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06th October 2025

Reserve Bank of India vide notification dated September 25, 2025, has issued Reserve Bank of India (Authentication mechanisms for digital payment transactions) Directions, 2025

- Reserve Bank of India (Authentication mechanisms for digital payment transactions) Directions, 2025 provides a new set of principles for securing digital transactions across India, replacing previous circulars related to card transaction security.
- **Analysis:**
 - ❖ The directions establish mandatory security standards for authorizing digital payments, effective by April 01, 2026.
 - ❖ Key highlights are:
 - All digital payment transactions must be authenticated by at least two distinct factors of authentication.
 - For all non-Card Present (CNP) transactions, at least one of the two factors must be dynamically created or proven and unique to that transaction. This ensures against replay attacks.
 - The authentication factors must be robust, meaning the compromise of one factor does not affect the reliability of the other.
 - Issuers may offer a choice of authentication factors to customers, which can include passwords, PINs, biometrics (like fingerprint or Aadhaar-based), or software tokens, as long as they comply with the two factor authentication directions.



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- Issuers can use behavioral and contextual parameters (e.g., location, user patterns) to identify high-risk transactions and may apply additional checks beyond the minimum two factor authentication.
 - Card issuers must establish a validation mechanism for non-recurring, cross-border Card Not Present (CNP) transactions by October 01, 2026.
- ❖ The guidelines apply to all entities regulated by the RBI that are part of the digital payment ecosystem. The guidelines on authentication mechanisms for digital payment transactions have a broad impact across the financial and technology sectors. The primary group affected is Financial Institutions, which includes all banks and non-bank entities that act as Issuers, meaning they maintain the customer's account, credit line, or prepaid instrument. Beyond the direct issuers, the entire Payment Ecosystem is impacted, covering all Payment System Providers and Participants, such as major card networks, various payment aggregators, and fintech companies that are involved in processing transactions. Finally, the directives place a significant burden on Technology/Risk Professionals, who are responsible for developing and maintaining the robust authentication mechanisms, establishing comprehensive risk management policies, and ensuring strict adherence to broader data privacy laws, particularly the Digital Personal Data Protection Act, 2023. Ultimately, these requirements affect Customers (both individuals and businesses) who rely on digital payment transactions, including both online (Card Not Present or CNP) and physical (Card Present) transactions.
- The notification is attached herein.

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Reserve Bank of India vide circular dated October 03, 2025, has permitted investment in Corporate Debt Securities by Persons Resident Outside India through Special Rupee Vostro Account.

- The Reserve Bank of India (RBI) has expanded the permitted use of surplus rupee balances held by non-residents in Special Rupee Vostro Accounts (SRVA). Effective immediately, non-residents can now invest these funds in Corporate Debt Securities, specifically non-convertible debentures/bonds and commercial papers issued by Indian companies. Previously, investments were restricted to Central Government Securities.
- **Analysis:**
 - ❖ These instructions are applicable with immediate effect.
 - ❖ Key highlights are:
 - Expanded Instruments: Persons resident outside India with a Special Rupee Vostro Account (SRVA) are now permitted to invest their rupee surplus balances in non-convertible debentures/bonds and commercial papers issued by an Indian company.
 - FPI Reckoning: These investments will be reckoned under the investment limit for corporate debt securities under the Foreign Portfolio Investor (FPI) General Route.
 - Exemption from Minimum Maturity: The minimum residual maturity requirement for FPIs under the General Route shall not apply to these SRVA-based investments.
 - Exemption from Issue-wise Limit: The issue-wise limit (concentration limit) for FPIs shall also not apply to these SRVA-based investments.



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- Compliance: The primary responsibility for complying with all applicable limits for such investment's rests with the SRVA holders and the AD Category-I banks where the accounts are maintained.
 - Account Requirement: AD Category-I banks must facilitate the opening of separate demat accounts for SRVA holders to hold these corporate debt investments.
 - Reporting: AD Category-I banks must report the transactions to depository(ies) registered with SEBI for reckoning them under the investment limits.
- ❖ The RBI has expanded investment options for Special Rupee Vostro Account (SRVA) balances, allowing foreign entities to invest their rupee surplus not only in government securities but also in non-convertible debentures, bonds, and commercial papers of Indian companies. These investments are exempt from minimum maturity and issue-wise limits under the General Route, making them more attractive. AD Category-I Banks must open separate demat accounts, ensure compliance, and report such transactions to SEBI-registered depositories, while issuers gain access to new pools of foreign capital. By offering better returns on INR balances and flexibility in managing short-term debt portfolios, the move incentivizes foreign partners to accept Rupee payments for trade, advancing Rupee internationalization and reducing reliance on the US Dollar.
- ❖ The notification is attached herein.

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No Concept of “Symbolic Possession” Under IBC: IRP Entitled to Take Actual Control of Corporate Debtor’s Assets, Rules NCLAT

The National Company Law Appellate Tribunal (NCLAT), Chennai Bench, comprising Justice Sharad Kumar Sharma (Judicial Member) and Jatindranath Swain (Technical Member), dismissed an appeal filed by the promoters of *M/s Orion Water Treatment Private Limited*. The Tribunal held that once the Corporate Insolvency Resolution Process (CIRP) is initiated under Section 10 of the Insolvency and Bankruptcy Code, 2016 (IBC), there exists no concept of “symbolic possession.”

It was further observed that the Interim Resolution Professional (IRP) is lawfully empowered to assume actual possession and custody of all assets of the corporate debtor in accordance with Sections 17 and 18 of the IBC. The case arose from an order of the National Company Law Tribunal (NCLT), which had directed the promoters to cooperate with the IRP, vacate the premises, and hand over the assets of the corporate debtor.

Background:

Following admission of the corporate debtor’s application under Section 10 of the IBC, an IRP was appointed. The IRP subsequently filed an Interlocutory Application seeking directions for the promoters to cooperate, vacate the premises, and deliver possession of the company’s assets and inventories. The NCLT allowed the application, prompting the promoters to appeal, arguing that they should only be required to provide *symbolic possession* rather than actual possession.

Findings:

The Appellate Tribunal unequivocally rejected the appellants’ contention, stating that neither Section 10 nor any other provision of the IBC contemplates the idea of symbolic possession once CIRP has commenced. It emphasized that upon initiation of CIRP, management of the corporate debtor automatically vests in the IRP under Section 17, who is further authorized under Section 18 to take custody and control of all assets belonging to the corporate debtor.

The NCLAT observed that allowing symbolic possession would undermine the purpose of the IBC and obstruct timely resolution of insolvency proceedings. Consequently, the appeals were dismissed.

Case Title: *Mr. M. Bhaskaran v. Mr. Sandeep Kothari*
Case Number: Company Appeal (AT) (CH) (Ins) No. 402/2025

Delhi High Court: Claims Arising After Commencement of Insolvency Proceedings Extinguished, Not Subject to Arbitration

The Delhi High Court, per Justice Jyoti Singh, held that any claims not forming part of an approved Resolution Plan under the Insolvency and Bankruptcy Code, 2016 (IBC) stand extinguished and cannot be referred to arbitration. In other words, claims arising after the



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insolvency commencement date (ICD) that are excluded from the Resolution Plan are non-arbitrable.

Facts:

The petitioner challenged an arbitral award dated 21 August 2024 under Section 34 of the Arbitration and Conciliation Act, 1996 (“ACA”). The petitioner company had undergone Corporate Insolvency Resolution Process (CIRP) under the IBC. The respondent had filed claims as an operational creditor — ₹9.58 crore up to the insolvency commencement date and ₹9.92 crore towards post-ICD expenditure.

The Committee of Creditors approved the Resolution Plan on 10 April 2018, which was subsequently upheld by the NCLT and later by the NCLAT on 19 August 2019. Thereafter, upon failure of settlement discussions, the respondent filed a petition under Section 11 of the ACA seeking appointment of an arbitrator, which was allowed. The arbitral tribunal later issued an award in favour of the respondent, prompting the present challenge.

Contentions:

The petitioner contended that the arbitral tribunal’s members failed to make individual disclosures as required under Section 12(1) and (2) read with the Sixth Schedule of the ACA. It was also argued that the presiding arbitrator, in his capacity as former Chairperson of the NCLAT, had earlier decided an appeal related to the same corporate debtor, raising concerns of bias.

On merits, the petitioner asserted that after approval of the Resolution Plan, all claims not included therein stood extinguished under Sections 31 and 238 of the IBC, rendering them non-arbitrable. The plan explicitly provided that all claims—past, present, or future—would stand settled upon its approval.

The respondent, on the other hand, argued that the Resolution Plan covered only pre-ICD claims and that the post-ICD claims awarded by the tribunal arose subsequently. It maintained that the petitioner’s liabilities for the period after the ICD were not addressed by the Resolution Plan and thus remained actionable.

Court’s Observations:

On the issue of disclosure, the Court held that written disclosures in the format prescribed under the Sixth Schedule are mandatory. Citing *HRD Corporation v. GAIL (India) Ltd.* [(2018) 12 SCC 471], the Court observed that merely having adjudicated prior disputes between the same parties does not automatically disqualify an arbitrator unless there is evidence of prior involvement in an advisory or personal capacity. Accordingly, no bias was found in the present case.

Turning to the substantive issue, the Court emphasized that once a Resolution Plan is approved, any claim not incorporated therein stands extinguished. Referring to *Ghanashyam Mishra and Sons Pvt. Ltd. v. Edelweiss Asset Reconstruction Co. Ltd.*



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[(2021) 227 Comp Cas 251 (SC)], the Court reiterated that no proceedings can be initiated or continued in respect of such extinguished claims.

The Court concluded that since the respondent's claims were not part of the approved Resolution Plan, they were non-arbitrable and stood extinguished under the IBC.

Conclusion:

The High Court set aside the arbitral award dated 21 August 2024, holding that the claims raised post-insolvency commencement could not survive outside the Resolution Plan.

Case Title: *JSW Ispat Special Products Limited v. Bharat Petroresources Limited*
Case No.: O.M.P. (COMM) 533/2024 & I.As. 47736/2024, 4327/2025, 4328/2025, and 8551/2025

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