

INSIDE THIS ISSUE

- IFSCA proposes unified circulars for capital market intermediaries
- SEBI board reviews reforms to ease doing business
- Vedanta accused of debt 'Ponzi scheme' by Viceroy Research
- SEBI bans Jane Street from Indian markets
- Jio-BlackRock form JV to enter Indian mutual fund space



GNLU CENTRE FOR BUSINESS AND PUBLIC POLICY

Welcome to the latest edition of the GNLU Centre for Business and Public Policy's newsletter! In this issue, we delve into the key developments shaping India's business and regulatory landscape this July. From bold regulatory moves by SEBI and IFSCA to high-profile corporate controversies and strategic industry collaborations, our curated coverage brings you sharp insights into the forces driving change in markets, policy, and finance.



✉ gcbpp@gnlu.ac.in

📷 [gcbpp_gnlu](https://www.instagram.com/gcbpp_gnlu)

🌐 [gcbpp](https://www.gcbpp.org)



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AND PUBLIC POLICY



TABLE OF CONTENTS

- 01 India's First Asset Tokenisation Bill
- 02 Long-term Resilience of Indian PSUs to Middle East Oil Shocks
- 03 Global oil supply uncertainty and India's energy transition
- 04 Amendment of India's FDI Policy: Regulating Investment from Bordering Countries
- 05 Ease of Doing Business: A Fundamental Pillar of Union Budget 2026-27
- 06 From Hormuz to Dalal Street: The US–Iran War's Impact on the Indian Stock Market
- 07 HDFC Chairman Resignation
- 08 India's Banking Liquidity Crunch: Policy Failure or Just Bad Timing?



GNLU - KHAITAIN & CO. ADVANCED CERTIFICATE PROGRAMME ON CAPITAL MARKETS 2025-26



5th GNLU INTERNATIONAL CONFERENCE ON BUSINESS, LAW & PUBLIC POLICY



India's First Asset Tokenisation Bill

~ *Aishani Agarwal (2023-2028)*

The Asset Tokenization (Regulation) Bill, 2026, India represents a move away from regulatory uncertainty and towards legal recognition of tokenized real-world assets. Introduced in the Rajya Sabha, it represents the first dedicated legislative effort to govern blockchain-based asset tokenization in India.

Essentially, the Bill grants legal validity to “asset tokens” that represent exclusive physical or digital rights in an underlying asset while maintaining the principles of property law by clarifying that the issuance of a token does not cause ownership of a property to be transferred. This clarification addresses an important doctrinal doubt and allows for tokenization, without disrupting legal frameworks. Moreover, the Bill applies a lifecycle perspective by regulating issuance, custody, trading, and settlement with strict disclosure conditions and penalties.

The most important feature of this legislation is the multi-regulator model, which provides for jurisdiction allocation based on the nature of the underlying asset. This is pragmatic but raises coordination problems, particularly in overlapping areas like payment-linked securities. The Bill may not work as intended due to non-harmonisation with India's tax and AML regime. The viability of tokenised assets is undermined by a tax classification as VDA.

Even so, the Bill's real contribution lies in shifting the conversation: treating tokenisation not just as a compliance issue, but as something that needs a proper legal framework.

<u>Feature</u>	<u>What the Bill Does</u>
Legal Recognition of Asset Tokens (S.3)	Recognises asset tokens as valid digital representations of rights in underlying assets.

Ownership Clarification (S.3)	Token issuance does not automatically transfer ownership of the underlying asset.
Lifecycle Regulation (S.4)	Legally enforces the rights, obligations and entitlements attached to an asset token.
Multi-Regulator Model (S.7-8)	Assigns regulators based on the nature of the underlying asset.
Trading Requirements (S.II)	Mandates traded on only registered platforms.

Long-term Resilience of Indian PSUs to Middle East Oil Shocks

~ Megha Chhari (2024-29)

How state-owned enterprises are quietly rewriting India's energy security playbook, one diversification deal at a time.

Every time geopolitical tensions flare in the Persian Gulf, India holds its breath. India, the world's third-largest consumer of crude oil, is heavily reliant on imports to meet its oil requirements. Imports account for nearly 87 percent of its consumption. According to a Standing Committee on Petroleum and Natural Gas report released in December 2024, over 60% of crude imports come from countries in the Persian Gulf, mainly Iraq, Saudi Arabia, Kuwait, and the UAE. For decades, India's Public Sector Undertakings (PSUs), such as ONGC, IOC, BPCL, and HPCL, among them, have absorbed these shocks as passive recipients. That era is ending. Over the past decade, Indian PSUs have executed a pivot. ONGC Videsh now holds upstream assets in 30 oil and gas projects across 14 countries, including Russia, Brazil, Mozambique, Azerbaijan, Venezuela, and Vietnam. BPCL completed the Rs 16,500 crore Integrated Refinery Expansion Project (IREP) at Kochi, ramping up the refinery's capacity to 15.5 million tonnes from the earlier 12.4 MT, thereby boosting crude processing capabilities with a Nelson Index of 10.8. These moves are not incidental, as the Standing Committee on Petroleum and Natural Gas recommended that the Ministry of Petroleum and and Natural Gas take steps to diversify imports of crude oil and gas, noting that over-dependence on any region can impact India's energy security. Domestically, the government's thrust on



strategic petroleum reserves (SPRs) has added a buffer. India's three underground SPR facilities in Visakhapatnam, Mangaluru, and Padur now hold approximately 5.33 million metric tonnes of crude, simultaneously providing roughly 9-10 days of forward cover. In July 2021,

the government approved the establishment of two additional commercial-cum-strategic facilities with a total storage capacity of 6.5 MMT at Chandikhol (4 MMT) in Odisha and Padur (2.5 MMT) in Karnataka. Even the refinery modernization is equally significant. IOC's Panipat and BPCL's Kochi refineries have been upgraded to process a broader crude slate, which would form to include heavier, sourer grades from the Americas and Africa, thereby reducing operational dependency on the lighter Arabian crudes that Middle-East shocks typically affect most acutely. Nevertheless, structural vulnerabilities remain. A recent parliamentary reply citing the Reserve Bank of India noted that a 10 percent crude shock can add roughly 30 basis points to inflation under full pass-through. Without deeper reforms in fuel pricing and hedging mandates, the operational resilience gains risk being offset at the financial level. India's PSUs have built a more resilient architecture than they are often credited for. The real test is whether policy frameworks evolve fast enough to match the strategic ambitions their management has already idealized or figured out for them.

Global oil supply uncertainty and India's energy transition

~ Divyanshi Sharma (2025-2030)

The repercussions can go way beyond the borders when tensions erupt in some of the most important oil producing areas. During the quarter of January to March of 2026, past instabilities in the geopolitics affairs in the Middle East as well as supply disrupts out by key producers again found the global oil markets vulnerable. Such uncertainty, at least in the case of India, which is too reliant on imported crude, that it imports 85% of its crude demand, is not external, but internal.

Even small shocks in supply will create disproportionate effects in the economy. Increasing prices of crude, increase the current account deficit and have a downward pressure on the rupee. Since oil is traded in dollar, the burdening cost is aggravated by currency depreciation and this will result in a cycle which will impact inflation and fiscal planning.

Nevertheless, a new energy is seen to support renewable energy sources like solar and wind, as a part of climate commitments and source of economic survival. The electric mobility drive and green hydrogen are another sign of protective measure of the domestic economy against external shocks. As India's target to achieve net zero emissions by 2070 as part of the Nationally determined Contributions (NDCs) in the 26th Conference Of Parties (COP) of United Nations Framework Convention on Climate Change (UNFCCC) held in Glasgow November 2021, it is a significant commitment to Global Climate Change.

However, the change does not happen instantly and without resistance. Even with long term strategies, short term responses to oil shocks, like raising fuel taxes or opening of strategic reserves are still required.



The uncertainty of the oil supply in the world is therefore a restrictive but a driving force. It highlights the vulnerability of India to threats and reinforces the need to go alone with energy. The way forward is not through the overnight removal of vulnerability, but through the progressive re-constitution of this vulnerability, the crisis-induced response into a consistency of energy policy that is both prospective and forward-looking.

Amendment of India's FDI Policy: Regulating Investment from Bordering Countries

~ *Chahna Shah (2025-2030)*

In an era where the world and its economy are increasingly interconnected, yet geopolitically sensitive, the regulation of foreign direct investment has become an important policy decision. Considering the same, India's amendment to its Foreign Direct Investment guidelines related to investments from states bordering India represents a significant attempt to recalibrate the lost balance.

The changes which were first introduced in April 2020 through revisions to the Consolidated FDI Policy, the amendment makes it clear that any investment originating from or owned by entities which are situated in countries bordering India must obtain prior government approval. The policy was centred towards nations such as China, Pakistan, Bangladesh, Nepal, Myanmar, Bhutan, and Afghanistan. This amendment marked a significant departure from the automatic approval mechanism and a liberalised FDI framework which was historically adopted and maintained by India.

This shift in policy emerged against the backdrop of global economic uncertainty during the COVID-19 pandemic, when depressed asset valuations raised concerns regarding opportunistic acquisitions of strategically important Indian companies. To prevent hostile takeovers, maintain economic stability and safeguard critical infrastructure, technology sector and other financial institutions, the government introduced approval requirements.

The amendment presents benefits along with possible shortcomings. On one hand, the requirement of prior government approval strengthens national security by preventing hostile takeovers of Indian companies, enhances scrutiny over ownership structures, limits the possibility of indirect or opaque investments, and provides reassurance to owners that their critical assets will remain protected in times of economic volatility. Collectively, this ensures that the influx of foreign investments mirrors the broader economic interests of India. On the other hand, the decision introduces certain

procedural complexities such as mandatory approvals leading to regulatory delays, possibility of uncertainty, and poses challenges on the startups and emerging businesses who usually rely upon quick funding cycles. Concerns have also been raised regarding



capital inflows from neighbouring countries due to the absence of clearly defined timelines which would further affect investor confidence.

Lastly, the policy does not discourage investments from bordering nations but subjects them to oversight mechanisms reflecting the evolution of India's investment governance from a purely market-driven liberalisation framework toward one that balances economic openness with strategic autonomy.

Ease of Doing Business: A Fundamental Pillar of Union Budget 2026-27

~ Chandni Garg (2024-2029)

When regulatory friction determines whether capital flows in or walks away, the ease of doing business becomes more than a policy objective; it becomes an economic imperative.

The Union Budget 2026-27, presented by Finance Minister Nirmala Sitharaman on February 1, 2026, positions the Ease of Doing Business (EoDB) as a foundational pillar of India's growth strategy. Anchored in the *Viksit Bharat@2047* vision, the budget signals a shift from compliance-heavy governance to a trust-based regulatory framework.

Central to this shift is a decisive push toward digital transformation in trade facilitation. A unified digital window for cargo clearance approvals will consolidate interactions between businesses and multiple government agencies, replacing fragmented processes with seamless workflows. For goods without compliance requirements, customs clearance



will be granted immediately upon online registration and duty payment. The Customs Integrated System (CIS), set for rollout within two years, will serve as a single, scalable platform for all customs processes. Further, the expansion of non-intrusive scanning powered by advanced imaging and AI-based risk assessment across major ports reflects an intent to reduce physical bottlenecks while strengthening security through technology.

The budget also introduces meaningful taxation reforms aimed at reducing litigation and enhancing efficiency. The Minimum Alternative Tax (MAT) rate has been lowered from 15% to 14% and restructured as a final tax obligation, while pre-deposit requirements for filing tax appeals have been halved from 20% to 10%. Investment

thresholds for Persons Resident Outside India (PROIs) in listed Indian companies have been raised, with individual limits moving from 5% to 10% and the aggregate ceiling from 10% to 24%, underscoring the government's intent to deepen India's integration with global capital markets. However, the true measure of the budget's impact will lie in the consistency of implementation across central and state-level institutions. Regulatory intent must translate into operational reality, particularly for MSMEs and startups that bear the greatest cost of compliance delays. The real question remains whether businesses on the ground experience a tangible reduction in the time, cost, and uncertainty of doing business in India.

From Hormuz to Dalal Street: The US–Iran War's Impact on the Indian Stock Market

~ Dev Shroff (2021-2026)

When the United States and Israel launched Operation Epic Fury against Iran on 28 February 2026, the shockwaves did not stay in the Gulf. Within days, they were being felt in Mumbai.

When the opening bell rang on the first trading day after the strikes, panic was visible. The Sensex plunged over 2,700 points in early trade, and even after a partial recovery, the damage to sentiment was clear. This was not simply a momentary overreaction. It was a preview of the months ahead.

The mechanism is straightforward, even if its consequences are not. India imports nearly 85% of its crude oil, and even a few dollars' rise in prices can materially affect the country's energy economics, as energy analysts have noted. Higher oil prices mean a heavier import bill, which pressures India's trade balance and weakens the rupee. Since oil is priced in dollars, a weaker rupee and a higher crude price together create a double jeopardy. Every barrel of oil becomes significantly more expensive for Indian refineries compared to just a year ago.

The impact was swift and sectoral. IndiGo, India's largest airline and a stock closely watched as a proxy for consumer sentiment, slid sharply as jet fuel costs surged. Aviation is one of the most exposed industries in any oil shock, and IndiGo's fall was a visible, market-wide signal that the conflict had arrived on Dalal Street in earnest. Foreign institutional investors, already cautious, pulled more than ₹3.17 lakh crore from Indian equities through FY26, accelerating a sell-off that weighed on the broader market. The Reserve Bank of India reportedly deployed nearly ₹1 lakh crore from its foreign exchange reserves to prevent the rupee from going into freefall.

Geopolitical tremors in the Gulf reliably ripple into Dalal Street through oil, the rupee, and fleeing foreign capital, reminding investors that geography is never truly distant. Dalal Street, it turns out, has always had a front-row seat to the Gulf.

HDFC Chairman Resignation

~ Ojas Aber (2024 -2029)

On 18th March, Atanu Chakraborty, the Chairman of India's Largest Private Sector Bank resigned midway through his second term, citing a deep incongruence between his personal values and the bank's internal practices. He was appointed as part-time chairman of HDFC Bank in April 2021 for three years. RBI approved his reappointment in May 2024, extending his tenure till May 4, 2027. During his time as chairman, HDFC Bank saw its \$40 billion merger with HDFC Ltd. which resulted in creating one of the largest financial services entities in the country.

This abrupt resignation arises from disagreements over the management's handling of regulatory lapses at the bank's Dubai branch and the mis-selling of Credit Suisse AT-1 bonds. "Certain happenings and practices within the bank, that I have observed over last two years, are not in congruence with my personal Values and Ethics," Chakraborty said in his resignation letter.

What surprised many was that HDFC Bank's chief executive and managing director Sashidhar Jagdishan said its former chairman was asked to reconsider his decision to quit, elaborate on concerns involving ethics, and also take back some of the language in the resignation letter. Speaking on the same call, independent director M D Ranganath said the board members repeatedly asked Chakraborty to cite specific instances, but none were pointed out. The board was baffled because he was not forthcoming about any of the claims made in the resignation letter.



The market reaction was immediate and severe. HDFC Bank's stock plummeted 9% in a single day and witnessed a massive sell-off, erasing approximately ₹ lakh crore in market capitalization over just a few trading sessions. To contain the governance storm and project transparency, HDFC's board hired three external law firms to

conduct a thorough review of the claims outlined in the former chairman's resignation letter.

This high-profile exit has thrust the responsibilities of corporate leadership and banking regulators into sharp focus. The role of a bank chairman is anchored in fiduciary duty. They act as the ultimate guardian of corporate governance, tasked with ensuring absolute integrity and accountability to protect both shareholders and depositors. The Reserve Bank of India approved Keki Mistry as the interim chairman for a three-month transition period. Simultaneously, SEBI has stepped in to examine the fallout.

India's Banking Liquidity Crunch: Policy Failure or Just Bad Timing?

~ *Mahesh Bathija (2025-2030)*

Every March, India's banking system tightens as advance tax payments and GST outflows drain liquidity. But March 2026 has been different; it's sharper and is revealing the underlying monetary tensions. Liquidity swung into a deficit of around ₹65,900 crore, marking the sharpest reversal since December 2025. The trigger was a combination of advance tax outflows, GST payments and majorly the RBI selling dollars to defend the rupee, which touched a record low of ₹93.94. This absorbed nearly ₹1.8 lakh crore worth of rupee liquidity in March alone.

The RBI is caught in a policy dilemma, either stabilise the exchange rate or maintain domestic liquidity. When the central bank sells dollars to support the rupee, it drains liquidity. That money doesn't come back unless the RBI steps in through other tools. Since January 2026, the RBI has injected ₹3.5 lakh crore through Open Market Operations and Purchase of Government Securities. And yet, the Indian banking system is still in deficit. The reason being the elevated credit-deposit ratio where banks are lending faster than deposits are coming in, leaving a little buffer when sudden outflow occur.

The impact extends beyond banks. The rise in the cost of short-term borrowings has affected Startups and MSMEs the most due to their heavy reliance on working capital. As banks become more careful in giving loans, business activity slows down, gradually affecting overall growth.

This is not quite a policy failure. Many experts view this deficit as temporary and are expecting a relief after April 1 with new government expenditure. However it raises a deeper question of how effectively RBI can manage currency stability and liquidity without them undermining one another. For now, this crunch appears to be a result of fiscal timing. Going forward, the real challenge is whether India's monetary system can handle such pressures more effectively. As demand for credit keeps rising, there will be less room for mistakes, making this balance even more important.

MESSAGE FROM THE NEWSLETTER TEAM

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Our aim is to keep you updated on recent developments by offering a variety of information for your consideration. We welcome your feedback and suggestions to help us improve future editions. Feel free to reach out to us with any thoughts. Stay connected!

 gcbpp@gnlu.ac.in

 [gcbpp_gnlu](https://www.instagram.com/gcbpp_gnlu)

 [gcbpp](https://www.linkedin.com/company/gcbpp)

ADVISORS

Dr. Mobin Shaikh

Head of Centre & Assistant
Professor of Management

Prof.(Dr.) Viral Pandya

Professor of Management

Mr. Satya Ranjan Mishra

Associate Professor of
Commerce

Dr. Mahesh Chaudhary

Assistant Professor of
Management

STUDENT CONVENORS

Mahim Raval
Pulkit Agarwal

TEAM NEWSLETTER

Head: Dwija Vasavada

Co-head: Khushi Patel

DESIGN TEAM

Freya Pandya
Ksheerja Srivastava