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insight

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Welcome to this issue of *Insight*.

The lead article in this issue discusses the amendments and clarifications introduced by the Reserve Bank of India (**RBI**) to the Master Direction on Foreign Investment in India.

Apart from the above, we have focused on the key circulars and notifications issued by the Securities Exchange Board of India (**SEBI**), the RBI and the Ministry of Corporate Affairs (**MCA**) in the January-March quarter.

Any feedback and suggestions would be valuable in our pursuit to constantly improve Insight and ensure its continued success among readers. Please feel free to send them to cam.publications@cyrilshroff.com.

Regards,

CYRIL SHROFF

Managing Partner
Cyril Amarchand Mangaldas

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Updated Master Direction on Foreign Investment in India – Key Changes

The Master Direction on Foreign Investment in India (**Master Direction**) issued by the RBI was updated on January 20, 2025, which provided clarity on certain areas of ambiguity. The key changes are set out below.

I. Clarifications on Downstream investments

1. There had been uncertainty on whether the following arrangements permitted under the FEM (Non-Debt Instruments) Rules, 2019 (**NDI Rules**) for direct foreign investment were also permitted in case of downstream investments:
 - ▮ Arrangements contemplating deferred payment of consideration or placing consideration in escrow, in accordance with Rule 9(6) of the NDI Rules.
 - ▮ Transfers against swap of equity instruments of Indian companies or swap of equity capital of a foreign company in compliance with the rules prescribed by the Central Government including the Foreign Exchange Management (Overseas Investment) Rules, 2022, and the regulations, in accordance with Rule 6 and Rule 9A of the NDI Rules.
2. It was unclear if the above arrangements were permitted in the context of downstream investments/share transfers between a person resident in India and a foreign-owned and/or controlled companies (**FOCCs**); this ambiguity was further exacerbated with the RBI intensifying its scrutiny in the recent past on downstream investments involving either deferred consideration arrangement or swap of equity instruments.
3. The ambiguity, especially on share swaps by FOCCs, was possibly on account of the interpretation of Rule 23(4)(b) of the NDI Rules, which states that *“for the purpose of downstream investment, the Indian entity making the downstream investment shall bring in requisite funds from abroad and not use funds borrowed in the domestic markets and the downstream investments may be made through internal accruals and for this purpose, internal accruals shall mean profits transferred to reserve account after payment of taxes.”*
4. As a result, companies were typically advised to either avoid such structures for downstream investments or go under the approval route. However, this resulted in an absurd situation wherein FOCCs were facing more limitations in downstream

investments as compared to persons undertaking direct foreign investments.

5. The Master Direction has clarified that structuring arrangements, which are available for direct investment, such as deferred payment arrangements under Rule 9(6) of the NDI Rules and swap of equity instruments/equity capital, are also available for downstream investments, subject to entry route, sectoral caps, pricing guidelines and restrictions on the use of domestically borrowed funds for such downstream investment, among others.
6. Parties should ensure that all such deferred consideration payment/consideration escrow or equity swap arrangements and related conditions are explicitly outlined in the share purchase agreement. Such share purchase agreements are typically required to be included as additional attachments to relevant form filings to the RBI when reporting foreign investment or the downstream investment.

II. Clarifications on Treatment of Residency

1. In cases where upon the death of a person resident in India, the equity instruments held by such person are vested in their non-resident legal heir through transmission, the Master Direction now specifies that inherited equity instruments will be held on non-repatriation basis and will not need to be reported in Form DI.
2. However, in case of change of residential status of a person resident in India to a person resident outside India, the investment will be considered on non-repatriation basis.
3. Investments owned/controlled by NRIs/OCIs (including companies, trusts and partnership firms incorporated outside India but owned and controlled by an NRI/OCI) on a non-repatriation basis are deemed to be domestic investments and not considered for calculation of indirect foreign investment under the NDI Rules.

III. Inward remittance in NBFCs

Indian investee companies whose proposed activities are to be governed by financial sector regulators are now permitted to receive foreign investment as per the Master Direction, to comply with the criteria of minimum net owned funds, provided such investment is used solely for this purpose and

not diverted for any other purpose/ activity. If the investee company fails to receive the registration/license by the financial sector regulator, the foreign investment will either be repatriated, or the investee company will comply with the directions relating to foreign investments made in companies that do not have any operations. This ensures that there is no misappropriation of funds if the approval is not granted eventually.

IV. Foreign investment through rights issue

According to Rule 7A of the NDI Rules, a person resident outside India acquiring a right from a person resident in India who has renounced it is permitted to acquire equity instruments subject to the pricing guidelines. This update in the Master Direction clarifies that in a rights issue, persons resident outside India (other than overseas corporate bodies) receiving the unsubscribed equity instruments over and above their entitlement at the discretion of the board of the investee company (in accordance with Section 62(1)(a)(iii) of Companies Act, 2013 (**Companies Act**)) will also comply with entry routes, sectoral caps or investment limits, pricing guidelines and other attendant conditions as applicable for investments by a person resident outside India specified in the NDI Rules.

V. Listing on International Stock Exchanges

Central Government's Direct Listing Scheme, notified and specified in Schedule XI of the NDI Rules since 2024, allows public companies incorporated in India to be listed on permitted international exchanges (currently these are the India International Exchange and NSE International Exchange in GIFT-IFSC under the NDI Rules) and issue equity shares. The latest amendment adds Annex 11 to the Master Direction, providing useful guidelines for "permissible holders" (defined in the NDI Rules to only include persons not resident in India) to deal in the equity securities of such Indian companies, as well on instructions on the mode of payment for purchase/subscription of equity shares and remittance of sale/maturity proceeds of the equity shares.

VI. Modification of tenor of compulsorily convertible instruments

As per the updated Master Direction, the tenor of convertible debentures and convertible preference shares, both of which must be fully paid and mandatorily convertible to qualify as equity instruments under the NDI Rules, is permitted to be

amended in accordance with the Companies Act. This amendment gives Indian companies the opportunity to delay the conversion of shares and maximise returns for its foreign shareholders. However, the price/conversion formula of these equity instruments must be determined upfront at the time of issuance and must not be any lower than the ascertained fair market value.

VII. Treatment of investment by Multilateral Bank or Fund

As per Press Note No. 3 (2020) to India's FDI Policy, an investment entity of a country, which shares its land border with India or where the beneficial owner of an investment is situated in or is a citizen of any such country can only invest in India after receiving requisite government approval. However, the Master Direction clarifies that a Multilateral Bank or Fund, of which India is a member, will neither be treated as an entity of a particular country, and nor will the country be treated as the beneficial owner of the investments of such Bank or Fund in India.

VIII. Change of Control of Investor Company

In situations where an investor entity was originally owned/controlled by a resident and later the ownership/control of such investor company becomes vested with persons resident outside India (i.e. FOCCs), the reclassification of such company's investment in an Indian company to that of a downstream investment will have to be reported in Form DI within 30 days of the reclassification. While this was the practice being followed by some AD banks already, the Master Direction crystallises this requirement.

IX. Definitions

Apart from the above changes, the Master Direction has aligned definitions of "Indian Company", "control" "ESOPs", "sweat equity shares", "share based employee benefits", etc., with the NDI Rules.

Conclusion

The updated Master Direction, by clarifying certain previously unaddressed aspects, marks a step towards a more robust foreign investment framework – one that promotes ease of doing business while balancing transparency and accountability in inbound foreign investments into India.

MINISTRY OF CORPORATE AFFAIRS UPDATES

1. Companies (Prospectus and Allotment of Securities) Amendment Rules, 2025

- a. The Ministry of Corporate Affairs (**MCA**) has introduced the Companies (Prospectus and Allotment of Securities) Amendment Rules, 2025 to amend Rule 9B (2) of the Companies (Prospectus and Allotment of Securities) Rules, 2014. The amendment extends the deadline for private companies (other than a producer company, for which timelines are separately provided in Rule 9B) to comply with requirements of holding their shares in dematerialised form until June 30, 2025. As per these requirements, private companies are mandated to facilitate dematerialisation of all existing securities, issue new securities only in dematerialised form, and

obtain an International Securities Identification Numbers (**ISINs**) from registered depositories. The provisions were originally introduced vide the Companies (Prospectus and Allotment of Securities) Second Amendment Rules, 2023 dated October 27, 2023. Notably, these requirements do not apply to companies classified as small companies as on March 31, 2023.

- b. The deadline extension comes in response to industry feedback citing significant delays in ISIN allotment by NSDL and CDSL. Notably, this extension does not apply to producer companies, which remain subject to the earlier relaxed timeline of March 31, 2028.

(MCA Notification G.S.R. 131(E) dated February 12, 2025)

SECURITIES LAW UPDATES

A. Circulars

1. *Revision and revamp of nomination facilities in the Indian securities market*

The Securities and Exchange Board of India (**SEBI**), in order to revise and revamp the norms for nomination for demat accounts and mutual fund folios – while also seeking to prevent the accumulation of unclaimed assets in the Indian securities market – has issued a circular on “*Revise and revamp nomination facilities in the Indian securities market*”, on January 10, 2025. This move is based on inputs received from various stakeholders, some of the key guidelines of the circular are set out below:

- a. The regulated entity shall comply with the rule of survivorship which specifies, inter alia, (i) in case of demise of a joint-account holder, the regulated entity will transmit the assets held to the surviving account holders *vide* name deletion; (ii) the surviving members shall receive the assets as owners and not as trustees; (iii) surviving joint holders shall be entitled to continue with or alter the nominations made previously; and (iv) the norms applicable for operation of the folio shall also be applicable for nomination.
- b. In the event of simultaneous demise of all joint holders, the regulated entity will transmit the assets in the folio to the registered nominees for effecting its due discharge. If no nominees have been registered, the regulated entity will transmit the assets in the folio as per the will of the deceased or to the legal heir of the youngest of the joint holders.

- c. Investors shall mandatorily provide the following: (i) permanent account number, driving license or last four digits of their Aadhar card; (ii) contact details of nominees; (iii) relationship with the nominee; and (iv) date of birth of nominee in case nominee is a minor.
- d. Regulated entities will have an online mechanism, which will include a one-time password system, for existing and new investors who want to opt out of nomination.

(SEBI Circular No. SEBI/HO/OIAE/OIAE_IAD-3/P/ON/2025/01650 dated January 10, 2025)

2. *Format of due diligence certificate to be given by the debenture trustees*

SEBI, in order to protect investor interests and promote development and regulation of the securities market, has issued a circular on “*Format of Due Diligence Certificate to be given by the DTs*” on January 28, 2025 to specify the format of due diligence certificate to be submitted by the debenture trustees in case of unsecured debt facilities, in accordance with the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (**SEBI NCS Regulations**). Some of the key guidelines of the circular are set out below:

- a. Debenture trustees are now required to submit standardised due diligence certificates with the stock exchanges at two stages: (i) at the time of filing the draft offer document with the stock exchanges. The format for the due diligence certificate is set out in Annexure A of the circular; (ii) at the time of filing of listing application. The format for the due diligence certificate is set out in Annexure B of the circular.

- b. The debenture trustees, who have to submit the due diligence certificates, are required to *inter alia*, confirm the veracity and adequacy of the disclosures made in the offer documents, confirm that the issuer company has given an undertaking that the debenture trust deed shall be executed before filing of listing application and the issuer company has executed the debenture trust deed as per the terms of offer document/ placement memorandum and debenture trustee agreement.
- c. Paragraphs 2.3.1(a) and 2.3.1(b), in Chapter II of the Master Circular for Debenture Trustees, dated May 16, 2024, are amended to ensure alignment with Regulations 40.1(a) and 44(3)(a) of the SEBI NCS Regulations.

(SEBI Circular No. SEBI/HO/DDHS/DDHS-PoD-3 /CIR/2025/ 009 dated January 28, 2025)

3. Development of web-based portal: iSPOT (Integrated SEBI Portal for Technical glitches) for reporting of technical glitches

SEBI, by way of a circular dated January 28, 2025, bearing reference number SEBI/HO/MRD/TPD/P/CIR/2025/08, has developed a web-based portal, i.e., Integrated SEBI Portal for Technical Glitches (**iSPOT**), to streamline the reporting of technical glitches across Market Infrastructure Institutions (**MIIs**) and to create a centralised repository for such glitches. This initiative would help in improving data quality, traceability of historical submission related to technical glitches and facilitate automated intimation to MIIs for submission of root cause analysis reports within SEBI-defined timelines. Some of the key guidelines of the circular are set out below:

- a. The iSPOT has been integrated with the SEBI Intermediary (**SI**) portal for ease of access to market infrastructure institutions. iSPOT can be accessed by market infrastructure institutions by using the existing SI portal.
- b. The relevant provisions of the SEBI Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024, SEBI Master Circular for Depositories dated December 3, 2024, and the SEBI Master Circular for Commodity Derivatives Segment, dated August 4, 2023 have been amended to state that the preliminary and root cause analysis report of a technical glitch shall be shared by market infrastructure institution with SEBI through iSPOT.

(SEBI Circular No. SEBI/HO/MRD/TPD/P/CIR/2025/08 dated January 28, 2025)

4. Safer participation of retail investors in Algorithmic trading

SEBI had issued guidelines for Algorithmic Trading (algo trading) dated March 30, 2012, involving orders generated using automated execution logic. Following the increase in demand for algo trading among retail investors, SEBI decided to review and refine the existing regulatory framework to ensure proper checks and balances, safeguarding both investor interests and market integrity, clarifying the rights and responsibilities of key stakeholders in the trading ecosystem, including investors, stockbrokers, algo providers / vendors, and MIIs. Pursuant to discussions and deliberations with the Intermediary Advisory Committee and the Broker's Industry Standards Forum (**ISF**), SEBI has released the revised circular on "Participation of retail investors in algorithmic trading" dated February 4, 2025 (**Algo Trading Circular**) with the following additions:

- a. **Roles and responsibilities of Stockbrokers:** The brokers shall be solely responsible for handling investor grievances related to algo trading and must actively monitor usage of application programming interface (**APIs**) for prohibited activities.
- b. **Empanelment and Registration of Algo Providers:** Before onboarding an empanelled algo provider on its platform, the broker shall also do the necessary due diligence. Further, the algo providers and brokers may share the subscription charges and brokerage collected from the client. However, prominent and complete disclosures of all the charges shall be made to the client. The broker shall also ensure that such arrangements do not result in any conflict of interest.
- c. **Role and Responsibilities of Stock Exchange:** The stock exchanges shall remain responsible for supervising algorithmic trading, ensuring continuous surveillance and behaviour monitoring of all algo orders, including their simulation testing. The detailed operational modalities and / or Frequently asked questions (FAQs), covering the following aspects, shall be issued by the stock exchanges in consultation with SEBI, regarding the following:
 - i. roles and responsibilities of the brokers including risk management system of brokers for orders through APIs, roles of algo providers along with the criteria, and the process of empanelment of algo providers.
 - ii. registration process for algos and the circumstances in which a re-approval shall be required.

- iii. measures to enhance the confidentiality of retail algo strategies including confidentiality clauses, non-disclosure agreements, encrypted submissions, etc.
- iv. data flow between the algo provider, broker and the stock exchange, while ensuring that the broker remains responsible for compliance with the outsourcing guidelines specified by SEBI from time to time.

As per the Algo Trading Circular, the implementation standards were to be formulated by the Broker's Industry Standards Forum under the aegis of the stock exchanges and in consultation with SEBI by April 01, 2025. Subsequently, SEBI received representation from the stock exchanges requesting for an extension of the timeline to finalise these standards. In order to ensure smooth implementation of the framework without causing disruption to market players and investors, SEBI has extended the timeline. Accordingly, the implementation standards shall now come into effect from May 01, 2025, and the provisions of the Algo Trading Circular shall take effect from August 01, 2025.

Additionally, the NSE vide its circular dated May 5, 2025, has released the implementation standards that have been formulated in accordance with para 7(a) of the Algo Trading Circular. It provides detailed operational and security guidelines for brokers, clients, and algo providers to ensure transparency, accountability, and risk mitigation in algo trading.

- (i) SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/0000013 dated Feb 4, 2025;
- (ii) SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/46 dated April 1, 2025, and
- (iii) NSE Circular Ref: 471/2025 dated May 5, 2025))

5. Circular on Industry Standards on "Minimum information to be provided for the review of the audit committee and shareholders for approval of a related party transaction"

As per Regulations 23(2), (3) and (4) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**SEBI LODR Regulations**), any related party transaction (RPT) has to be approved by the audit committee and by the shareholders, if material.

Part A (Information to be reviewed by the Audit Committee for approval of RPTs) and Part B (Information to be provided to shareholders for consideration of RPTs) of Section III-B (Disclosure and other obligations of listed entities in relation

to RPTs) of the SEBI LODR Regulations specify the information that must be placed before the audit committee and shareholders, respectively, for their consideration of RPTs. To facilitate a uniform approach and assist listed entities in complying with these requirements, the Industry Standards Forum (**ISF**) has formulated industry standards for minimum information to be provided for review of the audit committee and shareholders for approval of RPTs. By way of SEBI circular dated February 14, 2025, below mentioned amendments have been introduced in relation to the SEBI LODR Regulations.

Paragraph 4 under Part A of Section III-B shall stand substituted as follows:

"The listed entity shall provide the audit committee with the information as specified in the Industry Standards on "Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction", while placing any proposal for review and approval of an RPT."

Paragraph 6 under Part B of Section III-B shall stand substituted as follows:

"The notice being sent to the shareholders seeking approval for any RPT shall, in addition to the requirements under the Companies Act, 2013, include the information as part of the explanatory statement as specified in the Industry Standards on "Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction"."

This circular shall come into effect from April 1, 2025.

(SEBI Circular No. SEBI/HO/CFD/CFD-PoD 2/P/CIR/2025/18 dated February 14, 2025)

6. SEBI issued circular providing clarifications regarding Investor Education and Awareness Initiatives

SEBI had released master circular for Mutual Funds (MFs) dated June 27, 2024 (**MF Master Circular**) incorporating all subsequent guidelines / directions issued by way of circulars / letters on MFs till March 31, 2024. Chapter 10 of the MF Master Circular specified that the provisions for loads, fees, charges and expenses charged by MF schemes, *inter alia* required Asset Management Companies (**AMCs**) to annually set apart at least 2 basis point on daily net assets within the maximum limit of total expense ratio, as per regulation 52 of SEBI (Mutual Fund) Regulations, 1996, for Investor Education and Awareness initiatives.

SEBI has, vide its circular dated February 20, 2025, clarified that initiatives under “Investor Education and Awareness” shall also include financial inclusion initiatives, as may be approved by SEBI from time to time.

(SEBI Circular No. SEBI/HO/IMD/PoD1/P/CIR/2025/21 dated February 20, 2025)

7. **Circular on Industry Standards on Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015**

In order to facilitate ease of doing business, the ISF comprising representatives from three industry associations, viz. ASSOCHAM, CII and FICCI, under the aegis of the stock exchanges, has formulated industry standards (**Industry Standards**), in consultation with SEBI, for effective implementation of the requirement to disclose material events or information under Regulation 30 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**Listing Regulations**).

SEBI, by way of this circular, has mandated the listed entities to follow the Industry Standards to ensure compliance with Regulation 30 of the Listing Regulations.

(SEBI Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/25 dated February 25, 2025)

8. **Circular on opening of demat account in the name of “Association of Persons”**

In order to foster and ensure ease of doing business, SEBI has notified that master circular for depositories bearing reference number SEBI/HO/MRD-PoD-1/P/CIR/2024/168 dated December 3, 2024 shall be amended to reflect that apart from opening of a demat account in the name of the natural persons, an association of persons (**AoP**) may also open a demat account in its name for holding securities such as units of mutual funds, corporate bonds and government securities. However, this shall be subject to the following conditions:

- The AoP shall ensure that it only subscribe to the securities that are permissible under applicable law and not subscribe or hold any equity shares;
- The PAN card details shall be submitted to the relevant authorities; and
- In case of any dispute, the principal officer of the AoP shall be treated as the legal representative of the AoP

and shall be jointly and severally liable on behalf of the AoP.

This circular shall be effective from June 2, 2025.

(SEBI Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/24 dated February 25, 2025)

9. **Circular on Industry Standards on Key Performance Indicators disclosures in the draft offer documents and offer documents**

In order to facilitate a uniform approach in identification and disclosure practices of key performance indicators (**KPIs**), the ISF comprising representatives from three industry associations, viz. ASSOCHAM, CII and FICCI, under the aegis of the stock exchanges, has formulated industry standards (**Industry Standards**), in consultation with SEBI, for effective implementation of the requirement to disclose KPIs in the draft offer document and offer documents, as per the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**SEBI ICDR Regulations**).

SEBI, by way of its circular dated February 28, 2025, has mandated issuer companies and merchant bankers to follow the Industry Standards to ensure compliance with the SEBI ICDR Regulations. The circular shall be applicable to all draft offer documents and offer documents filed with SEBI on or after April 1, 2025.

(SEBI Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/28 dated February 28, 2025)

10. **Circular on amendments and clarifications to Circular dated January 10, 2025, on Revise and Revamp Nomination Facilities in the Indian Securities Market dated February 28, 2025 (the “Circular”)**

SEBI vide the Circular has issued amendments and clarifications to the circular dated January 10, 2025, on “Revise and Revamp Nomination Facilities in the Indian Securities Market”. The following clarifications were issued –

- Transmission of joint holding:** Upon the demise of one or more joint holders, assets are transmitted to surviving holders through name deletion. Surviving holders can opt to transmit assets into another existing or new account;
- Opting out of Nomination:** Investors with single holdings can opt-out of nomination online or offline. The online mechanism is detailed in clause 3.10 of the Circular;



- c. **Empowering Nominees:** Investors can empower a nominee to operate their account if incapacitated, and can change the nominee without restriction;
- d. **KYC Requirements:** (i) Regulated entities must maintain KYC records but cannot reject transmission for non-submission of KYC unless previously requested; and (ii) Surviving holders can update personal details during transmission or later;
- e. **Credit Transactions:** Credit transactions are permitted in accounts/folios; and
- f. **Opt-Out Mechanism:** Opt-out procedures differ based on whether the account was opened online or offline.

Further, the following amendments were brought in vide this Circular:

- a. **Nominee Share Distribution:** Odd lots after division are transferred to the first nominee;
- b. **Document Requirements:** Passport numbers are acceptable for NRI/OCI/PIO;
- c. **Nomination Form Modifications:** Changes include the addition of witness signatures and thumb impressions.
- d. **Timelines for Association of Mutual Funds in India (AMFI) and Depositories:** Timelines for AMFI and Depositories to furnish to SEBI the status of readiness of all their constituents to implement.

The Circular will be implemented in three phases instead of from March 01, 2025, as provided in the Circular.

(SEBI Circular No. SEBI/HO/OIAE/OIAE_IAD-3/P/ON/2025/002 dated February 28, 2025)

11. **Circular on Faster Rights Issue with a flexibility of allotment to specific investor(s) dated March 11, 2025 (the "Circular")**

SEBI issued the Circular, addressing the new framework for the rights issue process which was introduced through the SEBI (ICDR) (Amendment) Regulations, 2025, published in the official gazette on March 8, 2025.

Pursuant to this Circular, SEBI clarified under the new amended regulation 85 of the SEBI ICDR Regulations that the issuances shall be completed within 23 working days from the date of approval of the board of director of the rights issue and provides for indicative timelines along with activities to be carried out.

Further, the following amendments were brought in place pursuant to this Circular:

- a. **Validation System:** Stock Exchanges and Depositories, along with the Registrar to the issue, will validate application bids. An automated validation system must be developed within six months from the Circular's applicability date; and

- b. Master Circular Modifications:** Several modifications to the master circular No. SEBI/HO/CFD/PoD-1/P/CIR/2024/0154 are outlined, including changes to the process of credit of right entitlements, application form availability, bid data correction, and filing procedures.

The Circular requires recognised stock exchanges and depositories to (i) notify all stakeholders of its content; (ii) establish necessary systems and infrastructure for monitoring and implementation of the Circular; (iii) make consequential changes, if any, to their respective bye-laws, rules and regulations and bidding portal.

The provisions of the Circular shall come into force from April 7, 2025, and shall be applicable to the rights issues that are approved by the board of directors of the issuer from the date of coming into force of the Circular.

(SEBI Circular No. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2025/31 dated March 11, 2025)

12. Circular on Harnessing DigiLocker as a Digital Public Infrastructure for reducing Unclaimed Assets in the Indian Securities Market (the “Circular”)

SEBI issued the Circular on March 19, 2025, aimed at reducing unclaimed assets in the Indian securities market by leveraging DigiLocker, a digital public infrastructure.

The following changes were brought in place pursuant to this Circular –

- a. DigiLocker Integration:** SEBI proposes integrating mutual fund and demat holding statements into DigiLocker, allowing individuals to access their entire financial holdings in one place;
- b. Nomination Facility:** DigiLocker provides a nomination facility, enabling users to specify nominees who can access their digital information upon their demise;
- c. Demise Notification:** Upon the user's demise, DigiLocker will update the status using data from the Registrar General and Census Commissioner or verified information from KYC registration agencies; and
- d. Automatic Notification:** DigiLocker will notify nominees of the user's demise via SMS and email, allowing them to access the deceased's digital information.

By ensuring that holding statements are available in DigiLocker, the mechanism aims to prevent investments from becoming unidentified unclaimed assets.

Further, pursuant to the Circular, asset management companies, registrars to an issue and share transfer agents, and depositories are directed to register with DigiLocker as “Issuers” to enable users to fetch their holding and transaction statements. KYC registration agencies are also directed to share details of investor demise with DigiLocker, ensuring data safety.

The provisions of the Circular shall come into force from April 1, 2025.

(SEBI Circular No. SEBI/HO/OIAE/OIAE_IAD-3/P/CIR/2025/32 dated March 19, 2025)

13. Framework on Social Stock Exchange (SSE)

SEBI vide circular no. SEBI/HO/CFD/PoD-1/P/CIR/2022/120 dated September 19, 2022 (as amended) notified the detailed framework on Social Stock Exchange. SEBI has now, vide this circular dated March 19, 2025, revised the existing minimum application size for subscribing to “Zero Coupon Zero Principal Instruments” from INR 10,000 (Rupees ten thousand only) to a lower amount i.e. INR 1,000 (Rupees one thousand only). Accordingly, the minimum application size for subscribing to Zero Coupon Zero Principal Instruments shall now be INR 1,000 (Rupees one thousand only).

(SEBI Circular No. SEBI/LAD-NRO/GN/2024/166 dated March 19, 2025)

14. Disclosure of holding of specified securities in dematerialised form

SEBI vide master circular no. SEBI/HO/CFD/PoD2/CIR/P/0155 dated November 11, 2024 (**Master Circular**), prescribed formats for disclosure of holding of specified securities and shareholding pattern under annexure 2 of section II-A of chapter II of the Master Circular, in accordance with Regulation 31 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. SEBI, in order to enhance transparency and investor clarity in shareholding pattern disclosures, has further modified Annexure 2 to the Master Circular vide circular no. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/35 dated March 20, 2025 (**Circular**). Some of the key amendments made vide the Circular are set out below:

- a. Table I-IV of the shareholding pattern has been amended as under:
 - i. details of Non-Disposal Undertaking(**NDU**), other encumbrances, if any and total number of shares

pledged or otherwise encumbered including NDU shall be disclosed by the listed entities.

- ii. To clarify that underlying outstanding convertible securities also includes ESOPs.
- iii. To add one additional column in the existing shareholding pattern format to capture the details of total number of shares on fully diluted basis (including warrants, ESOP, Convertible Securities, etc.).
- b. Table II of the shareholding pattern has been amended as under:
 - i. A footnote has been added to the table II that provides the details of promoter and promoter group with shareholding “NIL”.
- c. This Circular shall come into force with effect from the quarter ending June 30, 2025.

(SEBI Circular No. SEBI/HO/CFD/CFD- PoD-2/P/CIR/2025/35 dated March 20, 2025)

15. Online Filing System for reports filed under Regulation 10(7) of SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011

SEBI, by way of circular dated March 20, 2025, has operationalised an online filing mechanism for reports under Regulation 10(7) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (**Takeover Regulations**) in respect of exemptions provided in Regulations 10(1)(a)(i) and 10(1)(a)(ii) of Takeover Regulations. Such reports, previously submitted via email, may now be filed through the SEBI Intermediary Portal (**SI Portal**), with the following implementation timeline:

- a. **Until May 14, 2025:** Simultaneous filing via email and SI Portal;
- b. **From May 15, 2025:** Online filing through SI Portal shall be the sole permitted mode;
- c. **Fee Payment:** Mandatorily via the SI Portal; existing e-services portal to be discontinued for such filings.

Filing of reports of other exemptions under Regulation 10 will continue to follow the existing system of filing, i.e., through email.

(SEBI Circular SEBI/HO/CFD/DCR1/CIR/P/2025/0034 dated March 20, 2025)

16. Amendment to the Master Circular on Real Estate Investment Trusts (REITs)

SEBI had issued the Master Circular for Real Estate Investment Trust (**REITs**) consolidating all circulars up to May 15, 2024. SEBI, vide circular dated March 28, 2025 (**Circular**), amended the Master Circular with respect to lock-in requirements applicable at the time of preferential issue of units by an REIT and also inserted provisions for follow-on offer by a publicly offered REIT:

a. Lock-in provisions

SEBI has amended Paragraph 10.6.1 of the Master Circular for REITs dated May 15, 2024, whereby 15% of the units allotted to sponsors and sponsor groups shall be locked-in for a period of three years from the date of trading approval granted for the units. Further, the remaining units are to be allotted for a period of one year from the date of trading approval granted for them, provided the sponsor and sponsor groups comply with the minimum unitholding requirement of SEBI (Real Estate Investment Trusts) Regulation, 2014 (**REIT Regulations**).

Further, SEBI has inserted a new sub-paragraph under Para 10.6.5 of the Master Circular for REITs, allowing units issued through a preferential allotment to a sponsor or its sponsor group entities to be transferred within such sponsor or its sponsor group entities during the lock-in period. However, the transfer must undertake to continue the lock-in for the remaining period and not transfer the units until the original lock-in period expires.

SEBI has clarified vide the Circular that in case of REITs with multiple sponsors, locked-in units held by a sponsor or its sponsor group entities can only be transferred within that sponsor or its own sponsor group entities and not to any other sponsor or their sponsor group entities. However, in case of a change in sponsor or conversion to a self-sponsored investment manager, the locked-in units held by the outgoing sponsor or its sponsor group entities may be transferred to the incoming sponsor or its sponsor group entities or to the self-sponsored manager or its shareholders or group entities, provided the transferees comply with the minimum unitholding requirements as specified under the REIT Regulations after such transfer.

b. Follow-on offer by publicly offered REITs

SEBI has vide the Circular inserted new provisions to amend Chapter 2 of the Master Circular for REITs, whereby the following amendments have been incorporated:

- i. the provisions specified in Chapter 2 of the Master Circular that are applicable for public issue of units of REITs will also be applicable for follow-on offer by a REIT.
- ii. REITs must pay fees to SEBI as specified in in Schedule II of the REIT Regulations along with follow-on offer document / draft follow-on offer document, as applicable application to stock exchanges for in-principle approval is mandatory.
- iii. REIT must seek in-principle approval from all stock exchanges where their units are listed and the units must be issued in dematerialised form.
- iv. Managers of REITs and merchant bankers are responsible for obtaining in-principle approval and final listing and trading approvals from the stock exchange(s).
- v. The minimum public unitholding shall be at least 25% of the total outstanding units of the REITs on post issue basis.
- vi. The timelines for allotment and listing of units of REITs shall be as per the timelines specified in case of initial public offer as mentioned in Chapter 2 of the Master Circular for REITs.
- vii. Restrictions on further issue of units during the period between filing and listing of follow-on offer document.
- viii. The provisions of Chapter 3 of the Master Circular shall apply in relation to the disclosure of financial information in the follow-on offer document except Section (B) (provisions pertaining to disclosure of projections of REIT's Revenues and Operating Cash flows) and Section (G) (Principles for preparation of combined financial statements).
- ix. The REITs shall file the draft follow-on document, through the merchant banker with the Board, for its observations. Further, the follow-on offer document, after incorporating the observations of SEBI, shall be filed with the Board and recognised stock exchanges.
- x. The merchant banker shall, along with the filing of the draft follow-on offer document, furnish to the Board, due diligence certificate as per Form A and Form B of Annexure -1 (formats of due diligence certificates) of the Master Circular for REITs.

(SEBI Circular No. SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/43 dated March 28,2025)

17. Amendment to Master Circular on Infrastructure Investment Trusts (InvITs)

SEBI issued the Master Circular for Infrastructure Investment Trusts (**InvITs**) consolidating the circulars issued until May 15, 2024. SEBI has, vide circular dated March 28, 2025 (**Circular**), amended the Master Circular with respect to lock-in requirement applicable at the time of preferential issue of units by an InvIT and has inserted provisions for follow-on offer by a publicly offered InvIT.

a. Lock-in provisions:

SEBI has amended Paragraph 7.6.1 of the Master Circular for InvITs dated May 15, 2024 to revise the lock-in requirements for units allotted to sponsors and sponsor groups. If the project manager of the InvIT is the sponsor or an associate, 15% of the allotted units shall be locked-in for a period of three years from the date their trading approval is granted. If this condition specified in the Circular is not met, lock-in increases to 25% for the units allotted to the sponsor and sponsor groups for the same duration. Further, the remaining units are to be allotted for a period of one year from the date of trading approval granted for the units, provided the sponsor and sponsor groups comply with the minimum unitholding requirement specified in Regulation 12(3) and Regulation 12(3A) of SEBI (Infrastructure Investment Trust) Regulation, 2014, at all times.

Further, SEBI has inserted a new sub-paragraph under Para 7.6.5 of the Master Circular for InvITs, whereby the units allotted under a preferential issue to a sponsor or its sponsor group entities that are subject to lock-in, may be transferred among such sponsor or its sponsor group entities, if the lock-in on such units continue for the remaining period with the transferee who undertakes to not transfer such units till the expiry of the original lock-in period.

SEBI has clarified vide the Circular that in case of an InvIT with multiple sponsors, locked-in units held by a sponsor or its sponsor group entities shall be permitted to be transferred only within such sponsor or its own sponsor group entities and not to any other sponsor or their sponsor group entities. However, in case of a change in sponsor or conversion to a self-sponsored investment manager, the locked-in units held by the outgoing sponsor or its sponsor group entities may be transferred to the incoming sponsor or its sponsor group entities or to the self-sponsored investment manager or its shareholders or its group entities, if the transferee entity/

transferees comply with the minimum unitholding requirements as specified under the InvIT Regulations after such transfer.

b. Follow-on offer by publicly offered InvITs

Further, SEBI has vide the Circular inserted new provisions to amend Chapter 2 of the Master Circular for InvITs, whereby the following amendments, amongst others, are made:

- i. The provisions specified in Chapter 2 of the Master Circular which are applicable for public issue of units of InvIT will also be applicable for follow-on offer by an InvIT.
- ii. InvITs must pay fees to SEBI as specified in in Schedule II of the InvIT Regulations along with follow-on offer document / draft follow-on offer document, as applicable application to stock exchanges for in-principle approval is mandatory.
- iii. InvIT must seek in-principle approval from all stock exchanges where their units are listed and the units must be issued in dematerialised form.
- iv. Investment Managers of InvIT/ and merchant bankers are responsible for obtaining in-principle approval and final listing and trading approvals from the stock exchange(s).
- v. The minimum public unitholding shall be at least 25% of the total outstanding units of the InvIT on post issue basis.
- vi. The timelines for allotment and listing of units of InvIT shall be as per the timelines specified in case of initial public offer as mentioned in Chapter 2 of the Circular on Master Circular for InvITs
- vii. Restrictions on further issue of units during the period between filing and listing of follow-on offer document.
- viii. The provisions of Chapter 3 of this Master Circular shall apply in relation to the disclosure of financial information in the follow-on offer document except Section (B) (provisions pertaining to disclosure of projections of InvIT's Revenues and Operating Cash flows) and Section (G) (Principles for preparation of combined financial statements).
- ix. The InvIT shall file the draft follow-on document, through the merchant banker with the Board, for its observations. Further, the follow-on offer document,

after incorporating the observations of SEBI, shall be filed with the Board and recognized stock exchanges.

- x. The merchant banker shall, along with the filing of the draft follow-on offer document, furnish to the Board, due diligence certificate as per Form A and Form B of Annexure -1 (formats of due diligence certificates) of the Master Circular for InvITs.

(SEBI Circular No. SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/44 dated March 28, 2025)

B. Amendments

1. Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2025 (Securities Contract Amendment Regulations)

The Securities and Exchange Board of India notified the Securities Contract Amendment Regulations on February 6, 2025, introducing a regulatory framework aimed at ensuring responsibility in the use of artificial intelligence. A new regulation – Regulation 39B – introduced under Chapter VI of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, places sole responsibility on recognised stock exchanges and clearing corporation that deploy artificial intelligence and machine learning tools and techniques, either designed by it or procured from third-party technology service providers, irrespective of the scale and scenario of adoption of such tools for conducting their businesses and servicing their clients or constituents. Under this regulation, these entities would be responsible for the following: a) ensuring privacy, security and integrity of investors' and stakeholders' data including data maintained by it in a fiduciary capacity throughout the processes involved; b) the output generated from the usage of such tools and techniques it relies upon or deals with, and c) compliance with all applicable laws in force.

Further, it also provides an explanation to the expression "artificial intelligence and machine learning tools and techniques", which can include any application or software program or executable system or a combination thereof, offered by a recognized stock exchange or a recognised clearing corporation to investors/stakeholders or used internally by it to facilitate trading and settlement or to carry out its activities including compliance requirements and the same are portrayed as part of the products offered to the public or under usage for compliance or management or other business purposes.

The Securities Contract Amendment Regulations came into force on the date of publication in the Official Gazette (i.e., February 10, 2025).

(Notification No. SEBI/LAD-NRO/GN/2025/227 dated February 6, 2025)

2. **Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 (Merchant Bankers Regulations)**

The Securities and Exchange Board of India notified the Securities and Exchange Board of India (Investor Charter) (Amendment) Regulations, 2025, (**SEBI Investor Charter Amendment Regulations**) which, amongst other things, amends the Merchant Banker Regulations, to introduce the concept of Investor Charter in the Merchant Banker Regulations. By way of the SEBI Investor Charter Amendment Regulations, SEBI has introduced a new regulation to the Merchant Banker Regulations, particularly regulation 28D, which states that the merchant banker shall ensure compliance to the Investor Charter specified by SEBI, from time to time.

The amendment to the Merchant Bankers Regulations came into force on the date of publication in the Official Gazette (i.e., February 10, 2025)

(Notification No. LE/11112/92 dated February 10, 2025)

3. **Securities and Exchange Board of India (Bankers to an Issue) (Amendment) Regulations, 2025**

Pursuant to amending the Investor Charter Amendment Regulations, 2025, SEBI amended the SEBI Bankers to an Issue Regulations, 1994. The relevant provision inserted in the Regulation is as follows:

16C. The banker to an issue shall ensure compliance with the Investor Charter specified by the Board from time to time.

The SEBI Bankers to an Issue Regulations amendment enhances the role and responsibility of bankers to an issue.

This Regulation came into force on the date of the publication in the Official Gazette i.e. February 10, 2025.

(Notification No. SEBI/LE/7/94 dated February 10, 2025)

4. **Securities and Exchange Board of India (Debenture Trustees) (Amendment) Regulations, 2025**

Pursuant to amending the Investor Charter Amendment Regulations, 2025, SEBI amended the (Debenture Trustees) Regulations, 1993. The relevant provision inserted in the Regulation is as follows:

14C. The debenture trustee shall ensure compliance with the Investor Charter specified by the Board from time to time.

This Regulation came into force on the date of the publication in the Official Gazette i.e. February 10, 2025.

(Notification No. SEBI/LE/7/93 dated February 10, 2025)

5. **Securities and Exchange Board of India (Infrastructure Investment Trusts) (Amendment) Regulations, 2025**

SEBI, vide notification dated February 10, 2025, has notified the Securities and Exchange Board of India (Investor Charter) (Amendment) Regulations, 2025 (the **Amendment Regulations**) and made amendments to various regulations. Accordingly, it amended the Securities and Exchange Board of India (Infrastructure Investment Trusts) Regulations, 2014. By way of these Amendment Regulations, SEBI has enhanced the rights and responsibilities of an investment manager whereby the investment manager is now required to ensure compliance with the investor charter as may be specified by the SEBI from time to time.

(Notification No. F. No. SEBI/LAD-NRO/GN/2025/228 dated February 10, 2025)

6. **Securities and Exchange Board of India (Real Estate Investment Trusts) (Amendment) Regulations, 2025**

SEBI, vide notification dated February 10, 2025, has notified the Securities and Exchange Board of India (Investor Charter) (Amendment) Regulations, 2025 (the **Amendment Regulations**) and made amendments to various regulations. Accordingly, it amended the Securities and Exchange Board of India (Real Estate Investment Trusts) Regulations, 2014. By way of these Amendment Regulations, SEBI has enhanced the rights and responsibilities of a manager whereby the manager is now required to ensure compliance with the



investor charter as may be specified by the SEBI from time to time.

(Notification No. F. No. SEBI/LAD-NRO/GN/2025/228 dated February 10, 2025)

7. **Securities and Exchange Board of India (Procedure for making, amending and reviewing of regulations) Regulations, 2025 (Procedure Regulations)**

SEBI, vide notification dated February 13, 2025, has notified the Procedure Regulations to ensure uniformity and transparency in SEBI's consultation process. Some of the key provisions are set out below:

a. **The public consultation process**

Through the Procedure Regulations, it is mandatory to publish the proposed regulations on its official website, inviting public comments for a minimum of 21 calendar days. Further, the proposed regulations must be reviewed in accordance with the Securities and Exchange Board of India (Procedure for Board Meetings) Regulations, 2001 and include a systematic compilation or summary of public comments received. However, SEBI in instance of exigency and to safeguard the interest of the investors, is allowed to bypass or shorten the public consultation period.

b. **Parameters for periodic review of regulations**

To enhance compliance, the Procedure Regulations mandates periodic reviews of existing regulations,

considering enforcement experiences, court orders, global best practices, changing market conditions and to promote ease of doing business.

(Notification No. SEBI/LAD-NRO/GN/2025/229 dated February 13, 2025)

8. **Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2025**

SEBI, vide, notification dated March 4, 2025, has amended the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**Amendment Regulations**), to streamline the IPO processes and to harmonise them with Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015 (**SEBI LODR Regulations**). These changes focus on improving disclosure standards, easing regulatory requirements and protecting investor interests. Some of the other key amendments affecting initial public offerings are set out below:

a. **Voluntary disclosure of proforma financials and financials of acquired or divested businesses/subsidiaries**

Pursuant to the Amendment Regulations, issuers may voluntarily choose to provide proforma financial statements of acquisitions/ divestments even when they are below the materiality threshold specified in the SEBI ICDR Regulations or if they have been completed prior to

the latest period for which financial information is disclosed in the offer documents. Further, the Amendment Regulations provide that an issuer may voluntarily include financial statements of a business or subsidiary acquired/divested.

b. Facilitative provisions introduced in respect of outstanding stock appreciation rights (SARs)

The Amendment Regulations integrates SARs, a unique equity-linked compensation instrument, into the ICDR framework. Issuers are now permitted to convert outstanding SARs into equity shares prior to filing offer documents, provided that complete disclosures are made in the offer documents. Further, SARs are now included within promoters' contribution calculations and are exempted from lock-in requirements for non-promoter holdings.

c. Thresholds for participation in an offer for sale as part of an IPO

An explanation added to Regulation 8A clarifies that the total shares that a shareholder can sell, whether as part of the IPO or through other secondary transfers prior to the IPO, must not exceed the thresholds set out under Regulation 8A. Such thresholds would be calculated with reference to shareholding as on the DRHP filing date.

d. Clarifications on minimum promoters' contribution and securities lock-in

SEBI has recently been extending the longer lock-in period of the promoters' contribution of three years, as against 18 months, and of the promoters' holding in excess of minimum promoters' contribution of one year, as against six months, to also apply if the majority of the fresh issue proceeds are used for the repayment of loans availed for any capital expenditure, and therefore such repayment of loans to also fall within the purview of "capital expenditure".

e. Alignment of compliance officer's qualifications with the SEBI LODR Regulations

The SEBI ICDR Regulations require issuers to appoint a compliance officer to monitor compliance of securities laws and for redressal of investor grievances. However, no stipulations for their qualifications were mentioned. With the aim of harmonisation with the SEBI LODR Regulations, the Amendment Regulations introduced the requirement of qualification as a company secretary to be appointed as the compliance officer.

f. Timeline for issue-related statutory advertisements

The Amendment Regulations require the public announcement for DRHP filing to be published in all editions of the statutory newspapers within two "working" days of the date of filing and the DRHP to be made public for comments for at least 21 days from the date of such public announcement. Further, to avoid duplication of disclosure in the price band advertisement and the pre-issue advertisement, the two have now been combined. Issuers will be required to issue the pre-issue and price band advertisement two working days before the opening of the issue.

g. Additional disclosure and reporting requirements

- i. Details of the pre-issue shareholding and post-issue shareholding of promoters, promoter group and additional top 10 shareholders as on the date of the pre-issue and price band advertisement and post-issue shareholding as at allotment in the prospectus would be required to be disclosed.
- ii. All agreement that impact the issuer's management control, or create liabilities - whether or not the issuer is a party - must be disclosed, including any changes or cancellations to such agreements.
- iii. The materiality threshold for disclosure of civil litigation has been aligned with the SEBI LODR Regulations and disclosure of criminal proceedings. Actions by regulatory authorities and statutory authorities, including tax matters, against key managerial personnel and senior management of an issuer have been mandated to be included in the offer documents.
- iv. It has now been mandated that any proposed pre-IPO placement disclosed in the draft offer document shall be reported to the stock exchanges within 24 hours of such pre-IPO transactions.
- v. If an issuer proposes to repay loans using the fresh issue proceeds, it has now been provided that the certificate for utilisation of the loan can be obtained from a peer reviewed chartered accountant instead of statutory auditor in certain instances. Further, if one of the objects of the issue is utilisation of the issue proceeds for long-term working capital, certain additional disclosures are required to be presented on a standalone basis.

(Notification No. SEBI/LAD-NRO/GN/2025/233 dated March 4, 2025)

9. Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2025

- a. SEBI notified amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015 (**PIT Regulations**) vide notification dated March 11, 2025. These amendments expand the scope of Unpublished Price Sensitive Information (**UPSI**) and will come into force with effect from June 10, 2025.
- b. Following additional categories of information will be UPSI:
 - i. Change in ratings, other than ESG ratings.
 - ii. Fund raising proposed to be undertaken.
 - iii. Agreements affecting management/control of the company.
 - iv. Fraud or defaults by the company, its promoter, director, key managerial personnel, or subsidiary or arrest of key managerial personnel, promoter or director of the company, whether occurred within India or abroad.
 - v. Resolution plan/ restructuring or one time settlement in relation to loans/borrowings from banks/financial institutions.
 - vi. Admission of winding-up petitions or initiation of the corporate insolvency resolution process, or approval / rejection of a resolution plan under the Insolvency and Bankruptcy Code, 2016.
 - vii. Initiation of forensic audits and outcomes for detecting mis-statement in financials, misappropriation / siphoning or diversion of funds and receipt of final forensic audit report.
 - viii. Orders by statutory/regulatory/judicial authorities against the company or its directors, key managerial personnel, promoter or subsidiary, in relation to the company.
 - ix. Outcome of any litigations or disputes that may have an impact on the company.
 - x. Guarantees / indemnity not in the ordinary course of business.
 - xi. Grant, suspension, or revocation of key regulatory approvals/licenses.
 - xii. Awards or termination of orders/contracts not in the ordinary course of business.

- c. It has been clarified that changes in KMP are deemed UPSI only where not arising from superannuation, term expiry, or resignation of statutory/secretarial auditors.
- d. To address compliance challenges concerning information emanating externally, a proviso to Regulation 3(5) of PIT Regulations permits deferred entries (within two working days) in the structured digital database. Additionally, the trading window is not required to be closed in respect of such information, as per the newly-inserted proviso to Clause 4(1) of Schedule B of PIT Regulations.

(Gazette Notification F. No. SEBI/LAD-NRO/GN/2025/235 dated March 11, 2025)

10. SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2025

SEBI has, vide notification dated March 27, 2025, amended the Securities and Exchange Board of India (Listing Obligations and Disclosures Requirements) Regulations, 2015, which will be effective from April 1, 2025 (**Amendment Regulations**). These changes predominantly focus on governance and reporting requirements for listed entities, including High Value Debt Listed Entities (**HVDLEs**). Key amendments include the raising of threshold for HVDLEs to outstanding listed non-convertible debt securities of INR 1,000 crore, along with provisions for ensuring compliance within six months of exceeding such threshold.

The Amendment Regulations also introduced new corporate governance reporting standards for SME listed entities that exceed defined capital and net worth criteria. The amendments also require companies to establish a board-approved policy defining the materiality of RPTs, along with clear threshold limits. The Amendment Regulations have also updated the definitions of board composition and governance responsibilities. Further, provisions for entities undergoing insolvency resolution are clarified in the Amendment Regulations, aligning their compliance with the roles of resolution professionals. Moreover, independent director roles and disclosure requirements for business responsibility and sustainability reports have been refined by way of the Amendment Regulations.

(Notification No. SEBI/LAD-NRO/GN/2025/239 dated March 27, 2025)

C. Consultation Paper

1. Consultation paper on proposal to increase the size criteria (set to guard against potential circumvention of Press Note 3 stipulations) in the additional disclosure framework

- a. SEBI issued a consultation paper on January 10, 2025 (**Consultation Paper**), inviting comments from the public on the proposal to amend the additional disclosure framework for Foreign Portfolio Investors (**FPIs**) to increase the size criteria, set to guard against potential circumvention of Press Note 3 (**PN3**) stipulation.
- b. In order to ensure that FPIs do not concentrate a substantial portion of their equity portfolio in a single investee company, thereby circumventing the regulatory requirements under the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, the minimum public shareholding norms, or the restrictions imposed under PN 3, the additional disclosure framework for FPIs was introduced *vide* circular dated August 24, 2023 (**Circular**). The Circular mandates FPIs to disclose granular details of all entities holding any ownership, economic interest, or exercising control in an FPI, on a full look through basis up to the level of natural persons where –
 - i. The FPI holds more than 50% of their Indian equity Assets Under Management (**AUM**) in a single Indian corporate group (**Concentration Criteria**); and
 - ii. The FPI, individually, or along with their investor group, manages Indian equity AUM exceeding INR 25,000 crore (**Size Criteria**).
- c. Further, in order to address regulatory arbitrage related to Offshore Derivative Instruments (**ODIs**) and FPIs with segregated portfolios, the additional disclosure framework has also been made applicable directly to ODI subscribers and segregated portfolio(s) of FPIs with sub-funds or separate classes of shares, *vide* SEBI's circular dated December 17, 2024.
- d. Noting that the “potential to disrupt the functioning of market” has to be evaluated relative to the size of the market and owing to the increase in market turnover by 122%, the Consultation Paper has proposed to raise the Size Criteria from INR 25,000 crore to INR 50,000 crore and had invited comments from the public on the same. The public comments received have overall been positive,

and the proposal has now been submitted to SEBI for its consideration.

(SEBI Consultation Paper dated January 10, 2025 and the comments received, published in April, 2025)

2. Consultation Paper on certain amendments to SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 with the objective of encouraging dematerialisation of securities and streamlining certain processes in view of the current regulatory landscape

By way of a consultation paper dated January 14, 2025, SEBI has invited comments, views and suggestions from the public and other stakeholders on certain proposals to amend the provisions of the SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 (**SEBI LODR Regulations**). These proposals are as follows:

- a. To amend the provisions of the SEBI LODR Regulations to mandate issuance of new securities pursuant to (i) sub-division / consolidation / split of face value of securities; and (ii) scheme of arrangements, only in dematerialised form;
- b. To omit regulation 40(4) and 40(5) of the SEBI LODR Regulations in relation to the requirement of registration of transfer of securities, since transfer in physical form has already been discontinued by SEBI; and
- c. To amend Schedule VII of the SEBI LODR Regulations to the extent that the requirement of maintaining a proof of delivery by a listed entity is omitted, since it is impractical and any dispatches through couriers / speed posts are already maintained for up to six months.

Public comments were invited on the consultation paper until February 4, 2025.

(Consultation Paper on certain amendments to SEBI (Listing Obligations and Disclosure Requirement) Regulations, 2015 with the objective of encouraging dematerialization of securities and streamlining certain processes in view of the current regulatory landscape dated January 14, 2025)

3. Consultation Paper on Review of Framework for Social Stock Exchange

The Securities and Exchange Board of India had notified amendments to SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (**SEBI ICDR**

Regulations), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**SEBI LODR Regulations**), and SEBI (Alternative Investment Funds) Regulations, 2012 (**SEBI AIF Regulations**) dated July 25, 2022, which established the regulatory framework for the Social Stock Exchange (**SSE**). Further, minimum registration and reporting requirements for Not-for-Profit Organizations (**NPOs**) on SSE were outlined in a circular dated September 19, 2022. Subsequently, based on recommendations from Social Stock Exchange Advisory Committee (**SSEAC**), the SEBI ICDR Regulations were modified replacing terms like “Auditor” with “Assessor” and “Social Audit” with “Social Impact Assessment” and adjusting provisions for retail investors and the issuance of Zero Coupon Zero Principal Instruments. These changes were consolidated into a revised circular issued on December 28, 2023. Additionally, SEBI acknowledged agencies under ICSI and ICMAI for Social Impact Assessors *vide* its circular dated May 27, 2024. Accordingly, *vide* this consultation paper dated January 20, 2025, the SSEAC had recommended changes to SEBI ICDR Regulations, SEBI LODR Regulations, and SEBI circular dated September 19, 2022, as follows:

- a. **SEBI ICDR Regulations** - The SSEAC had recommended amendments to SEBI ICDR Regulations with respect to the following:
 - i. **Definition of “Not-for-Profit Organisation”:** The present definition of “Not-for-Profit Organisation” does not cover all legal structures, such as trusts registered under the Indian Registration Act, 1908, and companies under Section 25 of the Companies Act, 1956, and the current list of permissible legal structures needs to be expanded further to recognise more NPOs. Therefore, it was proposed to include these additional legal structures under the SEBI ICDR Regulations.
 - ii. **Definition of “Social Impact Assessment Firm”:** The term “firm” currently suggests that it is for-profit entity, which may not appeal to non-profit assessment institutions. Thus, in order to encourage non-profit organisations to participate, it was proposed to substitute the term “firm” with “Social Impact Assessment Organisation” and also allow organisations with at least two experienced Social Impact Assessors to be empanelled.
 - iii. **Tenure of registration of NPOs with SSE:** It was proposed to permit NPOs to register for 2 years without raising funds through SSE to allow NPOs to familiarise with the SSE ecosystem.
 - iv. **Modifications to eligible activities for social enterprises:** It was proposed to include welfare of disadvantaged groups, vocational skills, and promotion of art, culture, and heritage, among others, in order to broaden the list of eligible activities for social enterprises.
 - v. **Modifications to target segment for social enterprises:** It was proposed to expand the target segment to include cultural and environmental ecosystem entities, as the current provision does not cover eco-centric projects. Thus, the inclusion of environmental and cultural projects under the definition of social enterprise was proposed.
 - vi. **Applicability of percentage of activities to be eligible activities:** It was proposed that For-Profit Social Enterprises or NPOs with more than 20% business income, should have at least 67% of their activities qualifying as eligible social, environmental, or cultural activities.
- b. **SEBI LODR Regulations** - The SSEAC has recommended amendments to the SEBI LODR Regulations with respect to the following:
 - i. **Disclosures by NPOs:** SEBI has proposed bifurcation of annual disclosures into financial and non-financial components, with the deadline for financial disclosures revised to October 31. This aims to align reporting timelines with other regulatory requirements and the availability of audited financials.
 - ii. **Submission of social impact report:** It was proposed that listed projects be made to undergo external assessments, while significant non-listed significant follow a self-reporting mechanism. This distinction aims to ease reporting burden and cost for NPOs.
- c. **SEBI Circular dated September 19, 2022:** The SSEAC had recommended modifications in the circular with respect to the following:
 - i. **Minimum Requirements for NPO registration on SSE:** It was proposed to include a memorandum of association & articles of association / trust deed / constitution in addition to the registration certificate and add enabling provisions for other sections offering tax deductions as the present criteria do not include all relevant registration documents.
 - ii. **Minimum initial disclosure requirements for NPOs raising funds:** It was proposed to include project /

programme proposals along with initial disclosures for raising funds as the present provisions do not include such details..

- iii. **Annual disclosures by NPOs:** In order to ensure clear and comprehensive reporting, it was proposed to include additional details regarding governance and financial aspects, such as copies of income tax returns and annual returns filed with registration authorities as the current provisions do not specify all necessary details.
- iv. **Annual impact report:** In order to ensure sustainability of projects and proper reporting, it was proposed to include additional details, segregate reporting for listed and non-listed projects, and require external assessment for listed projects as the current provisions do not align with the proposed changes in SEBI LODR Regulations.
- v. **Annexure I and II of Circular:** In order to ensure fair and transparent reporting, it was proposed to include additional governance disclosures and require mid-term and end-term reports for projects with durations of three years or more, as the current provisions do not include all necessary governance disclosures and reporting requirements.

Public comments were invited on the consultation paper until February 10, 2025.

(Consultation paper on Review of Framework for Social Stock Exchange dated January 20, 2025)

4. Consultation Paper on reforms to Secretarial Compliance, Auditor Appointment and Related Party Transactions

On February 07, 2025, SEBI issued a consultation paper inviting public comments on proposed amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**SEBI LODR Regulations**) and SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (**SBEBS Regulations**), *inter alia* on issues pertaining to the secretarial compliance report, appointment of auditors, and related party transactions of a listed entity. The key proposals include:

a. Secretarial Compliance:

- i. A revised format for the Annual Secretarial Compliance Report (**ASCR**) (as required under Reg. 24(A)(2) of the LODR Regulations) of listed entities is proposed, requiring explicit confirmation from

Practicing Company Secretaries (**PCSS**) on compliance of the listed entity with specific provisions of securities laws.

- ii. The paper further proposes certain amendments to the SEBI LODR Regulations and the SBEBS Regulations to strengthen secretarial compliance within listed entities, *inter alia* such as: (i) mandatory disclosure of the ASCR in the Annual Report; (ii) amending Regulation 48 of the LODR Regulations to explicitly mandate listed entities to comply with secretarial standards; (iii) including change/ resignation of secretarial auditor as a deemed material event, mandating disclosure under Schedule III, Part A of the SEBI LODR Regulations; (iv) mandating disclosure of fees paid to, and changes of, secretarial auditors in the annual report; and (v) mandating compliance with ICSI standards issued for secretarial audit and compliance reports.

- b. **Statutory Auditor Eligibility:** Audit committee oversight on auditor qualifications and experience is proposed to be codified in the SEBI LODR Regulations, in order to bring the LODR Regulations in alignment with Rule 3(1) of the Companies (Audit and Auditors) Rules, 2014, which mandates the audit committee to consider whether the experience and qualifications of the auditor is commensurate with the size and needs of the listed entity. The intention is to enable monitoring and enforcement of this requirement by SEBI and stock exchanges, by bringing it within the ambit of the SEBI LODR Regulations.

- c. **Enhanced Disclosures for appointment / re-appointment of Statutory / Secretarial Auditors:** Regulation 36(5) of the SEBI LODR Regulations presently mandates disclosure of certain basic information to shareholders at the time of appointment/ re-appointment of statutory/ secretarial auditors by a listed entity. The paper proposes to replace these requirements with a standardised minimum format of information to be disclosed to the (i) Audit Committee/ Board of Directors, and (ii) the shareholders respectively, at the time of appointment/ re-appointment of statutory and/ or secretarial auditors by the listed entity. Detailed formats have been provided for the above, which include disclosure of information regarding background of the proposed auditors, their past experience, their regulatory compliance, proposed fees to be paid, and reasons for any material changes in such fees.

d. Related Party Transactions (RPTs) Thresholds: The paper proposes to bolster the thresholds specified for RPTs undertaken by subsidiaries of listed entities that require approval of the Board of the listed parent. Presently, under Regulation 23(2) of the SEBI LODR Regulations, only those RPTs which exceed 10% of the turnover of the subsidiary (as per its last audited financial statement) are required to be approved by the audit committee of the listed parent. It is proposed to bring the above provision in line with Regulation 23(1) and include an absolute threshold of INR 1,000 crore in addition to the percentage-based threshold in respect of entities listed on the Main Board. The lower of the two thresholds would be considered in assessing need for approval of the RPTs by the audit committee of the listed parent. In respect of subsidiaries of SME-listed entities, a threshold of i.e. INR 50 crore and 10% of annual turnover as per last financial statement) has been proposed. In case of subsidiaries which do not have financial track record, i.e., published financial statements for at least one year, it is proposed that the percentage-based threshold should be 10% of standalone net worth of the subsidiary, as certified by a practicing-chartered accountant not more than 3 months prior to the date of seeking approval, instead of 10% of standalone turnover. Further, it is proposed that in case of negative net worth, share capital plus securities premium may be considered instead of 10% of net worth.

e. Clarifications on RPT Applicability: SEBI proposes clarifying that related parties of subsidiaries are to be identified under Regulation 2(1)(zb), and RPT exemptions available under Regulations 23(5)(b) of SEBI LODR Regulations are for transactions between listed holding companies and its wholly owned subsidiary and the accounts of the wholly-owned subsidiary are consolidated with the listed holding company.

(SEBI Consultation Paper dated February 07, 2025)

5. Consultation Paper on treatment of unclaimed funds and securities of clients lying with Trading Members (TMs)

In its Consultation Paper dated February 11, 2025 SEBI has proposed a detailed mechanism for handling unclaimed funds and securities of clients lying with Trading Members (TMs) and steps to trace such clients. The proposed process for treatment of unclaimed funds and securities lying with the TMs is as follows:

a. Defining Unclaimed Funds and Securities - If funds or securities cannot be credited to a client's bank or demat

account, or if the client is unreachable, the account is put under enquiry status. TMs must then attempt to contact the client through various means and upstream the funds to clearing corporations as per SEBI guidelines. Funds under enquiry status are termed unclaimed funds, and securities in this status or with the TM, held for over 30 days, are termed unclaimed securities.

b. Treatment of Unclaimed Funds and Securities - To ensure timely return of unclaimed funds and securities to clients, TMs must locate untraceable clients by contacting related persons without disclosing financial details. TMs must select a Designated Stock Exchange (DSE) for transferring unclaimed funds and pledging securities, and inform other exchanges of their choice, which cannot be changed except under specific conditions. If a TM surrenders membership, is expelled, or declared a defaulter, unclaimed funds and securities must be transferred to the DSE's dedicated accounts. In cases of mergers or business transfers, the new entity is responsible for processing client claims. If a TM changes its DSE, it must ensure seamless transfer of unclaimed funds and securities to the new DSE.

c. For Unclaimed Funds - TMs must set aside unclaimed client funds and invest them safely, such as in Liquid and Overnight Mutual Fund Schemes or Fixed Deposits, to earn interest until they can be upstreamed to CCs within 30 days. If funds remain unclaimed for a year, they shall be transferred to a DSE account quarterly. TMs shall attempt to contact clients at least six (6) times before transferring funds to the DSE and submit monthly reports on unclaimed funds. Pursuant to transfer of funds to IPF, if total amount of unclaimed fund (including accrued interest) is up to INR100 for a client then no further claim on such funds shall be permitted from IPF. However, if total amount of unclaimed fund (including accrued interest) is more than INR 100, then clients shall continue to be entitled to claim such unclaimed funds from the IPF. The same shall be maintained under a separate head in IPF and can be used only for settling claims of such clients. The IPF Trust shall oversee the processing of claims from clients, or their legal heirs or nominees.

d. For Unclaimed Securities - The TMs shall pledge unclaimed securities to the DSEs' dedicated demat account within seven (7) days of being marked as unclaimed, on a weekly basis. Depositories shall allow these transactions from frozen accounts and tag the client Unique Client Code (UCC). No changes in UCC shall be permitted without DSE approval. TMs shall provide all



required information to the DSE and may be required to submit additional documents. Corporate action benefits on pledged securities shall be credited to the client's ledger and transferred to the DSE quarterly. TMs shall submit quarterly reports on unclaimed securities to the DSE, which shall share updates with clients semi-annually or as new information is received.

- e. **Role of DSE** - The DSE shall maintain a dedicated bank account for unclaimed client funds from TMs and list TMs that have chosen their exchange as the DSE on their website. They shall trace clients using the UCC database and notify them via SMS or email about unclaimed funds or securities. The DSE shall update unclaimed amounts quarterly on their website and provide a search facility for clients or their nominees to check for unclaimed funds or securities. Unclaimed funds shall be invested safely within 30 days, and the DSE shall also have a dedicated demat account for receiving unclaimed securities pledged by Tms.

f. Process for Claim of Unclaimed Funds and Securities:

- i. **Before the unclaimed funds or securities are transferred or pledged to DSE** - If a claim is received from the client or legal heir or nominee of the client, before the unclaimed funds or securities are transferred or pledged to DSE, the TM shall verify the genuineness of the claim and settle it within a period of five (5) working days, after compliance with the applicable laws.

- ii. **After the unclaimed funds or securities are transferred or pledged to DSE** - Upon receipt of claim from a client, or his/her legal heir / nominee, following the transfer or pledge of unclaimed funds or securities to the DSE, the TM shall conduct due diligence to verify the genuineness of the claim and approach the DSE within five (5) working days of receiving all required information, including the client's UCC, PAN, or bank account details of the client, their legal heir or nominee, etc. The DSE will specify detailed checklist of documents in this regard in consultation with the Industry Standards Forum.

- iii. **On receipt of request from TMs for Unclaimed Funds** - The DSE shall process the same and transfer the funds (including accrued interest), if any, after adequate due diligence, to the client, or his/her legal heir/ nominee, within five (5) working days from the date of receipt of complete and necessary information from TM. For Unclaimed Securities, the DSE shall process the same and transfer the securities directly to the demat account of the client or client's legal heir or nominee as provided by the member within five (5) working days from the date of receipt of complete and necessary information from TM.

- iv. The TMs / DSE will not charge any fee for maintenance of unclaimed funds / securities and for putting efforts to reach out to the client.

- v. The final pay-out to client, shall be made by TM or DSE, as the case may be, subject to applicable taxes, etc.

g. Monitoring Implementation of the Mechanism: The Regulatory Oversight Committee of the DSE will oversee the transfer of unclaimed funds from TMs to the DSE, then to the IPF of the DSE, the pledging of unclaimed securities from TMs to the DSE, as well as the processing of claims from clients or their legal heirs/nominees. The DSE must submit a half-yearly report on these activities to SEBI and its governing board within 30 days of the half-year ending in September and March.

(Consultation paper on Treatment of unclaimed funds and securities of clients lying with Trading Members (TMs) dated February 11, 2025)

6. Consultation Paper on introduction of format of No-objection Certificate (NOC)/ Consent Letter to be submitted by existing charge holders to issuer

On February 12, 2025, SEBI issued a consultation paper seeking public comments on the introduction of the format of NOC / consent letter to enhance due diligence by debenture trustees, as per the provisions of Master Circular for Debenture Trustees dated May 16, 2024 and the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021. Certain key recommendations are as follows:

- a. Specific format of the NOC/ consent letter is proposed to enhance the due diligence in respect to terms and conditions of providing such NOC/ consent letter;
- b. The format includes confirmation in relation to (i) maintenance of the security cover; (ii) procurement of similar NOCs from other existing secured lenders; and (iii) no breach of covenant or event of default has occurred under any existing facilities obtained by the issuer.
- c. The format includes declaration of pari-passu rights among secured lenders.

Public comments were invited on the consultation paper until March 5, 2025.

(Consultation Paper on Introduction of format of NOC/ Consent Letter to be submitted by existing charge holders to issuer dated February 12, 2025)

7. Consultation Paper on Draft Circulars - Review of - (a) disclosure of financial information in offer document / placement memorandum, and (b) continuous disclosures and compliances by Real Estate Investment Trusts ("REITs") and Infrastructure Investment Trusts ("InvITs")

The Securities and Exchange Board of India had released Master Circulars for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) on May 15, 2024 (**Master Circulars**). Chapter 3 of the respective Master Circulars provides guidelines for disclosure of financial information in the offer document / placement memorandum by REITs and InvITs, respectively, along with the framework for calculation of Net Distributable Cash Flows while Chapter 4 specifies provisions for continuous disclosures and compliances by the REITs and InvITs, post listing of units. Based on the report of the Working Group on Ease of Doing Business for REITs and InvITs, and inputs from other stakeholders, SEBI has proposed to revise Chapters 3 and 4 along with paragraph 7 of Annexure - 5 and Annexure - 6 of the respective Master Circulars with the following provisions:

a. Ease of Doing Business Measures

- i. Aligning the period of disclosure of financial statements in the offer document with SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**ICDR Regulations**).
- ii. Disclosure of combined financial statements in the offer document / placement memorandum for initial offer, irrespective of the period for which the REIT / InvIT was in existence.
- iii. Disclosure of audited consolidated financial statements in respect of follow-on offer along with link to REIT / InvIT website for accessing separate audited financial statements.
- iv. Aligning the disclosure and principles of preparation of proforma financial statements for a follow-on offer with ICDR Regulations.
- v. Providing clarity that the projections in offer document / placement memorandum shall include at least three (3) full financial years.
- vi. Framework for calculation of net distributable cash flows.
- vii. Revising the format for disclosure of Statement of Net Assets at Fair Value.

viii. Providing clarification on classification of unit capital as equity for the purpose of preparation of financial information.

ix. Reducing the time gap of submission of statement of deviation in the use of proceeds of issue of debt securities to quarterly basis instead of half-yearly basis.

b. Investor Protection Measures

i. Removing the option to disclose condensed financial statements in the offer document and on continuous basis post listing, in line with ICDR Regulations and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**SEBI LODR Regulations**).

ii. Disclosures in offer document for a follow-on offer.

iii. Alignment of disclosure requirements for financial results for REITs and InvITs with SEBI LODR Regulations, including mandating disclosure of quarterly results, timelines for disclosure, audit / limited review of financial results, preparation of segment information, etc.

iv. Mandating the applicability of Schedule III of the Companies Act, 2013 (with certain exceptions) for preparation of financial statements as part of continuous disclosure requirements.

v. Mandating disclosure of Net Borrowings Ratio as part of financial results along with format for its disclosure.

vi. Mandating disclosure of certain financial ratios for REIT / InvIT with any outstanding borrowings.

Public comments were invited on the consultation paper until March 7, 2025.

*(Consultation Paper on Draft Circulars - Review of -
(a) disclosure of financial information in offer document /placement memorandum, and (b) continuous disclosures and compliances by Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs) dated February 14, 2025)*

8. Consultation paper on expanding definition of Qualified Institutional Buyers under SEBI (ICDR) Regulations, 2018, to include Accredited Investors for the limited purpose of investments in Angel Funds

On February 21, 2025, SEBI issued a consultation paper inviting comments from the public on proposals to streamline the regulatory framework for angel funds, i.e., a type of category I AIFs - venture capital funds that raise capital from angel investors through private placement to invest in start-ups. In an earlier consultation paper dated November 13, 2024, SEBI had proposed that angel funds shall on-board and offer investment opportunities only to accredited investors (**AIs**), to ensure that only investors with commensurate risk appetite, invest in angel funds.

Further, Section 42 of the Companies Act, 2013 limits private placement offers and securities allotment to 200 investors but exempts qualified institutional buyers (**QIBs**) as defined in SEBI (ICDR) Regulations, 2018 (**SEBI ICDR Regulations**), from this cap. SEBI proposed expanding the definition of QIB to include Angel Investors for attracting angel funds so that they can offer more investment opportunities and funding avenues for start-ups. This would also allow scaling up of angel funds by attracting verified investors with risk awareness and appetite while adhering to regulatory intent and objectives. Therefore, through the consultation paper dated February 21, 2025, SEBI provided recommendations and invited comments from the public on the following aspects:

a. Amending the definition of QIBs under SEBI ICDR Regulations to include AIs for the limited purpose of offering of investment opportunities and allotment of investments by angel funds under AIF Regulations, to meet the regulatory objectives in a non-disruptive manner. This would also be beneficial for the start-up ecosystem as it would facilitate angel funds to scale up by raising capital for start-ups in a regulated environment from a large number of AIs. This proposal is specifically with reference to investment in unlisted companies with no impact on the definition of QIBs in the context of public markets; and

b. Removing the 200-investor cap per investee company in angel funds to facilitate broader capital participation.

Presently, there is no cap in the Companies Act, 2013 with respect to the number of QIBs who can be allotted securities in a private placement. In line with the same and considering the proposal to include AIs as QIBs for the purpose of angel funds, the existing 200 investor limit for investment by angel fund in an investee company may be removed. This would significantly benefit angel funds and start-ups, as angel funds can accept contribution from a greater number of investors for investment in an investee company.

(Consultation paper on Expanding definition of Qualified Institutional Buyers under SEBI (ICDR) Regulations, 2018, to include Accredited Investors for the limited purpose of investments in Angel Fund dated February 21, 2025)

9. Consultation Paper on review of the minimum application size for contribution towards subscription of Zero Coupon Zero Principal Instruments issued by Non-Profit Organizations on Social Stock Exchange

SEBI had issued a circular bearing reference number SEBI/HO/CFD/PoD-1/P/CIR/2022/120, dated September 19, 2022 (**SSE Framework Circular**) (as amended vide SEBI circular bearing reference number SEBI/HO/CFD/PoD-1/P/CIR/2023/196, dated December 28, 2023) stating the minimum application size in case of issuance of zero coupon zero principal instruments (**ZCZP**) issued by non-profit organizations (**NPO**) on the Social Stock Exchange (**SSE**) to be INR 10,000. Currently, the SSEs are in the process of introducing unified payment interface (**UPI**) facility to block funds for individual investors applying in ZCZP instruments for application value up to INR 5,00,000 through syndicate members with “3-in-1 Account” and registered stock broker / syndicate members. Pursuant to a meeting with NPOs and donors, it was understood that a number of ZCZP issues may line up of substantial issue size i.e., more than INR 5,00,00,000. Additionally, issuers highlighted that the retail interest in “giving” through SSE was increasing, however, the minimum application size of INR 10,000 could be prohibitive for many.

Therefore, SEBI had released this consultation paper proposing that the minimum application size for ZCZP issuance be reduced to INR 5,000 or such other smaller amount so as to enable more retail participation in ZCZP issuances by NPOs on SSE. Accordingly, paragraph 1(AC)(4) of the SSE Framework Circular is sought to be amended. Public comments on the consultation paper were required to be submitted by March 14, 2025.

(Consultation paper on Review of the minimum application size for contribution towards subscription of Zero Coupon Zero Principal Instruments issued by Non-profit organizations on Social Stock Exchange dated March 7, 2025)

10. Consultation paper on review of provisions pertaining to Electronic Book Provider (EBP) Platform and Request for Quote (RFQ) Platform

On March 20, 2025, SEBI issued a consultation paper inviting public comments on the proposals related to adopting certain measures for increasing the efficiency of electronic book providers (**EBP**) platform and the liquidity and price discovery mechanism of the Request For Quote (**RFQ**) platform. These include the following:

a. EBP Platform

- i. Making EBP mandatory for all private placement issues of the issue size above INR 20 crore.
- ii. Extending products on the EBP for Infrastructure Investment Trusts (**InvIts**) and Real Estate Investment Trusts (**REITs**).
- iii. Closing the EBP platform on bank holidays.
- iv. Increasing the Anchor portion for instruments with a A+/A- rating to 40% and for others (instruments with a rating other than AAA / AA+ / AA- / A+ / A- rating) to 50%.
- v. Confirmation of participation by Anchor on the EBP platform.
- vi. Prescribing a uniform format for disclosure of information post bidding.
- vii. Rationalising the green shoe option by reducing the portion to three times the base issue size.
- viii. Reduction in the timeline for EBP set up, the settlement time and listing time.
- ix. Mandating Open bidding for issue sizes above INR 1,000 crore.
- x. Amending the basis of allotment to exclude the consideration of “time” by removal of “time” from “price time priority” and “yield time priority” in Clause 7.11.

b. RFQ Platform

- i. To simplify yield-to-price computation on the RFQ platform for non-convertible securities, cash flow dates for interest, dividend, or redemption shall be based on the due date of payment as per the cash flow schedule, without adjusting for day count convention. i.e. shall be and not as per the date of payment.
- ii. Disclosure of cash flow regarding payment of interests dividends redemptions to be included in the centralised corporate bond database so that comprehensive information on corporate bonds can be found in one place.

Public comments were invited on the consultation paper until April 30, 2025.

(Consultation paper on Review of provisions pertaining to Electronic Book Provider (EBP) Platform and Request for Quote (RFQ) Platform dated March 20, 2025)

11. Consultation Paper on certain amendments to SEBI (ICDR) Regulations, 2018 and SEBI (SBEB & SE) Regulations, 2021

On March 20, 2025, SEBI, by way of consultation paper, invited public comments on the following proposals related to the amendments to SEBI (ICDR) Regulations, 2018 (**SEBI ICDR Regulations**) and SEBI (**SBEB & SE**) Regulations, 2021 (**SEBI SBEB Regulations**). The objective was to streamline certain public issue processes and provide clarifications on: (a) minimum holding period needed for Equity Shares to be eligible for Offer for Sale (**OFS**) in public issue; (b) clarification on ESOPs granted prior to filing of DRHP to founders who are classified as promoters at the time of filing of DRHP. Recommendations are as follows:

- a. Amending Regulations 8 and 105 of the SEBI ICDR Regulations to clarify that the one-year holding period exemption applies to equity shares arising from the conversion of fully paid-up compulsorily convertible securities acquired through an approved scheme; and
- b. Including an explanation to Regulation 9(6) of the SEBI SBEB Regulations allowing founders classified as promoters in the DRHP to retain and exercise ESOPs granted at least one year before the IPO decision, ensuring alignment with other shareholders and preventing misuse of share-based benefits.

Public comments were invited on the consultation paper until April 10, 2025.

(Consultation Paper on certain Amendments to SEBI (ICDR) Regulations, 2018 and SEBI (SBEB & SE) Regulations, 2021 dated March 20, 2025)

12. Consultation Paper on facilitation to SEBI registered stock brokers to undertake securities market related activities in GIFT-IFSC under a Separate Business Unit

A SEBI consultation paper dated March 21, 2025, invited public comments on the draft circular on “Facilitation to SEBI registered Stock Brokers to undertake securities market related activities in Gujarat International Finance Tech-city – International Financial Services Centre (GIFT-IFSC) under a Separate Business Unit (SBU)”. The proposal allows stock brokers to offer these services under a separate business unit (**SBU**) of the stock broking entity itself, eliminating the need for a no objection certificate from SEBI to float subsidiaries or joint ventures. The SBU will be subject to the regulatory framework of the respective authority in GIFT-IFSC, ensuring segregation and ring-fencing of activities from the Indian securities market. Key safeguards prescribed in the draft circular are as follows:

- a. Stock brokers to ensure that securities market related activities of the SBU in GIFT-IFSC are segregated and ring-fenced from the Indian securities market related activities of the stock broker and arms-length relationship between these activities are maintained;
- b. Such SBU in GIFT-IFSC shall be exclusively engaged in providing securities market related activities in GIFT-IFSC only;
- c. Stock brokers shall prepare and maintain a separate account for the SBU on arms-length basis; and
- d. The net worth of the SBU shall be kept segregated from the net worth of the stock broker in the Indian securities market. Net worth criteria for stock broker shall be satisfied after excluding account of the SBU.

Public comments were invited on the consultation paper until April 11, 2025.

(Consultation Paper on Facilitation to SEBI registered Stock Brokers to undertake securities market related activities in Gujarat International Finance Tech-city – International Financial Services Centre (GIFT-IFSC) under a Separate Business Unit (SBU) dated March 21, 2025)



D. Informal Guidance

1. Informal Guidance request received from OneSource Specialty Pharma Limited with respect to Regulation 172(1)(b) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018

OneSource Specialty Pharma Limited (**OneSource**) sought informal guidance from SEBI by its letter dated September 30, 2024, regarding its eligibility to conduct a qualified institutional placement (**QIP**) immediately post-listing of its shares. Regulation 172(1)(b) of Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (**SEBI ICDR Regulations**) mandates that a company must have its equity shares listed for at least a year before it issues shares through a QIP.

The board of directors of OneSource has approved a scheme of arrangement with Strides Pharma Science Limited (**Strides**) and Steris Science Specialties Private Limited (**SteriScience**). Shares of Strides are listed on BSE Limited (**BSE**) and the National Stock Exchange of India Limited (**NSE**) w.e.f. June 8, 2004 and February 2, 2000, respectively. OneSource sought clarification on whether it could avail exemption under Regulation 172(1)(b) based on Strides' listing history and whether SteriScience's status as an unlisted company could impact its ability to claim exemption. In accordance with SEBI's Master Circular No. SEBI/HO/CFD/POD- 2/P/CIR/2023/93 dated June 20, 2023, on "Scheme of Arrangement by Listed Entities" and under Rule

19(7) of the Securities Contracts (Regulation) Rules, 1957, OneSource plans to list its equity shares on the BSE and NSE, subject to final NCLT approval. Post-listing, OneSource plans to raise funds through a QIP of its equity shares, as permitted under Regulation 172(1)(b) of the SEBI ICDR Regulations. The equity shares to be issued in the QIP will be of the same class as those of Strides. Thus, OneSource's request to avail the exemption set out as a proviso to Regulation 172(1)(b) of the SEBI ICDR Regulations and undertake a QIP within one year of listing is based on the reasoning that the shares of Strides, being one of the transferor companies, have been public for more than one year prior to OneSource's offering.

Against the above reasoning, SEBI provided the following informal guidance:

- a. A listed issuer is eligible to conduct a QIP of securities only if it fulfils the conditions laid down under Regulation 172 of the SEBI ICDR Regulations. In terms of Regulation 172(1)(b), one of the conditions for a QIP by a listed company is that the class of equity shares being offered through this route must have been listed on a recognised stock exchange for a minimum period of one year prior to the issuance of the notice convening the shareholders' meeting to pass the special resolution permitting the QIP. The fundamental of the aforesaid provision is on the listing status of the equity share of a particular class that are proposed to be issued in a QIP.
- b. Further, the proviso to Regulation 172(1)(b) of the ICDR Regulations specifies that where the issuer is the

transferee company in a scheme of compromise, arrangement, or amalgamation sanctioned by a High Court, tribunal, or the Central Government under Sections 230-234 of the Companies Act, 2013, the period during which the equity shares of the transferor company were listed on a stock exchange shall also be considered for the purpose of calculating the one-year listing requirement. Here too, the focus is on the listing status of the transferor company for the purposes of availing the benefit.

- c. Though the reference in clause (b) is to a “transferor company” (i.e. one company), Section 13(2) of The General Clauses Act, 1897 provides that in all Central Acts and Regulations, unless there is anything repugnant in the subject or context, the words in the singular shall include the plural, and vice versa. Reference is also made to SEBI’s Circular No. SEBI/CFD/DIL/DIP/32/2008/28/08 dated August 28, 2008, wherein Paragraph 2(iii)(b) *inter alia* provides that a transferee company may take into account the listing history of the listed companies with which they have entered into the scheme of arrangement. Thus, to avail the benefit under the proviso to Regulation 172(1)(b) of the SEBI ICDR Regulations, all the transferor companies involved in a Scheme ought to be listed entities.
- d. In the case of OneSource, two transferor companies are involved in the scheme of arrangement. Although, the equity shares of Strides have been listed for more than one year prior to the proposed listing of the transferee company, however SteriScience is an unlisted private limited company. Since, all the transferor companies involved in the scheme are not listed entities, OneSource may not be able to avail the benefit under the proviso to Regulation 171(1)(b) of the ICDR Regulations.

(SEBI Informal Guidance No. SEBI/HO/CFD/PoD-2/OW/P/2024/36924/1 November 29, 2024)

2. Informal guidance by way of an interpretative letter received from E-Land Apparel Limited in relation to Regulation 163(3), 164 and 165 of the Securities and Exchange Board of India (Issue of Capital And Disclosure Requirements) Regulations, 2018

E-Land Apparel Limited (**ELA Limited**) is a public limited company, incorporated on March 31, 1997. While 65.84% of ELA Limited’s equity shares were held by its holding company E-Land Asia Holdings Pte Ltd (**ELA Singapore**), the balance 34.16% were held by public. In 2016, ELA Limited entered into

a long-term export supply agreement with ELA Singapore, valid until March 31, 2030, pursuant to which an advance of USD 45 million was received by ELA Limited. However, it was later realised that ELA Limited would be unable to fulfil the export obligation against an outstanding advance of USD 44.89 million.

To meet this financial obligation, ELA Limited proposed to restructure the outstanding liability through the issuance of equity shares on preferential basis to ELA Singapore on a significant premium. It would be important to note that ELA Singapore agreed to subscribe to 1 share of ELA Limited at significant premium. This issuance of equity shares would be in lieu of cash payable and therefore, this transaction would be considered to be “for cash consideration”.

The queries raised by ELA Limited were in relation to (i) whether the proposed issued of equity shares would fall under the purview of Regulation 163(3) of the Securities and Exchange Board of India (Issue of Capital And Disclosure Requirements) Regulations, 2018 (**SEBI ICDR**), which is specific to preferential issue of shares; and (ii) whether the issuance of equity shares at a significant premium would be in compliance of Regulation 164 and 165 of SEBI ICDR.

Against this backdrop, SEBI provided the following informal guidance:

- a. In relation to point (i) above, Regulation 163(3) allows for issuance of specified securities on preferential basis for consideration other than cash. However, this proposed issuance does not fall under the criteria specified in the proviso of the aforementioned regulation and further this issuance is against outstanding liability or cash previously received by ELA Limited. Therefore, this proposed transaction would be considered to be a “for cash consideration” deal and would not be considered to be covered under Regulation 163(3) of the SEBI ICDR.
- b. In relation to point (ii) above, it was stated that the facts provided by ELA Limited did not provide clarity on the compulsion to issue a single share to ELA Singapore at a significant premium of USD 44.89 million. Further, paragraph 8(i) of the Informal Guidance Scheme, 2003 mentions that SEBI may not respond to requests that are general and do not sufficiently describe the factual situation. Accordingly, SEBI did not provide a response to this query.

(SEBI Informal Guidance No. CFD/PoD/OW/2025/4775/1 dated February 12, 2025)

3. *Informal Guidance by way of an interpretative letter received from NOCIL Limited in relation to impact of the Securities and Exchange Board of India (Prohibition of Insider Trading) (Third Amendment) Regulations, 2024, with effect from December 06, 2024, on NOCIL's code for prevention of insider trading*

- a. NOCIL Limited (**NOCIL**) sought SEBI's informal guidance on the implications of the Securities and Exchange Board of India (Prohibition of Insider Trading) (Third Amendment) Regulations, 2024 (**Amended PIT Regulations**).
- b. Per the amended Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (**PIT Regulations**), the Board of Directors (**Board**) of a listed company should formulate a Code of Conduct (**Code**) to regulate, monitor and report trading by their designated persons (**DPs**) and relatives of the DPs towards achieving compliance with the amendments. In this context, NOCIL sought informal guidance on the following questions:
 - i. Whether the Code should be extended to cover the relatives of the promoter/ partner, employees/ representatives and support staff, of DPs for fiduciaries and intermediaries?
 - ii. For a listed company, should the Code be extended to cover (a) the relatives of the Chief Executive Officer (**CEO**) and employees up to two levels below the CEO, irrespective of their functional role, (b) all promoters of such listed company, (c) all employees designated by the compliance officer on the basis of their functional role or access to UPSI, (d) support staff?
 - iii. When relatives of DPs refuse to share their PAN number and other details, as required under the Amended PIT Regulations, what will be the course of action?
 - iv. Whether all connected persons and their relatives are to be considered as DPs, and if yes, would the Code be required to be amended to cover 'persons sharing household or residence with a DP' and 'a firm or its partner or its employee in which the DP is also a partner'?
- c. The key clarifications include:
 - i. **Scope of the Code:** Through the Informal Guidance, SEBI reiterated that the internal Code of a listed company, as required under Regulation 9 of the PIT

Regulations, applies to DPs and their immediate relatives only. Despite proposals to include other relatives in the definition of connected persons for investigation purposes, SEBI has clarified that no changes have been made to the definition of "relatives" for the purpose of compliance and disclosure obligations, to the definition of "immediate relative" under Regulation 2(1)(f) of the PIT Regulations.

- ii. **Disclosure Obligations:** DPs are required to disclose details (including PAN and contact information) of only such immediate relatives who are financially dependent on them or consult them in trading decisions. There is no obligation to obtain or disclose details of financially, situationally, and socially independent relatives, even if they technically fall within the definition of "relative" under the Companies Act, 2013.
- iii. **Identification of DPs:** The authority to designate persons lies with the Board of the listed entity/intermediary/fiduciary, based on role, function, and access to Unpublished Price Sensitive Information (**UPSI**), as per Regulation 9(4) of the PIT Regulations. This may include support staff if justified by access to sensitive information, and the Code will have to be designed to cater to the situation and structure of each company.

(SEBI Informal Guidance in the case of NOCIL Limited
SEBI/HO/ISD/ISD-PoD-2/P/OW/2025/7772/1
dated March 10, 2025)

E. Press Release

1. *Withdrawal of recognition granted to Indian Commodity Exchange Limited*

Indian Commodity Exchange Limited (**ICEX**) vide letter dated February 22, 2023, made a request to the SEBI for providing regulatory relaxations and voluntarily surrendering the recognition granted to it. SEBI vide its order dated December 10, 2024, permitted the exit of ICEX. Therefore, SEBI exercising its powers conferred under sub-section (1) of section 5 of Securities Contracts (Regulation) Act, 1956, vide notification dated December 26, 2024, has withdrawn the recognition granted to the ICEX.

(SEBI Press Release No. 02/2025 dated January 2, 2025)

2. **Miscellaneous application filed against certain members of SEBI and BSE**

SEBI vide its press release no. 11/2025 dated March 2, 2025, stated that a miscellaneous application was filed before the ACB Court, Mumbai against the former chairperson of SEBI, three current whole time members of SEBI and two officials of the BSE alleging irregularities in granting listing permission to a Company on the Bombay Stock Exchange in 1994, without complying with the provisions of the SEBI Act, 1992, SEBI (ICDR) Regulations, 2018, and the SEBI (LODR) Regulations, 2015. The application sought directions for the police to register a First Information Report (FIR) and investigate into the allegations. In this matter, SEBI stated that it would be initiating appropriate legal steps to challenge this order and would be committed to ensuring due regulatory compliance in all matters.

(SEBI Press Release No. 11/2025 dated March 2, 2025)

3. **Partnership with DigiLocker by SEBI to reduce unclaimed assets in the Indian securities market**

SEBI vide its press release no. 13/2025 dated March 19, 2025, has collaborated with DigiLocker to address the growing issue of unclaimed financial assets in the Indian securities market. The initiative allows investors to digitally store and access information on their demat and mutual fund holdings, benefiting investors and their families. The key highlights of this initiative are:

- a. Access to securities holding by fetching and storing the statement of holdings for shares and mutual fund units from their demat accounts, along with the consolidated account statement of users;
- b. Appointment of data access nominees within the DigiLocker application that would permit seamless access to legal heirs in the event of the user's demise. These nominees will be granted read-only access to the essential financial information in the DigiLocker account. Further, upon notification of the user's demise by KYC Registration Agencies – which are registered with and regulated by SEBI – the DigiLocker system will automatically notify the Data Access Nominees; and
- c. KYC Registration Agencies would serve as the primary source for verifying and triggering notifications to Data Access Nominees, ensuring a smooth transition process.

(SEBI Press Release No. 13/2025 dated March 19, 2025)

F. **Board meetings**

1. **SEBI Board Meeting held on March 24, 2025**

SEBI, in its board meeting held on March 24, 2025, approved, inter alia, the following:

- a. Proposed increase in threshold (set to guard against potential circumvention of Press Note 3 stipulations) for FPIs to make additional disclosures - Due to increase in cash equity market trading volumes from FY 2022-23 to FY 2024-25, SEBI has approved raising the disclosure threshold for Foreign Portfolio Investors (FPIs) from INR 25,000 crore to INR 50,000 crore. Thus, only FPIs in equity Assets Under Management (AUM), holding more than INR 50,000 crore in India will have to make additional disclosures as outlined in the SEBI circular dated August 24, 2023.
- b. Review of the provisions for appointment of public interest director, cooling off period for key managerial personnel and directors, and the appointment process for specific key managerial personnels in market infrastructure institutions - In case the governing board of a Market Infrastructure Institution (MII) decides not to re-appoint an existing Public Interest Director (PID) after his or her first term, it must record the rationale for this decision and communicate it to SEBI. Further, the Governing Board of the MIIs will set the cooling-off period for its Key Managerial Personnels (KMP) joining competing MIIs, and the appointment of specific KMPs including the Compliance Officer, Chief Risk Officer, Chief Technology Officer shall now require the approval of Governing Board.
- c. Advance fee to be charged by investment advisers and research analysts - Pursuant to concerns raised by investment advisers and research analysts, SEBI allowed them to charge advance fee for up to one year now, if agreed by the client. Additionally, fee-related provisions shall only be applicable in case of individual and Hindu Undivided Family (HUF) clients, and not to non-individual clients.
- d. Deferment of proposals on amendments to SEBI (Merchant Bankers) Regulations, 1992, SEBI (Debenture Trustee) Regulations, 1993, and SEBI (Custodians) Regulations 1996 - The implementation of amendments to aforementioned SEBI regulations, that are for Merchant Bankers, Debenture Trustees, and Custodians to carry out other regulated activities as a separate legal



entity has been deferred for further review and evaluation of alternative approaches.

- e. **Review of provisions and constitution of high-level committee on conflict of interest, disclosures and related matters** - SEBI decided to form a High-Level Committee (**HLC**) in order to undertake a comprehensive review of the provisions relating to, including, conflict of interest, disclosures pertaining to property, investments, liabilities, and related matters in respect of members and officials of SEBI. The objective of the HLC is to comprehensively review and make recommendations for enhancing the existing framework for managing conflicts of interest, disclosures and related matters towards ensuring the highest standards of transparency accountability, and ethical conduct of members and officials of SEBI.

(SEBI Press Release No. 15/2025 dated March 24, 2025)

G. Gazette Notifications

1. **Notification under Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007 – Investment Adviser Certifications Examination**

SEBI, in terms of sub-regulation (1) of regulation 3 of the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007 (hereinafter referred to as **the CAPS Regulations**,

2007), may require, by notification, any category of associated persons as defined in the CAPS Regulations, 2007, to obtain requisite certification(s).

SEBI vide gazette notification bearing reference number CG-MH-E-04012025-259919 dated January 3, 2025, in terms of Regulation 3 of the CAPS Regulations, 2007, read with sub-regulation (2) of Regulation 7 of the Securities and Exchange Board of India (Investment Advisers) Regulations, 2013, notified, that an individual investment adviser or principal officer of a non-individual investment adviser, persons associated with investment advice and the partners of an investment adviser being a partnership firm, who are engaged in providing investment advice:

- a. shall obtain certification(s) from the National Institute of Securities Markets by passing the NISM-Series-X-A: Investment Adviser (Level 1) Certification Examination as mentioned in the NISM communiqué No. NISM/Certification/Series-X-A: IA-L1/2013/01 dated May 21, 2013 and NISM-Series-X-B: Investment Adviser (Level 2) Certification Examination as mentioned in the NISM communiqué No. NISM/Certification/Series-X-B: IA-L2/2013/01 dated November 26, 2013.
- b. shall in order to ensure continuity in the compliance with the certification requirements, before expiry of the validity of the existing certification, obtain the certification by passing the NISM-Series-X-C: Investment Adviser Certification (Renewal)

Examination as mentioned in the NISM communiqué No. NISM/ Certification/ NISM-Series-X-C: Investment Adviser Certification (Renewal) Examination/2024/01 dated November 5, 2024.

*(Notification No. CG-MH-E-04012025-259919
dated January 3, 2025)*

2. Gazette Notification for renewal of recognition of AMC Repo Clearing Limited

SEBI vide gazette notification bearing reference number CG-MH-E-09012025-260096 dated January 9, 2025, has granted renewal of recognition to AMC Repo Clearing Limited. SEBI, in exercise of the powers conferred by section 4 read with sub-section (4) of section 8A of the Securities Contracts (Regulation) Act, 1956, has granted renewal of recognition to AMC Repo Clearing Limited for one year commencing on the January 17, 2025 and ending on the 16th day of January, 2026, subject to the condition that the clearing corporation shall comply with the conditions as may be prescribed by rules or specified by the SEBI from time to time.

*(Notification No. CG-MH-E-09012025-260096
dated January 9, 2025)*

3. Notification under the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007 ("SEBI Notification on CAPSM Regulations")

SEBI notified the amendment to the Securities and Exchange Board of India (Certification of Associated Persons in the Securities Markets) Regulations, 2007, (**SEBI CAPSM Regulations**), which amends the category of associated persons as defined in the SEBI CAPSM Regulations, 2007 to obtain requisite certification(s). As per Regulation 7 of the

Securities and Exchange Board of India (Research Analysts) Regulations, 2014 (**RA Regulations**), which provides that any person acting or desirous of acting as research analyst under the RA Regulations, shall obtain certification from the National Institute of Securities Markets (**NISM**) by passing the "NISM-Series-XV: Research Analyst Certification Examination". Pursuant to the notification, SEBI has stated that a principal officer of a non-individual research analyst, individuals employed as research analysts, persons associated with research services, and in case of the research analyst being a partnership firm, the partners thereof if any, who are engaged in providing research services shall observe the following:

- a. obtain certification(s) from NISM by passing the "NISM-Series-XV: Research Analyst Certification Examination", as mentioned in the NISM communiqué No. NISM/Certification/Series-XV: Research Analyst/2015/01 dated February 16, 2015.
- b. in order to ensure continuity in compliance with the certification requirements, before expiry of the validity of the existing certification as above, obtain certification from NISM by passing the "NISM-Series-XV-B: Research Analyst Certification (Renewal) Examination" as mentioned in the NISM communiqué No. NISM/ Certification/ NISM-Series-XV-B: Research Analyst Certification (Renewal) Examination/2024/01 dated January 6, 2025.

The SEBI Notification on CAPSM Regulations came into force on March 1, 2025.

Further, the SEBI Notification No. SEBI/LAD-NRO/GN/2014-15/26/540, dated March 24, 2015, shall stand rescinded, to the extent applicable, with effect from March 1, 2025.

*(Notification No. SEBI/LAD-NRO/GN/2025/231
dated February 14, 2025)*

FOREIGN EXCHANGE AND RBI UPDATES

A. Master Directions

1. Master Direction - Reserve Bank of India (Non-resident Investment in Debt Instruments) Directions, 2025

- a. The RBI through the master direction dated January 07, 2025, has consolidated existing regulations to create a unified legal framework governing non-resident investment in Indian debt (**Master Direction**) and prescribing four primary channels for non-resident investment in Indian debt instruments.

- b. Investment Channels:

- i. **General Route:** It allows FPI to invest in government and corporate debt securities, subject to investment limits and macro-prudential norms.

The eligible instruments and investment limits allowed under the General Route are as follows: (A) Central Government securities (including Treasury Bills), other than those included as “specified securities” under the Fully Accessible Route- 6% of the outstanding stock of Central Government securities other than those included as “specified” securities under the Fully Accessible Route; (B) State Government securities – 2% of outstanding stock of State Government securities; and (C) Corporate debt securities – 15% of outstanding stock of corporate bonds. While there is no minimum residual maturity for government securities, a 30% cap of the total investment of the FPI in each category applies to investments in short-term instruments (≤ 1 year), with specified exemptions. Corporate debt investments must have a minimum residual or original maturity of over one year.

- ii. **Voluntary Retention Route (VRR):** It permits FPIs to invest in any instrument listed under Schedule 1 to Foreign Exchange Management (Debt Instruments) Regulations, 2019, other than units of domestic mutual funds or Exchange Traded Funds (**ETFs**) that invest less than or equal to 50% in equity, as specified and in partly paid debt instruments. However, investments shall be permitted in ETFs that invest only in debt instruments. Investment limit is INR 2.5 lakh crore (or higher as notified), which may be released in one or more tranches.

- iii. **Fully Accessible Route (FAR):** Enables unrestricted investment in specified Central Government securities by FPIs, Non-Resident Indians (**NRIs**), Overseas Citizens of India (**OCIs**), and other notified non-residents for typically select 5-year, 7-year, and 10-year issuances. Unlike other routes, FAR is exempt from investment ceilings or macro-prudential restrictions.

- iv. **Scheme for Trading and Settlement of Sovereign Green Bonds issued by the Central Government by eligible foreign investors in the International Financial Services Centre:** Facilitates trading and settlement of Sovereign Green Bonds issued by the Central Government, for eligible foreign investors in the IFSC.

(RBI Master Direction RBI/2024-25/126; FMRD.FMD.No.10/14.01.006/2024-25 dated January 07, 2025 and RBI Circular RBI/2025-26/20; A.P. (DIR Series) Circular No. 01 dated April 03, 2025)



B. Circulars

1. *RBI Circular on Private placement of Non-Convertible Debentures with maturity period of more than one year by HFCs – Review of guidelines*

The RBI had issued guidelines on private placement of Non-Convertible Debentures (**NCD**) for Housing Finance companies (**HFC**) under Chapter XI of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, dated February 17, 2021. The RBI has now issued a Circular where it has been decided that the Guidelines on Private Placement of NCDs (with maturity more than one year) by NBFCs, as contained in para 58 of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 (as amended from time to time) shall be applicable, *mutatis-mutandis*, to HFCs and the existing guidelines under Chapter XI of Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 stand repealed.

The revised guidelines shall be applicable to all fresh private placements of NCDs (with maturity more than one year) by HFCs from the date of this circular, i.e. January 29, 2025.

(RBI Circular RBI/2024-25/107 DOR.FIN.
REC.No.58/03.10.136/2024-25 dated January 29, 2025)

C. Amendments and Notifications

1. *Steps to encourage use of Indian Rupee and local / national currencies for settlement of cross border transactions – Liberalisation of FEMA Regulations*

- a. Vide press release dated January 16, 2025, the RBI has amended FEMA regulations to promote cross-border transactions in INR and local / national currencies. Overseas branches of Authorised Dealer banks (**AD Bank**) may now open INR accounts for person resident outside India (**PROI**) to settle permissible current and capital account transactions with person residents in India. PROI can also use balances repatriable INR account (such as Special Rupee Vostro Account (**SRVA**) and Special Non-Resident Rupee Account (**SNRR**)) to settle bona fide transactions with other PROIs and to make foreign investments, including foreign-direct investments in non-debt instruments. Additionally, Indian exporters are now permitted to open and maintain foreign currency accounts overseas to receive export proceeds and make import payments.
- b. The RBI, through the Foreign Exchange Management (Deposit) (Fifth Amendment) Regulations, 2025, has amended the Foreign Exchange Management (Deposit) Regulations, 2016 (**Deposit Regulation**), to notify the amendments required pursuant to the aforementioned

press release. Additionally, the RBI has provided that units in International Financial Services Centres (**IFSCs**) may also open SNRR accounts with AD Banks in India (outside the IFSC) for business related transactions outside the IFSC. The earlier cap on the tenure of the SNRR account of seven years, has now been removed; the account duration now needs to align only with the tenure of the contract / period of operation/ business of the account holder.

- c. Separately, the RBI has also notified the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) (Fifth Amendment) Regulations, 2025, allowing Indian exporters to open and maintain foreign currency accounts with overseas banks for receiving export proceeds and advance remittances. Such funds may be used for import payments or must be repatriated to India by the end of the next month from the date of receipt, after adjusting for forward commitments, provided that the realisation and repatriation requirements as specified are done in accordance with Regulation 9 of the Foreign Exchange Management (Export of Goods and Services) Regulations, 2015.
- d. Further, the RBI has notified Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Third Amendment) Regulations, 2025 (**Amended Regulations**) pursuant to the aforementioned press release.

(RBI Press Release 2024-2025/1940 dated January 16, 2025 and RBI Notification Nos. FEMA 5(R)(5)/2025-RB; RBI Notification Nos. FEMA 10(R)(5)/2025-RB & RBI Notification Nos. FEMA 395(3)/2025-RB dated January 14, 2025)

2. Clarifications under Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021

- a. The Reserve Bank of India has received queries from banks and the Indian Banks' Association regarding the presentation and disclosure requirements under the Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021 (**Directions**). Clarifications are provided below:
 - i. Lien marked deposits shall continue to be classified under Schedule 3 of the Directions (Deposits with suitable disclosures.).
 - ii. Advances covered under Credit Guarantee Fund Trust for Micro and Small Enterprises, Credit Risk Guarantee Fund Trust for Low Income Housing, and individual schemes under National Credit Guarantee Trustee Company Ltd., backed by explicit Central Government guarantees, shall be disclosed under Schedule 9(B)(ii) of the Directions.
 - iii. Repo/Reverse Repo Transactions shall be disclosed at both market value as well as face value.
- b. These clarifications are applicable for financial statements from the financial year ending March 31, 2025, and onwards. The 2021 Directions shall be amended accordingly.

(RBI Notification RBI/2024-25/126; DOR.ACC. REC.No.66/21.04.018/2024-25 dated March 20, 2025)

List of Contributors

Cyril Shroff
Managing Partner

Yash Ashar
Senior Partner

Ramgovind Kuruppath
Partner

Devaki Mankad
Partner (Regional Co-Head -
Capital Markets (West))

Archit Bhatnagar
Partner

Megha Krishnamurthi
Partner

Nayana Dasgupta
Principal Associate

Sarvpriya Mishra
Principal Associate

Mansi Jhaveri
Principal Associate

Rishav Buxi
Principal Associate

Surabhi Saboo
Principal Associate

Nikita Singhi
Senior Associate

Utkarsh Jhingan
Senior Associate

Pruthvi Jasani
Senior Associate

Pooja Jasani
Senior Associate

Sakhsam Khokar
Senior Associate

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Cyril Amarchand Mangaldas
Advocates & Solicitors

100+ years of legacy

1200 Lawyers

220 Partners

Peninsula Chambers, Peninsula Corporate Park, GK Marg, Lower Parel, Mumbai – 400 013, India
T +91 22 6660 4455 **F** +91 22 2496 3666 **E** cam.mumbai@cyrilshroff.com **W** www.cyrilshroff.com
 Presence in Delhi-NCR | Bengaluru | Ahmedabad | Hyderabad | Chennai | GIFT City | Singapore | Abu Dhabi