

**MADRAS CHAMBER OF COMMERCE  
AND  
INDUSTRY**

**COMPANY LAW  
AND  
CORPORATE MATTERS COMMITTEE**

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## **FLASH NEWS**

### **1. Consumer Charter by Regulated Entities in the International Financial Services Centre (IFSC) (May 08, 2026)**

To strengthen consumer protection across financial services market in the IFSC and to ensure market integrity, International Financial Services Centres Authority (IFSCA) has published the Consumer Charter on the IFSCA website. The Consumer Charter sets out IFSCA's vision and mission for protecting the interests of financial consumers and also outlines their rights and responsibilities. A robust adoption of the principles articulated in the Consumer Charter by all regulated entities in the IFSC ('regulated entities') is paramount, as it ensures that they operate with integrity, accountability, and in the best interests of financial consumers. In this regard, all regulated entities dealing with retail consumers are encouraged to develop and publish their Consumer Charters on their GIFT IFSC entity websites or provide a link on their IFSC entity websites which redirects consumers to a dedicated webpage of any of their group entities elsewhere in the world.

*Courtesy: ICSI Info Capsule*

### **2. India's economy is projected to grow at 6.6% in Financial Year 2026-27: SBI Research Report (May 11, 2026)**

An SBI Research Report for May 2026 has said that India's economy is projected to grow at 6.6% in the Financial Year 2026-27, as against the GDP growth for the Financial Year 2025-26, which is likely to be at 7.5%. Stating that India continues to demonstrate resilience despite global uncertainties and regional conflicts, the report says that credit growth is likely to remain robust for the first half of 2026-27. It added that domestic consumption is also expected to hold GDP growth upwards.

While stating that the near-term food supply prospects have been boosted by robust rabi crops, the report warns that volatility in crude oil and other commodity prices, along with possible El Niño conditions, may impart considerable volatility to inflation. The report has, however, expressed the need to put in place a comprehensive package to address the Balance of Payments amid rupee depreciation and rising crude prices. It has also called for suitable calibration of the resurgent Indian Diaspora Bond across corpus, yield, tenor and tax-friendly treatment for investors. Emphasizing that Artificial Intelligence - AI - added roughly 0.1 to 0.5% to GDP levels annually in Advanced Economies during 2024-25, the report states that it is high time for India to rededicate itself towards AI-led productivity gains, competitiveness and global value chain integration through carefully crafted policies.

*Courtesy: ICSI Info Capsule*

### **3. International Financial Services Centres Authority (TechFin and Ancillary Services) (Amendment) Regulations, 2026 (May 12, 2026)**

The IFSCA on May 05, 2026 notified the IFSCA (TechFin and Ancillary Services) (Amendment) Regulations, 2026 introducing a dedicated regulatory framework for Trust and Company Services Providers (TCSPs) operating in IFSCs in connection with permitted leasing activities.

The amendment inserted a new Chapter VA and the Fifth Schedule governing registration, eligibility, governance, compliance, reporting, and permissible activities of TCSPs. The regulations mandate that entities intending to undertake TCSP services must obtain separate registration and maintain arm's length segregation between TCSP activities and other services. The framework prescribes fit and proper criteria, governance structures, internal audit systems, AML/CFT/KYC controls, record maintenance obligations, professional indemnity insurance, conflict management policies, and appointment of full-time principal and compliance officers based in IFSC.

*Courtesy: ICSI Info Capsule*

### **4. SEBI, NISM and IICA sign MoU to Advance Corporate Governance, ESG and Capital Markets (May 21, 2026)**

The National Institute of Securities Markets (NISM), established by the Securities and Exchange Board of India (SEBI), and Indian Institute of Corporate Affairs (IICA), under Ministry of Corporate Affairs, have signed a Memorandum of Understanding (MoU) to advance Corporate Governance, ESG and Capital Markets in the country. The two institutions will jointly design and deliver capacity building programmes, certification courses, executive education modules, and training programmes including for SEBI officers and officials of other regulatory and financial sector institutions.

Besides, areas like insolvency, investor education, valuation, responsible investing, sustainable finance, board governance, market integrity, MSME and emerging regulatory frameworks will also be addressed by the two institutions. Both institutions will collaborate on research, policy studies, curriculum design, and dissemination of best practices. The partnership also envisages joint organisation of flagship conferences, faculty exchange, publications etc.

*Courtesy: ICSI Info Capsule*

**CIRCULARS, CONSULTATION PAPERS AND NOTIFICATION ISSUED BY SEBI**  
**IN MAY 2026**

Date	Title
<b>CIRCULARS</b>	
May 29, 2026	Ease of doing investments - Modified Norms for Nomination in Demat Accounts and Mutual Fund Folios
May 19, 2026	Revision of Monthly Cumulative Report (MCR) Format
May 15, 2026	Status of SPVs post conclusion or termination of Concession Agreement
May 15, 2026	Permitted use of fresh borrowings for InvITs where Net Borrowings exceeds forty-nine percent of the value of InvIT assets
May 08, 2026	Norms for sharing and usage of price data for educational purposes
May 07, 2026	Discontinuation of Investor Risk Reduction Access (IRRA) platform
May 05, 2026	'Significant Indices' under SEBI (Index Providers) Regulations, 2024
May 05, 2026	Advisory on Emerging Advanced Artificial Intelligence (AI) Tools for Vulnerability Detection
<b>REPORTS ISSUED BY SEBI DURING THE MONTH OF MAY 2026 FOR PUBLIC COMMENTS</b>	
May 25, 2026	Consultation Paper on Ease of Doing Business - Framework for strike prices of options contracts.
May 21, 2026	Consultation Paper on Review of price discovery mechanism through Pre-open Call Auction Session for IPO and Re-listed scrips
May 20, 2026	Consultation Paper on Draft Circular for Enabling Third Party Payments in Mutual Funds in certain scenarios
May 19, 2026	Consultation Paper on Easing of framework for Straight Through Processing (STP) of trades.
May 18, 2026	Consultation paper on Relaxation in requirement of maintenance of call records for institutional clients - Amendment to the SEBI (Research Analysts) Regulations, 2014
May 14, 2026	Consultation Paper on Measures for ease of doing business on Exchange Traded Derivatives.
May 13, 2026	Consultation paper on Review of the SEBI (Issue and Listing of Municipal Debt Securities) Regulations, 2015.
May 13, 2026	Consultation Paper on utilization of intraday borrowing lines by Mutual Funds.
May 12, 2026	Consultation paper on review of position limits for clients and penalty provision for violation / breach of position limits for Commodity Derivatives Segment.
May 12, 2026	Consultation Paper on 'Phased Introduction of Physical Settlement in Select Agricultural Commodity Derivatives Contracts'.
May 11, 2026	Consultation Paper on Review of utilization of interest or income from IPF Corpus of Depositories.

<b>Date</b>	<b>Title</b>
May 11, 2026	Consultation on 'Green-Channel: AIF Rollout Upon Document Acknowledgement' (GARUDA) Mechanism for Processing of Placement Memorandum of Alternative Investment Funds (AIFs) filed with SEBI.
May 08, 2026	Consultation Paper on Review and Rationalization of (Buy-Back of Securities) Regulations, 2018
May 05, 2026	Consultation Paper on Draft Circular on Clarification with respect to Applicability of the benefit of Early Pay-In in Commodity Derivatives Segment
May 05, 2026	Consultation paper on Modification in the regulatory framework for Online Bond Platform Providers (OBPPs)
May 04, 2026	Consultation paper on amendments to the SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008.
<b>PRESS RELEASES BY SEBI IN MAY 2026</b>	
May 15, 2026	Removal of difficulties for on-boarding for FPIs - PAN allotment related issues

#### **NOTIFICATIONS ISSUED BY RESERVE BANK OF INDIA IN MAY 2026**

<b>Date</b>	<b>Title</b>
<b>May 25, 2026</b>	Reserve Bank of India (Rural Co-operative Banks - Governance) Amendment Directions, 2026
	Reserve Bank of India (Urban Co-operative Banks - Governance) Amendment Directions, 2026
<b>May 22, 2026</b>	Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List: Removal of 7 Entries
<b>May 18, 2026</b>	Reserve Bank of India (Local Area Banks - Financial Statements: Presentation and Disclosures) Third Amendment Directions, 2026
	Reserve Bank of India (Commercial Banks - Financial Statements: Presentation and Disclosures) Sixth Amendment Directions, 2026
	Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Sixth Amendment Directions, 2026
	Reserve Bank of India (Regional Rural Banks - Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026
	Reserve Bank of India (Rural Co-operative Banks - Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026
	Reserve Bank of India (Urban Co-operative Banks - Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026

	Reserve Bank of India (Local Area Banks - Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026
	Reserve Bank of India (Payments Banks - Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026
	Reserve Bank of India (Small Finance Banks - Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026
	Reserve Bank of India (Commercial Banks - Classification, Valuation, and Operation of Investment Portfolio) Second Amendment Directions, 2026
<b>May 13, 2026</b>	Operating framework for facilitating Outward Remittance services by non-bank entities through Authorized Dealer (Category I) banks in India
<b>May 08, 2026</b>	Reserve Bank of India (Payments Banks - Prudential Norms on Capital Adequacy) Second Amendment Directions, 2026
	Reserve Bank of India (Small Finance Banks - Prudential Norms on Capital Adequacy) Fourth Amendment Directions, 2026
	Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Fifth Amendment Directions, 2026
<b>May 06, 2026</b>	Issuance of Foreign Exchange Management (Authorised Persons) Regulations, 2026
	Foreign Exchange Management (Authorised Persons) Regulations, 2026

**MINISTRY OF CORPORATE AFFAIRS**  
**NOTIFICATION**  
**New Delhi, the May 27, 2026**

**G.S.R. 416(E).**— In exercise of the powers conferred by sub-section (1) of section 467 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following further amendments in the Schedule VII to the said Act, namely: —

In the said Schedule, after item (xii) and the entries relating thereto, the following item and entry shall be inserted, namely:-

**“(xiii) Subscription to zero coupon zero principal instruments on Social Stock Exchange.”**

2. This notification shall come into force on the date of its publication in the Official Gazette

**MINISTRY OF CORPORATE AFFAIRS**

**NOTIFICATION**

**New Delhi, the May 27, 2026**

**G.S.R. 415(E).**— In exercise of the powers conferred by section 135 and sub-sections (1) and (2) of section 469 of the Companies Act, 2013 (18 of 2013), the Central Government hereby makes the following rules further to amend the Companies (Corporate Social Responsibility Policy) Rules, 2014, namely:-

**1. Short title and commencement. -**

- (1) These rules may be called the Companies (Corporate Social Responsibility Policy) Amendment Rules, 2026.
- (2) They shall come into force on the date of their publication in the Official Gazette.

**2. In the Companies (Corporate Social Responsibility Policy) Rules, 2014 (hereinafter referred to as the said rules), in rule 2, in the sub-rule (1), -**

- (i) after clause (h), the following clause shall be inserted, namely: -

‘(ha) “Not for Profit Organization” has the same meaning as in clause (e) of regulation 292A of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018.’;

- (ii) after clause (k), the following clause shall be inserted, namely: -

'(l) "zero coupon zero principal instrument" means an instrument declared as a security that is issued by a Not for Profit Organization registered with the Social Stock Exchange segment of a recognised Stock Exchange in accordance with the regulations made by the Securities and Exchange Board of India.'

**3. In the said rules, after rule 4, the following rule shall be inserted, namely:-**

**“4A Corporate Social Responsibility implementation through zero coupon zero principal instrument.-**

- (1) A company may carry out Corporate Social Responsibility activities through a zero coupon zero principal instrument:

Provided that the expenditure incurred for such instrument shall not exceed ten percent of the total Corporate Social Responsibility expenditure of such company for that financial year.

- (2) The company that has subscribed in a zero coupon zero principal instrument shall be exempted from undertaking impact assessment of any project funded by such an instrument.
- (3) The Not for Profit Organisation issuing the zero coupon zero principal instrument and raising fund therefrom shall -
  - (a) undertake a project with a duration not more than three succeeding financial years from the issue of such zero coupon zero principal instrument; and
  - (b) on termination of listing of such zero coupon zero principal instrument, transfer the unspent amount to any fund included in Schedule VII to the Act and submit its compliance report to the Securities Exchange Board of India;
- (4) The provisions of rule 4, except sub-rules (5) and (6) shall be applicable to the implementation of Corporate Social Responsibility through a zero coupon zero principal instrument.”

## THE IMPACT OF SANCTIONS ON BUSINESS TRANSACTION AND COMPLIANCES

### Introduction:

While there is no universally accepted definition of 'Economic Sanctions', the term may be understood to refer to the deliberate, government-driven restrictive measures which are primarily intended to isolate the target country from the sanctioning country's financial systems and markets. Though sanctions are largely *inter se* the "sender" (the country imposing the sanctions) and the "target" (the subject of sanctions), the increased fluidity of global trade implies that Economic sanctions are no more confined to entities directly based in a target-jurisdiction<sup>1</sup>. As a corollary, the impact is felt in contract performance, payment flows, dividend distributions, supply-chain decisions, and the very enforceability of ordinary commercial arrangements.

In this article, the authors examine emerging trends and how businesses can screen for risks and enhance compliance requirements.

### Relevant trends and Ramifications:

The recent past has demonstrated that economic sanctions stand at the forefront of international diplomacy, serving as a prominent alternative to military intervention. For instance, escalating hostilities between Russia and Ukraine led to intensified sanctions by other countries, targeting Russian oil exports<sup>2</sup>. In another example, the United States enacted the Comprehensive Iran Sanctions, Accountability, and Divestment Act of 2010 ('**CISADA**'), which imposed financial restrictions on foreign institutions conducting transactions with Iranian individuals and organization<sup>3</sup>. More recently, the Office of Foreign Assets Control (OFAC, US department of Treasury) sanctioned 19 Indian companies and 2 Indian individuals under Russia-related sanctions. This action was taken under the "Secondary Sanctions" regime of the U.S. These are restrictive measures imposed on third-country actors (other than target country actors) which are intended to coerce global isolation of the sanctioned countries and to intensify the pressure on them.

The visible trend is akin to that of the facilitation rule, which is codified in the USA under the Code of Federal Regulation<sup>4</sup>. Under the Facilitation rule, any individual in the United States, as well as entities incorporated under U.S. laws, are prohibited from "facilitating"

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<sup>1</sup> [Trade Compliance in a World of Sanctions | LKS Attorneys](#)

<sup>2</sup> European Council, "EU Sanctions against Russia Explained," Consilium. Europa.Eu. Council of the European Union, 2022. Web 16-12-2022 [EU sanctions against Russia: questions and answers - Consilium](#)

<sup>3</sup> CISADA: The New US Sanctions on Iran. (n.d.) [Home | Office of Foreign Assets Control](#)

<sup>4</sup> [eCFR :: 31 CFR Part 560 -- Iranian Transactions and Sanctions Regulations](#)

restricted transactions. The regulators are focused on detecting circumvention of sanctions, be it through layered ownership structures or evasion pathways that skirt sanctioned transactions.

This evolution has created a sanctions and export controls ecosystem unlike any other. A ready illustration could be made of the banking industry - since most routine transactions involve the U.S. dollar, routing banks would face scrutiny for inadvertently “facilitating” trade with sanctioned parties. Indian banks and financial institutions processing payments involving a sanctioned entity would fall under US jurisdiction, provided they also involve the US financial systems, potentially leading to financial penalties or restrictions. In a bid to counter the extraterritorial jurisdiction of the US and its impact on banking transactions, the Reserve Bank of India ideated the Special Rupee Vostro Account (‘SRVA’) which enables foreign entities to settle transactions in Indian Rupees (‘INR’) with Indian banks<sup>5</sup>. However, it must be noted that the use of INR does not eliminate risk of sanctions completely.

#### **Corporate Governance and the new regime:**

The emergent position is that sanctions not only pose a risk just from deliberate engagement with sanctioned parties, but also through involvement in activities which are inherently sanctionable. Companies must be mindful of payment-system exposure, ownership links, and indirect facilitation concerns. Companies must consciously screen all activities even if it were as simple as onboarding a foreign customer, routing goods through a third country, engaging a distributor, making or receiving payments through an international bank, or dealing with a shareholder or beneficial owner whose name does not appear immediately in public-facing transaction documents. Further, companies with foreign shareholders may face challenges such as blocked dividend payments, frozen equity stakes, invalidated contracts, and exposure to penalties under U.S., EU, and other regimes. Shareholders may lose voting rights or face litigation if compliance obligations clash with corporate governance.

A useful example is that of dividend distribution. If a shareholder sits in a sanctioned or higher-risk jurisdiction, the company may have to balance sanctions exposure against its obligations under domestic company law and its articles or shareholder arrangements. These are the interpretational conflicts that must be resolved through meticulous documentation, and tailored legal advice.

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<sup>5</sup>RBI/2022-2023/90 A.P. (DIR Series) Circular No.10 dated 11.07.2022

In order to overcome potential actions, it is important for Indian entities to conduct due diligence on counterparties. Ensuring that business partners are not listed on the sanctions lists, such as OFAC's Specially Designated Nationals ('SDN') List, is essential to avoid secondary sanctions. This process requires robust screening mechanisms and a comprehensive understanding of applicable laws. Some proactive steps to mitigate any risks would extend to ensuring that screening tools are current, checking that the beneficial ownership framework is adequate, and re-defining clear escalation lines within a company's compliance framework. Companies would also benefit from embedding sanctions reviews into procurement, sales, and M&A workflows.

### **Consequences on contractual relationships and potential for risk-mapping:**

Given the increasingly volatile situation, a transaction that would typically be crystallised in a contract would be susceptible to failure. Even though sanctions have the effect of materially altering or crippling the performance of a contract, sanctions may not be treated as an instance of *force-majeure* in every instance. Parties may require tariff-risks or risks of sanction be expressly allocated or limited.<sup>6</sup> The validity of a clause provisioning for protection from sanctions that may impact a contract has been held to be valid. However, the scope of protection available under the clause would depend on its phraseology and construction. This will entail, *inter alia*, an examination of whether the clause portrays proper party intent, fact of actual occurrence of sanctions and the ensuing legal injury unto the party claiming shelter under such clauses. Such clauses would be subjected by Courts to tests of nexus and reasonableness<sup>7</sup>.

### **Conclusion:**

Sanctions have emerged as a defining feature of the contemporary global trade and financial landscape, exerting far-reaching implications for businesses operating across borders. Through the facilitation rule, sanctions extend liability to indirect participation and ancillary support, significantly widening the compliance net.

For Indian businesses and financial institutions, this extraterritorial reach poses distinct legal, commercial, and operational challenges, especially given the centrality of the U.S. dollar in global commerce.

While domestic policy initiatives such as the Special Rupee Vostro Account mechanism reflect India's attempt to insulate trade from geopolitical disruptions, they do not

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<sup>6</sup> <https://aria.law.columbia.edu/tariffs-sanctions-and-cross-border-contracts-international-arbitration-lessons-from-india>

<sup>7</sup> Mamancochet Mining Ltd v. Aegis Managing Agency Ltd & Others [2018] EWHC 2643 [Mamancochet-v-Aegis-Case-Summary.pdf](#)

eliminate the need for vigilant compliance. Indian companies must therefore adopt a proactive, risk-based approach by strengthening due diligence processes, embedding sanctions screening into corporate governance frameworks, and ensuring alignment with overlapping domestic and foreign regulatory expectations.

Equally, the evolving sanctions environment necessitates a rethinking of contractual risk allocation, particularly in long-term and cross-border arrangements. In this context, careful drafting, informed negotiation, and continuous legal review become indispensable tools of risk management.

Compliance in light of sanctions should not be viewed as a mere legal obligation, but as a strategic imperative. Businesses that integrate compliance into decision-making, transaction structuring, and corporate culture will be better positioned to navigate geopolitical volatility while safeguarding commercial viability.

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