

# FINTECH ROUNDUP: QUARTERLY UPDATES

## JANUARY 2025 – MARCH 2025

### Introduction

In the first quarter of 2025, the fintech sector in India saw some significant regulatory developments aimed at reforming the financial ecosystem. These changes reflect the growing need to address challenges such as data security, investor protection, and evolving market demands. Several major regulatory bodies, including the Reserve Bank of India (“RBI”), the Securities and Exchange Board of India (“SEBI”), Ministry of Electronics and Information Technology (“MeitY”) and the Insurance Regulatory and Development Authority of India (“IRDAI”), introduced new frameworks and guidelines which include the draft Digital Personal Data Protection rules, guidelines on credit information reporting, cybersecurity, and account aggregators. We explore how these developments are designed to enhance transparency and ensure a secure environment for both consumers and financial entities in India’s dynamic fintech ecosystem.

### January 2025

#### 1. [MeitY releases draft Digital Personal Data Protection Rules, 2025](#)

The MeitY released the Draft Digital Personal Data Protection Rules, 2025 (“Draft Rules”), on January 5, 2025, for public consultation. The Draft Rules have been introduced under the Digital Personal Data Protection Act 2023 and mark an important step towards establishment of a robust framework for data privacy in India. Key provisions of the Draft Rules include:

- Obligations of Data Fiduciaries: Data fiduciaries must ensure informed consent from individuals, implement reasonable security safeguards, notify individuals and the Data Protection Board of data breaches, and erase personal data after a period of inactivity.



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- Verifiable consent of parents: Data Fiduciaries must ensure that verifiable consent of parent is obtained for processing children's data. The individual acting as adult should be identifiable.
- Form of Notice: Data fiduciaries must issue notices that are clear, understandable, and independent of additional information to ensure transparency. The notice must provide an itemised description of the personal data being collected, specified purpose and description of the goods and services to be provided using such processing.
- Additional obligations of Significant Data Fiduciaries<sup>1</sup>: These entities must conduct annual data protection impact assessments and audits and ensure that algorithms used for processing data do not harm individuals' rights.
- Transfer of personal data outside India: Transfer of any personal outside the territory of India will be subject to the restriction that the Data Fiduciary meets such requirements as the Central Government may specify.
- Consent Manager: The Draft Rules define eligibility criteria for consent managers and their role in helping data principals exercise their rights, ensuring transparency and access to information.

These Draft Rules represent a significant step towards protecting personal data in India, however, gaps remain, such as lack of clarification regarding data protection impact assessment formats and classification of significant data fiduciaries. In the absence of such clarity, fintech companies, specifically start-ups, may face operational challenges in meeting the requirements under the Draft Rules.

For a more detailed analysis of the rules, please refer to this [link](#) where we have further elaborated on the above requirements and outlined certain issues with the Draft Rules.

## 2. [Master Direction on Credit Information Reporting](#)

The RBI issued Master Direction – Reserve Bank of India (Credit Information Reporting) Directions, 2025 on January 6, 2025, consolidating various instructions issued to banks and other financial institutions on reporting of the credit information of their customers. It lays

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<sup>1</sup> Significant data fiduciaries are any data fiduciaries notified by the Central Government on the basis of an assessment of certain relevant factors as it may determine, including (a) the volume and sensitivity of personal data processed; (b) risk to the rights of Data Principal; (c) potential impact on the sovereignty and integrity of India; (d) risk to electoral democracy; (e) security of the State; and (f) public order.

down uniform standards for credit reporting by regulated entities to ensure the confidentiality and security of sensitive credit data, provides consumers with access to their credit information and a grievance redressal mechanism. It provides, *inter alia*, for reporting of credit information on a fortnightly basis, a uniform credit reporting format, and lays down stringent guidelines for sharing of credit information with third parties. We have captured the key provisions under the master directions in the annexure [here](#).

3. [IRDAI issues regulations on Maintenance of Information by the Regulated Entities and Sharing of Information by the Authority](#)

The IRDAI has issued new regulations, effective from January 1, 2025, regarding the maintenance and sharing of information by regulated entities and IRDAI itself. The regulations emphasize the importance of maintaining operational data in electronic form, supported by strong security measures and compliance frameworks so that such data is easily accessible and secure. The regulations also aim to facilitate investigations by ensuring that insurers and intermediaries maintain relevant data to support investigations by the IRDAI and share information taking into account the principles of confidentiality, consent, disclosure and interests of the stakeholder who own or provide such information.

A summary of the key provisions of the regulations are captured in the annexure [here](#).

4. SEBI issues guidelines for [Investment Advisers](#) and [Research Analysts](#)

The SEBI issued new guidelines for Investment Advisers (“IAs”) and Research Analysts (“RAs”) on January 8, 2025, which will be effective immediately, except for certain provisions that will come into effect at a later date. These guidelines are in line with the amendments made to the [SEBI \(Investment Advisers\) Regulations, 2013](#) (“IA Regulations”) and the [SEBI \(Research Analysts\) Regulations, 2014](#) (“RA Regulations”) on December 16, 2024. Important measures include qualification standards, deposit requirements and segregation at client level. The key updates are summarized in the annexure [here](#).

## February 2025

5. [SEBI releases circulars on most important terms and conditions \(MITC\) for Research Analysts and for Investment Advisers.](#)

SEBI released a circular requiring RAs and IAs to mandatorily disclose standardised “Most Important Terms and Conditions” (“MITC”) in their agreements and terms and conditions while

providing services to their clients. For example, RAs are obligated to abide by the directions and regulations prescribed by the SEBI and the Research Analyst Administration and Supervisory Body (“**RAASB**”) in order to disclose or mitigate any potential conflict of interest. The MITC have been developed in consultation with the RAASB and International Auditing and Assurance Standards Board (IAASB) and outline key provisions including restrictions on trade execution, fee caps, conflict of interest disclosures, and risk disclaimers. The MITC will improve transparency and ensure investor safety.

SEBI has notified that existing clients must be notified of the MITC via email or any other appropriate means by June 30, 2025. For any new clients, the MITC must be incorporated in the agreements and the IAs and RAs must obtain the clients' consent for the same.

#### 6. [Regulatory framework for Specialized Investment Fund released by SEBI](#)

SEBI has released a circular dated February 27, 2025, establishing a regulatory framework for Specialised Investment Funds (“**SIFs**”). This framework has come after the Securities and Exchange Board of India (Mutual Funds) (Third Amendment) Regulations, 2024, which introduced ‘Specialized Investment Funds’ as a new asset class under the SEBI (Mutual Funds) Regulations, 1996. The framework seeks to bridge the gap between mutual funds and portfolio management services, launching a new product category tailored for more sophisticated investors. It is to be noted that as per this regulatory framework, SIFs cannot accept investment from an investor that is below INR 10,00,000 (Indian Rupees Ten Lakhs) across all investment strategies. However, this threshold is not applicable to an accredited investor. This initiative is part of SEBI's ongoing efforts to broaden investment options and meet the evolving demands of retail, high-net-worth, and institutional investors.

The key highlights under this framework are captured in the annexure [here](#).

### March 2025

#### 7. [RBI releases framework for recognising Self-Regulatory Organisations for the Account Aggregator Ecosystem](#)

The RBI had introduced a [regulatory framework](#) for Non-Banking Financial Company-Account Aggregators (“**NBFC-Aas**”) on September 02, 2016. NBFC AAs manage the aggregation of financial data from various Financial Information Providers (“**FIPs**”) and present such information to customers or Financial Information Users (“**FI-Us**”). This ecosystem involves multiple stakeholders, the major participants being NBFC-AAs, FIPs, and FI-Us which are

regulated by different financial sector regulators. Now to address operational challenges and promote faster adoption, the RBI intends to establish a Self-Regulatory Organisation for the AA ecosystem (“**SRO-AA**”). The SRO-AA will operate under the RBI’s oversight, focusing on inclusive participation from all ecosystem stakeholders, setting governance standards, maintaining impartiality and credibility and providing a grievance redressal mechanism. We have outlined detailed requirements under the SRO-AA ecosystem in our annexure [here](#).

It is pertinent to note that this is the second notification by the RBI regarding self-regulations of players acting within the fintech ecosystem. For our previous updates on the draft framework for Self-Regulatory Organisation in the fintech sector, please refer to [this link](#).

#### 8. [IRDAI issues Circular on Cyber Incident or Crisis Preparedness](#)

The IRDAI issued a circular on March 24, 2025, for insurers to effectively respond to data breaches and cyber incidents in a timely and efficient manner, minimizing damage and ensuring regulatory compliance. The circular has reiterated a few requirements under the [IRDAI Information and Cyber Security Guidelines, 2023](#) and stipulates insurers and intermediaries to:

- comply with the [cybersecurity directions](#) laid out by CERT-In.
- notify both IRDAI and the Indian Computer Emergency Response Team (“**CERT-In**”) within 6 hours of any cyber incident in line with the [CERT-In directions](#).
- have a clear and defined process in place to ensure that forensic auditors are on standby allowing them to be onboarded quickly to conduct forensic investigations and perform root cause analysis without any delay.
- maintain and monitor all information and communication technology (ICT) infrastructure and application logs for a rolling period of 180 days in line with the [CERT-In directions](#).
- maintain a Cyber Crisis Management plan.
- not engage vendor handling cyber security as forensic auditor to avoid a conflict of interest.
- report their compliance status to their respective board of directors and submit the meeting minutes to IRDAI.

## 9. [RBI revises Priority Sector Lending guidelines](#)

The RBI released the revised Master Directions - Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2025 (“**PSL Master Directions**”), which came into effect on April 1, 2025, thus superseding the earlier [directions](#) on the subject. These updated directions aim to improve credit access for key sectors such as agriculture, Micro, Small and Medium Enterprises (MSMEs), renewable energy, housing, education, and social infrastructure, among others. The key changes in the PSL Master Directions include:

- **Higher Loan Limits for Housing, Education and Other Loans:** This change aims to promote homeownership and education particularly among lower-income groups by allowing them to avail higher loans.
- **Focus on Renewable Energy:** The PSL Master Directions have broadened the purposes for which loans can be availed for ‘renewable energy’ and increased limits for such loans.
- **Expansion of the ‘Weaker Sections’ Category:** The definition of ‘Weaker Sections’ has been expanded which now includes transgenders besides small farmers, artisans and women beneficiaries to further promote financial inclusion.

## 10. [SEBI extends deadline for implementation of Cybersecurity and Cyber Resilience Framework](#)

SEBI had introduced the [Cybersecurity and Cyber Resilience Framework](#) (“**CSCRF**”) for SEBI-regulated entities (“**REs**”)<sup>2</sup> on August 20, 2024. In response to queries from REs, SEBI had then issued [clarifications to CSCRF](#) on December 31, 2024. Due to requests for more time to comply with the CSCRF, SEBI has extended the compliance deadline by three months, until June 30, 2025, for all REs, except Market Infrastructure Institutions (MIIs), KYC Registration Agencies (KRAs), and Qualified Registrars to an Issue and Share Transfer Agents (QRTAs).

## 11. [SEBI’s Circular on DigiLocker for Reducing Unclaimed Assets in the Indian Securities Market](#)

The SEBI issued a circular titled ‘Harnessing DigiLocker as a Digital Public Infrastructure for Reducing Unclaimed Assets<sup>3</sup> in the Indian Securities Market’ on March 19, 2025, to address

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<sup>2</sup> SEBI regulated entities includes Stockbrokers and Depository Participants, Mutual Funds / Asset Management Companies, KYC Registration Agencies, Qualified Registrar to an Issue and Share Transfer Agents (QRTAs) and Portfolio Managers

<sup>3</sup> Unclaimed Asset is a folio / account which is identified as unclaimed when the dividend / interest payment is unsuccessful, or the letter / cheque returns undelivered. Such criteria are ineffective if these payments get credited into the bank account of a deceased investor. The family member would not apply for transmission of the folio / account as they may not be aware of the investment in the first place. In such instance, the folio /

the issue of unclaimed financial assets. This initiative will enable investors to store and access information on their demat and mutual fund holdings (such as holding statements or consolidated account statement) through DigiLocker, which is a Digital Public Infrastructure (DPI), and to allow DigiLocker nominees to access the deceased investor's digital documents fetched by them and initiate the transmission of assets, where applicable. Key highlights of this circular are provided in the annexure [here](#).

## Conclusion

*We continue to see major efforts being made by the regulators in the fintech space in an attempt to enhance transparency, compliance and governance with the release of number of clarifications, revised frameworks and new circulars impacting IAs, RAs, insurers, SIFs and other entities. The much-awaited draft of the Digital Personal Data Protection Rules, 2025 has been released by the MeitY, the key provisions of which are still being analysed by various stakeholders. Meanwhile, the RBI has introduced a self-regulatory framework for NBFC-AAs signalling a continued push towards a robust fintech ecosystem.*

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*\*This is an update for general information purposes only and does not constitute legal advice. Please contact us if you require further clarification on this subject.*

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account is not only unclaimed, but is also not identified as unclaimed - unidentified unclaimed assets. This circular is aimed at preventing the creation of unidentified unclaimed assets in mutual funds and demat accounts.