



NEWSLETTER ^{Weekly}

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SECURITIES AND EXCHANGE BOARD OF INDIA

1. Review of Coverage of Settlement Guarantee Fund for Commodity Derivatives Segment.

The Securities and Exchange Board of India (SEBI), through a circular dated March 16, 2026, has revised the provisions relating to the coverage of the Core Settlement Guarantee Fund (Core SGF) for the commodity derivatives segment. Earlier norms under the SEBI Master Circular of August 4, 2023 required clearing corporations to calculate credit exposure based on the simultaneous default of at least two clearing members causing the highest exposure, along with 50% of exposure from the default of all clearing members. Based on stakeholder representations, recommendations of the Risk Management Review Committee (RMRC), and public consultation, SEBI has modified the framework. Under the revised rule, clearing corporations must now calculate credit exposure assuming the simultaneous default of at least three clearing members and their associates causing the highest credit exposure. Additionally, SEBI has introduced a new provision allowing the regulator to grant exemptions or relaxations from SGF provisions on a case-by-case basis, considering market conditions, adequacy of risk management frameworks, and investor protection objectives. The circular takes effect immediately.

For more information, you can access the SEBI circular here:

https://www.sebi.gov.in/legal/circulars/mar-2026/review-of-coverage-of-settlement-guarantee-fund-for-commodity-derivatives-segment_100400.html

2. Master Circular for Mutual Funds.

The Securities and Exchange Board of India (SEBI), through Master Circular dated March 20, 2026, has consolidated and updated all regulatory instructions governing mutual funds in line with the SEBI (Mutual Funds) Regulations, 2026, effective April 1, 2026. The circular integrates previous guidelines issued up to March 20, 2026, replacing the earlier Master Circular dated June 27, 2024, and rescinding specified prior circulars to streamline compliance and improve readability. It ensures that all stakeholders—including mutual funds, asset management companies, trustees, RTAs, and market intermediaries—have a single, comprehensive reference for regulatory requirements. Importantly, actions taken under rescinded circulars, including approvals, investigations, and proceedings, remain valid and are deemed to continue under the new framework. Pending applications are also preserved. The circular mandates ongoing compliance and periodic reporting obligations. Issued under SEBI's statutory powers, the framework aims to enhance regulatory clarity, investor protection, and efficient functioning of the mutual fund industry.

For more information, you can access the SEBI master circular here:

https://www.sebi.gov.in/legal/master-circulars/mar-2026/master-circular-for-mutual-funds_100491.html

MINISTRY OF FINANCE

1. Government and RBI Strengthen Measures Against Fraudulent Loan Apps.

Reserve Bank of India (RBI) had constituted a Working Group on Digital Lending including lending through Online Platforms and Mobile Apps. Based on its recommendations, RBI has issued regulatory guidelines on digital lending, which aims at firming up the regulatory framework for digital lending, including loans through mobile apps, while enhancing customer protection and making digital lending ecosystem safe and

sound. All the Regulated Entities (REs) are required to comply with the said guidelines on digital lending. Compliance to these guidelines are examined on sample basis during supervisory assessment and any non-compliance observed is taken up for rectification apart from initiating supervisory/ enforcement action, as deemed fit. Ministry of Electronics and Information Technology (MeitY) issues directions for blocking of information, including fraudulent loan apps developed under Section 69A of Information Technology (IT) Act, 2000 after following the due process as provided in the Information Technology (Procedure and Safeguards for Blocking for Access of Information by Public) Rules, 2009. Further, the Government and RBI have been taking up various initiatives from time to time to protect citizens from exploitation by unauthorized mobile loan apps. This inter-alia, include:

- i. RBI has operationalized a directory 'Digital Lending Apps (DLAs)' on its website with effect from 01.07.2025, consisting of all DLAs deployed by REs of RBI. The directory aims to aid the customers in verifying the claim of a Digital Lending Apps (DLA's) association with a RE.
- ii. Proactively engaging with the major internet intermediaries and messaging platforms to review the operations of unauthorised loan apps. Further, to disrupt the ecosystem of fraudulent digital loan apps, internet intermediaries have been instructed to institute stringent, technology driven vetting and real time enforcement mechanisms to detect and prevent malicious advertisement of illegal loan apps originating from offshore entities.
- iii. Indian Cyber Crime Coordination Centre (I4C), Ministry of Home Affairs (MHA) has been proactively analysing the digital lending apps. In order to facilitate the citizens to report cyber incidents including illegal loan apps, MHA has launched a National Cybercrime Reporting Portal (www.cybercrime.gov.in) as well as a National Cybercrime Helpline number "1930".
- iv. The banks through the public facing platform 'SACHET' portal and the inter-regulatory State Level Coordination Committee (SLCC) facilitate the citizens for lodging of any complaints against specific entity related to deposit/ collection of money illegally.
- v. RBI and banks have been taking up awareness campaigns through short SMS, radio campaign, publicity on prevention of 'cyber-crime', including illegal loan apps. Further, RBI has been conducting electronic-banking awareness and training (e-BAAT) programmes which focuses on awareness about frauds and risk mitigation.

Police' and 'Public Order' are State subjects as per the Seventh Schedule of the Constitution of India. The States/UTs are primarily responsible for the prevention, detection, investigation and prosecution of crimes including illegal mobile applications through their Law Enforcement Agencies (LEAs). The Central Government supplements the initiatives of the States/UTs through advisories and financial assistance under various schemes for capacity building of LEAs.

For more information, you can access the GOI press release here:

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2241255®=3&lang=1>

2. Government modifies Mutual Credit Guarantee Scheme to Support MSME Manufacturers and Exporters in line with Budget 2025-26.

Mutual Credit Guarantee Scheme for MSMEs (MCGS- MSME) was launched in January 2025. The scheme provides 60% guarantee coverage by National Credit Guarantee Trustee Company Limited (NCGTC) to Member Lending Institutions (MLIs) for credit facility up to ₹ 100 crore sanctioned to eligible Micro, Small and Medium Enterprises (MSMEs) under MCGS-MSME for purchase of equipment/ machinery. Based on the feedback received from the MSMEs and lending institutions, some modifications have been done.

Modifications in the existing "MCGS-MSME" scheme:

- i. Upfront Contribution: 5% Upfront contribution made refundable, 1% each from 4th year onwards, subject to satisfactory performance of loan account.

- ii. Eligibility: Service Sector MSMEs also included in the Scheme.
- iii. Minimum project cost towards Machinery / Equipment: Cost of equipment/ machinery reduced upto 60% of project cost (from earlier 75%).
- iv. Guarantee Tenure: Guarantee to expire after 10 years.

Special provisions have been incorporated in the scheme for exporters:

- i. Eligible exporters: Profitable units having exported at least 25% of their sales turnover in each of previous 3 financial years and satisfying certain export realisation conditions.
- ii. Guaranteed Loan Amount: ₹20 crore.
- iii. Upfront Contribution: 2% of loan amount (Max ₹40 Lacs); 1% each refundable in 4th and 5th year of the guarantee period.
- iv. Guarantee Coverage: 75% of the amount in default.
- v. Guarantee Fee: First year: Nil; Thereafter, every year: 0.50% of loan outstanding.
- vi. Details of the modified scheme are available on www.ncgfc.in (NCGFC website).

Major Impact

MSMEs contribute around 30% to the GDP and over 45% to the exports of India and give employment to more than 35 crore workers. Achieving the vision of “Viksit Bharat 2047” requires strong, globally competitive, and sustainable MSMEs. The modifications in MCGS-MSME scheme are expected to facilitate increased availability of credit for purchase of Plant and Machinery / Equipment by MSMEs, including exporter MSMEs, and give a major boost to manufacturing and export sector in India.

For more information, you can access the GOI press release here:

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2243388®=3&lang=1>

3. Government introduces Credit Guarantee Scheme for Microfinance Institutions-2.0 (CGSMFI-2.0).

The Government of India has introduced Credit Guarantee Scheme for Microfinance Institutions-2.0 (CGSMFI-2.0). The scheme aims to provide guarantee cover to Banks/ FIs through National Credit Guarantee Trustee Company Limited (NCGTC) against expected losses on the financial assistance extended by them to Non-Banking Financial Company-Microfinance Institutions (NBFC-MFIs) and MFIs for on lending to small borrowers.

Salient features of the scheme:

- i. Eligible borrowers: Existing or new small borrowers within the regulatory definition of micro finance as prescribed by RBI from time to time.
- ii. Guarantee coverage: 80% of amount in default for small, 75% for medium and 70% for large NBFC-MFIs/ MFIs.
- iii. Guarantee Fee: 0.50% p.a., on sanctioned amount (1st year) & outstanding amount (thereafter).
- iv. Interest Rate: Capped at EBLR or MCLR + 2% p.a., on loans by MFIs to NBFC-MFIs or MFIs. While on-lending to small borrowers, these lenders shall cap the interest rate at 1% below the average rate of lending in past 6 months.

- v. Valid till 30.06.2026 or loans till Rs. 20,000 crores are guaranteed, whichever is earlier.

The scheme will facilitate increased credit flow to the MFI sector. It is estimated that the scheme will facilitate on-lending by NBFC-MFIs/ MFIs to approximately 36 lakh small borrowers.

Microfinance plays a key role in Financial Inclusion by delivering credit to people at the bottom of the economic pyramid. NBFC-MFIs and MFIs are the key participants in the microfinance lending business. In view of ongoing financial stress in the microfinance sector, there has been a slowdown in lending by banks to MFIs due to which smaller MFIs are struggling to get loans. The scheme aims to encourage lending institutions to provide funding to NBFC-MFIs or MFIs for on lending to small borrowers within the regulatory definition of micro finance as prescribed by the Reserve Bank of India.

For more information, you can access the GOI press release here:

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2243314®=3&lang=1>

4. Government Strengthens Institutional Credit Framework for Agriculture and Allied Sectors.

The Government has taken several measures to increase institutional credit flow to the agriculture sector, including to the underserved agricultural segments. Some of these measures inter-alia includes the following:

- i. The Government fixes Ground Level Credit (GLC) targets for agriculture and allied sector every year which banks are required to achieve during the financial year. These targets are set region-wise, agency-wise (Scheduled Commercial Banks, Regional Rural Banks & Rural Cooperative banks) and loan category wise (crop and term loan). Beginning in 2021–22, dedicated targets for allied activities under GLC were introduced to provide focused credit support for sectors such as dairy, fisheries, and animal husbandry.
- ii. In terms of extant guidelines on Priority Sector Lending (PSL) issued by RBI, Commercial Banks including Regional Rural Banks, Small Finance Banks, Local Area Banks and Primary (Urban) Cooperative Banks (UCBs) other than Salary Earners' Banks are mandated to allocate at least 18% of their Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBSE), whichever is higher, to agriculture, out of which a sub-target of 10 percent is prescribed for Small and Marginal Farmers (SMFs).
- iii. Further, PSL guidelines also prescribe an incentive framework for districts with comparatively lower flow of credit and a dis-incentive framework for districts with comparatively higher flow of priority sector credit which also include credit to agriculture and Small & Marginal farmers.
- iv. Kisan Credit Card (KCC) provides farmers with timely and affordable credit for purchasing agricultural inputs such as seeds, fertilizers, and pesticides, as well as for meeting cash requirements related to crop production and allied activities. Since 2019, KCC scheme has been extended to cover working capital requirement of animal husbandry, dairying and fisheries.
- v. The Government of India's Modified Interest Subvention Scheme (MISS) offers short-term agricultural loans to farmers at a concessional interest rate of 7% through Kisan Credit Cards (KCC). Farmers who repay promptly receive an additional 3% incentive, effectively reducing their interest rate to just 4%.
- vi. The limit for collateral free short-term agricultural loans, including loans for allied activities, has been raised from Rs.1.60 lakh to Rs.2.00 lakh per borrower by RBI w.e.f. 01 January 2025. This move enhances credit accessibility, particularly for small and marginal farmers (over 86% of the sector), who benefit from reduced borrowing costs and the removal of collateral requirements.

- vii. The Government through NABARD provides allocation under Rural Infrastructure Development fund to support the rural infrastructure creation which creates credit absorption capacity in rural areas of the country.
- viii. As announced in Union Budget for 2025-2026, the Government has launched PM Dhan Dhaanya Krishi Yojana (PM-DDKY). One of the objectives of the scheme is to facilitate adequate availability of long-term and short-term credit in districts with low agricultural credit disbursement.
- ix. The Government has also taken various steps like technology upgradation etc. to strengthen Rural Financial Institutes (Rural Cooperative Banks and Regional Rural Banks) which are primarily operating in rural and backward areas of the country.

NABARD has taken various steps to increase the credit flow to Agriculture sector which inter-alia include:-

- i. As part of RBI's Lead Bank Scheme, NABARD prepares the Potential Linked Credit Plan (PLP) of each district every year for estimation of credit potential under priority sector which are consolidated at the State level. Based on the State level aggregation of PLPs, past trends, Government priorities etc., Government in consultation with NABARD set the Ground Level Credit Target to agriculture.
- ii. To enhance Ground-Level Credit in Agriculture, NABARD extends refinance to banks to supplement their resources for Short-Term (ST) and Long-Term (LT) lending for agriculture and allied activities.
- iii. Under Short Term refinance, NABARD extends refinance assistance to State Cooperative Banks (StCBs), Regional Rural Banks (RRBs), and Small Finance Banks (SFBs) against crop loans and other loans disbursed for agriculture and allied activities.
- iv. Under Long Term refinance, NABARD extends long term refinance support to Rural Financial Institutions, Scheduled Commercial Banks, Small Finance Banks, Non-Banking Financial Companies (NBFCs) to meet their credit need.
- v. Apart from the above, NABARD through various refinance schemes, also provides concessional refinance to specific sectors such as micro food processing, animal husbandry infrastructure development, solar rooftop, aspirational and low PSL districts, financing under Agriculture Infrastructure Fund (AIF), Primary Agricultural Credit Society as a Multi-Service Centre (PACs as MSC) & World's Largest Grain Storage Plan (WLGSP), and National Rural Livelihoods Mission (NRLM).

For more information, you can access the GOI press release here:

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2241257®=3&lang=1>

INSOLVENCY AND BANKRUPTCY BOARD OF INDIA

1. Market cap of firms resolved under IBC jumps over three times in five years, says IIM study.

The total market capitalisation of stressed companies that have been rescued under the ten-year-old insolvency law has more than tripped to Rs 9 lakh crore from about Rs 2.8 lakh crore in five years after resolution, according to a study by IIM-Ahmedabad. It reflects "improved investor confidence and growth prospects following successful resolution with creditors", the Insolvency and Bankruptcy Board of India (IBBI) said in a statement, citing the study commissioned by it. The study showed average sales of the resolved firms have surged 89% in the five years post-resolution and their asset turnover ratio has climbed 131%, suggesting enhanced operational efficiency. The study on the effectiveness of the Insolvency and Bankruptcy Code (IBC) covered 1,194 rescued firms. The latest study builds on the findings of a 2023 study conducted by IIM-Ahmedabad on the IBC. The latest data showed capital expenditure of insolvent companies has risen by about 106% in five years after resolution, "reflecting renewed investment activity and improved economic viability of the firms". Average assets of these companies have grown 11.5% from

Rs 228.33 crore in the rescue year to Rs 254.60 crore in the fifth-year of resolution. Similarly, the average employee expenses have increased by close to 72% for firms after five years of resolution, “indicating greater employment intensity and a possible expansion in workforce-related expenditure during the post-resolution phase”, the regulator said. “In the post-resolution period, the average employee strength per unit of total assets has increased by approximately 200% over five years,” it added. Liquidity of the rescued firms, the study showed, has improved considerably in the post-resolution period, with a 106% increase over the five-year period following resolution. “The findings of this study highlight the effectiveness of the resolution process in restoring the financial and operational health of distressed firms,” the regulator said. The improvements witnessed across key indicators, including sales, capital expenditure, asset utilisation, liquidity, employment intensity, and market valuation, suggest the resolution framework has played a significant role in reviving economic activity and strengthening the long-term viability of resolved firms, it said. “These trends demonstrate the capacity of the resolution mechanism under IBC in supporting business recovery, encouraging renewed investment, and contributing to broader economic value creation in the post-resolution phase,” the IBBI said.

For more information, you can access the article here:

https://m.economictimes.com/news/company/corporate-trends/market-cap-of-firms-resolved-under-ibc-jumps-over-three-times-in-five-years-says-iim-study/amp_articleshow/129704439.cms

RESERVE BANK OF INDIA

1. Statement on HDFC Bank Limited.

The Reserve Bank has taken note of the recent developments in HDFC Bank. A transition arrangement as requested by the Bank has been approved by Reserve Bank as regards the position of Part Time Chairman of the Bank. HDFC Bank is a Domestic Systemically Important Bank (D-SIB) with sound financials, professionally run board and competent management team. Basis our periodical assessment, there are no material concerns on record as regards its conduct or governance. The bank remains well-capitalized and the financial position of the bank remains satisfactory with sufficient liquidity. Reserve Bank will continue to engage with the Board and management on the way forward.

For more information, you can access the RBI press release here:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=62404

2. 622nd Meeting of Central Board of the Reserve Bank of India.

The 622nd meeting of the Central Board of Directors of Reserve Bank of India was held today in Patna under the Chairmanship of Shri Sanjay Malhotra, Governor. The Board assessed the emerging global and domestic economic scenario, including the evolving geopolitical developments and their impact on financial markets, along with associated challenges. The Board approved the Bank’s budget for the accounting year 2026-27 and also the Bank’s Medium Term Strategy Framework (Utkarsh 3.0) for the period 2026-29. Deputy Governors Shri T. Rabi Sankar, Shri Swaminathan J., Dr. Poonam Gupta, Shri Shirish Chandra Murmu and other Directors of the Central Board - Ms. Anuradha Thakur, Secretary, Department of Economic Affairs; Smt. Revathy Iyer, Prof. Sachin Chaturvedi and Dr. Ravindra H. Dholakia - attended the meeting.

For more information, you can access the RBI press release here:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=62408

3. RBI imposes monetary penalty on The Hongkong and Shanghai Banking Corporation Limited.

The Reserve Bank of India (RBI) has, by an order dated March 18, 2026, imposed a monetary penalty of ₹31.80 lakh (Rupees Thirty One Lakh Eighty Thousand only) on The Hongkong and Shanghai Banking Corporation Limited (the bank) for non-compliance with certain directions issued by RBI on ‘Inoperative Accounts / Unclaimed Deposits in Banks - Revised Instructions’. This penalty has been imposed in exercise

of powers conferred on RBI under the provisions of section 47 A(1)(c) read with section 46(4)(i) of the Banking Regulation Act, 1949. The statutory Inspection for Supervisory Evaluation of the bank was conducted by RBI with reference to its financial position as on March 31, 2025. Based on supervisory findings of non-compliance with the provisions of RBI directions and related correspondence in that regard, a notice was issued to the bank advising it to show cause as to why penalty should not be imposed on it for its failure to comply with the said RBI directions. After considering the bank's reply to the notice, additional submissions and oral submissions made during the personal hearing, RBI found that the following charges against the bank were sustained, warranting imposition of monetary penalty: The bank did not (i) host a searchable database of unclaimed deposits on its website and (ii) generate and assign Unclaimed Deposits Reference Number (UDRN) to certain unclaimed deposits transferred to the "Depositor Education and Awareness" (DEA) Fund. The action is based on deficiencies in statutory and regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the bank with its customers. Further, imposition of monetary penalty is without prejudice to any other action that may be initiated by RBI against the bank.

For more information, you can access the RBI press release here:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=62412

You may send your suggestions at niyati@asalegal.in

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