealt with the question of whether the court could grant such an instruction when the arbitrator had already been appointed.

Answering both in the negative, the court noted that, as per Section 35 of the Arbitration and Conciliation Act, 1996 ("**A&C Act**"), arbitral awards are only binding on the parties to the arbitration agreement. Thus, a non-signatory is a stranger to an arbitration proceeding. The presence of such strangers and intervenors is not essential for the arbitration of a dispute. Even if the non-signatory has a bona fide apprehension of being adversely affected by the proceedings, their presence can't be allowed. The proper remedy for them would be available under Section 36 of the A&C Act, which deals with the enforcement of such awards.

In exceptional cases, an arbitral award may be binding on non-signatories due to principles such as Agency, Estoppel, 'Group of Companies doctrine', etc. But the court has now clarified that even in such cases, the non-signatories have no right to attend the proceedings.

Further, allowing non-signatories to attend proceedings would also violate Section 42A of the A&C Act, which mandates confidentiality between the parties and arbitrator in all proceedings, subject to certain exceptions. Additionally, the court noted that since the A&C Act does not contain any provisions that allow the non-signatories to be a part of proceedings, the same cannot be done.

On the issue of jurisdiction, the court noted that the judge can't consider any application related to proceedings after the appointment of an Arbitrator. Once an arbitrator is appointed, the court becomes functus officio, i.e., understood to have discharged its function and has no further jurisdiction.

The decision of the court practically leaves little to no scope of intervention by non-signatories in an arbitral proceeding. Besides giving strength to the mandate of confidentiality, the court also reiterated the minimum judicial intervention doctrine. However, the judgment also falls into the danger of taking an overly formalistic approach, as it essentially restricts the courts to rule only on what has been mentioned in the A&C Act. Thus, this ruling may come across as impractical and anti-evolutionary for future legislation.

Delhi HC clarifies that Section 9 relief cannot block convening of board/ shareholders' meeting for removing a director [Link]

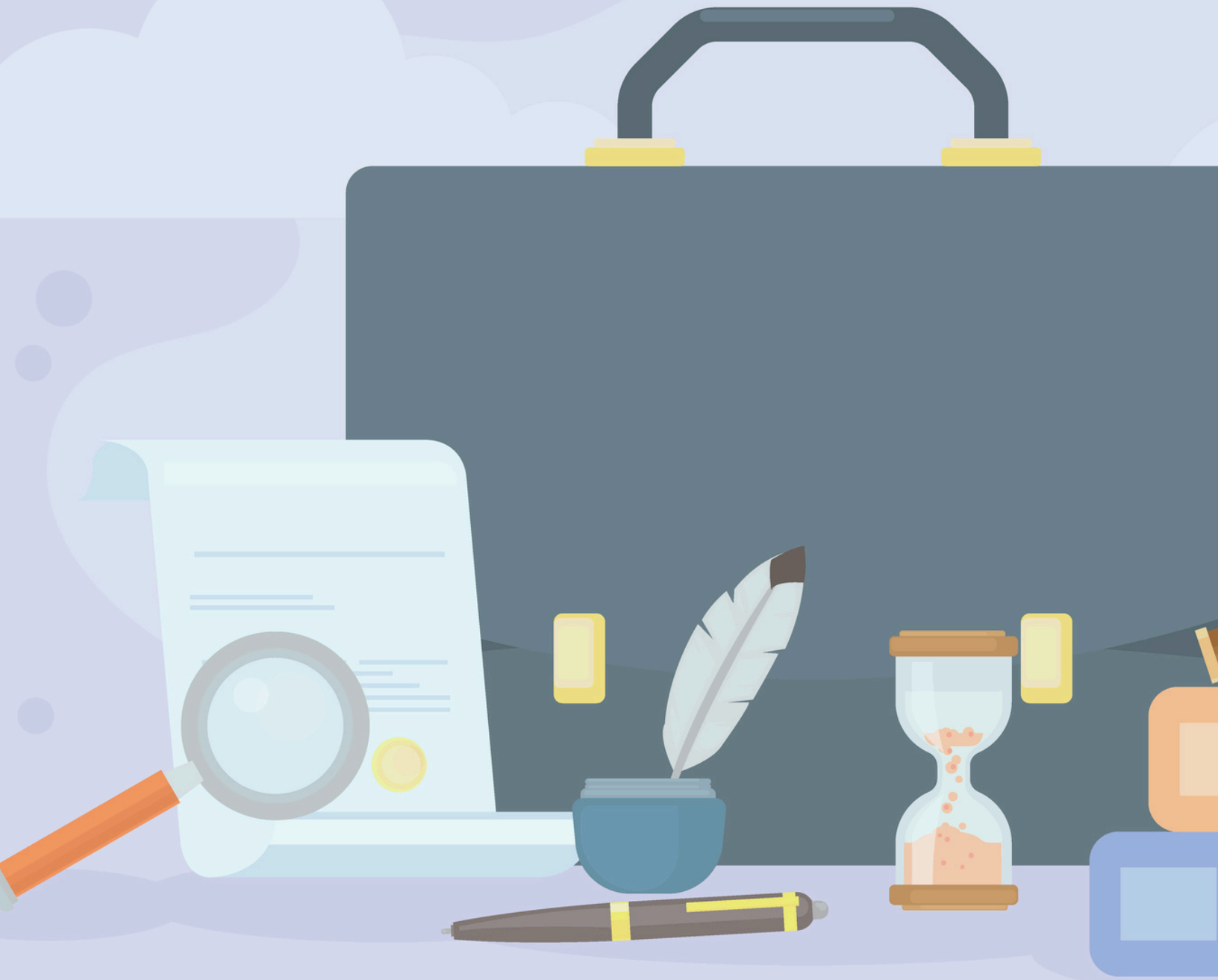
On August 11, 2025, the Delhi HC held that interim relief under Section 9 of the A&C Act cannot be invoked to prevent a company from convening an Extraordinary General Meeting ("EGM") for the removal of a director. The Court promulgated interim relief in the form of an injunction, which would amount to granting final relief and would interfere with the company's statutory right to manage its affairs under the Companies Act, 2013 ("**CA, 2013**").

In the past, courts have adopted a cautious approach while granting interim measures to preserve the status quo while arbitration was pending. Court orders frequently include staying corporate actions, such as share transfers or board resolutions. Particularly in situations when these actions threatened to render the eventual arbitral award infructuous.

However, this judicial practice sometimes resulted in the paralysis of corporate governance. Litigants could seek injunctions to prevent statutory meetings, effectively creating a deadlock in corporate decision-making. Such a deadlock would further persist until the dispute reached final adjudication.

Through this ruling, the Delhi HC has drawn a sharper boundary between the equitable powers under Section 9 of the A&C Act and the statutory powers of companies under the CA, 2013. For corporates, it guarantees governance continuity and keeps crucial management choices from being disrupted. The ruling clarifies that directors and shareholders have the option to pursue damages or ultimate redress through arbitration, rather than completely postponing company meetings. It grants arbitral processes precedence over ongoing court involvement and increases predictability and stability for investors and stakeholders, lowering the possibility of protracted corporate standstill brought on by interim orders

MISCELLANEOUS



International Financial Services Centres Authority ("IFSCA") eases rules for Indian Residents for maintaining foreign currency accounts with International Banking Units ("IBUs") in International Financial Services Centres ("IFSCs"). [Link]

On August 13, 2025, IFSCA issued a circular regarding the opening of foreign currency accounts in specified currencies for Indian residents with IBUs in IFSCs. Coming into force with immediate effect, it stated that they no longer need to obtain prior approval from IFSCA, subject to conditions under sub-paragraphs (B)-(F) of paragraph 5 of the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015 ("**2015 Regulations**"). This move clarifies the interpretation of "foreign currency account with a bank outside India" to specifically include IBUs in IFSCs. This clarification would help to facilitate access to offshore-equivalent banking facilities within India.

Earlier, there was uncertainty over whether IBUs in IFSCs could be treated as equivalent to "a bank outside India". Under the 2015 Regulations, residents could only open, hold, and maintain foreign currency accounts with banks situated outside India. They were also required to obtain prior approval of IFSCA, and their usage was restricted to purposes such as receiving export proceeds, making foreign investments, etc. This created ambiguity as to whether IBUs under Indian IFSCs would qualify as such, leading to regulatory hindrances and limited usage of the IFSC framework.

The circular issued under Sections 12 and 13 of the International Financial Services Centres Authority Act, 2019, bridges this gap. By treating IBUs in IFSCs on par with overseas banks, it has brought offshore banking capabilities within India. This particularly reduces the burden of associated compliance costs and dependence on overseas institutions for the residents. IFSCA's prompt implementation of the circular reflects its commitment to enhancing the international financial ecosystem in India and facilitating smoother banking operations within the IFSC.

This regulatory clarification marks a significant step in India's financial liberalisation journey. It enhances the trade efficiency and the ease of doing business by giving companies greater flexibility in managing international transactions within India's regulatory framework. It also provides exporters with easier access to foreign currency management while simultaneously strengthening Gujarat International Finance Tec-City's position as a hub of global financial activity. Further, it signals India's intent to make its IFSCs competitive with global financial hubs like Singapore and Dubai.

Reserve Bank of India ("RBI") notifies the RBI (Co-Lending Arrangements) Directions, 2025. ("2025 Directions"). [Link]

RBI notified the Co-Lending Arrangement ("**CLA**") 2025 Directions, which will be effective from January 1, 2026. These directions would supersede the Co-Lending Guidelines, 2020 ("**2020 Guidelines**"), which were issued by the RBI in November 2020. The 2025 Directions provide a unified regulatory framework for co-lending across all Regulated Entities ("**RE**"), including commercial banks, All-India financial institutions, and Non-Banking Finance Companies ("**NBFC**").

The 2020 Guidelines were the first co-lending guidelines issued by RBI, which permitted banks and NBFCs to jointly lend to the priority sectors, while mandating that NBFCs should hold at least 20% of the loan on their books. However, the 2020 Guidelines were restricted in their scope. They applied only to priority sector lending and excluded arrangements involving two NBFCs or two banks.

Thus, to extend co-lending across all REs and to address the operational ambiguities of the 2020 Guidelines, RBI has issued the 2025 Directions. Under the 2025 Directions, CLAs would be governed by ex-ante agreements between an originating RE and a partner RE. A CLA is a documented arrangement between an originating RE and a partner RE to jointly finance a portfolio of loans in agreed proportions.

The directions mandate that both originating and partner REs shall retain a minimum 10% share of every loan, ensuring both entities maintain a financial stake in the exposure. They also make co-lending strictly non-discretionary, scrapping the "CLM 2" discretionary "cherry picking" model. Additionally, partner RE must commit to its loan share upfront, with both REs recording their shares within 15 days, ensuring that both lenders share proportional risk on every loan.

Further, borrower protection is enhanced by requiring disclosure of a single point of contact in loan agreements, advance notice of any change in customer interface, and compliance with RBI's Key Facts Statement ("**KFS**") norms dated April 5, 2024. Borrowers will also have to pay a blended rate of interest calculated on the average of both lenders' rates, with all fees shown in the Annual Percentage Rate and disclosed in the KFS.

By allowing all REs to enter co-lending, the directions provide opportunities for innovative financing models. This would expand credit reach in underserved sectors. The mandatory 10% risk retention on loans would reduce the scope for regulatory arbitrage, improving flexibility for CLAs, going forward. However, lenders might find it restrictive and face difficulty in tailoring risk sharing to market realities.

Additionally, standardized KFS disclosures enhance borrower trust and transparency, which might reduce grievances and improve credit discipline over time. However, the blended interest rate of the two partners could make co-lending less lucrative as it might be lower than the current arrangements, impacting the overall returns for the originating partner. Thus, the success of the framework will depend on the balance between prudential safeguards and operational flexibility.

The government enacts the Promotion and Regulation of Online Gaming Bill, 2025 ("the Gaming Act"). [Link]

The Gaming Act puts a blanket prohibition on all online money games, regardless of whether they are skill-based or chance-based. It is introduced to curb addiction, fraud, and minimize laundering risks while mandating transparency in registered e-sports and social gaming platforms.

Until recently, India's online gaming industry was operating in a regulatory vacuum. The Public Gambling Act, 1867, provided a distinction between "game of skill" and "game of chance", helping courts to classify rummy and fantasy sports as legitimate businesses. However, since gambling and betting are state subjects, different states have adopted different approaches with regard to online games.

The centre attempted to regulate the gaming industry partially by introducing the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 ("**IT Rules**") and later amending them in 2023. IT Rules provided for due diligence and self-regulatory oversight, but lacked statutory backing.

The Gaming Act seeks to end fragmentation and establish a uniform framework to govern the online gaming industry. By setting aside the decades-old "skill vs chance" debate, the Gaming Act brings clarity and overturns established jurisprudence.

It provides for categorization of games into E-sports (which are recognized as competitive skill-driven sports and should be registered with the new authority), Online social games (subscription or one-time fee-based games with no monetary stakes, they should be registered as well), and Online money games (these are outrightly banned). It also specifies penalties of up to Rs. 1 cr for offering, advertising, or enabling money games. Further, it provides for setting up a new central authority to register platforms, issue practice codes, and enforce compliance.

While streamlined registration for e-sports and social games is essential to encourage innovation and digital competitiveness, the blanket ban on online money games risks judicial intervention. With money games comprising over 70% of revenues, the industry faces contraction, job losses, and investor retreat. Moreover, offshore operators, crypto-payments, and VPNs could undermine the ban, replicating challenges faced in online piracy enforcement. In the long run, India may need to move towards a licensing-based model of online money games with safeguards, aligning with global practices.

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