

Recent developments in India's corporate & commercial laws

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Monthly Newsletter
October 2025



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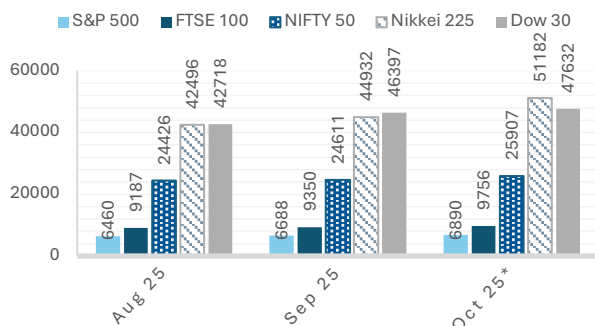
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Indian economy | October 2025

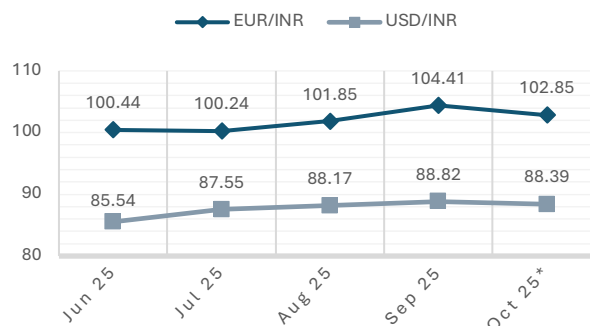
Snapshot of key indicators

STOCK INDICES



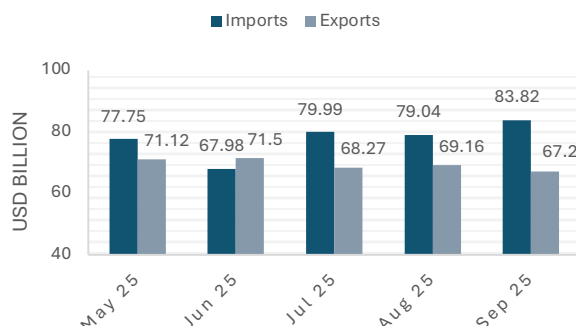
Source: S&P Dow Jones, FTSE Russel, NSE, and Nikkei

CURRENCY



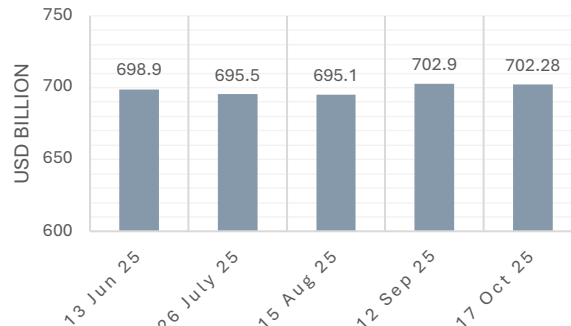
Source: Reserve Bank of India

EXTERNAL TRADE



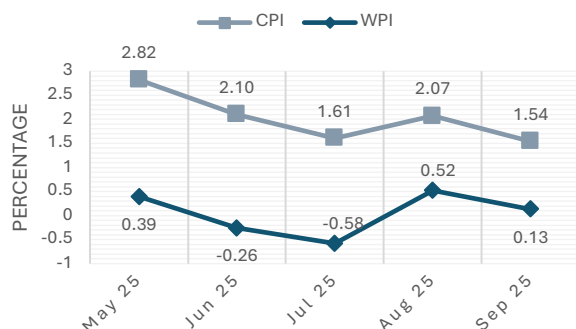
Source: Ministry of Commerce and Industry

FX RESERVES



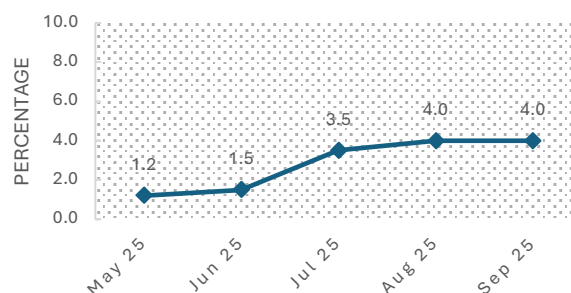
Source: Reserve Bank of India

INFLATION (YOY)



Source: Ministry of Statistics and Programme Implementation

INDUSTRIAL PRODUCTION (YOY)



Source: Ministry of Statistics and Programme Implementation

HIGHLIGHTS

- The top 5 positive contributors for industrial production in September 2025 were manufacture of electrical equipment (28.7%); motor vehicles, trailers and semi-trailers (14.6%); basic metals (12.3%); wood and products of wood and cork, except furniture (11.5%); and computer, electronic, and optical products (10.2%).
- Vegetable and animal oils, and fats (14.5%); oil seeds (9.48%); minerals (6.77%); manufacture of food products (4.56%); and cement, lime, and plaster (3.72%) witnessed the highest inflation (WPI) in September 2025.
- In September 2025, the highest export growth was seen in cashew (106.41%); cereals other than rice, wheat, maize, and millet (58.19%); iron ore (52.25%); electronic goods (50.54%); and rice (33.18%). Correspondingly, the top 5 export destinations are Spain (150.81%); Egypt (67.29%); China (34.18%); the UAE (24.33%); and Bangladesh (23.06%).
- Gold reserves surged by USD 6.2 billion to exceed USD 108.5 billion for the first time, driving the rise in forex reserves.

* As per the latest available data for October 2025

Enhanced transparency in AIFs' NAV reporting

SEBI's consultation paper on reporting the value of units of AIFs to depositories

The Securities and Exchange Board of India (SEBI) has issued a consultation paper seeking comments on its proposal requiring Alternative Investment Funds (AIFs) to report the value of their units to depositories. This is part of SEBI's continuing efforts to refine the regulatory architecture governing AIFs in India.

The present practice – AIFs communicate the Net Asset Value (NAV) of units primarily through direct investor reporting – does not provide a centralised mechanism for regulators or investors to access or verify valuation data. Given the rapid growth of the AIF industry and its increasingly complex asset structures, such decentralised reporting hinders supervisory oversight and transparency. The consultation paper recognises this gap and proposes a mechanism to capture and display NAV data through the depository system. This ensures consistency, traceability, and regulatory visibility, thereby aligning AIF operations more closely with the standardised and technology-driven mechanisms already prevalent in the mutual fund and listed securities space.

Key provisions

- AIFs or their Registrar and Transfer Agents (RTAs) must upload the NAV corresponding to each International Securities Identification Number (ISIN) of their issued units on the depository platform within 15 days of performing the investment valuation. For existing AIFs, the latest NAV data must be uploaded within 45 days of the circular's implementation.
- The date of valuation will depend on whether the assessment was conducted by an external valuer (the date of the report) or internally (the date of internal documentation).
- Depositories such as National Securities Depository Ltd (NSDL) and Central Depository Services (India) Ltd (CDSL) are instructed to create necessary system capabilities, amend their bye-laws and regulations, and display the uploaded data for investor access.

The paper represents a major step in technology-led regulatory supervision of private pooled vehicles, as SEBI aims to create a centralised, auditable layer of information that benefits investors, fund managers, and regulators alike. This is expected to improve operational consistency, reduce information asymmetry, and align AIF governance standards. Investors would be able to view the updated value of their holdings in their demat accounts, thus enhancing transparency and confidence in fund management activities. For SEBI, the initiative will improve market oversight by providing real-time access to valuation data and detecting irregularities promptly.

SEBI simplifies disclosure framework for RPT approvals

Circular implementing ISF recommendations on RPT standards

Based on a representation by the Industry Standards Forum (ISF), on October 13, 2025, the Securities and Exchange Board of India (SEBI) revised the disclosure framework for Related Party Transactions (RPTs) with immediate effect.

Key changes

- [Disclosure requirements for Audit Committee approval](#)
 - **Basic details:** Type, material terms, and key particulars of the proposed transaction
 - **Parties involved:** Name of the related party and nature of its relationship or interest, financial or otherwise, with the listed entity or subsidiary
 - Tenure of the proposed transaction
 - Value of the proposed transaction
 - **Turnover impact:** Percentage of the listed entity's annual consolidated turnover, and where applicable, the subsidiary's standalone turnover, represented by the RPT value
 - **Loans/advances/investments:** Details of source of funds; nature, cost, and tenure of any indebtedness; applicable terms, interest rate, repayment schedule, and security; and purpose of utilisation by the ultimate beneficiary
 - Justification as to why the transaction is in the interest of the listed entity
 - Valuation/external report on the transaction
 - Percentage of the counterparty's annual consolidated turnover represented by the RPT
 - Any other relevant information deemed material
- [Disclosure requirements for shareholder approval:](#) Along with the details of the last 5 points disclosed to the Audit Committee, a summary of all other information provided should also be included.
- [Threshold-based relaxation](#)
 - For transactions that do not exceed 1% of the company's annual consolidated turnover or INR 10 crore (whichever is lower), a simplified set of disclosures as detailed in Annexure 13A applies
 - Transactions not exceeding INR 1 crore are exempt from these detailed requirements altogether
- The Circular applies to all pending and future RPTs.

The revised framework represents a continued effort to make compliance more practical without diluting governance standards and necessitates prompt internal alignment of governance processes. Through this amendment, SEBI has reduced duplication, enabling Audit Committees and shareholders to focus on the substance of RPTs.

Key changes to QIP disclosures, IPO dematerialisation, and Offer-For-Sale holding period

SEBI (ICDR) (Second Amendment) Regulations, 2025

In September 2025, the Securities and Exchange Board of India (SEBI) introduced significant amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations). These changes refine multiple aspects of capital raising and disclosure norms across the frameworks for Qualified Institutions Placements (QIPs), Initial Public Offerings (IPOs), Offers-For-Sale (OFS), promoter contribution, and Social Stock Exchanges (SSEs).

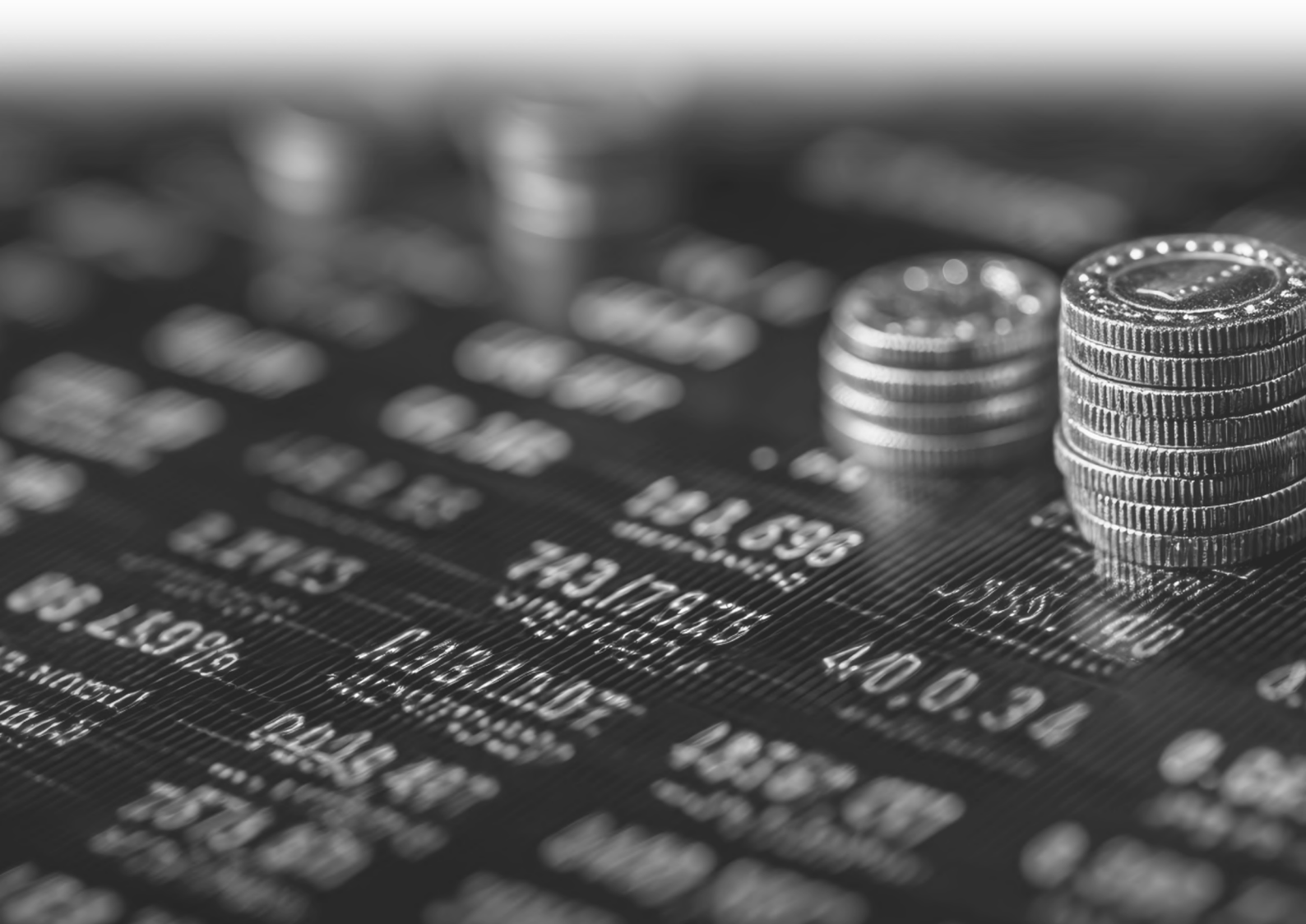
Key changes

- **Streamlined disclosure requirements for QIPs:** The amendments revamp the disclosure requirements in QIP documents under Schedule VII of the ICDR Regulations, recognising that QIPs are issued only to sophisticated institutional investors (Qualified Institutional Buyers/QIBs) who already have access to extensive public information on listed issuers. Key changes include:
 - **Reduced financial disclosures:** Companies raising funds *via* QIPs are no longer required to include full financial statements of the last 3 years. Instead, only a summary of key financial line items is mandated, eliminating repetitive information already available through quarterly reports and annual filings. The traditional 'Management's Discussion and Analysis' section (analysing the financial condition and results of operations) has been removed, since listed issuers' financial performance is continuously disclosed under SEBI's listing framework.
 - **Risk factors and other content revisions:** The QIP placement document must now include more focused risk factor disclosures, specifically related to the issue and the issuer's business, along with any mitigation measures for those risks. The format aligns with IPO prospectus standards by updating definitions and terminology, and reframing certain sections. For instance, the 'Use of Proceeds' section is now termed 'Objects of Issue and Use of Issue Proceeds', emphasising clarity on how QIP funds will be utilised. Additionally, disclosures about the board of directors have been elaborated, and requirements for disclosing material legal proceedings have been clarified with specific materiality thresholds for litigation to be reported.
- **Expanded dematerialisation requirements for IPOs:** SEBI has broadened the scope of mandatory dematerialisation of shares in preparation for an IPO. Previously, only the shares held by promoters needed to be in demat form before the company filed its offer document. Now, a much wider category of shareholders is required to dematerialise their securities before the draft offer document (DRHP) is filed. The categories of stakeholders who must ensure their shares are in demat form include:
 - Promoters and members of the promoter group
 - Directors and Key Managerial Personnel (KMP) of the company
 - Senior management of the company
 - Selling shareholders (any existing shareholders offering shares in the IPO)
 - Employees (including those formally designated as employees and working exclusively in India, and employees of the issuer's holding, subsidiary or associate companies)
 - QIBs participating as pre-IPO investors
 - Shareholders holding equity shares with special rights
 - Entities regulated by financial sector regulators such as banks and insurersThis expansion means that essentially all significant stakeholders' holdings must be in electronic (demat) form prior to an IPO filing. A similar requirement has been extended to SMEs planning IPOs as well. The IPO-bound companies must now coordinate with these various holders to eliminate any physical share certificates well in advance of the IPO process.
- **Relaxation of OFS holding period for scheme shares:** The amendments also ease certain holding period requirements for shares offered in an IPO *via* an OFS. Generally, any shareholder selling shares in an IPO must have held those shares for at least 1 year prior to the DRHP filing (to prevent quick flips), with an exception for shares that were acquired through a Court- or Government-approved scheme of arrangement, provided the underlying business or assets existed for over a year before the scheme's approval. Now, SEBI has extended this exemption to cover shares that arise from the conversion of convertible securities acquired *via* an approved scheme.

In other words, if a company had issued convertible instruments (like warrants or debentures) under a Court-approved scheme (with the business having been in existence for more than 1 year), the equity shares resulting from those instruments' conversion will now be eligible for sale in the IPO even if the conversion happened within the last year.

- [Expanded definition of QIBs to include accredited investors](#): QIBs are a select class of large, sophisticated investors (like institutions) who can participate in certain placements and are presumed to understand investment risks. SEBI has tweaked. The amendment to the definition of QIBs under the ICDR Regulations adds SEBI-registered Accredited Investors (AIs) as QIBs, but only in the context of their investment in angel funds. This is a cross-linking change aligning with simultaneous amendments in the SEBI (Alternative Investment Funds) Regulations, 2012 ([AIF Regulations](#)). In essence, high-net-worth individuals or entities who obtain AI status (per AIF Regulations) can now be treated as QIBs when they invest in Category-I angel funds. This is likely to boost the angel investment ecosystem while ensuring participants meet certain wealth or expertise criteria. For angel fund managers, this widens the pool of eligible investors who can be approached, as AIs will count toward the sophisticated investor base. For investors, achieving accredited status now carries the perk of accessing deals typically reserved for QIBs. Market participants should closely monitor SEBI's detailed guidelines for accreditation and ensure compliance when onboarding such investors.

The amendments to the ICDR Regulations are largely facilitative, representing a comprehensive update to India's capital markets regulatory framework, as they streamline processes for seasoned issuers and investors, while upholding market integrity and investor protection.



Intermediaries must use technology to detect and prevent infringing material

Sadhguru Jagadish Vasudev v. Igor Isakov

The Delhi High Court recently directed Google to use its technology to identify and remove identical and infringing content that violates its own advertisement policies.¹

In this matter, Sadhguru, a well-known public personality, had approached the Delhi High Court seeking relief against a series of misleading and infringing advertisements circulated on YouTube, misusing Sadhguru's personality rights – including likeness (distinct attributes that make a person recognisable to the public), name, image, voice, and any other aspects of his persona which are solely and exclusively associated and identified with him – for any commercial or personal gain. In May 2025, the Court enjoined the violators from using or exploiting Sadhguru's distinct personality rights.² Subsequently, in October 2025, the Court directed the intermediary Google to use its technology to take down such infringing content.

Key highlights of the Court's directions

- **Use of proactive technology:** In line with Rule 4(4) of the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 (**Rules**), which stipulates additional due diligence to be observed by significant social media intermediaries, the Court emphasised that intermediaries should deploy technology-based measures to identify and prevent infringing or deceptive material.
- **Affidavit in case of limitations:** The Court allowed Google to file an affidavit if it faces any technological limitations or reservations in implementing these directions.
- **Collaborative mechanism for content removal:** The Court directed the intermediary, Google, to hold a mutual meeting with Sadhguru to identify misleading content that falls within the scope of Google's own ad policies. Following this, Google must endeavour to ensure the removal of identical or similar content through its own technological tools, reducing the need for repeated takedown requests by the aggrieved plaintiff.

The order represents a progressive judicial approach to intermediary accountability in the context of infringing and misleading digital content, underscoring the need for proactive, technology-driven compliance by platforms. By linking Google's obligations to its own ad policy framework, the Court reinforced the principle that intermediaries cannot remain passive hosts when confronted with deceptive or harmful material.

Enhanced consistency and transparency in responses to pre-bid queries

NHAI issued detailed guidelines for procurement of civil works under EPC, HAM, and BOT projects

Following its Executive Committee's 558th meeting on March 28, 2025, the National Highways Authority of India (**NHAI**) has issued new policy guidelines for responding to pre-bid queries during the procurement of civil works under Engineering, Procurement, and Construction (**EPC**), Hybrid Annuity Model (**HAM**), and Build, Operate, and Transfer (**BOT**) projects.

The guidelines aim to enhance consistency and transparency through a uniform, structured, and accountable framework for managing and finalising replies to pre-bid queries across all technical divisions.

Key highlights of the guidelines

- **Constitution of a Standing Committee:** Each technical division of NHAI is required to constitute a Standing Committee responsible for discussing and finalising replies to pre-bid queries, comprising of the Concerned Chief General Manager (**CGM**) (Technical), CGM (Contract Management Division), and CGM (Detailed Project Report Cell).
- **Preparation of replies:** The Technical Division will prepare draft replies to pre-bid queries in consultation with the Detailed Project Report (**DPR**) Consultant and the Financial Consultant. These draft replies will be presented before the Standing Committee for review and finalisation.
- **Documentation and record-keeping:** All discussions and finalised replies must be documented and maintained on respective e-files, along with minutes of the Standing Committee meetings. This ensures traceability, transparency, and institutional accountability.
- **Role of DPR Cell:** The DPR Cell will be responsible for the quarterly compilation of all finalised pre-bid replies across divisions. This will help ensure consistency and uniformity in responses across the organisation.
- **Review and policy alignment:** Based on the DPR Cell's quarterly analysis, the Contract Management Division (**CMD**) will review and, where necessary, update the provisions of the Model Concession Agreement (**MCA**) and Draft Concession Agreement (**DCA**) to reflect consistent policy interpretation and implementation.

This structured approach marks a significant step toward enhancing transparency, efficiency, and policy uniformity in NHAI's procurement process. It ensures that all divisions adopt a centralised decision-making mechanism for addressing bidder queries – thereby reducing ambiguity and promoting smoother project execution under EPC, HAM, and BOT models.

¹ Sadhguru Jagadish Vasudev v. Igor Isakov, Civil Suit (Commercial) No. 578 of 2025 (Delhi High Court)

² 2025 SCC OnLine Del 3804

CCI identifies AI-driven anti-competitive practices

Market study on artificial intelligence and competition

On October 6, 2025, the Competition Commission of India (CCI) recently published its landmark market study on artificial intelligence and competition ([Report](#)). The study examines how Artificial Intelligence (AI) is reshaping competition in India's digital economy, mapping opportunities for innovation while identifying risks of concentration and exclusion. Drawing on data from 106 stakeholders, including AI start-ups, user firms across sectors such as retail, Banking, Financial Services and Insurance (BFSI), and healthcare, as well as investors and legal experts, the Report provides a timely foundation for India's regulatory and policy response to AI.

The Report arrives at a time when AI is becoming deeply embedded across India's economic sectors. From personalised product recommendations and predictive analytics in e-commerce to automated fraud detection in financial services, AI has transitioned from an experimental technology to a commercial necessity. The domestic AI market, valued at USD 6.05 billion in 2024, is projected to grow nearly 5-fold to USD 31.94 billion by 2031, mirroring global trends where AI is expected to surpass USD 1 trillion in market value.

India's AI ecosystem, as the Report highlights, is multi-layered, spanning data, computing infrastructure, model development, deployment, and governance. Upstream dominance remains with global players such as NVIDIA, AWS, and Google, while Indian start-ups drive downstream applications. Government initiatives like the IndiaAI Mission and the National AI Portal aim to democratise access to computing power and data, but the concentration of critical resources, data, and skilled talent continues to pose entry barriers.

Key findings on anti-competitive practices involving AI

- [Algorithmic collusion](#): AI-powered pricing algorithms can engage in tacit collusion by autonomously learning to coordinate prices or output levels without explicit agreements, creating anti-competitive outcomes.
- [Abuse of dominance](#): Dominant firms could leverage AI to self-prefer their services, engage in targeted predatory pricing, or bundle AI-driven products to exclude rivals.
- [Pricing practices](#): The rise of dynamic and personalised pricing used by over 50% of surveyed firms raises concerns about discrimination, transparency, and fairness for consumers.
- [Entry barriers](#): Start-ups face data scarcity (68%), high cloud costs (61%), and limited access to skilled personnel, allowing incumbents to consolidate control over essential AI inputs.
- [Reduced transparency and consumer choice](#): Black-box algorithms and closed ecosystems increase dependency, obscure accountability, and hinder competition.
- [Mergers and partnerships](#): Strategic acquisitions and cross-layer partnerships, while fostering innovation, could create dependencies and potential foreclosure effects in emerging AI markets.

Benefits of the Report

- By identifying specific competition risks associated with AI, the Report serves as a crucial roadmap for both regulators and businesses and provides clarity on how existing legal provisions, particularly under Sections 3 and 4 of the Competition Act, 2002, apply in digital contexts. The study's dual framework, 'best practices for enterprises' and 'governance measures for regulators', offers a practical blueprint.
- Enterprises are urged to adopt 6 key audit steps covering governance, design, testing, monitoring, transparency, and compliance integration. It encourages proactive compliance through internal AI audits, greater transparency in algorithmic decision-making, and ethical deployment of data-driven tools.
- Simultaneously, the CCI proposes targeted actions such as AI-focused advocacy workshops, open-data initiatives to ease entry barriers, and enhanced regulatory capacity in AI and data science.
- Together, these initiatives signal a shift from reactive enforcement to anticipatory governance, an approach that fosters innovation while maintaining competitive neutrality.

The Report marks a significant step toward a fair and innovation-driven digital economy. The study highlights that India's competition law framework is well-equipped to handle emerging challenges like algorithmic collusion, data concentration, and self-preferencing, while urging firms to strengthen compliance through AI audits, transparency, and proper documentation. Responsible innovation must go hand in hand with accountability. Companies that embed fairness and transparency in their AI systems will not only meet regulatory expectations but also build lasting consumer trust.

Despite the forward-looking recommendations of the Report, several implementation challenges persist. The absence of clear parameters for assessing algorithmic collusion, market foreclosure, and data dominance may complicate enforcement. Many start-ups and Micro, Small, and Medium Enterprises (MSMEs) still lack the infrastructure or expertise to conduct internal AI audits or explain algorithmic decision logic, leading to uneven compliance. Additionally, ensuring coordination among regulators, particularly between the CCI, Ministry of Electronics and Information Technology (MeitY), and the Data Protection Board, remains a work in progress.

Advance payment under a contract is legally recoverable as operational debt

Absence of a contractual provision for refund is no bar to seeking recovery of dues

In a recent decision, the National Company Law Appellate Tribunal (NCLAT) held that advance payments under a contract are legally recoverable as operational debt where the Corporate Debtor (CD) fails to either perform the contract or refund the amount received.³

Pursuant to an agreement for the sale of machinery and scrap, BN Enterprises (Operational Creditor/OC) paid the entire consideration of INR 1 crore to Vasundhara Seamless Stainless Tubes Pvt Ltd (CD) as an advance.

Contrary to the terms of the agreement, the CD did not permit the OC to remove the scrap from its premises and failed to reply to the OC's letters seeking a refund in lieu of permission to lift the material for several years.

Aggrieved, the OC initiated Corporate Insolvency Resolution Process (CIRP) under the Insolvency and Bankruptcy Code, 2016 (Code). The NCLAT held that the amount of INR 1 crore, admittedly paid by the OC to the CD, constitutes a legally recoverable operational debt, and that the CD's failure to deliver the contracted goods or refund the advance money amounted to a default as contemplated under Section 3(12) of the Code.

The CD's argument that the advance amount ceased to be a debt was not supported by any evidence, such as delivery receipts, gate passes, weightment slips, or transport records, particularly in light of the trail of letters by the OC. Importantly, the said letters bore the CD's seal and acknowledgement.

Even in the absence of any contractual provision for a refund, Sections 65 and 70 of the Indian Contract Act, 1872 oblige the CD to refund the advance money received, where the performance of the contract was not rendered or had become impossible. As such, CD's failure to perform/refund crystallised into the OC's right to recover the advance as operational debt.

The Tribunal further observed that the entries in the balance sheets of successive financial years consistently acknowledged the debt, without any qualifications or conditions, and therefore, treated the amount as a continuing liability.

The ruling benefits purchasers by reinforcing their right to recover unrefunded advances under the Code, while reminding manufacturers/sellers to maintain transparent records, and document reasons for any disputed claims to mitigate insolvency risks.

Stamp duty is payable on the agreed consideration when registration is delayed due to the vendor's default

A purchaser cannot be burdened with additional liability in case of *bona fide* litigation

In a recent decision, the Karnataka High Court held that when the execution of a sale deed is delayed due to the vendor's default and subsequent litigation, the stamp duty payable should be based on the value agreed in the original sale agreement, not the market value prevailing at the time of registration.⁴

Under an agreement for the sale of land in 1994, the vendor had failed to execute a sale deed, prompting the purchaser to file a suit for specific performance.

The suit and the appeal were decreed in the purchaser's favour in 2005 and 2007, respectively. However, at the time of registration in 2008, the Sub-Registrar refused to register the deed for undervaluation, demanding stamp duty based on the 2008 market value.

Aggrieved, the purchaser approached the Karnataka High Court, arguing that the delay was entirely due to the vendor's default, resulting in the consequent litigation.

The Court observed that, had the vendor not failed to execute the sale deed in 1994, which led to over a decade of litigation, the purchaser would have paid stamp duty based on the consideration mentioned in the original sale agreement. The Court further clarified that, even where a sale deed is executed pursuant to the Court's direction in execution proceedings, the stamp duty is payable on the agreed consideration and not on the prevailing market value.

Importantly, the Court noted that the litigation between the parties was *bona fide* and not a device to evade higher stamp duty. Therefore, the benefit available in cases where a sale deed is executed through Court execution proceedings would equally extend to a sale voluntarily executed by the judgment debtor in favour of the decree holder in compliance with a decree.

This ruling provides valuable relief to purchasers who face delays due to a vendor's default, ensuring they are not penalised by higher stamp duty on account of protracted litigation. Stakeholders should, however, ensure proper documentation of the original agreement and maintain clear evidence of genuine disputes to avail such benefits.

³ Rakesh Bhailalbhai Patel v. Vasundhara Seamless Stainless Tubes Pvt Ltd, Company Appeal (Appellate Tribunal) (Insolvency) No. 1695 of 2024

⁴ Writ Petition No. 49527 of 2016

RBI introduces a robust framework for the authentication of digital payments

Authentication Mechanisms for Digital Payment Transactions Directions, 2025

Building on earlier policy announcements in 2024 and 2025, the Reserve Bank of India (RBI) recently issued the Authentication Mechanisms for Digital Payment Transactions Directions, 2025 ([Directions](#))

The evolution of digital payments in India has not only brought unparalleled convenience but also increased exposure to fraud and cyber risks. Recognising the vulnerabilities in existing authentication mechanisms involving One-Time Passwords (OTPs), the Directions introduce a more adaptive, technology-neutral, and risk-based authentication framework, while maintaining strong user protection and compliance with data privacy norms under the Digital Personal Data Protection Act, 2023 (DPDPA).

The Directions apply to all payment system providers and participants, including banks, non-banks, and card issuers, who must ensure full compliance by April 1, 2026. For cross-border Card-Not-Present (CNP) transactions, card issuers must comply by October 1, 2026.

Key changes

- **Broader applicability:** The Directions apply to all domestic digital payment transactions, with certain exemptions, including low-value contactless payments and recurring transactions under the e-mandate framework.
- **Cross-border oversight:** Card issuers are now obligated to validate Additional Factor of Authentication (AFA) in non-recurring cross-border CNP transactions whenever requested by an overseas merchant or acquirer.
- **3 authentication categories**
 - Something the user has (physical card, token, OTP)
 - Something the user knows (PIN, password)
 - Something the user is (biometrics such as fingerprint or facial recognition)
- **Core authentication principles**
 - **2-factor authentication (2FA):** Mandatory for all digital transactions, barring specific exemptions
 - **Dynamic or proven factor:** At least 1 authentication factor must be dynamically generated or capable of being proven, such as biometrics or one-time tokens
 - **Independence of factors:** Each authentication factor must be robust on its own so that the compromise of one does not undermine the other
- **Risk-based authentication:** Issuers may incorporate behavioural or contextual checks, such as device data, transaction location, and user history, to detect anomalies and apply additional verification when needed.
- **Interoperability and open access:** System providers must ensure that authentication and tokenisation services are interoperable and accessible across different applications and payment channels.
- **Issuer accountability:** Card issuers must validate the robustness of their authentication systems before deployment. If a breach occurs due to non-compliance, issuers are required to fully compensate the affected customer.

Benefits and challenges

- The framework represents a forward-looking reform that balances innovation with security. By moving away from a one-size-fits-all OTP model, the RBI enables payment providers to adopt more advanced authentication methods such as biometrics, cryptographic tokens, or risk-adaptive tools. The Directions also integrate privacy safeguards under the DPDPA, embedding data protection directly into the architecture of payment authentication.
- While the new framework is technologically progressive, implementation may present challenges. Rural and semi-urban regions with limited internet access could face difficulties in adopting biometric or app-based authentication methods. The absence of explicit definitions for terms like 'capable of being proven' or 'robustness' may lead to interpretational discrepancies among payment participants. Additionally, users accustomed to simple OTP-based verification might experience friction as they adapt to newer methods. To address these concerns, the RBI may need to issue supplemental guidance clarifying technical standards, ensuring uniform adoption across platforms, and mitigating operational risk during the transition period.



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