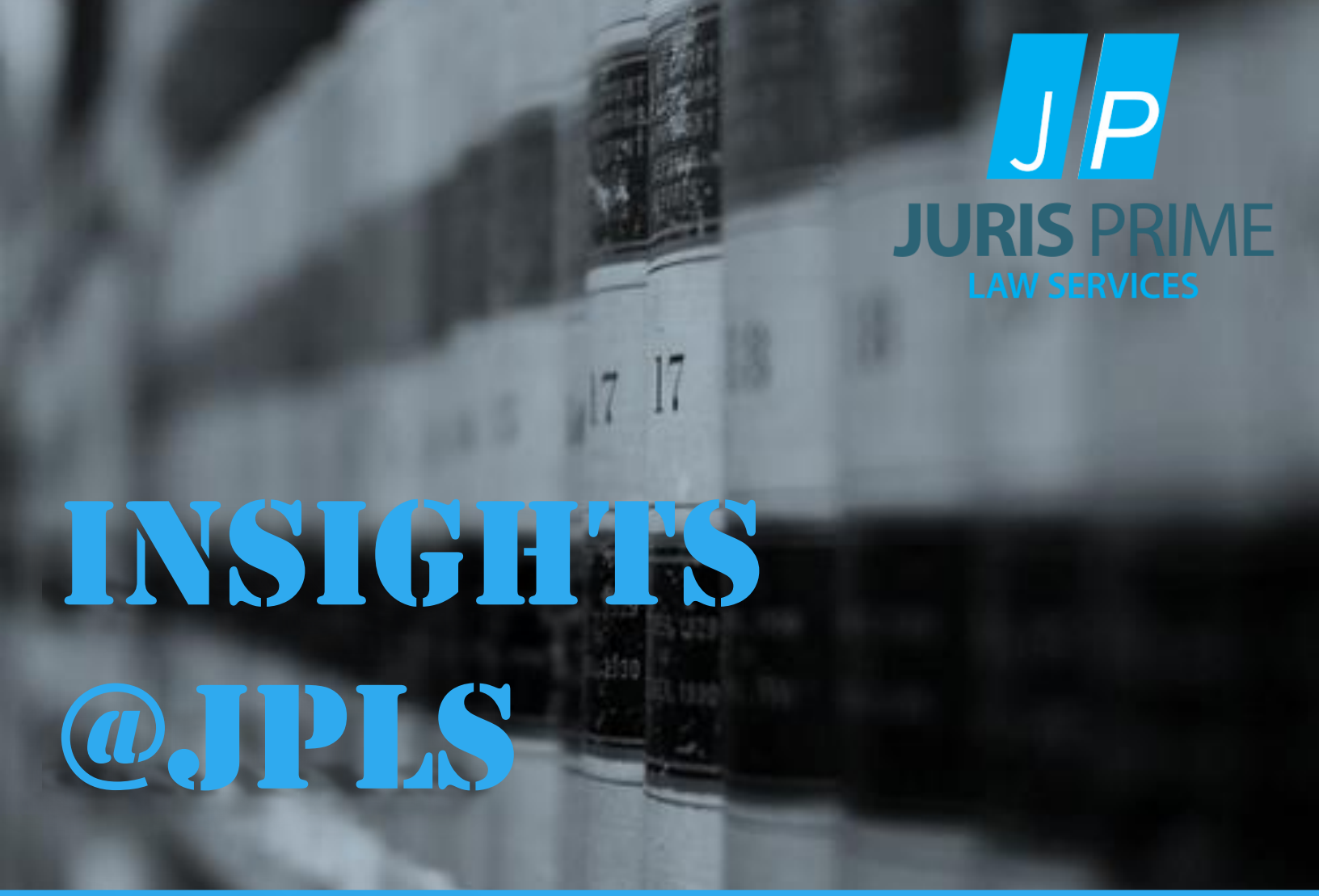

JURIS PRIME
LAW SERVICES

INSIGHTS @JPLS

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About JPLS

A Word from Our Founder

As we reflect on the past year, I am filled with immense pride and gratitude for the remarkable journey of Juris Prime Law Services. Our firm has achieved significant milestones, and these accomplishments are a testament to the unwavering dedication, hard work, and excellence of our entire team.

We have been honoured with several prestigious recognitions in 2024, and these accolades highlight our commitment to providing outstanding legal services and the trust our clients place in us.

I extend my heartfelt gratitude to our clients for their continued trust and support. Your confidence in us inspires us to reach new heights and strive for excellence in everything we do. To our team, thank you for your relentless hard work and commitment. Together, we have built a firm that stands tall in the legal community.

- **V.V.S.N. Raju,**
  Founder & Managing Partner

Mr. V.V.S.N. Raju, Founder and Managing Partner of Juris Prime, is an acclaimed lawyer with over 32 years of legal expertise in Banking & Finance, Real Estate, Litigation, Foreign Investments, Debt Recovery, Employment and Corporate Laws.

His vision and experience as an in-house counsel for the ICICI Bank and IDBI, and as the branch head of a multinational law firm has helped Juris Prime to emerge as one of Hyderabad's top legal service providers. Also, his immense expertise in negotiation and structuring commercial transactions for domestic and multinational corporations has helped Juris Prime to carve a niche for itself in the corporate law services sector.

About Us

Juris Prime Law Services (JPLS) is a full-service premier law firm based in Hyderabad, India. Founded in the year 2005 by Mr. V.V.S.N. Raju, JPLS began its journey with few lawyers a decade ago and has grown manifold adding highly skilled lawyers to its Real Estate, Banking, General Corporate and Litigation verticals. Today JPLS is one of the top legal firms in Hyderabad.

JPLS provides a host of legal services reaching across various fields. It is adept in handling advisory work, litigation, contracts drafting, title investigation, documentation and dispute resolution for a diverse range of domains. The firm's practices include Arbitration, Banking, Company and Commercial Laws, Cyber Laws, Project Finance, Infrastructure Laws Intellectual Property, Litigation and Real Estate. Its expertise in providing comprehensive consulting services has made it one of the most sought-after law firms in Hyderabad today.

JPLS represents its clients before all judicial and quasi-judicial forums such as the High Courts, Civil Courts, Criminal Courts, Debt Recovery Tribunal, the National Company Law Tribunal, the Consumers Grievances Redressal Forums, etc.

The unique and practical solutions offered by the firm, the professionalism and competence of the team, and the expert guidance of the Founder and Managing Partner V.V.S.N. Raju has helped the firm to become one of the 25 most promising Corporate Legal Consultants, 2016 as reported by Consultant Review Magazine.

Major Affiliations and Associations:

JPLS is associated with various banks, financial institutions, domestic and multinational corporations. It is affiliated to Federation of Indian Chambers of Commerce & Industry (FICCI), Federation of Telangana and Andhra Pradesh Chambers of Commerce & Industry (FTAPCCI) and is a member of Society of Indian Law Firms (SILF), Member of Indo-American Chambers of Commerce (IACC) and Charter Member of The Indus Entrepreneurs (TIE), Hyderabad.

Our Accolades

We are thrilled to share our remarkable achievements over the past year

Legal 500 Asia Pacific Guide 2025:

- Leading Firm & Leading Partner (City Focus Hyderabad)

Chambers and Partners Asia-Pacific 2025:

- **Corporate/Commercial:** Hyderabad

Legal Era - India's Ranked Lawyers 2024:

- **Leading Lawyer –** Dispute Resolution
- **Law firm of the year** – Hyderabad (2023-2024)

Benchmark Litigation:

- **Notable Firm –** Insolvency
- **Notable Firm -** City Focus - Hyderabad

Asian Legal Business 2024:

- Top 15 Firms in South India

Legal Updates & Our Insights

National Level

1. ***Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2024***

The Ministry of Corporate Affairs vide its Notification No. G.S.R. 555 (E) dated September 09, 2024[1], made amendments to the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 vide the Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2024.

Pursuant to the said amendments, both the Wholly Owned Subsidiary Company incorporated in India ("WOS") and the Foreign Holding Company ("HC") shall obtain prior approval from the Reserve Bank of India for the merger or amalgamation of the WOS with its HC under fast-track route. Further, the application of merger to the Central Government shall be made by the WOS.

2. ***Companies (Listing of Equity Shares in Permissible Jurisdictions) Rules, 2024***

The Ministry of Corporate Affairs vide its Notification No. G.S.R. 61 (E) dated January 4, 2024[2], notified the Companies (Listing of equity shares in permissible jurisdictions) Rules, 2024 allowing Indian public companies to list their securities on permitted stock exchanges i.e. India International Exchange, NSE or International Exchange in permissible jurisdiction i.e. International Financial Services Centre of India.

3. ***Companies (Adjudication of Penalties) Amendment Rules, 2024***

The Ministry of Corporate Affairs vide its Notification No. G.S.R. 476(E) dated August 05, 2024[3], made amendments to the Companies (Adjudication of Penalties) Rules, 2014 vide the Companies (Adjudication of Penalties) Amendment Rules, 2024 pursuant to which all proceedings before the adjudicating officer and Regional Director including submission of documents shall be in electronic mode only through the e-adjudication platform. The E-adjudication model is incorporated to improve efficiency and ease of doing business.

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[1]*https://www.mca.gov.in/bin/dms/getdocument?mds=qTyAFp6vBFvAIie1mgFTbg%253D%253D&type=open.*
[2]*https://ifsca.gov.in/Document/Legal/the-companies-listing-of-equity-shares-in-permissible-jurisdictions-rules-20242401202406114 7.pdf*
[3]*https://cdn.ibclaw.online/legalcontent/Companiesactlegal/Rules/Companies+(Adjudication+of+Penalties)+Amendment+Rules%2C+2024.pdf*

4. ***Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2024***

The Ministry of Finance vide Notification No. S.O. 3492(E) dated August 16, 2024[4], made amendments to the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (referred to as the "NDI Rules") vide the Foreign Exchange Management (Non-debt Instruments) (Fourth Amendment) Rules, 2024.

Few of the key aspects of this amendment include:

- allowing the swapping of equity instruments of an Indian Company with the equity instrument of the foreign Company between a Person resident in India and a Person resident outside India. However, such transaction shall require prior approval of the Government and is subject to compliance with applicable laws,

- investment by foreign portfolio investors up to the sectoral or statutory cap shall not require Government approval if such investment does not result in transfer of ownership and/ or control of the Indian Company, and

- permitting 100% Foreign Direct Investment (FDI) in White Label ATM Operations (WLAO) under the automatic route subject to compliance with the relevant RBI guidelines and capitalization requirements and maintenance of minimum net worth of ₹100 crore.

5. ***Foreign Exchange (Compounding Proceedings) Rules, 2024***

The Ministry of Finance vide Notification No. G.S.R. 566 (E) dated September 2, 2024[5], notified the Foreign Exchange (Compounding Proceedings) Rules, 2024 (New Rules), replacing the earlier Foreign Exchange (Compounding Proceedings) Rules, 2000 to streamline and modernise the process for compounding contraventions under the Foreign Exchange Management Act, 1999 (FEMA).

6. ***Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) (Fourth Amendment) Regulations, 2024***

[4] *https://static.pib.gov.in/WriteReadData/specificdocs/documents/2024/aug/doc2024816377701.pdf*
[5] *https://static.pib.gov.in/WriteReadData/specificdocs/documents/2024/sep/doc2024912392301.pdf*

The Reserve Bank of India **("RBI")** vide Notification No. FEMA. 10R(3)/2024-RB dated April 19, 2024[6] made amendments to the Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2015 (Notification No. FEMA10(R)/2015-RB dated January 21, 2016) vide the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) (Fourth Amendment) Regulations, 2024.

Pursuant to the said amendment, the Indian Companies raising funds from abroad through ECBs, ADRs, GDRs or direct listing on international stock exchanges are permitted to hold the funds in foreign currency accounts maintained with a bank outside India until their utilization or repatriation to India.

7. Competition Commission of India (Combinations) Regulations, 2024

The Competition Commission of India vide Notification No. F. No. CCI/CD/Comb. Regl /2024 dated September 09, 2024[7], made regulations based on the Competition (Amendment) Act, 2023. The said regulations are called as Competition Commission of India (Combinations) Regulations, 2024. This amendment introduces a Deal Value Threshold (DVT), requiring that mergers and acquisitions (M&A) exceeding INR 20 billion (approximately USD 238 million) be reported to the Competition Commission of India (CCI). The primary objective of this change is to curb anti-competitive practices, particularly in the digital sector. Furthermore, the amendment streamlines the merger review process, reducing the overall review timeline from 210 to 150 calendar days and the preliminary assessment period from 30 working days to 15 working days.

8. Patents (Amendment) Rules, 2024

The Ministry of Commerce and Industry vide Notification No. G.S.R. 211(E) dated March 15, 2024[8] made amendments to the Patents Rules, 2003 vide the Patents (Amendment) Rules, 2024.

Few of the changes are as follows:

- submission of form 3 within 3 months with an extension of further 3 months.
- timelines to request for examination is reduced to 31 months.
- provision to extend the timelines up to 6 months for filing response to the examination report maybe made upon payment of additional fees.

[6] *https://rbidocs.rbi.org.in/rdocs/content/pdfs/FEMA10R(3)25042024.pdf*
[7] *https://www.cci.gov.in/combination/legal-framwork/regulations/details/12/0*
[8] *https://ipindia.gov.in/writereaddata/Portal/Images/pdf/Draft_Patent_Rules_2024_20240102.pdf*

9. The Employees' Pension (Third Amendment) Scheme, 2024, the Employees' Provident Funds (Amendment) Scheme, 2024 and Employees' Deposit Linked Insurance (Amendment) Scheme, 2024

The Ministry of Labour and employment introduced the following amendments[9]:

(a) Notification No. G.S.R. 327(E) dated June 14, 2024, made amendments to the Employees' Pension Scheme, 1995 vide the Employees' Pension (Third Amendment) Scheme, 2024;
(b) Notification No. G.S.R. 329(E) dated June 14, 2024, to the Employees' Provident Funds Scheme, 1952 vide the Employees' Provident Funds (Amendment) Scheme, 2024;
(c) Notification No. G.S.R. 330(E) dated June 14, 2024, to the Employees' Deposit Linked Insurance Scheme, 1976, vide the Employees' Deposit Linked Insurance (Amendment) Scheme, 2024,

pursuant to which, the Central Provident Fund Commissioner may recover damages up to one percent (1%) of the arrear of contribution per month in case of default in the payment of contribution by the employer to any of the Funds stated in the respective Schemes.

10. Geographical Indication of Goods Holding Inquiry and Appeal Rules 2024

The Ministry of Commerce and Industry vide its Notification No. G.S.R. 504 (E) dated August 16, 2024[10] amended the Geographical Indication of Goods (Registration and Protection) Rules, 2002 vide the Geographical Indications of Goods (Holding Inquiry and Appeal) Rules, 2024 to outlines the procedures for filing complaints and appeals related to geographical indications (GI) aiming to streamline the process, enhance transparency, and support effective enforcement of GI protections.

11. Boiler (Inquiry, Adjudication and Appeal) Rules, 2024

Ministry of Commerce and Industry, through the Department for Promotion of Industry and Internal Trade vide its Notification No. G.S.R. 339(E) dated June 21, 2024[11], has introduced the Boiler (Inquiry, Adjudication and Appeal) Rules, 2024 for adjudication of offences under the Boilers Act, 1923.

[9] *https://www.epfindia.gov.in/site_docs/PDFs/Circulars/Y2024-2025/circular_Compliance_30082024.pdf*
[10] *https://egazette.gov.in/WriteReadData/2024/256445.pdf*
[11] *https://egazette.gov.in/WriteReadData/2024/254872.pdf*

12. *Special Economic Zones (Fourth Amendment) Rules, 2024*

Ministry of Commerce and Industry, through the Department for Commerce vide its Notification No. G.S.R. 338(E) dated June 20, 2024, has amended the Special Economic Zones Rules, 2006 vide the Special Economic Zones (Fourth Amendment) Rules, 2024 the Boiler (Inquiry, Adjudication and Appeal) Rules, 2024 for adjudication of offences under the Boilers Act, 1923.

13. *Glas Trust Company LLC v. Byju Raveendran and Others: A Landmark Ruling on Insolvency Principles*

In the recent case of *Glas Trust Company LLC v. Byju Raveendran and Others*, the Supreme Court reaffirmed key principles governing insolvency under the Insolvency and Bankruptcy Code (IBC), emphasizing creditor equality and collective decision-making.

The Court reiterated the principles laid down in *Swiss Ribbons (P) Limited v. Union of India*, underscoring that insolvency is a collective process post-admission, and individual settlements must protect the interests of all creditors. It referred to *Indus Biotech (P) Limited v. Kotak India Venture (Offshore)* to assert that insolvency proceedings transform into in rem proceedings upon admission, precluding preferential settlements.

The Court examined precedents such as *Lokhandwala Kataria Construction (P) Limited v. Nisus Finance and Investment Managers LLP* and *Uttara Foods & Feeds (P) Limited v. Mona Pharmachem*, confirming that Rule 11 of the NCLT Rules, 2016 cannot override statutory provisions like Section 12A, which mandates Committee of Creditors (CoC) approval for withdrawals. It distinguished *Brilliant Alloys Private Limited v. S Rajagopal*, clarifying that Rule 11 applies only before the CoC's constitution and cannot bypass statutory safeguards.

Citing *Swiss Ribbons (P) Limited v. Union of India*, the Court highlighted the importance of transparency and procedural safeguards in insolvency processes. It found the affidavit by Riju Raveendran inadequate to dispel concerns over fund sources, particularly amidst allegations of fund diversion from Byju's U.S. subsidiary. Evidence of mismanagement, such as unpaid salaries and declining valuations, further supported Glas Trust's claims of insolvency.

Court's Decision:

The Supreme Court stayed the NCLAT order approving a settlement under Rule 11 and directed the continuation of the Corporate Insolvency Resolution Process

(CIRP) under the Interim Resolution Professional (IRP), ensuring CoC involvement for collective decision-making.

Key Observations:

- Rule 11 cannot substitute CoC approval under Section 12A, except in rare cases where procedural gaps arise before CoC constitution.
- Creditor equality and collective resolution are fundamental to the IBC framework.
- Procedural safeguards and collective decision-making remain vital to ensuring fairness in insolvency proceedings.
- Inherent powers under Rule 11 must be exercised cautiously to protect all creditors' interests.

This ruling underscore the Supreme Court's commitment to upholding the integrity of insolvency processes, reinforcing the principles of transparency, equality, and collective decision-making central to the IBC.

14. *Supreme Court Overturns NCLAT Ruling in SBI v. Murari Lal Jalan & Florian Fritsch Case*

In the case of *State Bank of India & others v. The Consortium of Mr. Murari Lal Jalan And Mr. Florian Fritsch & another* (2024 INSC 852), the Supreme Court of India overturned the decision of the National Company Law Appellate Tribunal (NCLAT), calling it legally flawed and unsustainable. The case revolved around delays in implementing a resolution plan under the Insolvency and Bankruptcy Code, 2016 (IBC), which aims for a time-bound revival of financially distressed companies.

Delays in Resolution Plan Implementation

The Successful Resolution Applicant (SRA) in this case repeatedly delayed fulfilling the necessary conditions and executing the resolution plan. Despite findings by both the National Company Law Tribunal (NCLT) and NCLAT that the effective date for implementing the plan was May 20, 2022, the SRA failed to meet its obligations. These delays go against the purpose of the IBC, which prioritizes timely and effective resolution of distressed assets.

Criticism of NCLAT's Actions

The NCLAT had granted further extensions to the SRA and allowed adjustments to the Performance Bank Guarantee (PBG) against the first payment tranche. The Supreme Court criticized these actions, stating they led to undue delays and procedural complications. It also noted that these rulings violated regulatory provisions and the terms of the approved resolution plan, harming the interests of creditors.

Upholding Key Legal Principles

The Supreme Court referred to important precedents in insolvency law, such as:

- *Ebix Singapore Private Limited v. Educomp Solutions Limited (2021)*: This case highlighted the need for strict adherence to timelines during the Corporate Insolvency Resolution Process (CIRP).

- *Essar Steel India Limited v. Satish Kumar Gupta (2019)*: This case emphasized the importance of respecting the "commercial wisdom" of the Committee of Creditors (CoC).

- The Court concluded that deviating from the approved terms of the resolution plan undermines the objectives of the IBC and creates legal uncertainty.

Observations on NCLT and NCLAT Performance

The Supreme Court noted systemic shortcomings in both NCLT and NCLAT, including member shortages and infrastructure issues, which have caused delays and loss of value in insolvency cases. The Court urged immediate action to address these gaps and emphasized strict adherence to IBC timelines to avoid losses for creditors.

The Court made several key recommendations:

- Establishing a Monitoring Committee to ensure timely implementation of resolution plans.
- Penalizing non-compliance with resolution plan terms.
- Strengthening the transparency and accountability of the CoC through clearer guidelines and independent oversight.
- Avoiding the dilution of binding terms in resolution plans.

Invoking Article 142 for Justice

Citing Article 142 of the Constitution, which allows the Supreme Court to ensure complete justice, the Court directed the commencement of liquidation proceedings. It held that further delays in implementing the resolution plan would violate the IBC's core purpose, marking an end to prolonged attempts at resolution.

Conclusion

This ruling reaffirms the Supreme Court's commitment to upholding the principles of the IBC, ensuring time-bound resolutions, and protecting creditor interests. It also highlights the need for systemic reforms in the insolvency framework to prevent delays and inefficiencies in future cases.

Regional Level

1. ***The Telangana (Regulation of Appointments to Public Services and Rationalisation of Staff Pattern and Pay Structure (Amendment) Act, 2024***

The Telangana (Regulation of Appointments to Public Services and Rationalisation of Staff Pattern and Pay Structure (Amendment) Bill, 2024) was introduced on August 2, 2024. It amends the 1994 Act on this subject. The Act establishes the framework for recruitment for government services.

Appointments under special consideration: Under the Act, the state government has powers to extend employment to: (i) child or spouse of any employee who dies during service, or retires early on medical grounds, and (ii) persons affected by communal violence, SC/ST atrocities, police firing, and bomb blasts. Under the Bill, the state government may also extend employment to meritorious sportspersons.

2. ***The Telangana Institute of Medical Sciences Act, 2024***

The Bill was originally introduced on 4th August, 2023 in the Telangana Legislative Assembly to provide for establishment of Telangana Institute of Medical Sciences and matters connected therewith and incidental thereto.

The following Act received the assent of the Governor and was published on 15th July, 2024 in the Telangana Gazette.

The Act deals with the establishment, object, powers & functions, funding and governance of TIMS (Telangana Institute of Medical Sciences). TIMS is intended to be a comprehensive healthcare institution, complete with a 1,000-bed super-specialty hospital and separate sections for the heart, kidney, liver, brain, and lungs. TIMS will provide medical education in 16 specialties and 15 super-specialties, as well as postgraduate courses in nursing and paramedical education in super-specialties.

3. *The Young India Skills University (Public-Private Partnership) Act, 2024*

In August, 2024, the state Assembly enacted the "Young India Skills University Telangana (Public-Private Partnership) Bill-2024," clearing the way for the establishment of a leading school of quality skill education recognized by national and international industry and service sectors.

The university will provide 17 courses in healthcare, pharmaceutical and life sciences, artificial intelligence and information sciences, tourism and hospitality, automotive and electric vehicles, banking, financial services, and insurance, animation, visual effects, gaming, and comics, construction and interiors, advanced manufacturing, retail operations and management, e-commerce and logistics, renewable energy, food processing and agriculture, beauty and well-being.

The objectives outlined in Section 6 of the Bill are - to develop employable human resources by ensuring on-the-job-training during study for degree and diploma courses, to carry out training and education as per established skilling benchmarks, to provide certification as per established framework, to provide opportunities for flexible learning, to develop linkages with industry and service sector, and impart skill education aligned with market needs, to design curricula in collaboration.

4. *The Greater Hyderabad Municipal Corporation (Amendment) Ordinance, 2024*

The Telangana Ordinance No. 4 of 2024 published in the Telangana Gazette on October 3, inserts a Section 374B, which stipulates that the government can empower any officer/agency/authority to exercise the powers vested with the corporation/the commissioner for protection of public assets such as roads, drains, public streets, water bodies, open spaces and public parks and preserve them from illegal encroachments.

In order to defend the amendment, the government said that unforeseen occurrences and disasters required the assistance of specialized organizations,

whose expertise GHMC could use to plan and put into place efficient, resilient systems for natural disasters and calamities.

Although the Ordinance gives HYDRAA the legal ability to execute the GHMC Act, it also limits its power to GHMC alone. The GHMC region as well as all urban and rural local bodies up to the Outer Ring Road are within the authority's jurisdiction, according to the government decree that creates HYDRAA. According to orders, the government may occasionally directly include or exclude places within HYDRAA's jurisdiction.

5. ***The Telangana Municipalities (Amendment) Ordinance, 2024***

Ordinance No. 3 of 2024 proposes significant changes to the state's urban landscape by combining 51 gramapanchayats with 13 municipalities from the districts of Rangareddy, Medchal-Malkajgiri, and Sangareddy, all of which are situated within the boundaries of the Greater Hyderabad Municipal Corporation (GHMC). The goal is to expand the urban area up to the Outer Ring Road (ORR) and beyond.

By extending the GHMC's jurisdiction to the ORR, the state government has envisioned a single urban local body that may eventually take the form of a new organization tentatively termed the "Hyderabad Greater City Corporation" or "Maha Hyderabad." This organization would combine multiple municipalities, GPs, and municipal corporations under a single administrative framework.

The government has envisioned creating an appropriate administrative framework for the entire ORR, overlapping ORR, and places closer to the edge of ORR that share similar views on urban expansion. The goal is to create an appropriate administrative structure that is in line with the area's rapid urban growth. In order to provide an appropriate administrative organization and urban governance pattern, a research was conducted through the Administrative Staff College of India (ASCI), located in Hyderabad.

6. ***GO Ms. No. 5, Labour Employment Training & Factories Department, Government of Telangana (Legal Exemption for ITES and IT Establishments in Telangana), dated 07-06-2024.***

The Government of Telangana exempts all Information Technology Enabled Services (ITES) and Information Technology Establishments from compliance with sections 15, 16, 21, 23, and 31 of the Telangana Shops and Establishments Act, 1988 (Act No. 20 of 1988) as per the powers granted under Section 73(4) of the Act for four years (from 30-05-2024). This exemption is subject to strict adherence to specified conditions.

Conditions for Exemption:

i. **Work Hours and Wages**:

- Weekly working hours capped at 48 hours; overtime to be compensated.
- Weekly offs are mandatory.

ii. **Night Shift for Women and Young Employees**:

- Employment during night shifts allowed with adequate security and transportation.
- Employers must ensure that no woman employee is picked up first or dropped last.

iii. **Driver Verification**:

- Companies to conduct background checks for all drivers and maintain records of licenses, photographs, and contact details.

iv. **Vehicle Safety**:

- Supervisors to finalize pickup/drop routes weekly and oversee any changes.
- Random checks on vehicles by designated supervisors.
- Establish a control room/travel desk to monitor vehicle movements.

v. **Welfare Measures**:

- Employees to receive identity cards and compensatory holidays with wages for work on notified holidays.
- Exemption for maintaining physical statutory registers, allowing compliance through digital registers.

vi. **Revocation Clause**:

- Exemption can be revoked anytime without prior notice if conditions are violated.

vii. **Additional Security Measures**:

- Companies encouraged to provide security guards for night-shift vehicles.
- Specific timing guidelines: security for pickups before 6 AM and drop-offs after 8 PM.

viii. **Record Maintenance**:

- Companies must maintain Integrated Registers and file returns as per G.O. Ms. No.23, LET&F Department, dated 24-03-2016.

This order represents a balancing act between regulatory compliance and the operational flexibility required by ITES and IT firms, ensuring both employee safety and company convenience.

Featured Articles

Oppression and Mismanagement under Company Law

By V.V.S.N. Raju and Nivedita Jha

The concepts of oppression and mismanagement plays a crucial role in maintaining corporate governance and protecting the interests of shareholders, particularly minority shareholders, in a company. The Companies Act, 2013 provides mechanisms to address issues arising from actions that are oppressive or amount to mismanagement of the company's affairs. This article explores the legal framework surrounding these concepts, focusing on key judicial decisions that have shaped the interpretation and application of the law.

Oppression in company law refers to conduct that is burdensome, harsh, and wrongful to shareholders. As defined in Black's Law Dictionary, it is "the act or an instance of unjustly exercising authority or power; unfair treatment of minority shareholders (especially in a close corporation) by the directors or those in control of the corporation."

The legal framework for addressing oppression is primarily found in Section 241 (formerly Section 397 of the Companies Act, 1956) of the Companies Act, 2013. This section gives members of a company the right to apply to the Company Law Board (CLB) for relief if the company's affairs are being conducted in a manner oppressive to any member or members.

Hon'ble Supreme Court of India in the case *of Needle Industries (I) Limited v. Needle Industries Newey (I) Holding Limited* (**1981 AIR 1298**) held that the acts which are Burdensome, harsh and wrongful indicates that it is synonymous with the term oppressive manner. A separate act may be against the law, but it cannot be said to be oppressive if it does not have mala fide intention cloaking it or if the act was harsh, burdensome and wrongful.

If there are multiple illegal acts, it automatically means that all the acts were a part of one action with the motive to oppress the persons against whom the acts have been done. The person claiming oppression against another party has the duty to prove in which way the act of oppression led him to compromise on his decision and submit to an act lacking integrity, an act which is prima facie unfair and further on how it has affected his proprietary rights.

The Supreme Court, in the landmark case of ***Shanti Prasad Jain v. Kalinga Tubes Limited*** **(AIR 1965 SC 1535),** established that for conduct to be considered oppressive:

i. It must be burdensome, harsh, and wrongful.
ii. Mere lack of confidence between majority and minority shareholders is not enough.
iii. The lack of confidence must spring from oppression of a minority by a majority in the management of the company's affairs.
iv. It must involve at least an element of lack of probity or fair dealing concerning a member's proprietary rights as a shareholder.

This principle has been consistently applied and refined in subsequent cases. For instance, in ***Elder & Watson Limited Lord Cooper (1952 SC 49 (Scotland))*** emphasized that oppressive conduct should "involve a visible departure from the standards of fair dealing, and a violation of the conditions of fair play on which every shareholder who entrusts his money to a company is entitled to rely."

Continuous Nature of Oppressive Acts

"It's important to note that oppression must be a continuous process, not isolated events. This principle was reinforced in the case of *Cyrus Investments Private Limited and others. v. Tata Sons Limited (2021 SCC OnLine SC 272*).

In the case of ***Sangramsinh P. Gaekwad and others v. Shantadevi P. Gaekwad (Dead) (through legal representatives) and others*** **((2005) 11 SCC 314),** which emphasized that for invoking provisions related to oppression and mismanagement, there must be a continuous act on the part of the majority shareholders, continuing up to the date of the petition. Isolated incidents spread over a period of time may not be sufficient to establish oppression or mismanagement.

Examples of Oppressive Conduct

Oppression can manifest in various forms, including:

1. Excluding minority shareholders from the company's affairs;
2. Issuing shares to dilute minority shareholding;
3. Misuse of company funds for personal benefit; and
4. Denying access to company information.

However, it's crucial to note that not all unfavourable decisions constitute oppression. In ***Venus Petrochemicals (Bombay) Private Limited v. Niranjan Kumar Agarwal ((2015) 3 SCC 726)***, the court clarified that appointing or not appointing directors alone doesn't constitute oppression, and non-declaration of dividends isn't automatically oppressive. This ruling reinforces the principle that business decisions, if made in good faith, are not inherently oppressive.

Mismanagement Definition and Scope

Mismanagement refers to conduct that

results in:

- Material change in the management or control of the company;
- Substantial impairment of the company's financial position; and
- A change in the board of directors prejudicial to the company's interests.

The Ram Parshotam Mittal and Others v. Hotel Queen Road Private Limited and Others ((2019) SCC OnLine NCLAT 447.) case illustrated that mismanagement can take various forms, including failure to notify directors of board meetings, directors participating in decisions affecting their own interests, and illegal share transactions.

Distinguishing Mismanagement from Oppression

While oppression focuses on unfair treatment of shareholders, mismanagement relates to improper conduct in managing the company's affairs, which may or may not directly

The ***V.S. Krishnan v. Westfort Hi-tech Hospital Limited ((2008) 3 SCC 363)*** case provided some guidance on this concept, stating that "even conduct that is legally permissible may be oppressive if it is against probity, good conduct or is burdensome, harsh or wrong or is mala fide or for a collateral purpose."

Remedies and Powers of the Tribunal

oppress shareholders. However, both concepts are often interlinked in practice.

The Concept of "Unfair Prejudice"

The Companies Act, 2013, introduced "unfair prejudice" as a separate ground for relief, distinct from oppression. Section 241(1)(a) uses the expression "prejudicial or oppressive" disjunctively, empowering shareholders to bring action not only for oppressive acts but also for those that are unfairly prejudicial.

The ***Vikram Bakshi case (2019 SCC OnLine NCLAT 754)*** aligns with the principle mentioned in the ***Sangramsinh P. Gaekwad*** case, which emphasizes that oppression must be a continuous act up to the date of the petition.

Types of Prejudice

1. Public Prejudice: Actions against public interest in general; and
2. Commercial Prejudice: Actions affecting the legitimate expectations of shareholders.

The National Company Law Tribunal (NCLT) has wide-ranging powers under Section 242 (formerly Section 402) to provide remedies in cases of oppression and mismanagement. These powers include:

1. Regulating the conduct of the company's affairs in the future

2. Making changes to the company's memorandum and articles
3. Appointing directors or removing existing ones
4. Setting aside or modifying agreements made by the company

The NCLT can provide these remedies as an alternative to winding up the company when:

- The company is a going concern;
- Shareholders have invested substantial amounts; and
- Winding up would result in unfair prejudice

In considering whether to order winding up, the Tribunal must balance the interests of the applicant shareholders with those of the remaining shareholders. As noted in the ***Sangramsinh P. Gaekwad case***, "The interest of the applicant alone is not of predominant consideration. The interests of the shareholders of the company as a whole apart from those of other interests have to be kept in mind at the time of consideration as to whether the application should be admitted."

Venus Petrochemicals (Bombay) Private Limited Case: A Landmark in Oppression and Mismanagement Jurisprudence

1. Background of the Case

Venus Petrochemicals (Bombay) Private Limited was a family-owned business incorporated in 1995. The company's shares were equally divided between two families led by brothers Sunil M. Thakkar and Atul M. Thakkar. The dispute arose in 2015 when Atul M. Thakkar attempted to change the equal representation on the Board of Directors by appointing his son while denying similar appointments to Sunil M. Thakkar's family members.

2. Appointment of Directors

The court clarified that the mere act of appointing or not appointing directors doesn't automatically constitute oppression. This ruling demonstrates that:

The act of "oppression and mismanagement should be pre-judicial to a member of the company and not against the director of the BoD. Technically and legally speaking the appointment and removal of directors cannot be treated as act of "oppression and mismanagement.

3. Financial Decisions and Dividend Distribution

The court held that non-declaration of dividends, being a financial decision, is not automatically considered oppressive. This ruling:

Aligns with the concept that

oppression must involve a lack of probity or fair dealing in relation to shareholders' rights.

4. Continuous Nature of Oppressive Acts

The court's examination supports the principle that oppression must be a continuous act:
Isolated incidents are generally insufficient to establish oppression. There must be a pattern of behavior that consistently prejudices minority shareholders.

5. Quasi-Partnership in Family-Owned Businesses

The court considered whether the company operated as a quasi-partnership, clarifying that:

Being family-controlled doesn't automatically make a company a quasi- partnership. The intentions and understanding between parties are crucial in determining the nature of the business relationship.

6. Misuse of Casting Vote

The court's examination aligns with the principle that even legally permissible actions can be oppressive if against probity and good conduct:

The manner in which power is exercised, even if technically legal, can be scrutinized for fairness.

The Adjudicating Authority took decision to remove the casting vote in these extraordinary circumstances which created company imbalance by one set of 50% shareholders taking all decisions for their own benefits and denying any right to other 50% shareholders.

7. Unfair Prejudice

While primarily about oppression, the case indirectly touches on the concept of "unfair prejudice":

Actions can be prejudicial to the interests of some members even if they don't rise to the level of oppression.

8. Implications and Significance

The case emphasizes the need to balance the rights of majority shareholders to manage the company with the protection of minority shareholders from unfair treatment.

It underscores the need for a holistic, continuous assessment of company affairs rather than focusing on isolated incidents when determining oppression.

The case contributes to an expanded understanding of oppression and mismanagement, moving beyond just illegal actions

to consider the fairness and probity of technically legal actions.

The Venus Petrochemicals case serves as a significant benchmark in the evolving jurisprudence of oppression and mismanagement under Indian company law. It reinforces the idea that determining oppression requires a careful examination of conduct, its continuity, and its impact on shareholders' rights, aligning with and expanding upon the foundational principles established in earlier landmark.

Conclusion

The Venus Petrochemicals case serves as a significant benchmark in the evolving legal landscape of oppression and mismanagement under Indian company law. It reinforces the idea that determining oppression requires a careful examination of conduct, its continuity, and its impact on shareholders' rights, aligning with and expanding upon the foundational principles established in earlier landmark cases.

Recent cases like Venus Petrochemicals and Cyrus Investments demonstrate that courts are moving towards a more nuanced understanding of oppression and mismanagement. This approach considers not just the legality of actions, but also their fairness and impact on shareholders' rights.

In conclusion, while the law provides robust protections against oppression and mismanagement, each case must be analysed on its own merits, considering the specific circumstances, the nature of the alleged oppressive acts, and their impact on the shareholders and the company as a whole. As corporate structures and practices continue to evolve, so will the interpretation and application of these vital legal principles.

The Evolution of Land Records: From Dharani to Bhu Bharathi

By Aparajita H Mannava

The landscape of land administration in Telangana has undergone a significant transformation with the introduction of the Telangana Bhu Bharathi (Record of Rights in Land) Act, 2024. This new legislation replaces the previous RoR Act of 2020, aiming to address the shortcomings of its predecessor and introduce a more efficient and transparent system.

The Dharani portal, introduced in 2020, was initially hailed as a revolutionary step towards digitizing land records and simplifying the registration process. However, it soon became apparent that the system had several limitations. The portal featured multiple modules for various land-related processes, which often led to confusion among users, particularly farmers with limited technical knowledge.[12] The complexity of the system resulted in frequent application errors and rejections, causing frustration among landowners.

In response to these challenges, the Telangana government decided to overhaul the existing system and introduce the Bhu Bharathi Act. One of the most significant changes brought about by the new act is the simplification of processes. The number of modules has been reduced from 33 to just 6, making it more user-friendly and accessible.[13] This streamlining of processes is expected to minimize confusion and ensure faster processing of applications.

Transparency has also been a major focus of the Bhu Bharathi Act. The Dharani portal had a "hidden" option that allowed certain land records to be concealed, leading to a lack of trust among users.[14] The new act eliminates this option, ensuring that all land details are accessible to authorized individuals. This change is expected to foster greater transparency and accountability in land transactions.

Another notable feature of the Bhu Bharathi Act is the introduction of real-time SMS notifications. Under the previous system, landowners did not receive timely updates about the status of their applications.[15] The new act addresses this issue by providing real-time notifications, keeping landowners informed at every stage of the process. This feature is expected to enhance user experience and build trust in the system.

[12] *https://telanganatoday.com/telangana-bhu-bharathi-bill-tabled-in-assembly-opposition-parties-demand-discussion*

[13] *Ibid.*
[14] *Ibid.*
[15] *Ibid.*

The Pahani records, which are crucial for land administration in Telangana, have also been revamped under the Bhu Bharathi Act. The previous system simplified the Pahani records to minimal details, which often led to incomplete information.[16] The updated Pahani records now include 11 critical columns, providing comprehensive information about the land, including ownership details, survey numbers, and land usage. This enhancement is expected to improve the accuracy and reliability of land records.

The introduction of the Bhu Bharathi Act was driven by several factors. The government conducted thorough consultations with experts, public representatives, and farmers to understand the limitations of the Dharani portal and gather suggestions for improvement.[17] This collaborative approach ensured that the new act addressed the concerns of all stakeholders.

One of the primary motivations for the new act was the need to address land disputes effectively. The previous system faced criticism for its inability to resolve disputes in a timely manner. The Bhu Bharathi Act aims to address these issues by setting up land tribunals and providing a streamlined appeals process.[18] This is expected to expedite the resolution of disputes and ensure that landowners receive timely justice.

Technological advancements have also played a crucial role in the development of the Bhu Bharathi Act. The new act leverages modern technology to digitize land records and streamline property registration processes. One of the key innovations is the introduction of a unique identification number, "Bhu Aadhar," for each land parcel.[19] This system is expected to improve the identification and management of land records, reducing the risk of errors and fraud.

Political and social pressure also contributed to the introduction of the Bhu Bharathi Act. Opposition parties and various stakeholders demanded a more transparent and efficient system, leading to the overhaul of the existing RoR Act.[20] The new act is seen as a response to these demands, aiming to create a more equitable and effective land administration system.

The case of State of Andhra Pradesh v. D. Raghunadha Reddy (2001) serves as a significant legal precedent in the context of land administration reforms. This case highlighted the importance of clear and transparent land records to avoid

[16] *Ibid.*
[17] *https://www.siasat.com/bhu-bharathi-2024-bill-tabled-in-telangana-assembly-to-protect-farmers-rights-3149994/*
[18] *Ibid.*
[19] *https://telanganatoday.com/telangana-governor-approves-bhu-bharathi-bill-introduced-by-congress-government*
[20] *https://www.siasat.com/bhu-bharathi-2024-bill-tabled-in-telangana-assembly-to-protect-farmers-rights-3149994/*

disputes and ensure rightful ownership.[21] The lessons learned from this case have been incorporated into the Bhu Bharathi Act, ensuring that the new system addresses the shortcomings of the past.

The Bhu Bharathi Act introduces several key features aimed at improving land administration in Telangana. One of the most important features is the permanent land survey and digital records. The act mandates a comprehensive land survey and the creation of digital records for all land parcels.[22] This ensures that accurate and up-to-date information is available for landowners and authorities, reducing the risk of disputes and errors.

The act also introduces a streamlined appeals process, allowing landowners to appeal decisions at multiple levels, including the Revenue Divisional Officer (RDO) and district collectors. This is expected to expedite the resolution of disputes and ensure that landowners receive timely justice.

The Bhu Bharathi Act includes provisions to protect the rights of small and marginal farmers. The act ensures that these farmers have access to land records and can resolve disputes effectively. This is expected to improve the livelihoods of small and marginal farmers, who often face challenges in accessing land records and resolving disputes.

The act also facilitates the regularization of informal land transactions, providing legal recognition to landowners who have been unable to register their properties under the previous system. This is expected to benefit a large number of landowners who have been unable to register their properties due to various reasons.

The mutation process has been simplified and expedited under the Bhu Bharathi Act. The new system allows for quicker updates to land records following sales or inheritance. This is expected to reduce the time and effort required for landowners to update their records, improving the overall efficiency of the system.

The Bhu Bharathi Act includes measures to protect government lands from encroachment and unauthorized transactions. This is expected to safeguard public assets and ensure that government lands are used for their intended purposes.

The act also provides flexibility for amendments, allowing the government to make changes through official orders. This ensures that the system can adapt to emerging issues and improve over time.

[21] *The State Of Andhra Pradesh v. V. Raghunadha Rao [1993(1)ALT242]*

[22] *https://telanganatoday.com/telangana-bhu-bharathi-bill-tabled-in-assembly-opposition-parties-demand-discussion*

The Bhu Bharathi Act provides clear guidelines for resolving pending land records, ensuring that all land transactions are accurately recorded and disputes are minimized. This is expected to improve the accuracy and reliability of land records, reducing the risk of disputes and errors. In **conclusion**, the Telangana Bhu Bharathi (Record of Rights in Land) Act, 2024, represents a significant step forward in land administration. By addressing the shortcomings of the previous system and introducing modern technology and streamlined processes, the new act aims to create a more transparent, efficient, and user-friendly system for landowners in Telangana. This reform is expected to benefit farmers, landowners, and the government alike, paving the way for a more equitable and effective land administration system.

A Comprehensive Analysis of The Banking Laws (Amendment) Bill, 2024

By Shravan K. and Pulugam Devaki

Introduction

The Bill aims to make significant changes to Banking laws for improving the efficiency and keeping banking laws updated with the modern economic conditions. The Banking Laws (Amendment) bill, 2024 (hereinafter referred as "the bill") will make a total of 19 amendments to the Reserve Bank of India Act of 1934, the Banking Regulation Act of 1949, the State Bank of India Act of 1955, the Banking Companies (Acquisition and Transfer of Undertaking Act of 1970 and the Banking Companies (Acquisition and Transfer of Undertaking Act of 1980.[23]

The bill was introduced on August 9, 2024 in Lok Sabha and it was passed on December 3, 2024 in Lok Sabha. But, for it to become law, it must also be approved by the Rajya Sabha. Once both houses of Parliament pass the bill, it will require the President's assent to take effect.

Key Amendments Summary

1. **Nominations for Bank Deposits and Lockers:** The bill aims to increase the number of nominees from one to four either successively or simultaneously for depositories and articles. Even for the bank lockers, up to four nominees are provided but only successively not simultaneously.

2. **The definition of fortnight:** Reporting spanned 14 days from Saturday to the second following Friday. The Amendment aligns it with calendar months, covering fixed periods from the 1st to the 15th and the 16th to the month's end, affecting bank's reporting to the RBI.

3. **Tenure of Directors in Cooperative Banks:** The Banking Regulation Act limited the tenure of directors in banks (excluding chairpersons or whole-time directors) to a maximum of eight consecutive years. The Bill raises this limit to ten years for directors of cooperative banks.

4. **Definition of Substantial Interest in a Company:** The bill increases the substantial interest from 5 lakhs or 10% of paid up share capital to 2

[23] *The Banking Laws (Amendment) Bill 2024, Bill No. 110-C of 2024 https://prsindia.org/files/bills_acts/bills_parliament/2024/Banking_Laws_as_passed_by_LS.pdf*

crores, reflecting the current economic conditions.

5. **Common Directors:** The original Act barred directors from serving on two bank boards simultaneously, except when appointed by the RBI. The Bill extends this exemption to central cooperative bank directors, permitting them to serve on the board of a state cooperative bank for banking activities.

6. **The settlement of unclaimed amounts:** The bill expands the settlement of unclaimed amounts. This includes unclaimed money, shares with unclaimed dividends, unpaid or unclaimed interest and bonds. After seven years, these amounts are transferred to the Investor Education and Protection Fund (IEPF). Investors can still claim the funds, but now they must take more responsibility to track and claim unclaimed assets.

7. **The remuneration of auditors:** The bill gives the banks autonomy to decide the remuneration for the auditors, currently RBI prescribes the remuneration.

Amendments to the Reserve Bank of India Act of 1934

The Amendment to definition of "Fortnight"

In the Reserve Bank of India Act of 1934, Section 42(1)(b),[24] defined a "fortnight" as "the period from Saturday to the second following Friday, both days inclusive." This meant that a fortnight started on a Saturday and ended on the Friday of the second week after, covering a total of 14 consecutive days. This definition ensured that both the starting and ending days were included in the calculation. However, the Banking Laws (Amendment) Bill, 2024 changed this definition to reduce the limitations such as insufficient monthly data coverage, seasonal variations in banking operations that result in irregular reporting, and the requirement for adjustments every eleventh year that create complications and inconsistencies.

Now, a "fortnight" refers to two fixed periods in a calendar month, from the 1st to the 15th day or from the 16th to the last day of the month, both days inclusive. This change affects how scheduled and non-scheduled banks maintain cash reserves with the RBI.

This amendment aims to address these limitations. With this new definition, the Act introduced a standardized reporting system based on calendar dates, replacing the earlier system that relied on

[24] *Reserve Bank of India Act 1934, s 42 https://www.indiacode.nic.in/show-data?actid=AC_CEN_2_33_00043_193402_1523351015027&orderno=49*

alternate Fridays. As a result, several provisions linked to the old definition of "fortnight" were removed or replaced. For example, sub-section (2) third proviso of the provision that allowed banks to submit provisional returns for a fortnight or to file monthly returns instead of fortnightly ones was omitted. These provisions were initially meant to address issues like geographical difficulties and operational challenges. However, the fixed reporting dates on the 15th and the last day of each month have made such exceptions unnecessary.

Additionally, the sub-section (2A) of the provision that provides the requirement for banks to submit special returns tied to the last Friday of a month or the preceding working day was also removed. By aligning reporting dates with fixed calendar periods, the compliance process for banks has been simplified, and unnecessary administrative complexities have been eliminated.

This amendment aims to modernize governance in the banking sector and streamline regulatory requirements. The standardized reporting framework enhances efficiency and ensures consistency, making it easier for banks to comply with regulations. It also reduces the burden on banks, allowing them to focus more on their core operations and customer services. Overall, these changes strengthen governance in the banking system while improving operational efficiency and customer convenience.

Amendments to the Banking Regulation Act of 1949

The Banking Laws Amendment Bill, 2024, introduces significant amendments to the Banking Regulation Act, 1949, aimed at improving governance, enhancing compliance, and modernizing banking regulations to align with the current needs of the banking sector. The amendments address key areas such as governance of cooperative banks, reporting timelines, depositors' rights, and the financial robustness of banking institutions.

Increase in Minimum Paid-Up Capital (Section 5)

The Bill amends Section 5 to increase the minimum paid-up capital for banking companies from five lakh rupees to two crore rupees or more, as notified by the Central Government in the Official Gazette.[25] This amendment reflects the need to align with current economic conditions and inflation, as the ₹5 lakh requirement set in 1968 holds much less value in 2024. The amendment aims to ensure that the capital requirements are consistent with current economic conditions and the operational scale of

[25] *The Banking Regulation Act 1949, s 5(ne)(i) https://www.indiacode.nic.in/show-data?abv=CEN&statehandle=123456789/1362&actid=AC_CEN_2_11_00002_194910_1517807317779&sectionId=19200&sectionno=5&orderno=5&orgactid=AC_CEN_2_11_00002_194910_1517807317779*

banking companies today. Ensure that banks have a stronger financial base, reducing risks to their solvency and their ability to handle operational challenges.

Tenure of Directors in Cooperative Banks (Section 10A)

The Banking Regulation Act limited the tenure of directors in banks (excluding chairpersons or whole-time directors) to a maximum of eight consecutive years.[26] The Bill raises this limit to ten years for directors of cooperative banks. The proposed extension of the tenure of directors (excluding the chairman and whole-time directors) from 8 years to 10 years aims to align the provisions of the Banking Regulation Act with the 97th Amendment to the Constitution. The 97th Amendment mandates a five-year term for elected board members and office bearers in cooperative societies, without imposing any restrictions on re-election, which reflects the general practice in most cooperative societies.[27]

The current cap of 8 years under the Banking Regulation Act creates a conflict, as directors are compelled to resign during their second term to adhere to the Act. By increasing the tenure to 10 years, this amendment resolves the inconsistency, promotes smoother governance, and provides flexibility, while continuing to impose no restriction on re-election for directors.

The extension aims to give cooperative banks stable leadership. It allows experienced directors to use their expertise for a longer time. This is expected to improve governance, especially in cooperative banks where stability is important for growth. Longer tenures help create better financial products for farmers and improve access to credit. They also support rural development. Directors can build stronger relationships with stakeholders, which fosters trust and better understanding of financial needs. This stability helps in long-term planning and investments in technology and infrastructure. It enhances agricultural productivity and supports the growth of MSMEs.

Prohibition on Common Directors in Cooperative Banks (Section 16)

The original Act prohibited a director from serving on the boards of two banks simultaneously, except in cases where the director was appointed by the Reserve Bank of India (RBI).[28] The Bill

[26] *The Banking Regulation Act 1949, s 10A https://www.indiacode.nic.in/show-data?abv=CEN&statehandle=123456789/1362&actid=AC_CEN_2_11_00002_194910_1517807317779&sectionId=19207&sectionno=10A&orderno=12&orgactid=AC_CEN_2_11_00002_194910_1517807317779*

[27] *The Constitution (Ninety Seventh Amendment) Act 2011 s 243ZJ(2) https://prsindia.org/files/bills_acts/acts_parliament/2011/the-constitution-(97th-amendment)-act,-2011.pdf*

[28] *The Banking Regulation Act 1949, s 16 https://www.indiacode.nic.in/show-data?abv=CEN&statehandle=123456789/1362&actid=AC_CEN_2_11_00002_194910_1517807317779&sectionId=19220&sectionno=16&orderno=25&orgactid=AC_CEN_2_11_00002_194910_1517807317779*

extends this exemption to directors of central cooperative banks, allowing them to serve on the board of a state cooperative bank in which they are members, only for the banking activities. This amendment recognizes the need for better coordination between central and state cooperative banks and aims to improve decision-making and operational efficiency in the cooperative banking sector.

Definition of Substantial Interest in a Company (Section 5)

The definition of "substantial interest" in a company has been revised under the Bill. Previously, it referred to holding shares of over five lakh rupees or 10% of the paid-up capital, whichever was lower, held individually or collectively by an individual, their spouse, or minor children.[29] The amendment raises this threshold to two crore rupees, reflecting current economic conditions and the scale of banking operations. This increase allows for a more practical and updated assessment of substantial interest, and the central government retains the power to further revise this amount through notifications.

Uniform Reporting Dates and Fortnight Definitions (Sections 18, 24, 25, and 27)

The Bill introduces a standardized definition of "fortnight" as either the 1st to the 15th or the 16th to the last day of each calendar month. This change affects the maintenance of the cash reserve ratio (CRR) and statutory liquidity ratio (SLR), ensuring consistent reporting periods for all banks.

Furthermore, Section 24 replaces references to alternate Fridays with fixed calendar dates for SLR compliance, simplifying the process for banks. Similarly, Sections 25 and 27 revise timelines for quarterly and monthly reporting to use the last day of the respective quarter or month, replacing "Fridays." These changes reduce ambiguities in reporting requirements and help banks adhere to regulatory standards more efficiently.

Nomination Rules (Sections 45ZA, 45ZC, 45ZE, and 45ZG)

The Bill significantly improves the nomination process for deposits, lockers, and articles in safe custody. Previously, deposit holders could appoint only one nominee.[30] Under the bill, depositors can appoint up to four nominees for their deposits, either successively or simultaneously.

[29] *The Banking Regulation Act 1949, s 5 https://www.indiacode.nic.in/show-data?abv=CEN&statehandle=123456789/1362&actid=AC_CEN_2_11_00002_194910_1517807317779&sectionId=19200&sectionno=5&orderno=5&orgactid=AC_CEN_2_11_00002_194910_1517807317779*

[30] *The Banking Regulation Act 1949, s 45ZA https://www.indiacode.nic.in/show-data?abv=CEN&statehandle=123456789/1362&actid=AC_CEN_2_11_00002_194910_1517807317779&sectionId=29417&sectionno=45ZA&orderno=109&orgactid=AC_CEN_2_11_00002_194910_1517807317779*

In simultaneous nomination, the depositor specifies proportions in which the deposit will be divided among nominees. If one nominee dies, their share is distributed among the surviving nominees.

In successive nominations, nominees are prioritized in a specified order according to inserted sub-section (1A).[31] If the first nominee is unavailable, the next in line receives the deposit. For lockers and articles in safe custody, successive nominations are permitted but simultaneous nominations are not. This flexibility provides depositors with greater control and ensures a transparent mechanism for the transfer of assets.

Impact of Increased Penal Interest for Non-Compliance (Section 24)

The amendment to Section 24 introduces a stricter penalty regime for banks failing to maintain the required statutory liquidity ratio (SLR). If a bank defaults for successive fortnights, the penal interest rate increases by an additional 5% per annum above the bank rate. This provision ensures stricter adherence to liquidity requirements and discourages repeated defaults.

The Banking Laws Amendment Bill, 2024, introduces thoughtful and impactful changes to the Banking Regulation Act, 1949. By increasing the tenure of directors in cooperative banks and allowing common directorship between central and state cooperative banks, the Bill enhances governance and decision-making. Raising the threshold for substantial interest ensures that regulations remain relevant in the current economic context. Standardizing reporting periods simplifies compliance, while improved nomination processes empower depositors with better asset management options. Increasing the penalty for non-compliance with the fortnightly reporting, acts as deterrence and ensures stricter compliance. These reforms aim to create a robust, transparent, and efficient banking system capable of meeting modern challenges effectively.

The settlement of unclaimed amounts

The State Bank of India Act, 1955, and the Banking Companies (Acquisition and Transfer of Undertakings) Acts of 1970 and 1980 have been amended through the Bill. These amendments aim to make banks more efficient and autonomous while aligning their provisions with the Companies Act, 2013. Two key changes introduced under the Bill include the settlement of unclaimed amounts and the remuneration of auditors.

Currently, unpaid or unclaimed dividends must be transferred to an unpaid dividend account. If these amounts remain unclaimed for seven

[31] *The Banking Laws (Amendment) Bill 2024, s 45ZA(1A)* *https://prsindia.org/files/bills_acts/bills_parliament/2024/Banking_Laws_as_passed_by_LS.pdf*

years, they are transferred to the Investor Education and Protection Fund (IEPF). The Bill expands this rule by substituting the word "dividend" with "money" and including these (i) any money which is unpaid or unclaimed for period of seven years from date of its transfer in the Unpaid Dividend Account (ii) shares where dividends have not been claimed for seven consecutive years, and (iii) unpaid or unclaimed interest or redemption amounts on bond for seven years from the date such interest or such redemption amount became due for payment.

This change applies to the State Bank of India as well as other banks governed by the Banking Companies (Acquisition and Transfer of Undertakings) Acts. Individuals whose shares or money are transferred to the IEPF can still claim these amounts or request a refund, as outlined under the section 124 of the Companies Act, 2013.[32]

This amendment ensures a more comprehensive approach to managing unclaimed financial assets, strengthening the IEPF's role in protecting investors. It also highlights the responsibility of banks in transferring unclaimed funds to a regulated body for better oversight. However, this change places a greater responsibility on investors to track and claim their unclaimed funds. Without robust systems for notification and streamlined claim processes, this could lead to delays and confusion among investors.

The remuneration of auditors.

The Bill also introduces changes regarding the remuneration of auditors. Earlier, the Reserve Bank of India (RBI), in consultation with the central government, determined auditors' pay. Under the new framework, banks will now decide the remuneration of their auditors. This amendment will empower the bank to conduct audits according to their capacity rather than RBI deciding the remuneration. While this change aims to give banks more financial autonomy, there are concerns about its potential impact on the independence and quality of audits. Without addressing related processes, such as the appointment and rotation of auditors, giving banks control over auditor pay could create conflicts of interest. This could weaken the objectivity of audits, as financial incentives tied to the bank's management might influence auditors' decisions.

Conclusion

In conclusion, the bill proposes amendments aimed at improving the functioning of banks by streamlining processes to align with current economic

[32] *The Companies Act 2013, s 124 https://www.mca.gov.in/Ministry/pdf/CompaniesAct2013.pdf*

conditions and enhancing autonomy. These include increasing the minimum paid-up capital from ₹5 lakh to ₹2 crore and updating the definition of substantial interest to reflect the evolving financial landscape. The introduction of a new definition for "fortnight" helps reduce limitations and inconsistencies, allowing banks to focus on key governance aspects. The bill also introduces the option of up to four nominees and includes bonds and shares by substituting "dividend" with "money," demonstrating a commitment to securing and supporting investors and depositors. Extending the tenure of directors and allowing common directors in central and state cooperative banks reflects the bill's focus on improving governance and leadership in Indian banks. The provision permitting banks to decide auditor remuneration empowers them to maintain autonomy and conduct audits according to their capacity. However, these changes highlight the need for careful implementation to avoid unintended consequences, particularly concerning investor awareness and auditor independence.

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