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RBI mandates faster processing of cross-border inward payments to improve efficiency and customer experience

The Reserve Bank of India vide circular **RBI/2026-27/08 (CO.DPSS.ID.No.S20/06-08-017/2026-2027 dated April 09, 2026)** has issued guidelines to streamline and accelerate cross-border inward payments. Issued under Section 10(2) read with Section 18 of the Payment and Settlement Systems Act, 2007, the circular aligns with the Payments Vision 2025 and G20 roadmap to ensure faster, transparent, and accessible cross-border transactions.

Analysis

- Banks are required to immediately notify customers upon receipt of inward cross-border payment messages; where messages are received post banking hours, intimation must be provided at the start of the next business day.

- To address delays caused by reliance on end-of-day nostro account statements, banks must shift to near real-time or periodic reconciliation, with intervals not exceeding one hour.

- Banks are directed to credit funds within the same business day if received during foreign exchange market hours, and next business day if received after market hours, subject to compliance with FEMA and other regulatory norms.

- Institutions may implement Straight Through Processing (STP) for inward payments to resident individuals, based on risk assessment and compliance with applicable FEMA guidelines.

- Banks are encouraged to develop digital interfaces enabling customers to submit documentation, track transactions, and facilitate foreign exchange dealings seamlessly.

- The directions will become effective six months from the date of the circular, allowing banks time to upgrade systems and processes.

- The circular will require operational restructuring, particularly in treasury and payment processing functions. Banks will need to adopt near real-time nostro reconciliation, upgrade systems, and strengthen coordination with correspondent banks. Enhanced customer communication and digital infrastructure will be essential for instant alerts. Further, implementation of STP and digital interfaces will drive automation but require risk recalibration, FEMA compliance checks, and IT investments. While increasing short-term compliance burden, the changes are expected to reduce turnaround time and improve customer experience.

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- **Key Takeaways**

  - Immediate customer intimation for inward cross-border payments is now mandatory
  - Nostro account reconciliation must be conducted at least hourly or near real-time
  - Same-day / next-day credit timelines standardized based on receipt timing
  - Regulatory backing under Payment and Settlement Systems Act, 2007
  - Six-month implementation window for banks to upgrade systems
  - Push towards automation, STP, and digital customer interfaces in forex transactions

- The notification is attached herein.

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SEBI introduces mechanism for lock-in of pledged shares to ease capital market operations

The Securities and Exchange Board of India vide circular **HO/49/(17)2026-CFD-POD2/I/8965/2026 dated April 8, 2026**, has operationalised amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 to facilitate ease of doing business. The amendment, notified on March 21, 2026, allows specified securities—where traditional lock-in cannot be created—to instead be marked as **"non-transferable"** by depositories for the applicable lock-in period. The circular has been issued under **Section 11(1) of the SEBI Act, 1992 and Section 26(3) of the Depositories Act, 1996**.

Analysis

- The amendment introduces a practical alternative to lock-in restrictions, enabling depositories to mark pledged shares as *non-transferable* instead of imposing conventional lock-in constraints.

- Depositories are required to implement system-level changes to record and monitor such non-transferability during the lock-in period.

- Issuers must incorporate enabling provisions in their Articles of Association (AoA) to reflect this mechanism.

- Mandatory intimations to lenders/pledgees must be ensured, strengthening transparency in pledged share arrangements.

- Offer documents must include appropriate disclosures regarding such lock-in arrangements to inform investors adequately.

- Stock exchanges, depositories, merchant bankers, and issuers are collectively responsible for ensuring compliance with the revised framework.

- The circular will require process alignment across issuers, depositories, and intermediaries. Companies will need to amend their AoA, update internal compliance frameworks, and ensure timely disclosures in offer documents. Depositories must maintain robust system controls to track non-transferability of pledged shares. Merchant bankers and stock exchanges will need to enhance due diligence and verification processes. While the changes may increase compliance efforts initially, they are expected to simplify execution of pledged share lock-ins and improve transparency in capital market transactions.

- **Key Takeaways**

  - Introduction of *non-transferable* status as an alternative to lock-in for pledged shares
  - Mandatory system and process changes by depositories
  - Issuers required to amend AoA and enhance disclosures
  - Regulatory backing under **SEBI Act, 1992** and **Depositories Act, 1996**
  - Applicability across stock exchanges, depositories, merchant bankers, and issuers
  - Step towards improving ease of doing business and market transparency

- The notification is attached herein.

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NCLT NEED ONLY ASCERTAIN EXISTENCE OF PRE-EXISTING DISPUTE AT SECTION 9 STAGE: SUPREME COURT

The Supreme Court has reaffirmed that, while considering an application under Section 9 of the Insolvency and Bankruptcy Code, 2016 (IBC) filed by an operational creditor, the adjudicating authority is not required to assess the merits or likelihood of success of a pre-existing dispute. The Court clarified that the inquiry is limited to determining whether a plausible dispute exists; if such a dispute is found, the application must be held to be non-maintainable.

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A Bench comprising Justices Sanjay Kumar and K. Vinod Chandran set aside the judgment of the National Company Law Appellate Tribunal (NCLAT), which had interfered with the National Company Law Tribunal's (NCLT) decision rejecting the Respondent's Section 9 application on the ground of a pre-existing dispute.

Brief Facts of the Case

The dispute arose when the Respondent–Operational Creditor initiated insolvency proceedings against the Appellant–Corporate Debtor, claiming an outstanding debt of ₹2.92 crore. The Corporate Debtor contested the claim, alleging a history of defective solvent supplies and asserting that, after accounting for adjustments, no amount was due; rather, the Operational Creditor owed money to the Corporate Debtor.

Significantly, prior to the issuance of the demand notice, the Corporate Debtor had also filed a police complaint alleging coercive recovery tactics and threats by the Operational Creditor's agent.

Conclusion

Taking note of these circumstances, the NCLT declined to admit the Section 9 application, holding that a pre-existing dispute existed between the parties. However, the NCLAT reversed this finding, characterising the defence as "moonshine" and proceeding to examine its merits.

Allowing the appeal, the Supreme Court held that the NCLAT had erred in exceeding the limited jurisdiction prescribed under the IBC by delving into the merits of the dispute. Writing for the Bench, Justice Sanjay Kumar emphasized that the adjudicating authority is only required to ascertain whether there is a "plausible contention" that warrants further investigation.

Reiterating the principles laid down in *Mobilox Innovations Private Limited v. Kirusa Software Private Limited*, (2018) 1 SCC 353, the Court observed that it is not necessary for the adjudicating authority to be satisfied that the defense is likely to succeed. It is sufficient if the dispute is not spurious, hypothetical, or illusory, and genuinely exists between the parties.

Applying this standard, the Court held that the NCLAT had wrongly undertaken a merits-based evaluation of the dispute, which falls outside the scope of consideration at the stage of admission of a Section 9 application.

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Accordingly, the Supreme Court allowed the appeal and restored the NCLT's order dismissing the Section 9 application as non-maintainable.
Case Title: *GLS Films Industries Private Limited v. Chemical Suppliers India Private Limited*

Case No.: Civil Appeal No. 4019 of 2025

GENERAL REFERENCE TO TENDER DOCUMENT INSUFFICIENT TO INCORPORATE ARBITRATION CLAUSE: SUPREME COURT

The Supreme Court has reiterated that a mere general reference to a tender document containing an arbitration clause does not result in the incorporation of such a clause into a contract. The Court held that, for an arbitration clause contained in a separate document to become binding, there must be a clear and specific reference demonstrating the parties' intention to incorporate that clause.

A Bench comprising Justice J.K. Maheshwari and Justice Atul S. Chandurkar set aside an order of the Bombay High Court which had appointed an arbitrator in a construction dispute. The High Court had concluded that a valid arbitration agreement existed on the basis that the Letter of Intent (LOI) issued by the Appellant made a general reference to tender documents that included an arbitration clause.

Disagreeing with this approach, the Supreme Court held that such a general reference is insufficient to incorporate an arbitration clause. It emphasized that incorporation requires a specific and explicit reference to the arbitration clause itself, clearly evincing the parties' intention to be bound by it. In the absence of such specificity, the arbitration clause contained in the tender documents cannot be read into the LOI.

The Court observed that contractual obligations cannot be imposed on parties without a clear indication of their intention to enter into a binding agreement. It underscored that a tender is merely an "invitation to offer," and the submission of a bid constitutes an "offer." A Letter of Intent, in this context, is only an expression of a future intent to contract and does not, by itself, create binding contractual obligations unless there is an unequivocal acceptance and consensus ad idem between the parties.

Elaborating further, the Court distinguished between a binding promise and a "promise to make a promise," noting that an LOI typically falls in the latter category unless it reflects a concluded contract. Therefore, unless the LOI clearly demonstrates that the parties intended to be bound by the specific terms of the tender, including the arbitration clause, such terms cannot be enforced.

The Court also relied on its earlier decision in *NBCC (India) Ltd. v. Zillion Infraprojects Pvt. Ltd., Special Leave Petition (Civil) Nos.7573-7574 of 2021*, wherein it was held that an arbitration clause from another document cannot be invoked unless it is specifically incorporated into the main contract.

Reiterating the scope of judicial scrutiny at the stage of appointment of an arbitrator, the Court held that the existence of a valid arbitration agreement must be established on a prima facie basis. In the present case, since no such agreement existed between the parties, the High Court erred in referring the dispute to arbitration.

Accordingly, the Supreme Court allowed the appeal and set aside the High Court's order appointing an arbitrator.

Case Title: *Maharashtra State Electricity Distribution Company Limited (MSEDCL) & Ors. v. R Z Malpani*
Case No.: *SLP (C) No. 36889 of 2025*

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