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Securities and Exchange Board of India vide circular dated July 16, 2025, has issued Master Circular for Portfolio Managers

- Securities and Exchange Board of India vide circular dated July 16, 2025, has issued Master Circular for Portfolio Managers.
- Portfolio Managers are regulated under the provisions of SEBI (Portfolio Managers) Regulations 2020 ("PM Regulations").
- For effective regulation of Portfolio Managers, the Securities and Exchange Board of India ("SEBI") has been issuing various circulars from time to time. In order to enable the stakeholders to have an access to all the applicable requirements at one place, the provisions of the said circulars issued till March 31, 2024 were incorporated in the Master Circular for Portfolio Managers dated June 07, 2024. The current Master Circular for Portfolio Managers dated July 16, 2025 supersedes Master Circular for Portfolio Managers dated June 07, 2024.
- With respect to the directions or other guidance issued by SEBI, as specifically applicable to Portfolio Managers, the same shall continue to remain in force in addition to the provisions of any other law for the time being in force.
- Pursuant to issuance of this Master Circular, the entities which are required to ensure compliance with various provisions shall submit necessary reports as envisaged in this Master Circular on a periodic/ continuous basis.
- The circular is attached herein.

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Reserve Bank of India vide press release dated July 09, 2025, has released draft Reserve Bank of India (Novation of OTC Derivative Contracts) Directions, 2025 under Section 45 W of the RBI Act, 1934

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under Section 45 W of the RBI Act, 1934.

- These Directions shall apply to Over-the-Counter (OTC) derivatives transactions undertaken, in terms of the provisions of the Governing Directions. Provided that the Directions shall not apply to a novation of an OTC derivative contract undertaken (i) by a central counterparty, for the purpose of effecting settlement of an OTC derivative contract; or (ii) pursuant to a scheme of merger/demerger/amalgamation, approved or confirmed by the competent authority under the provisions of the Companies Act, 2013 or any other manner under any law.
- At present, the novation of OTC derivative contracts is governed by RBI circular dated December 09, 2013. The provisions of the circular have been reviewed in the light of changes in the overall regulatory framework governing OTC derivatives since 2013 and the market feedback received as well as with a view to rationalising the related regulatory requirements.
- The Reserve Bank of India placed on its website Draft Reserve Bank of India (Novation of OTC Derivative Contracts) Directions, 2025. Comments on the draft Directions are invited from banks, market participants and other interested parties by August 01, 2025.
- The press release is attached herein.

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NCLT Mumbai: Section 7 IBC Petition Not Maintainable for Non-Return of Expired, Uninvoked Bank Guarantee Under Settlement Agreement

The National Company Law Tribunal (NCLT), Mumbai Bench comprising Shri Sushil Mahadeorao Kochey (Judicial Member) and Shri Charanjeet Singh Gulati (Technical Member), has ruled that a Section 7 petition under the Insolvency and Bankruptcy Code, 2016 cannot be sustained solely on the ground of non-return of a bank guarantee which had expired without being invoked or renewed, as per the terms of a settlement agreement.



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The matter pertained to a petition initiated under Section 7 of the IBC against *Gannon Dunkerley & Co. Ltd.* for an alleged default of ₹43.26 crores. The Petitioner contended that the Respondent failed to fulfill the terms of the Settlement Agreement, specifically by not returning two Bank Guarantees and not creating a 100% cash margin. As a result, the One-Time Settlement (OTS) proposal stood automatically withdrawn, which was communicated through a letter dated 06.06.2025.

In response, the Respondent argued that the full OTS amount of ₹22 crores had already been paid within the stipulated period and that the Petitioner's continued pursuit of the insolvency proceedings was an abuse of process, thereby attracting the bar under Section 65 of the IBC. The Respondent clarified that the only pending issue was the return of the original Bank Guarantee by the Project Director, Kolkata Environmental Improvement Investment Program, to the Petitioner.

The Tribunal took note that, although the original claim was for ₹43.26 crores, the parties had mutually agreed to settle the dispute for ₹22 crores through an OTS while the proceedings were pending. The OTS terms required the full amount to be paid within 90 days, which the Respondent duly complied with, completing the payment on 12.03.2025. This payment, the Tribunal observed, cured the alleged default.

The Tribunal further held that one of the Bank Guarantees was extended with the consent of the Financial Creditor but was neither invoked nor renewed upon expiry. Thus, no claim or default could be attributed to the Respondent concerning that Guarantee. It emphasized that the petition should have been disposed of after the OTS was honored and, had that been done, any subsequent revival based solely on the expired and uninvoked Guarantee would have been unsustainable.

It concluded that there was no existing debt or default on the part of the Corporate Debtor, which remained a going concern. Instituting CIRP proceedings in such a case would defeat the very objective of the IBC. The Tribunal found that the petition was not driven by the intent to resolve insolvency but rather to compel insolvency proceedings on the basis of a non-renewed, non-invoked Bank Guarantee.

Accordingly, the petition was dismissed.

Case Title: *Canara Bank v. Gannon Dunkerley & Co. Ltd.*
Case No.: RCP(IB)/26(MB)2024 (Old CP(IB)/615(MB)2021)

Bar on Even Number of Arbitrators Under Arbitration Act Not Applicable to Statutory Arbitration under Section 18(3) of MSMED Act: Calcutta High Court



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In a significant ruling, a Division Bench of the Calcutta High Court comprising Justices Uday Kumar and Sabyasachi Bhattacharya has held that the restriction under the Arbitration and Conciliation Act, 1996 (“ACA”) against the appointment of an even number of arbitrators does not apply to statutory arbitrations conducted under Section 18(3) of the Micro, Small and Medium Enterprises Development Act, 2006 (“MSMED Act”). Therefore, the constitution of an arbitral tribunal by four members of the Facilitation Council in the present case does not, by itself, render the award invalid.

Factual Background

The appeal, filed under Section 37 of the ACA, challenged a judgment passed under Section 34 of the ACA which had affirmed an arbitral award issued by the West Bengal State Micro and Small Enterprises Facilitation Council (“the Council”). By the impugned award, the Appellant was directed to pay ₹6,88,852/- along with interest at thrice the RBI-notified bank rate, effective from the date of expiry of 45 days from the deemed or actual acceptance of the work, in accordance with Sections 15 and 16 of the MSMED Act.

Appellant's Contentions

The Appellant raised the following objections:

1. The Council acted in contravention of Section 18 of the ACA by concluding the conciliation process, initiating arbitration, and rendering an award — all by the same order dated September 21, 2011. This was claimed to violate Section 80 of the ACA, which prohibits conciliators from acting as arbitrators.
2. The arbitral tribunal comprised four members, violating Section 10 of the ACA, which prohibits an even number of arbitrators.
3. The application under Section 34 should not have been dismissed on limitation grounds. The award was passed in 2011, but a signed copy was never served as required under Section 31(5) of the ACA. The copy received from the Respondent could not be treated as a valid delivery initiating the limitation period.
4. The application under Section 34 should not be rejected solely due to non-deposit of 75% of the award amount under Section 19 of the MSMED Act. The provision bars *entertainment* of the application without such deposit, not its *filing*.

Respondent's Submissions

In response, the Respondent argued:

- The Section 34 application was time-barred. Rule 4(12) of the West Bengal Micro and Small Enterprises Facilitation Council Rules, 2006 required parties to apply for



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copies of awards, which the Appellant eventually did. The delay in doing so could not delay the commencement of the limitation period under Section 34.

- The deposit made by the Appellant covered only 75% of the principal amount, not the interest component, thereby violating Section 19 of the MSMED Act which mandates deposit of 75% of the *entire awarded amount*, including interest.
- The Supreme Court in *Gujarat State Civil Supplies Corporation Ltd. v. Mahakali Foods (P) Ltd.*, (2023) 6 SCC 401, clarified that the bar under Section 80 of the ACA does not apply where the statutory mechanism under Section 18 of the MSMED Act permits the Council to act both as conciliator and arbitrator.

Court's Observations

The Court addressed the following issues:

(i) Whether the Section 34 application was barred by limitation

The Court held that limitation begins only upon receipt of a *signed* copy of the award from the arbitral tribunal, as mandated under Section 31(5) of the ACA. A photocopy served by the opposing party does not suffice. The Rules do not override this statutory requirement. The application was, therefore, held to be within the limitation period, and the lower court's ruling to the contrary was set aside.

(ii) Effect of non-deposit under Section 19 of MSMED Act

The Court held that Section 19 does not bar the *filing* of a Section 34 application but only its *entertainment*. The Court clarified that a Section 34 application may be kept pending until the statutory deposit is made, after which it may be considered on merits. Thus, non-deposit at the time of filing does not warrant outright dismissal.

(iii) Dual Role of the Council as Conciliator and Arbitrator

The Court held that Section 18 of the MSMED Act is the enabling provision allowing the Council to undertake both conciliation and arbitration. Sections 18(2)–(4), along with Section 24, contain a non-obstante clause overriding the general provisions of the ACA, including Section 80. Therefore, the Council can legally act as both conciliator and arbitrator in the same matter. This position was affirmed by the Supreme Court in *Mahakali Foods* (supra).

(iv) Composition of the Arbitral Tribunal with Even Number of Arbitrators

Although Section 10(1) of the ACA provides that arbitrators must not be in even numbers when chosen by the parties, the Court held that this rule does not apply to statutory arbitrations under Section 18(3) of the MSMED Act. Here, the Council itself acts as the arbitral tribunal, not as an appointee of the parties. Therefore, the fact that four members constituted the tribunal does not vitiate the award.



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(v) Whether the claim itself was barred by limitation

This issue was left open by the Court for adjudication in appropriate proceedings.

(vi) Whether the award was otherwise invalid

The Court found no other legal infirmities in the arbitral award.

Conclusion

In view of the above findings, the High Court set aside the order dated August 22, 2023, passed by the Chief Judge, City Civil Court at Calcutta, which had allowed the Section 34 application and set aside the arbitral award dated September 21, 2011. The High Court restored the arbitral award passed by the Council.

Case Title: *M/s BESCO v. M/s Hindon Chemicals Pvt. Ltd.*

Case No.: F.M.A.T (Arb. Award) No. 47 of 2023

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