NEWSLETTER

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Table of Contents

DOING BUSINESS IN INDIA

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The book intends to give the readers an overview of the various aspects of doing business in India including but not limited to the applicable legislations, compliances and processes.

AN OVERVIEW OF IFSCA (FUND MANAGEMENT) REGULATIONS, 2025

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An International Financial Services Centre (**"IFSC"**) is a designated area in India established under the Special Economic Zones Act, 2005 for undertaking financial services. It operates under a separate legal and regulatory framework for specified financial activities with the objective of promoting international financial services and cross-border business. India's first IFSC is located at the Gujarat International Finance Tec-City (GIFT City) in Gandhinagar, Gujarat.

The International Financial Services Centres Authority (**"IFSCA"**) has been established under the International Financial Services Centres Authority Act, 2019 as the unified regulator for financial products, financial services and financial institutions operating in an IFSC. The IFSCA is responsible for regulating and developing all financial activities carried on within an IFSC.

Financial services broadly refer to services relating to securities, insurance contracts, fund management, banking, deposits, credit arrangements, foreign currency contracts and any other product or instrument notified by the Central Government. These services include buying, selling or subscribing to such instruments, accepting deposits, managing or safeguarding clients' assets, providing insurance services, operating investment schemes, maintaining ownership records, underwriting securities, providing payment services and credit information, arranging financial transactions and offering financial advice.

One of the key financial services carried on in an IFSC is fund management. Fund management involves pooling money from investors and investing it in various financial instruments such as shares, bonds, money market instruments, real estate and other assets with the objective of generating returns while managing investment risk. It is commonly undertaken through pooled investment vehicles such as mutual funds, alternative investment funds (AIFs), venture capital funds, hedge funds and investment trusts. Fund managers manage these investment vehicles on behalf of individual and institutional investors in accordance with their investment objectives.

To regulate fund management activities in an IFSC, the IFSCA has notified the International Financial Services Centres Authority (Fund Management) Regulations, 2025 (**"FM Regulations"**). The FM Regulations provides the legal framework for the registration, operation and regulation of Fund Management Entities (**"FMEs"**) in GIFT IFSC.

Under the FM Regulations, an entity can commence operations as FME after it has obtained a certificate of registration from the IFSCA as FME. Registered FMEs are eligible to undertake wide range of fund management activities under a single regulatory approval.

The FM Regulations provide for registration of FMEs under the following categories based on the net worth, capital requirements, investor category, nature of investment to be made:

- **Authorised FME** - An Authorised FME can be established as a Company, Limited Liability Partnership (**"LLP"**) or branch. It is permitted to pool funds from accredited investors (i.e., investors satisfying the eligibility criteria prescribed by IFSCA) or investors meeting the minimum investment threshold specified under FM Regulations. It can undertake fund management activities only through private placement and cannot make any public offering of its schemes. An Authorised FME may undertake venture capital or angel investment schemes primarily focused on investments in start-ups and early-stage ventures.

- **Registered FME (Non-Retail)** - Similar to an Authorised FME, a Registered FME (Non-Retail) can be established as a Company, LLP or branch. It is permitted to pool funds from accredited investors or investors meeting the minimum investment threshold only. It is not permitted to make any public offering of its investment schemes.

  A Registered FME (Non-Retail) can manage non-retail investment funds, provide portfolio management services and act as investment manager to privately placed Investment Trusts (REITs and InvITs).

  In addition, a Registered FME (Non-Retail) may undertake all activities that are permissible for an Authorised FME subject to compliance with the FM Regulations.

- **Registered FME (Retail)** – A Registered FME (Retail) can be established only as a Company or a branch and cannot be constituted as LLP. It is permitted to pool funds from all categories of investors and may launch retail investment schemes in accordance with the applicable regulatory framework. It is also permitted to act as the investment manager to publicly offered Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) and to launch and manage Exchange Traded Funds (ETFs). A Registered FME (Retail) may undertake all activities permissible for Authorised FMEs and Registered FMEs (Non-Retail).

Once the FME is established in the Gift IFSC and the certificate of registration is granted by the IFSCA, it may launch funds and schemes which includes the Venture Capital Schemes, Restricted Schemes, Retail Schemes, Exchange Traded Funds (ETFs), Portfolio Management Services and Investment trusts in accordance with the eligibility criteria and regulatory requirements applicable to the relevant category of FME.

The various schemes which can be launched are mentioned below:

Venture Capital Scheme

A venture capital scheme is a close-ended investment scheme that can invest in numerous instruments or entities including the securities that are listed, proposed to be listed or traded on recognised stock exchange, unlisted securities of start-ups, emerging or early-stage capital ventures engaged in the development of new products, new services, technology or intellectual property right based activities or a new business model or other schemes which invest in such entities and angel fund.

However, it is to be ensured that at least 80% of its corpus is invested in (i) companies that have been incorporated for not more than 10 years; or (ii) other investment schemes that satisfy the same investment requirement.

Restricted Schemes

Restricted Schemes are investment vehicles intended for accredited and institutional investors seeking investment to a broad range of alternative investment strategies. Restricted Schemes may broadly correspond to Category I, Category II or Category III Alternative Investment Funds, thereby accommodating a diverse range of investment approaches including venture capital, private equity, investment in diverse or complex trading strategies.

Retail Schemes

Retail Schemes are investment funds that enable a broader group of investors to participate in professionally managed investment products through a regulated fund structure. These schemes allow fund managers to offer investment opportunities to a wider investor base, thereby enhancing access to the financial markets and investment ecosystem within GIFT IFSC. Unlike Venture Capital Schemes and Restricted Schemes, which are primarily intended for accredited, professional or institutional investors, Retail Schemes are designed to encourage wider market participation and are therefore subject to enhanced investor protection, governance and disclosure requirements.

Conclusion

The FM Regulations represent a significant step in the evolution of GIFT IFSC as a globally competitive fund management destination. IFSCA has sought to create an ecosystem that accommodates a diverse range of investment products, investor categories and fund management activities under a single regulatory based regime.

The introduction of differentiated categories of FMEs and the recognition of multiple investment structures, including venture capital schemes, restricted schemes, retail schemes, portfolio management services and investment trusts, reflects IFSCA's objective of catering to the varying needs of global asset managers, institutional investors, family offices and retail participants. IFSCA remains committed to nurturing an internationally competitive, transparent and well-regulated fund management ecosystem in GIFT IFSC.

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Disclaimer: This publication is intended solely for the informational purposes and provides a general overview of IFSCA Fund Management Regulations, 2025 and regulatory framework governing fund management activities in IFSC Gift City. This publication should not be construed as legal, financial or professional advice. Readers are encouraged to seek appropriate professional guidance before making any decisions.

BALANCING JUDICIAL INTERVENTION WITH PURPOSIVE CONTRACTUAL INTERPRETATION

In a recent judgment concerning State of Haryana & Ors. v. M/s Jai Durgaa Finvest Pvt. Ltd. [2026 INSC 678], the Hon'ble Supreme Court (hereinafter referred to as **"the Hon'ble Court"**) addressed an important question in contract law, i.e., whether a contractor is entitled to interest on a security deposit despite an express contractual clause excluding such interest. The Hon'ble Court's decision reinforces the principle of contractual sanctity while simultaneously ensuring that contractual provisions are interpreted in a manner that prevents unjust enrichment by the State.

The Hon'ble Court revisited the scope of judicial intervention in commercial contracts and the enforceability of contractual clauses excluding interest on security deposits. It is pertinent to note that this case presented the Hon'ble Court with an opportunity to balance two competing principles, viz., the freedom of parties to determine contractual terms and the obligation to prevent one party from indefinitely retaining another's money without compensation.

Facts of the Case

The Respondent contractor (hereinafter referred to as **"Contractor"**) emerged as the highest bidder in an auction conducted by the State of Haryana (hereinafter referred to as **"State"**) for extraction of Yamuna sand from the Bega Murthal Sand Zone. Pursuant to the acceptance of its bid, a mining contract was executed on November 30, 1998 under Form-L prescribed by the Punjab Minor Minerals Concession Rules, 1964. The contract required the Contractor to make periodic payments of contract money and furnish a security deposit. Clause 19 of the agreement expressly stipulated that the security deposit would not carry any interest and would be refunded within three months of the expiry or earlier termination of the contract.

Subsequently, the Contractor defaulted in making monthly payments from September 1999 onwards. Pursuant to issuing notices and giving due opportunities to cure the default, the State terminated the contract on 9 March 2000 and forfeited the security deposit. In appeal, the Appellate Authority directed adjustment of the forfeited security deposit against outstanding dues and interest payable by the Contractor.

The Contractor challenged the demand before the Punjab and Haryana High Court and further questioned the validity of Clause 19, contending that while the State charged interest on delayed payments by contractors, it denied interest on money retained as security. The Single Judge eventually held Clause 19 to be unsustainable and directed payment of interest at 9% per annum on the security deposit from the date of its deposit and the Division Bench affirmed this view. Aggrieved by the aforesaid Orders, the State approached the Hon'ble Supreme Court.

Observations of the Court

The Hon'ble Court reiterated the settled principle that courts cannot rewrite contracts freely negotiated between parties. Further, in commercial transactions where parties contract on equal footing and the terms are clear and unambiguous, courts are bound to enforce the contract as written rather than substitute their own notions of fairness. Consequently, placing reliance on earlier precedents, the Hon'ble Court emphasized that contractual obligations voluntarily assumed cannot subsequently be challenged merely because they have become onerous or commercially disadvantageous.

In view of the foregoing principles, the Hon'ble Court noted that the Contractor had participated in an open auction with full knowledge of the statutory framework and the conditions contained in Form-L. The Contractor was aware that the security deposit would not carry interest and nevertheless chose to enter into the agreement. There was neither any allegation of coercion nor any claim that the contract was executed under mistake or undue influence. Therefore, the Hon'ble Court held that the Contractor was bound by Clause 19.

The Hon'ble Court further held that the High Court erred in declaring Clause 19 contrary to public policy. According to the Hon'ble Court, a contractual stipulation excluding interest on a security deposit is neither unlawful nor immoral. The doctrine of public policy cannot be invoked to invalidate a commercial bargain merely because one party later considers it unfair. The Hon'ble Court rejected the High Court's reasoning that parity required the State to pay interest because it charged interest on delayed instalments considering that the two clauses served different purposes. It is pertinent to note that the interest clause operated as compensation for the Contractor's default, whereas the security deposit functioned as a performance guarantee. Therefore, the absence of reciprocity did not render Clause 19 invalid.

Regardless of the aforesaid observations, the Hon'ble Court did not accept the State's contention that the security deposit could be retained indefinitely without consequences. It interpreted Clause 19 as comprising of two interdependent components, viz. that the security deposit would not carry interest and that it must be refunded within three months of expiry or determination of the contract. Upon reading the clause as a whole, the Hon'ble Court held that the exclusion of interest was operative only during the contract period and the stipulated three-month refund period. Once the State failed to refund or appropriately adjust the deposit within that period, it became liable to pay interest on the retained amount.

Since the contract had been terminated on March 9, 2000, the State was entitled to retain the deposit without interest only until June 9, 2000. Thereafter, the Contractor became entitled to simple interest at the rate of 9% per annum until the date of adjustment or refund of the deposit. In view thereof, the Hon'ble Court set aside the High Court's direction granting interest from the date of deposit but upheld the award of 9% interest for the period after expiry of the contractual three-month window.

Conclusion

The judgment is a significant reaffirmation of the doctrine of contractual sanctity in Indian commercial jurisprudence. The Hon'ble Court underscored that courts must respect the allocation of rights and risks consciously agreed upon by commercial parties and cannot invalidate contractual provisions merely on equitable considerations. Simultaneously, the Hon'ble Court adopted a purposive interpretation of the contract to ensure that the State could not indefinitely retain a contractor's security deposit without compensating the contractor. The decision therefore strikes a careful balance between enforcing contractual autonomy and preventing unjust enrichment.

1. SEBI Issues Updated Master Circular for Alternative Investment Funds

The Securities and Exchange Board of India (**"SEBI"**), issued the Master Circular dated 3rd June, 2026 for Alternative Investment Funds ("AIFs"). The Master Circular consolidates and incorporates all relevant circulars issued under the SEBI (Alternative Investment Funds) Regulations, 2012 up to 31st May, 2026 and supersedes the earlier Master Circular dated 07th May, 2024. Further, the trustee/sponsor/manager of an AIF, as applicable, is required to ensure that the Compliance Test Report prepared by the manager includes compliance with all provisions contained in the Master Circular. The circular also rescinds the directions and instructions specified in Annexure 21, subject to savings for actions taken, rights accrued, liabilities incurred, applications pending, and proceedings initiated under the rescinded circulars.

2. RBI Reduces Timeline for Realization and Repatriation of Export Proceeds

The Reserve Bank of India (**"RBI"**) has notified the Foreign Exchange Management (Export of Goods and Services) (First Amendment) Regulations, 2026, effective from 5th June, 2026. The amendment revises Regulation 9 of the Foreign Exchange Management (Export of Goods and Services) Regulations, 2015. Under the amended regulations, the period within which exporters are required to realize and repatriate full export proceeds to India has been reduced from 15 months to 9 months from the date of export. The same reduction has also been made in Regulation 9(2)(a), which deals with exports made by SEZ, EHTPs, STPs as defined in the Foreign Trade Policy.

3. RBI Amends Cross Border Merger Regulations

The RBI has notified the Foreign Exchange Management (Cross Border Merger) (Amendment) Regulations, 2026, effective from 29th May, 2026. The amendment introduces the concept of a Competent Authority in place of the National Company Law Tribunal (NCLT) under the cross-border merger framework. Under the amendment, RBI has inserted a definition of Competent Authority which includes any authority empowered under the Companies Act, 2013 or the rules made thereunder to approve a scheme of merger or amalgamation. Correspondingly, references to the NCLT in Regulations 4, 5, 7, and 9 have been replaced with Competent Authority.

4. MCA Amends Companies (Registered Valuers and Valuation) Rules

The Ministry of Corporate Affairs (**"MCA"**), through Notification No. G.S.R. 432(E), has issued the Companies (Registered Valuers and Valuation) Amendment Rules, 2026. The amendment substitutes Rule 12(1)(i) of the Companies (Registered Valuers and Valuation) Rules, 2017 to revise the eligibility criteria applicable to Registered Valuer Organizations. Under the amended provision, an RVO must be registered under Section 25 of the Companies Act, 2013, have a minimum paid-up share capital of ₹25 lakh, have the sole object of regulating valuers of one or more asset classes and adopt bye-laws containing the requirements specified in Annexure III. The amendment further provides that existing RVOs not meeting the revised minimum paid-up capital requirement shall comply with the requirement on or before March 31, 2028.

5. IBBI Amends Corporate Insolvency Resolution Process Regulations

The Insolvency and Bankruptcy Board of India, issued the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Fourth Amendment) Regulations,

5. IBBI Amends Corporate Insolvency Resolution Process Regulations

The Insolvency and Bankruptcy Board of India, issued the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Fourth Amendment) Regulations, 2026 dated 8th June, 2026. The amendments provide for inclusion of unrelated operational creditors in the committee, insertion of regulation 16E relating to assistance to the committee where creditors other than scheduled banks or public financial institutions hold more than sixty-six per cent of the per cent of the voting share, substitution of regulation 31B relating to approval of insolvency resolution process costs, and amendment of regulation 39(3)(b) regarding recording of deliberations and rationale by the committee in respect of resolution plans.

6. Expansion of Investment Framework for Individual Persons Resident Outside India under the Foreign Exchange Management (Non-debt Instruments) (Third Amendment) Rules, 2026

The Ministry of Finance (Department of Economic Affairs), through Notification S.O. 3030(E) dated 12th June, 2026, has notified the Foreign Exchange Management (Non-debt Instruments) (Third Amendment) Rules, 2026, effective from June 12, 2026. The amendments expand the investment framework by replacing references to “a non-resident Indian or an overseas citizen of India” with “an individual person resident outside India”, thereby extending the existing investment and transfer provisions to all such individuals. Under the amended framework, an individual person resident outside India may purchase, sell or transfer equity instruments of a listed Indian company on a repatriation basis, subject to prescribed conditions. Prior Government approval is required where an investment or transfer results in the ownership or control of a listed Indian company passing to entities or citizens of a country sharing a land border with India or where the beneficial owner is a citizen of such a country. The amendments also prescribe that the total holding of any individual person resident outside India must remain below 10%, with aggregate holdings under Schedule III capped at 24%. Any breach of the 10% threshold must be divested within five trading days, failing which the investment will be reclassified as Foreign Direct Investment and become subject to the conditions specified by SEBI and the Reserve Bank.

7. RBI Amends FEMA Regulations on Mode of Payment and Reporting of Non-Debt Instruments

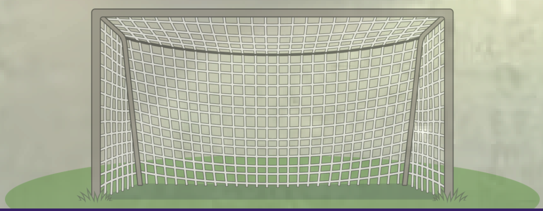
The Reserve Bank of India, through Notification No. FEMA.395(4)/2026-RB dated 13th June, 2026, has issued the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Amendment) Regulations, 2026, amending the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019. The amendments to Schedule III revise the mode of payment and remittance of sale proceeds for investments by individual persons resident outside India, including Non-Resident Indians and Overseas Citizens of India, on a repatriation basis. Eligible investments must be funded through inward remittances through banking channels or repatriable deposit accounts, with a designated repatriable rupee account required, while payment options for National Pension System subscriptions have also been clarified. The amendments also revise Schedule XI by prescribing the mode of payment and remittance of sale proceeds for the purchase or subscription of equity shares of Indian companies listed on International Exchanges by Permissible Holders. In addition, Regulation 4(9) has been substituted to require designated Authorized Dealer Category-I banks to report the purchase or transfer of equity instruments by individual persons resident outside India, including NRIs and OCIs, on Indian stock exchanges to the Reserve Bank in Form LEC (IFI).

FIFA WORLD CUP 2026: SPAIN RECLAIMS FOOTBALL'S BIGGEST PRIZE

*The **2026 FIFA World Cup** will be remembered as a tournament of firsts, surprises, and the arrival of a new generation of footballing superstars. Co-hosted by the United States, Canada and Mexico, it was the first World Cup to feature 48 teams, expanding the competition to 104 matches and making it the largest edition in the tournament's history. The expanded format brought fresh stories, unexpected upsets and greater global representation, reaffirming football's reputation as the world's game. The tournament culminated in a captivating final at MetLife Stadium in New Jersey, where **Spain** defeated defending champions Argentina 1-0 after extra time. Substitute Ferran Torres scored the decisive goal in the 106th minute, securing Spain's second FIFA World Cup title, sixteen years after their historic triumph in South Africa in 2010. Spain's victory was built on disciplined defending, fluid attacking football and the composure of a young squad that rose to every challenge.*

Beyond the trophy, the tournament showcased football's changing landscape. Spain's youthful core, led by emerging stars such as Lamine Yamal, signalled the beginning of a new era, while veteran midfielder Rodri was awarded the Golden Ball as the tournament's best player. Goalkeeper Unai Simón received the Golden Glove, Pau Cubarsí was named Young Player of the Tournament and Kylian Mbappé claimed the Golden Boot after finishing as the competition's leading scorer. For many fans, the final also carried emotional significance as it is expected to have marked Lionel Messi's final FIFA World Cup appearance. Although Argentina fell short in their title defence, Messi's remarkable World Cup journey came to a close after redefining football for an entire generation.

*As the curtain falls on **FIFA World Cup 2026**, the tournament leaves behind more than memorable matches and spectacular goals. It marks the dawn of a new footballing era, one where established legend passed the baton to a fearless new generation, ensuring that the beautiful game continues to captivate audiences across the globe.*



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