

Newsletter from the Japan Desk

ジャパン・デスクからのニュース
レター

July - September 2026

一目でわかる – 今四半期の注目ニュース

- **銀行・金融**：RBIがサイバーリスク、IRACP、FEMA/ECBの枠組みを全面見直し；2026年10月1日からFEMAの輸出入に関する新規則が施行
- **債務資本市場**：RBIがREITおよびInvITの評価基準を改定
- **雇用・労働**：EPF/EPFスキーム2026が告示；賃金上限が25,000インドルピーに引き上げ；カルナータカ州商店法が改正；州労働法規の施行
- **知的財産**：著作権局がAI (DABUS) の著作者資格を認めず；DPIITが意匠法の抜本的見直しとハーグ協定への加盟を提案
- **訴訟**：CMS INDUSLAWは、SEBIによる画期的な執行措置に関する事案において、ある大手日本企業の元KMPを代理し、SATで弁護を行っている。
- **不動産**：MoHUA (住宅・都市開発省)、西アジア紛争を受けRERAプロジェクトの4ヶ月延長を勧告；IIFLホーム・ファイナンス、低所得層の女性向け手頃な価格の住宅拡大に向け、JICAから1億5,000万ドルの融資を確保
- **規制**：FEMA (外国為替管理法) の新たな統合輸出入規制が2026年10月1日に発効
- **税務**：提案されているGST 2.0改革は、インドにおけるコンプライアンスの負担軽減、紛争の削減、および税務行政の改善を目指す



At a glance - This quarter's headlines

- **Banking & Finance:** RBI overhauls cyber-risk, IRACP and FEMA/ECB frameworks; new FEMA export-import rules from October 1, 2026
- **Debt Capital Markets:** RBI revises valuation norms for REITs and InvITs
- **Employment & Labour:** EPF/EPS Schemes 2026 notified; wage ceiling raised to INR 25,000; Karnataka Shops Act amended; State labour-code rules roll out
- **Intellectual Property:** Copyright Office refuses AI (DABUS) authorship; DPIIT proposes Designs Act overhaul and Hague Agreement accession
- **Litigation:** CMS INDUSLAW representing former KMPs of a major Japanese corporation before SAT in a landmark SEBI enforcement matter
- **Real Estate:** MoHUA advises four-month RERA project extensions amid West Asia conflict; IIFL Home Finance secures \$150 million JICA loan to expand affordable housing for low-income women
- **Regulatory:** New consolidated FEMA export-import regulations take effect October 1, 2026
- **Tax:** Proposed GST 2.0 reforms seek to ease compliance, reduce disputes and improve tax administration in India



Banking and Finance

1. RBI introduces cybersecurity and digital payment security framework

On July 31, 2026, the Reserve Bank of India ("RBI") issued the Cybersecurity, Technology: Risk, Resilience and Assurance Framework Directions together with the Digital Payment Security Controls Directions, creating a single entity-centric governance architecture for technology risk, cyber resilience and digital payment security across regulated entities.

2. RBI revises key prudential and KYC requirements

In August and September 2026, the RBI also revised key prudential requirements. The Minimum Capital Requirements for Market Risk Directions, 2026 (21 September) revised the capital treatment of market-risk exposures, while the Priority Sector Lending – Targets and Classification (Third Amendment) Directions, 2026 (11 September) recalibrated priority sector lending targets and classification. The Fourth Amendment Directions (25 August) also shortened the CRR/SLR exemption period for fresh FCNR(B) and NRE deposits accepted by commercial, small finance, regional rural and cooperative banks. Separately, six KYC Amendment Directions, effective from 18 September 2026, extended the certified-copy verification route to Foreign Portfolio Investors. This route was previously available only to NRIs and PIOs.

3. RBI amends income recognition norms for specified non-financial assets

On July 16, 2026, the RBI amended the Income Recognition, Asset Classification and Provisioning directions for both commercial banks and NBFCs. Banks and NBFCs may no longer recognise accrued but unrealised interest or charges relating to the period before acquisition of a specified non-financial asset (SNFA) as income upon acquisition; such income must instead be booked as non-interest/

other income only upon realisation. Amounts already recognised for an SNFA outstanding on September 30, 2026 must be reversed through profit and loss by September 30, 2027.

4. RBI withdraws superseded FEMA circulars

RBI's A.P. (DIR Series) Circular No. 21 of 8 September 2026 withdrew seven superseded FEMA circulars, predominantly those governing External Commercial Borrowings, continuing an ongoing rationalisation drive that had earlier withdrawn 732 defunct FEMA circulars under DIR Series Circular No. 18.

5. FEMA (Foreign Investment) Rules, 2026 released for stakeholder comment

FEMA (Foreign Investment) Rules, 2026 have been released for stakeholder comment to replace the Non-Debt Instruments Rules, 2019 in their entirety, rather than through incremental amendment. As the principal FEMA framework governing foreign direct investment and other non-debt inflows into India, any redrafting of the NDI Rules is significant for offshore strategic investors and joint-venture partners.

6. FEMA export and import regulations to take effect from October 2026

FEMA (Export and Import of Goods and Services) Regulations, 2026, notified in January 2026, come into force from October 1, 2026. They remove the fixed nine-month completion timeline for merchanting trade transactions, discontinue the option of self-write-off of export receivables, and materially expand Authorised Dealer banks' power to close pending EDPMS entries linked to under-realisation or non-realisation of export proceeds. A further amendment notified on September 22, 2026 shortened the Regulation 5(1) documentation timeline from fifteen to nine months.



Debt Capital Markets

1. RBI revises valuation norms for REITs and InvITs

On September 22, 2026, the RBI revised the valuation framework for Real Estate Investment Trusts ("REIT") and Infrastructure Investment Trusts ("InvIT") units held by banks and All India Financial Institutions, introducing a more standardised approach based on whether the units are quoted or unquoted. Quoted units will continue to be valued under the existing framework for quoted securities, while unquoted units will generally be valued based

on the net asset value ("NAV") disclosed by the relevant REIT/InvIT. Where prescribed NAV disclosures are not made, or units are classified as infrequently traded, a value of INR 1 will apply for RBI regulatory purposes. The changes are intended to bring greater consistency and transparency to institutional valuation and reporting and are particularly relevant to financial institutions investing in India's real estate and infrastructure sectors.

Employment and Labour

1. New Employees' Schemes

The Employees' Provident Fund ("EPF") and the Employees' Pension Scheme ("EPS") are statutory social security schemes administered by the Employees' Provident Fund Organisation ("EPFO"). On June 29, 2026, the Ministry of Labour and Employment ("MoLE") notified the Employees' Provident Funds Scheme, 2026 ("EPF Scheme 2026") and the Employees' Pension Scheme, 2026 ("EPS 2026") under the Code on Social Security, 2020, replacing the earlier EPF and EPS frameworks.

The EPF Scheme 2026 largely retains the existing framework for international workers, including exemptions for employees covered by applicable Social Security Agreements ("SSAs"). Under the India-Japan SSA¹, employees assigned to India may generally be exempt from participation and contributions under the EPF Scheme 2026 and EPS 2026 for up to five years, subject to obtaining a Certificate of Coverage and other applicable requirements.

The EPS 2026 also largely retains the existing framework applicable to international workers, including totalisation benefits under applicable SSAs. However, EPS 2026 introduces a 36-month waiting period for withdrawal benefits where an international worker exits before superannuation.

2. One-Time EPF Relief Schemes

MoLE has also introduced three one-time relief measures along with the EPF Scheme 2026: the Employees' *Enrolment Campaign 2026* to regularise employees not enrolled between April 2009 and March 2026 (until October 31, 2026); *VISHWAS 2026* to settle pending disputes relating to damages at reduced rates (until December 28, 2026); and *AMNESTY 2026* to retrospectively regularise exempt Provident Fund Trusts (until December 28, 2026). These measures are intended to help establishments regularise past EPF non-compliance.

3. Wage ceiling increase for EPF²

MoLE recently notified an increase in the wage ceiling for mandatory EPF coverage from INR 15,000 to INR 25,000 per month (the first such revision since 2014) effective from September 17, 2026. Employees whose wages are at or below the revised ceiling must be enrolled with the EPFO, while employees earning above it may be enrolled voluntarily.

4. The Karnataka Shops and Commercial Establishments (Amendment) Act, 2026³

On August 24, 2026, the Government of Karnataka introduced the Karnataka Shops and Commercial Establishments (Amendment) Bill, 2026

1. <https://www.mea.gov.in/images/pdf/ssa-japan.pdf>
2. <https://egazette.gov.in/WriteReadData/2026/275747.pdf>
3. <https://cms-induslaw.com/en/ind/publication/employment-newsletter-july-august-2026>

("Amendment Bill"), proposing amendments to the Karnataka Shops and Commercial Establishments Act, 1961 ("**KSECA**"). The Amendment Bill has since been enacted as the Karnataka Shops and Commercial Establishments (Amendment) Act, 2026 ("**Amendment Act**"), which was brought into force on September 4, 2026.

The Amendment Act exempts establishments employing 10 or more workers that are already registered under the Occupational Safety, Health and Working Conditions Code, 2020 from separate registration under the KSCEA. Godowns or storage facilities located within 100 metres of the principal establishment will also not require separate registration.

The other key amendments include digitisation of registration as well as the closure process, and revised penalty framework. Additionally, registration, once granted, remains valid until closure, removing the need for periodic renewal. Further, several administrative conditions relating to women's night-shift employment have also been relaxed, though core safeguards (written consent, GPS-enabled transport, shift rotation, restrooms, crèche costs) remain in place.

5. Update on the Notification of Rules for States Across India

Since the Central Rules under the four Labour Codes were notified in May 2026, several States and Union Territories have notified their own rules during this period under the Labour Codes.

Bihar notified its Industrial Relations and Occupational Safety, Health and Working Conditions ("**OSH**") Rules on July 1, 2026; Andhra Pradesh notified its Social Security Rules on July 7, 2026, and OSH Rules on August 7, 2026. Rajasthan's OSH Rules came into effect on June 30, 2026, followed by its Industrial Relations and Wages Rules on August 12, 2026; Uttar Pradesh notified its Wages Rules on August 12, 2026, and Social Security Rules on August 27, 2026; and Ladakh brought its Social Security and Industrial Relations Rules into force in August 2026. Entities operating in these States/UTs should begin taking steps to comply with the rules that have been notified.

In Gujarat, while the rules under the Labour Codes had already been notified, the State Government recently issued a public notice mandating online registration under the OSH Code, following the launch of the Shram Setu Portal on August 25, 2026. Factories, construction sites, industrial establishments, and commercial establishments employing 10 or more workers are required to register online through the portal.

Intellectual Property

1. Copyright Office Refuses to Recognise AI System DABUS as Author

The Registrar of Copyrights, Copyright Office, Government of India ("**Copyright Office**"), by order dated August 31, 2026, rejected an application filed by Dr. Stephen L. Thaler ("**Thaler**") seeking registration of an artistic work titled "A Recent Entrance to Paradise", which named DABUS, an artificial intelligence ("**AI**") system, as its author.⁴

The Copyright Office held that the work satisfied the threshold of originality under Section 13 of the

Copyright Act, 1957 ("**Copyright Act**")⁵, and that the use of algorithmic or computational processes does not, by itself, render an expression unoriginal. However, it observed that DABUS is neither a natural nor a juristic person recognised in law and therefore cannot be entered as "author" under Section 2(d)(vi) of the Copyright Act. Having conceived, configured and trained DABUS and supplied the relevant inputs, Thaler was the legally recognised person who caused the work to be created, and therefore the person capable of being identified as its statutory author.

4. *In re* Application of Stephen L. Thaler for Registration of "A Recent Entrance to Paradise", Diary No. 9356/2022-CO/A (Registrar of Copyrights Aug. 31, 2026).

5. The Copyright Act, 1957, No. 14, Acts of Parliament, 1957, §§ 2(d)(vi), 13 (India).

The Copyright Office noted that Thaler had been given an opportunity to amend the author in the application but declined the same. The application was accordingly rejected, with liberty to Thaler to seek fresh registration correctly identifying the author. The Copyright Office clarified that whether legal personhood or authorship should ever be extended to autonomous AI is a policy question for Parliament and cannot be introduced through administrative reinterpretation.

2. Proposed Reforms to the Indian Design Law

The Department for Promotion of Industry and Internal Trade ("DPIIT") published a concept note proposing amendments to the Designs Act, 2000 ("Designs Act").⁶ The proposed reforms include bringing forth changes to the definition of "article" and "design" to extend design protection to virtual designs by decoupling eligibility from a tangible carrier and aligning the Designs Act with digital-first

innovation. This protection is likely to cover - graphical user interfaces (GUIs), icons and screen displays, animations and transitions, AR/VR interfaces, etc. Other key proposals include introducing a 12-month grace period and up to 30-month publication deferral, providing timeline relief, introducing statutory damages, revising the term of protection, etc. Accession to Hague Agreement Concerning the International Registration of Industrial Designs, Geneva Act of 1999 ("**Hague Agreement**"), is also proposed, which could significantly impact GUI design protection. Such an accession will enable Indian designers and businesses to secure design protection in multiple jurisdictions through a single international application, and will reduce costs, process complexities and administrative burden. It will also enable foreign businesses to designate India under an international application and seek protection in the jurisdiction along with other designated countries.

Litigation

Representing former KMPs of a major Japanese corporation in SAT Proceedings

We are representing the appellants, former key managerial personnel of the Indian subsidiary of a major Japanese corporation, in proceedings arising out of an enforcement order passed by the Securities and Exchange Board of India ("**SEBI**") concerning alleged financial misstatements and disclosure violations.

Our mandate involves representing the appellants in proceedings before the Whole Time Member of SEBI, as well as related proceedings before the Supreme Court of India, where the appellants were successful. We are presently representing the appellants in their challenge to SEBI's order before the Securities Appellate Tribunal ("**SAT**").

Our role includes conducting a detailed review of the investigation record and the impugned order to assess the attribution of liability; developing and advancing the

appellants' challenge on grounds including violation of principles of natural justice, evidentiary deficiencies and proportionality of penalties; and preparing comprehensive pleadings and rejoinders. We are also involved in formulating the overall litigation strategy and representing the clients at hearings before the SAT, including in relation to securing and continuing interim relief pending final adjudication. The SAT has now reserved the matters for judgment.

Significance: The matter arises from one of SEBI's significant enforcement actions concerning alleged accounting irregularities and disclosure lapses by the Indian subsidiary and raises complex questions regarding the attribution of liability to individual officers and directors in cases involving corporate financial misstatements. The proceedings involve issues concerning the evidentiary threshold for establishing knowledge, involvement or responsibility of key managerial personnel and non-executive directors, particularly where the alleged violations arise from internal irregularities within a listed company.

6. Department for Promotion of Industry & Internal Trade, Ministry of Commerce & Industry, Government of India, Department for Promotion of Industry and Internal Trade Proposes Amendments to Designs Act to Align with Global Best Practices (Jan. 29, 2026), Press Release Page | Press Information Bureau.

Real Estate

1. MoHUA Advises RERAs to Extend Project Timelines by Four Months Amid West Asia Conflict

The Ministry of Housing and Urban Affairs has advised State Real Estate Regulatory Authorities to extend the registration and completion timelines of certain real estate projects by four months, citing force majeure conditions arising from the West Asia conflict and related disruptions to global supply chains for construction materials and labour. The extension applies to registered projects whose original, revised or extended completion date falls on or after February 28, 2026, without requiring developers to file separate extension applications.

2. IIFL Home Finance Signs \$150 Million JICA Loan to Expand Affordable Housing for Low-Income Women

IIFL Home Finance has signed a \$150 million (approximately ₹1,260 crore) loan agreement with the Japan International Cooperation Agency (JICA) to expand affordable homeownership finance for low-income women across India. The facility, co-financed alongside the Asian Development Bank (ADB) and MUFG Bank, will channel long-tenure funding toward women borrowers from Economically Weaker Sections (EWS) and Low-Income Groups (LIG) in urban and peri-urban markets. Beyond financing, the partnership includes technical cooperation from JICA and the Japan Housing Finance Agency (JHF) to train Indian regulators and IIFL Home Finance's teams on decarbonized construction practices and Japanese housing finance policy.

Regulatory

1. New FEMA Regulations on Export and Import of Goods and Services to Take Effect from October 1, 2026

The Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026 ("FEMA 23(R)/2026-RB"), issued by the Reserve Bank of India ("RBI") on January 13, 2026, will come into effect on October 1, 2026, completely superseding the older 2015 export regulations. This updated framework unifies export, import, and merchanting trade compliances into a single, streamlined structure designed to simplify cross-border trade operations.

Key updates include a standard 9-month timeline for the realisation and repatriation of export proceeds, except where the export of goods and services is invoiced or/and settled in Indian Rupees the time

period shall be 12 months. The revised regulations also specify for an exporter of services to furnish to the specified authority, a declaration in Export Declaration Form ("EDF") specifying the amount representing the full export value of services, within 30 days from the end of month in which invoice for services has been raised, provided that where services have been exported to more than one recipients in a month, a single EDF may be submitted for all such exports.

The new framework has expanded operational powers for Authorised Dealer banks to clear historical backlogs, and relaxed rules allowing for the self-declaration closure of Export Data Processing and Monitoring System or Import Data Processing and Monitoring System entries up to ₹10 lakhs (or its equivalent in foreign currency).

Tax

1. GST 2.0: Key Proposals under Consideration and their Impact

India's GST Council is scheduled to meet on 7th October 2026 to consider a wide-ranging set of "GST 2.0" reform proposals. Key proposals include limiting GST rate revisions to once a year, effective each April 1; GST officers' power to arrest taxpayers and directing routine classification, valuation and input tax credit disputes toward civil rather than criminal consequences; raising the prosecution threshold fivefold, from INR 1 crore to INR 5 crore; and exempting liabilities below INR 10,000 from tax notices, except in cases of fraud. Other proposals under consideration include expediting GST registration (with around 60% of applications

expected to clear within three days) and introducing "deemed acknowledgement" where authorities fail to respond to registration or refund applications within 10 days, protecting genuine buyers' input tax credit where a seller defaults on depositing tax, and greater use of technology to reduce compliance burden.

These are proposals for the Council's consideration at this stage, not confirmed changes. Any recommendation by the GST Council would still require corresponding amendments to the GST Act, rules, or notifications before taking legal effect. If adopted, these measures are intended to reduce litigation risk, lower compliance costs, and improve the ease of doing business in India.



How CMS INDUSLAW can help

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Our dedicated Japan Desk continues to advise Japanese multinationals and investors, building on over two decades of experience advising clients on market entry, M&A, joint ventures, regulatory compliance, banking and finance, and disputes, while regularly engaging with Indian regulators.

For any queries

For queries on any of the developments covered in this newsletter, or to discuss their impact on your India operations, please reach out to the CMS INDUSLAW Japan Desk at: japandesk@cms-induslaw.com

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