



THE CORPORATE LENS

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RECENT UPDATES | MINISTRY OF CORPORATE AFFAIRS (MCA)

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

- MCA vide Notification No. G.S.R 131 (E) dated February 12, 2025, amended the Companies (Prospectus and Allotment of Securities) Rules, 2014, and inserted a new proviso in Rule 9B, sub-rule (2), providing that a private company (other than a producer company), which is not a small company as on March 31, 2023, may comply with the provisions of the sub-rule (2) of Rule 9B by June 30, 2025. These rules may be called the Companies (Prospectus and Allotment of Securities) Amendment Rules, 2025. This provides private companies (other than small and producer companies) with more time to complete the dematerialisation of securities and obtain International Securities Identification Numbers.

RECENT UPDATES | SECURITIES EXCHANGE BOARD OF INDIA (SEBI)

Consultation paper on promoting financial inclusion through Sachetisation of Investment in Mutual Fund schemes

- SEBI on January 22, 2025, has proposed a sachetized mutual fund initiative to promote financial inclusion by allowing small-ticket investments through Systematic Investment Plans (SIPs) starting at just INR 250, to encourage low-income groups to begin their investment journey in mutual funds. This initiative targets underserved sections of society and aims to make investing easier through subsidized fees, digital payments via National Automated Clearing House (NACH) and Unified Payment Interface (UPI), and simplified KYC processes linked to Aadhaar. The key highlights of the proposal are as follows:
 - Under the proposal, investors can make up to three SIPs across different Asset Management Companies (AMCs), with costs subsidized through SEBI's Investor Education Fund.
 - The payments will be restricted to auto-pay modes like NACH and UPI (Unified Payment Interface), both of which are cost-effective for small-ticket investments.
 - Distributors will receive INR 500 for each new investor who completes 24 SIP installments.

- Intermediaries involved in the process – such as stock exchanges, platforms, and payment gateways – have agreed to offer discounted rates to ensure faster breakeven for AMCs and make the scheme financially viable.

- The focus will be on growth options, excluding debt and thematic funds.

The key highlights of the proposal are as follows:

- The Proposal on Sachetisation of Mutual Funds Small Ticket Systematic Investment Plan; and
- Whether the proposal of providing disclosures through SMS is appropriate, for small ticket SIP investors?

Consultation Paper on Review of Framework for Social Stock Exchange¹

- SEBI on January 20, 2025, has issued the Consultation paper on review of framework for social stock exchange. In this SEBI has proposed several changes to make the Social Stock Exchange (SSE) more accessible and inclusive; and the key proposals are as follows:

¹ The SSE framework, initially introduced in 2022, aims to enable Non-Profit Organizations (NPOs) to raise funds via SSE segments of NSE and BSE.

- (i) The definition of eligible Non-Profit Organizations (NPOs) is proposed to be expanded to include those registered under the Indian Registration Act and Section 25 of the Companies Act, 2013, along with the existing categories, and further refinement of the role of Social Impact Assessment (SIA) firms, and registration procedures.
- (ii) The paper proposes expanding the types of legal structures eligible for NPO registration and modifying the role of social impact assessors.
- (iii) Amendments to the SEBI (Issue of Capital and Disclosure Requirements), Regulations, 2018 and SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 are suggested, with changes to NPO disclosure requirements, including the submission of social impact reports.
- (iv) The range of eligible activities will now cover welfare for disadvantaged groups, vocational skills, and the promotion of art, culture, and heritage.
- (v) The target segment for SSE will also be widened to include cultural and environmental organizations alongside social enterprises.
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These proposed changes are aimed at encouraging broader participation and driving growth in India's social sector. Public comments on the proposal were invited until February 10, 2025.

Consultation Paper on draft circular for change in cut-off timings to determine applicable NAV with respect to repurchase/ redemption of units in overnight schemes of Mutual Funds

- SEBI on January 20, 2025, has issued the Consultation paper on Change in cut-off timings to determine applicable NAV with respect to repurchase/ redemption of units in overnight schemes of Mutual Funds. SEBI has proposed changing the cut-off time for determining the Net asset Value (NAV) for repurchase or redemption of units in overnight mutual fund schemes from 3:00 PM to 7:00 PM.

This change is intended to improve the efficiency of stockbrokers clearing members, following SEBI's circular dated December 13, 2023 on the upstreaming of clients' funds.

The new timing will give more time to un-pledge MFOS units and process redemption requests aftermarket hours.

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

Consultation paper on certain amendments to SEBI LODR Regulations, 2015 with the objective of encouraging dematerialization of securities and streamlining certain processes in view of current regulatory landscape

- SEBI on 14 January 2025, has released a consultation paper certain amendments to SEBI LODR Regulations, 2015 with the objective of encouraging dematerialization of securities and streamlining certain processes in view of current regulatory landscape. The key proposals include mandating dematerialized securities for corporate actions like stock splits and mergers and removing outdated provisions such as the registration of transfers and proof of delivery.

SEBI aims to enhance transparency, reduce fraud risks, and improve efficiency. Public comments are invited until February 4, 2025.

Securities and Exchange Board of India Revise and Revamp Nomination Facilities in the Indian Securities Market, 2025

- SEBI vide Notification No. SEBI/HO/OIAE/OIAE_IAD-3/P/ON/2025 dated January 10, 2025, has revised the nomination norms for demat accounts and mutual fund folios to streamline asset transmission and reduce unclaimed investments, effective March 1, 2025.

The updated framework includes key changes such as the following:

- (i) Updated rule of survivorship for joint accounts, updated processes for the simultaneous passing of joint holders, and new nomination requirements;
- (ii) Investors can now nominate up to 10 individuals, specifying their shares, with both digital and physical submission options.
- (iii) For incapacitated investors, SEBI has introduced procedures like medical verification and nominee empowerment.
- (iv) Asset transmission will require minimal documentation, such as a death certificate and nominee KYC updates.

AMCs and depositories must adopt these changes and report their implementation to SEBI by May 2025. These revisions aim to enhance investor confidence and ensure smoother asset transfers.

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

- SEBI has issued a consultation paper proposing an increase in the size criteria for additional disclosure requirements under its framework for Foreign Portfolio Investors (FPIs).

Currently, FPIs managing more than INR 25,000 crore in equity assets under management (AUM) are required to disclose granular details of all investors to prevent circumvention of Press Note 3 stipulations. With the rise in market turnover, which has seen a 122% increase between FY 2022-23 and FY 2024-25, SEBI suggests raising the threshold for these disclosures to INR 50,000 crore to reflect the larger scale of market activity.

This adjustment aims to ensure that large FPIs do not disrupt the Indian securities markets. The proposal does not alter the concentration criteria for disclosures, which aims to prevent circumvention of Minimum Public Shareholding (MPS) norms.

The consultation paper had invited public comments on the proposed changes, with feedback due by January 31, 2025.

Guidelines for Research Analysts

- SEBI vide Circular No. SEBI/HO/MIRSD/ MIRSD-PoD-1/P/CIR/2025/004 dated January 8, 2025 has revised its framework for regulating Research Analysts (RAs) through the SEBI (Research Analysts) (Third Amendment) Regulations, 2024, effective December 16, 2024. Key updates include revised qualification requirements, deposit mandates based on client count, and provisions for dual registration as both investment advisers and research analysts. Key updates include revised qualification requirements, deposit mandates based on client count, and provisions for dual registration as both investment advisers and research analysts.

Compliance deadlines for existing RAs vary, with deposit requirements due by April 30, 2025, and client fee-related provisions effective by June 30, 2025.

SEBI has also introduced client-level segregation for research and distribution activities, clarified guidelines for recommending model portfolios, and updated KYC record-keeping and interaction documentation standards.

Additional directives cover fee limits, refund mechanisms, grievance redressal, and mandatory disclosures, including Most Important Terms and Conditions (MITC).

Guidelines for Investment Advisers

- SEBI vide Notification No. SEBI/HO/MIRSD/ MIRSD-PoD-1/P/CIR/2025/003 dated January 8, 2025, has issued guidelines to the Securities and Exchange Board of India (Investment Advisers) (Second Amendment) Regulations, 2024 on December 16, 2024. These amendments have come into force on the date of notification i.e. on December 16, 2024.

It provides guidelines on deposit requirements based on client numbers, provisions for part-time IAs, and the option for Research Analysts to dual register as IAs under specific conditions. Non-individual IAs are now required to appoint compliance officers and meet qualification standards. The amendments also provide flexibility in fee structures, revise fixed fee limits, and introduce disclosure and segregation requirements for IAs using Artificial Intelligence or offering non-SEBI-regulated products. Additionally, enhanced audit, record-keeping, and website requirements ensure greater transparency and compliance. All IAs must maintain functional websites and adhere to detailed client agreement terms, with compliance deadlines varying depending on the provision.

Consultation paper on draft circular for Management Statement and Auditor's/Independent Practitioner's Report on digital assurance based on information obtained from external data repositories

- SEBI on February 3, 2025, issued a consultation paper inviting public comments on a draft circular for Management Statement and Auditor's/Independent Practitioner's Report on digital assurance based on information obtained from external data repositories. The Auditing and Assurance Standards Board ("AASB") and the Digital Accounting and Assurance Board ("DAAB") of the Institute of Chartered Accountants of India ("ICAI") issued a "Technical Guide on Digital Assurance" to provide guidance to its members on digitally available audit evidence and information.

The guide focuses on sources of external audit evidence and information available and how it can be utilized by the members in their audit procedures. The Technical Guide does not require any separate reporting by auditors on these aspects. No responsibility is casted on the management of listed entity to provide this information obtained from external data repositories to auditors or provide access to such information to auditors.

Consultations were held with Primary Market Advisory Committee (“PMAC”) to deliberate on the requirement of a separate report on digital assurance of financial statements issued by listed companies. Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 has provided various requirements with respect to submission of financial results. The consultation paper further proposes that, to enhance the quality of financial reporting done by listed companies and to provide greater investor protection, a separate report on digital assurance of financial statements is mandated.

Circular on safer participation of retail investors in algorithmic trading

- SEBI vide Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/0000013 issued a Circular on safer participation of retail investors in algorithmic trading on February 4, 2025. This circular facilitates the participation of retail investors in algorithmic trading (“Algo Trading”), which provides advantages of faster order execution and improved liquidity. The Circular provides for a regulatory framework aimed at spelling out the rights and responsibilities of the main stakeholders of the trading ecosystem, i.e., investors, brokers, algo providers/vendors and market infrastructure institutions, so that the retail investors are enabled to avail algo facilities with the requisite safeguards.

The provisions of the Circular will be applicable from August 1, 2025. Under the framework, retail investors will get access to the approved algo(s) only from the registered brokers, which will safeguard the interests of the investors. The facility of Algo Trading will only be provided by the stockbroker, after obtaining the requisite permission from the stock exchange for each algo. All algo orders shall be tagged with a unique identifier provided by SEBI to establish audit trail and the broker shall seek approval from the SEBI for any modification or change to the approved algos. The brokers shall be solely responsible for handling investor grievances related to algo trading and the monitoring of APIs for prohibited activities.

Exchanges shall continue to be responsible for supervising Algor Trading and shall supervise/inspect that brokers can distinguish between algo and non- algo orders. The Circular is issued in exercise of powers conferred under Section 11(1) of Chapter IV of the Securities and Exchange Board of India Act, 1992, read with Section 30 of the Securities and Exchange Board of India (Stockbrokers) Regulations, 1992 to protect the interests of investors in securities, to promote the development of and to regulate the securities market.

Consultation Paper on draft circular on extension of automated implementation of trading window closure to immediate relatives of designated persons.

- SEBI on February 7, 2025 issued a consultation paper inviting public comments on extension of automated implementation of trading window closure to immediate relatives of designated persons. SEBI in August 2022, issued a framework restricting trading by depository participants by way of freezing their PAN at security level during the trading window closure period. The freezing of PAN at security level would be carried out the stock exchanges and depositories based on the information provided by the listed company.

As per regulation 2(1)(f) of SEBI (Prohibition of Insider Trading) Regulations, 2015, “immediate relative” means a spouse of a person, and includes parent, sibling, and child of such person or of the spouse, any of whom is either dependent financially on such person or consults such person in taking decisions relating to trading in securities.

Subsequently, in July 2023, SEBI extended the framework to restrict trading by “designated persons” during the trading window closure period, to all listed companies, in a phased manner. The consultation paper proposes to extend the automated implementation of trading window closure for immediate relatives of designated persons of listed companies, on account of declaration of financial results.

Consultation paper on review of Regulation 17(a) of SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”), with the objective of Ease of Doing Business

- SEBI on February 7, 2025 has issued a consultation paper inviting public comments on review of Regulation 17(a) AIF Regulations, 2012, with the objective of Ease of Doing Business. The review on Regulation 17(a) of the AIF Regulations, aims to address the evolving concerns regarding the shrinking universe in unlisted debt securities, pursuant to the introduction of Regulation 62A of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”).

The proposal set out in the consultation paper is to allow Category II Alternative Investment Funds to invest in listed debt securities that have credit ratings of ‘A’ or below, in addition to their current investment in unlisted securities.

AIF Regulations specifies that Category II AIFs must primarily invest in unlisted securities. As per SEBI's explanation in Master Circular dated July 31, 2023, the term 'primarily' refers to the fact that over 50% of the fund's investments shall be directed to unlisted securities. The consultation paper addresses 2 regulatory shifts, i.e., regulation 62A of the LODR Regulations which requires all non-convertible debt securities issued on or after January 1, 2024, to be listed on stock exchanges, and the restriction on unlisted debt securities, which impacts Category II AIFs, given their regulatory obligation to invest primarily in unlisted securities.

AIF representatives have expressed their concerns that the restrictive nature of the new LODR Regulations could create significant challenges for these funds in maintaining their investment strategies in unlisted debt securities. The circular states that the fund is to invest more than 50% of their total investible funds in unlisted securities, and/or listed debt securities having credit rating 'A' or below, directly through investment in units of other AIFs.

Consultation paper on aspects relating to secretarial compliance report, appointment of auditors and related party transactions of a listed entity

- SEBI on February 7, 2025 has issued a consultation paper inviting public comments on aspects relating to secretarial compliance report, appointment of auditors and related party transactions of a listed entity. The consultation proposes a revised format for annual secretarial compliance report, eligibility criteria for the appointment of auditors and inclusion of monetary thresholds for related party transactions approval. The format and content of the annual secretarial compliance report is to be improved, aiming for more explicit confirmation of compliance with securities law.

For the eligibility criteria for the appointment of statutory auditors, the paper proposes incorporating provisions in the LODR Regulations similar to the provisions under the Companies (Audit and Auditors) Rules 2014, which ensure that the auditors' qualifications and experience match the listed entity's size and complexity. For the disclosures related to auditor's appointment, the paper proposes mandating the disclosure of key information related to the appointment/re-appointment of statutory and secretarial auditors to the audit committee, board of directors, and shareholders, at the time of such appointments.

The paper further proposes a monetary threshold for related party transactions conducted by subsidiaries of listed entities to determine whether approval from the audit committee is required.

The proposal suggested setting two approval thresholds for RPTs by the audit committee of listed entities' subsidiaries. For subsidiaries with a financial track record, the lower of a 10 per cent turnover-based threshold or a monetary threshold (Rs 1,000 crore for main-board and Rs 50 crore for SME-listed subsidiaries) will apply. For subsidiaries without a financial track record, the threshold will be 10 per cent of the subsidiary's net worth, certified by a chartered accountant, or the same monetary limits. In case of negative net worth, share capital plus securities premium will be considered instead. This ensures consistency in thresholds for both types of subsidiaries.

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

- SEBI, vide Notification No. SEBI/LAD-NRO/GN/2025/227 dated February 10, 2025, has amended the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018, and inserted Regulation 39B in Chapter VI after the existing Regulation 39A.

The inserted Regulation states that a recognized stock exchange or clearing corporation using artificial intelligence (AI) and machine learning (ML) tools, whether developed in-house or procured from third parties, is responsible for- (i) ensuring the privacy, security, and integrity of investors and stakeholders' data; (ii) managing the outcome of AI/ML tools and techniques they use; (iii) complying with relevant laws.

This applies to any AI/ML applications or systems used for trading, settlement, compliance, or business operations.

Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2025

- SEBI, vide Notification No. SEBI/LAD-NRO/GN/2025/225 dated February 10, 2025, has amended the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018, and the following amendments have been made in various regulations:

- (i) In Regulation 8, after the words and symbol “under Regulation 7, shall pay” and before the words “annual fee”, the words and symbols “, within fifteen days from the beginning of each financial year, the” shall be inserted.
- (ii) In Regulation 9, the existing regulation shall be renumbered as sub- regulation (1) and after sub-regulation (1) so numbered, the following sub-regulation shall be inserted- “(2) The details of remittance shall be forwarded along with the statement of computation of annual charges certified to be corrected by a chartered accountant.”
- (iii) After Regulation 9, Regulation 9A is inserted, which states that, where due to the default of any depository, any fee which was to be paid to the Board under Regulations 8 and 9 is not paid/paid belatedly/short paid, the depository shall pay an interest of 15% per annum on the amount remaining unpaid/belatedly paid/short- paid, for every month of delay.

1. After regulation 82A in chapter VII, Regulation 82AA is inserted, which states that, a depository which uses AI/ML tools and techniques, either designed by it or procured from third part technology service providers, shall be responsible for- (i) the privacy, security and, integrity of investors and stakeholders’ data including data maintained by it in a fiduciary capacity throughout the processes involved; the output arising from the usage of such tools and techniques it relies upon or deals with; (iii) the compliance with applicable laws in force.

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Circular on facilitation to SEBI registered stock brokers to access negotiated dealing system- order matching (NDS-OM) for trading in Government securities- Separate Business Units (SBU)

- SEBI vide Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/14 issued a circular on Facilitation to SEBI registered stock brokers to access Negotiated Dealing System- Order for trading in Government Securities- Separate Business Units on February 11, 2025. The circular allows SEBI- registered stock brokers to participate in Government Securities market in the NDS-OM through a Separate Business Unit of the stock broking entity.
- The matters related to policy, eligibility criteria, risk management, investor grievances, inspection, enforcement, claims etc. for stock-brokers to transact on NDS-OM would be specified under the regulatory framework issued by the respective regulatory authority and all activities of the business unit of stock broker facilitating trading on NDS-OM would be under the jurisdiction of that regulatory authority.

The stock brokers will be required to create a separate business unit within their entity, ensuring that its operations remain segregated from their regular securities market activities. The circular further states that stock brokers are to maintain an arm’s length relationship between their core securities operations and the SBU’s dealing in government securities. The SBU will exclusively be engaged in activities of transacting on the NDS-OM platform.

The circular further states that the activities of the business unit will be under the jurisdiction of another regulatory authority, grievance redressal mechanism, and Investor Protection Fund of the stock exchanges and SEBI’s SCORES will not be available for investors availing of the services of the SBU.

Consultation paper on treatment of unclaimed funds and securities of clients lying with Trading Members.

- SEBI on February 11, 2025 issued a consultation paper for public comments on treatment of unclaimed funds and securities of clients lying with Trading Members. The paper has been issued to protect the interest of investors, a mechanism to be introduced for treatment of unclaimed funds and securities of investors lying with the Trading Members. The paper states that the Trading Members must settle the credit balance of clients lying with them on the first Friday and/or Saturday of every month or quarter.

In case a member cannot settle the client accounts due to non- availability of bank accounts/non-traceability of clients, etc., as per stock exchange guidelines, the Trading Members shall make all efforts to trace the clients to settle their funds lying with them and maintain an audit trail for such efforts made for tracing the clients.

The paper proposes the complete process for treatment of unclaimed funds and securities (both in physical and demat mode) lying with the Trading Members.

Circular on service platform for investors to trace inactive and unclaimed Mutual Funds Folios- MITRA (Mutual Fund Investment Tracing and Retrieval Assistant)

- SEBI issued a circular on February 12, 2025 vide Circular No. SEBI/HO/IMD/IMD-SEC-3/CIR/2025/15, regarding Service Platform for investors to trace inactive and unclaimed Mutual Funds Folios- MITRA (Mutual Fund Investment Tracing and Retrieval Assistant).

MITRA will help with investments that may have been overlooked, lost, or left unclaimed due to outdated KYC details or the demise of the original investor. MITRA, that has been developed by RTAs, aims to empower investors by:

- helping them identify overlooked investments or those for which there are legal claimants;
- encourage investors to do KYC as per the current norms, thus, reducing the number of non- KYC compliant folios;
- leads to reduction in the unclaimed Mutual Fund folios; and
- builds and incorporates mitigants against fraud risk.

A Mutual Fund Folio that has had no investor- initiated financial or non- financial transactions in 10 years, is regarded as inactive but unit balance is available. MITRA will list such folios to encourage the rightful owners to claim their investments and update the KYC records. MITRA will be jointly hosted by 2 qualified RTAs, i.e., Computer Age Management Services Limited and KFIN Technologies Limited, who will act as Agents of Asset Management Companies ("AMCs").

The cyber security and cyber resilience framework as applicable to Qualified RTAs (QRTAs) in terms of SEBI Master Circular on Mutual Funds dated June 27, 2024 shall be applicable to the MITRA platform.

As part of regulatory amendments, SEBI has updated the responsibilities of the Unit Holder Protection Committee (UHPC) under its Master Circular on Mutual Funds. The UHPC will now also review inactive folios alongside unclaimed dividends and redemptions, ensuring that necessary steps are taken to reduce unclaimed amounts. AMCs, through their RTAs, are required to facilitate MITRA for this purpose.

Margin obligations to be given by way of pledge/re- pledge in the depository system

SEBI on February 12, 2025, issued a draft circular for public comments on margin obligations to be given by way of pledge/re- pledge in the depository system. The draft circular states that to mitigate the risk of misappropriation/misuse of client's securities, SEBI vide circular SEBI/HO/MIRSD/DOP/CIR/2020/28 dated February 25, 2020 mandated that the broker shall accept collateral from client in the form of securities only by way of 'margin pledge'.

The draft circular states that brokers have not been selling clients' securities invoked under the margin pledge system on the same day, which results in the accumulation in brokers' demat accounts.

This may lead to a potential misutilization of clients' securities. The draft circular proposes to introduce a mechanism, whereby clients' securities upon invocation, will be blocked for early pay- in within the clients' demat account.

Consultation paper on advance fee to be charged by Investment Advisers and Research Analysts

- SEBI on February 12, 2025 issued a consultation paper for public comments on Advance Fee to be charged by Investment Advisers and Research Analysts. The paper proposes to reconsider the period for advance fees, which the Investment Advisers (IAs) and Research Analysts (RAs) are currently able to charge their clients, and to consider advance fee period up to 1 year.

Under the current regulations, which were amended in 2020 and 2024, IAs can charge fees for a period not exceeding two quarters (six months), while RAs are limited to one quarter (three months). These provisions, introduced to protect investors, ensure that clients are not locked into a long-term contract with an adviser or analyst, particularly if they feel dissatisfied with the services.

The paper also clarifies that these new provisions would apply only to individual and Hindu Undivided Family (HUF) clients. For non-individual clients, accredited investors, and institutional clients, the terms and conditions related to fees would be governed by bilaterally negotiated contractual agreements, offering more flexibility to both parties.

Consultation paper on draft circular on strengthening of ESG rating providers (ERPs)

- SEBI on February 13, 2025 issued a consultation paper for public comments on draft circular on strengthening of ESG rating providers (ERPs). The Master Circular SEBI/HO/DDHS/DDHS-POD3/P/CIR/2024/45 dated May 16, 2024 specifies various procedural/disclosure requirements and obligations for ERPs.

The draft circular provides for the withdrawal of ESG ratings, disclosure of rating rationale on the website of the ERP, internal audits of ERPs, and governance norm of ERPs.

Relaxation in timelines for holding AIFs' investments in dematerialized form

The circular substitutes Paragraph 4 under Part A of Section III B of the Master Circular and states that, a listed entity shall provide the audit committee with the information as mentioned 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.

The circular substitutes Paragraph 6 under Part B of Section III B of the Master Circular and states that, the notice sent to the shareholders seeking approval for any RPT, shall 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.

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

- SEBI vide Notification No. SEBI/LAD-NR0/GN/2025/229 dated February 17, 2025 has made the given regulations. It specifies a new procedure for making regulations, mandating public consultation and for engagement of stakeholders for modifying norms. To make regulations, SEBI will publish on its official website the proposal containing the suggested changes to the policy, a statement of the regulatory intent and objectives of the proposed regulations; and the manner, process, and timelines for receiving public comments.

Time period prescribed for receiving public comments is 21 calendar days. On receipt of public comments, the rationale for rejection, if any, of comments will be published on the SEBI's official website. Thereafter, the proposed regulations and the related agenda paper will be considered by Sebi. If the agenda paper has been prepared following a public consultation, it will include a systematic compilation of comments received or a summary of such comments, and the remarks thereon of Sebi.

Consultation paper on technology- based measures to secure trading environment and to prevent unauthorized transactions in trading/demat account of investors

- SEBI on February 18, 2025 issued a consultation paper for public comments on technology- based measures to secure trading environment and to prevent unauthorized transactions in trading/demat account of investors. The paper highlights the increasing technological advancements in trading and the associated risks, such as unauthorized access, SIM spoofing, identity theft, and erroneous transfers. To mitigate these risks, SEBI constituted a working group that has recommended a robust authentication mechanism, including SIM binding with mobile devices and Unique Client Code (UCC), like the authentication used in UPI applications.

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SEBI's proposed framework introduces stricter security measures for trading accounts, including SIM binding, biometric authentication, QR code-based logins, family account linking, and temporary account locking. Investors must access accounts only from registered devices, with enhanced authentication for call-and-trade and walk-in facilities. The phased rollout starts with the top 10 Qualified Stock Brokers, requiring compliance within six months before extending to all investors. Aimed at preventing unauthorized transactions and strengthening investor control, SEBI invites public comments on the proposal until March 11, 2025, via its website or email.

Circular on clarification regarding investor education and awareness initiatives

- SEBI vide Circular No. SEBI/HO/IMD/PoD1/P/CIR/2025/21 dated February 20, 2025 has provided for clarification regarding investor education and awareness initiatives. SEBI clarified that under Chapter 10 of the Master Circular on Mutual Funds (June 27, 2024), AMCs must allocate at least 2 basis points of daily net assets within the total expense ratio for investor education and awareness initiatives, as per Regulation 52 of SEBI (Mutual Funds) Regulations, 1996. Investor education initiatives include financial inclusion efforts as approved by SEBI. This clarification is issued under Section 11(1) of the SEBI Act, 1992 to protect investors and regulate the securities market.

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Consultation paper on expanding definition of Qualified Institutional Buyers (QIBs) under SEBI (ICDR) Regulations, 2018, to include accredited investors for the limited purpose of investments in angel funds

- SEBI on February 21, 2025 issued a consultation paper for public comments on expanding definition of QIBs under SEBI (ICDR) Regulations, 2018, to include Accredited Investors for the limited purpose of investments in Angel Funds. SEBI has proposed amending the definition of QIBs under the SEBI (ICDR) Regulations, 2018, to include Accredited Investors (AIs) for Angel Fund investments. Angel Funds, a sub-category of Category I Alternative Investment Funds (AIFs), raise capital from Angel Investors to invest in start-ups. SEBI aims to address concerns about the operational clarity of Angel Funds and the risks posed to investors with varying financial capacities by allowing only AIs—financially sophisticated investors—to participate.

SEBI proposes recognizing Accredited Investors as Qualified Institutional Buyers for Angel Fund investments to address private placement restrictions under the Companies Act, 2013. This would enable more financially qualified investors to participate without breaching the 200-investor cap while ensuring regulatory compliance. AIs, meeting specific financial criteria under AIF Regulations, are deemed better suited for high-risk investments than Angel Investors, whose eligibility criteria have remained unchanged since 2013. SEBI also proposes removing the 200-investor cap per investee company to facilitate larger start-up investments.

Consultation paper on enhancing trading convenience and strengthening risk monitoring in Equity Derivatives

- SEBI on February 24, 2025 issued a consultation paper for public comments on enhancing trading convenience and strengthening risk monitoring in equity derivatives. The paper introduces real-time intraday Future Equivalents (FutEq) Open Interest (OI) data and recalibrates exposure limits for MFs and AIFs by measuring options exposure on a FutEq (Delta) basis with netting at the stock/index level.

There will be revision of position limits for index derivatives, capping net FutEq for index options at Rs. 500 crore (end-of-day) and Rs. 1000 crore (intraday), while index future limits rise to Rs. 1500 crore Rs. 2500 crore, respectively. Market Wide Position Limits (MWPL) for single stocks will be based on FutEq OI, reviewed quarterly, and set as the lower of 15% of free-float market capitalization or 60 x the average daily delivery value in cash market across exchanges.

SEBI on February 24, 2025 issued a consultation paper for public comments on enhancing trading convenience and strengthening risk monitoring in equity derivatives. The paper introduces real-time intraday Future Equivalents (FutEq) Open Interest (OI) data and recalibrates exposure limits for MFs and AIFs by measuring options exposure on a FutEq (Delta) basis with netting at the stock/index level.

For improvement in market stability, pre-open and post-close sessions will be introduced for current-month futures. Stricter eligibility criteria for non-benchmark indices will prevent concentration risk, requiring at least 14 constituents with limits on individual stock weights. A cross-clearing corporation risk monitoring system will prevent position limit circumvention.

Circular on opening of demat account in the name of Association of Persons

- SEBI vide Circular No. SEBI/HO/CFD/CFD-POD-2/CIR/2025/25 dated February 25, 2025 has provided for the industry standards on regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015. The Industry Standard Forum has formulated industry standards, in consultation with SEBI, for effective implementation of the requirement to disclose material events or information under Regulation 30 of SEBI (LODR) Regulations, 2015.

Extension towards Adoption and Implementation of Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)

- SEBI had received multiple requests for CSCRF compliance timelines extension to ensure ease of compliance for them.

Therefore, SEBI vide Circular No. SEBI/HO/ITD-1/ITD_CSC_EXT/P/CIR/2025/45 dated March 28, 2025 has decided to extend the compliance timelines by three (3) months, i.e., till June 30, 2025 to all REs, except Market Infrastructure Institutions (MIIs), KYC Registration Agencies (KRAs), and Qualified Registrars to an Issue and Share Transfer Agents (QRTAs).

Measures to facilitate ease of doing business with respect to framework for assurance or assessment, ESG disclosures for value chain, and introduction of voluntary disclosure on green credits

In order to facilitate ease of doing business, provide additional time to listed entities and their value chain partners for setting up measurement and reporting systems and avoid unintended impact on small businesses in terms of cost and compliance requirements, it has been decided by SEBI vide Circular No. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2025/42 dated March 28, 2025, to defer the disclosure and assessment or assurance with respect to value chain by one year and to revise the threshold for values chain partners.

Disclosures for value chain shall be made by the listed company as per BRSR Core, as part of its Annual Report. For this purpose, value chain shall encompass the top upstream and downstream partners of a listed entity, individually comprising 2% or more of the listed entity's purchases and sales (by value) respectively. However, the listed entity may limit disclosure of value chain to cover 75% of its purchases and sales (by value) respectively." ESG disclosures for the value chain shall be applicable to the top 250 listed entities (by market capitalization), on a voluntary basis from FY 2025- 26. The assessment or assurance of the above shall be applicable on a voluntary basis from FY 2026-27.

For the first year of reporting ESG disclosures for value chain, reporting of previous year numbers shall be voluntary. To illustrate, for value chain disclosures of FY 2025-26, reporting of previous year data (i.e., data for FY 2024-25) shall be voluntary.

If a listed entity provides ESG disclosures for value chain, then it shall disclose the percentage of total sales and purchases covered by the value chain partners, respectively, for which ESG disclosure are provided. The provisions of circular shall be applicable from the date of issuance of this circular, except otherwise mentioned specifically.

Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2025

- SEBI vide Notification No. SEBI/LAD-NRO/GN/2025/238 dated March 20, 2025 has issued the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Second Amendment) Regulations, 2025, under its powers from the Securities Contracts (Regulation) Act, 1956, and the SEBI Act, 1992.

Effective from its publication in the Official Gazette, this amendment introduces Regulation 38B to the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018. The new provision allows recognized stock exchanges, with SEBI's approval, to carry out the verification of past risk-return metrics. This function aligns with Regulation 12A(2) of the SEBI (Credit Rating Agencies) Regulations, 1999, and will be subject to conditions specified by SEBI.

Securities and Exchange Board of India (Credit Rating Agencies) (Amendment) Regulations, 2025

- SEBI vide Notification No. SEBI/LAD-NRO/GN/2025/236 dated March 20, 2025 has amended the Credit Rating Agencies Regulations, 1999, introducing a new Chapter IIA for the establishment of a Past Risk and Return Verification Agency. Under this amendment, an eligible credit rating agency may function as a verification agency with SEBI's approval. Additionally, such an agency must engage a recognized stock exchange as a data center for verification purposes, following SEBI-specified conditions.

The amendment aims to enhance transparency in credit rating processes and strengthen risk assessment mechanisms. These regulations take effect upon publication in the Official Gazette.

Securities and Exchange Board of India (Intermediaries) (Second Amendment) Regulations, 2025

- SEBI vide Notification No. SEBI/LAD-NRO/GN/2025/237 dated March 20, 2025, has inserted new chapter i.e., chapter IIIC in the Regulations which deals with verification of past risk and return metrics, and accordingly, section 16D, 16E and 16F have been added.

The amendment is applicable only to Investment Advisers, Research Analysts, Algo Providers, empaneled with a recognized stock exchange, and intermediaries permitted by SEBI to provide the services of Investment Advisers, Research Analysts and Algorithmic Trading. The said persons shall be permitted to make claim of returns or performance in the form of risk and return metrics, which have been verified by a credit rating agency recognized by SEBI to carry out the activity of a Past Risk and Return Verification Agency. Any claim in the form of verified risk or return metrics shall be made in the manner specified by SEBI.

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

- In a recent move to enhance transparency and streamline the process of related party transactions, SEBI issued Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/37 on March 21, 2025, extending the deadline for listed entities to adhere to the Industry Standards for related party transactions. The circular aims to simplify the process of review and approval of RPTs, ensuring greater compliance and accountability.

The purpose of the circular is to ensure that listed companies follow standardized procedures when reviewing and approving related party transactions, which are often a source of concern due to their potential to cause conflicts of interest or affect shareholder value. The circular mandates that companies provide adequate and clear information to their audit committees and shareholders, helping them make informed decisions about such transactions.

The SEBI circular acknowledges that related party transactions are critical for the functioning of businesses but stresses that these transactions must be handled with care. The Industry Standards, which are set to be released by the ISF, will provide a clear framework for ensuring that RPTs are disclosed and approved in a manner that protects the interests of minority shareholders and ensures corporate governance standards are upheld.

SEBI's decision to extend the deadline for the implementation of the Industry Standards on related party transactions reflects the regulator's commitment to promoting better

governance and transparency in corporate India. Listed entities must take this opportunity to review their processes and ensure they comply with the new requirements by the revised deadline of July 1, 2025. The updated guidelines will not only help in better monitoring of related party transactions but also enhance the confidence of investors and stakeholders in the corporate governance practices of listed companies.

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)

- SEBI had released a consultation paper dated March 21, 2025, proposing to simplify the process for SEBI-registered stock brokers to conduct securities market activities within the Gujarat International Finance Tech-city – International Financial Services Centre (GIFT-IFSC). The draft suggests eliminating the requirement for brokers to obtain SEBI's No Objection Certificate (NOC) to establish subsidiaries or joint ventures in GIFT-IFSC. Instead, brokers would be permitted to operate through a Separate Business Unit (SBU) within their existing entity. The proposal aims to streamline operations and leverage brokers' current infrastructure.

Key safeguards include maintaining an arms-length relationship between the SBU and the broker's domestic operations, separate accounts, and segregated net worth. Activities in the SBU will fall under the jurisdiction of the relevant GIFT-IFSC regulatory authority. SEBI is inviting public comments on this consultation paper until April 11, 2025, to gather feedback on the proposed changes.

Harnessing DigiLocker as a Digital Public Infrastructure for reducing Unclaimed Assets in the Indian Securities Market

- SEBI vide Circular No. SEBI/HO/OIAE/OIAE/IAD-3/P/CIR/2025/32 dated March 19, 2025, introduced DigiLocker as a Digital Public Infrastructure to address the issue of unclaimed assets in the Indian securities market. The initiative aims to digitize and streamline access to investor records, enabling easier retrieval of unclaimed shares, dividends, and other assets. By integrating DigiLocker with depositories and registrars, SEBI seeks to enhance investor protection, reduce paperwork, and improve efficiency in asset recovery. Investors will now be able to verify and claim unclaimed assets seamlessly, minimizing delays and improving transparency. Market participants must align with these digital reforms to facilitate compliance and investor accessibility.

Disclosure of holding of specified securities in dematerialized form

- SEBI vide Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/35 dated March 20, 2025 introduced new disclosure norms for the holding of specified securities in dematerialized form. The circular mandates that listed entities provide accurate and timely reporting of their shareholding patterns, ensuring that all disclosures reflect the proportion of securities held in demat form.

This initiative aims to enhance transparency, strengthen market integrity, and reduce risks associated with fraudulent transactions. By promoting the digitalization of securities and corporate governance reforms, SEBI seeks to create a more efficient and reliable securities market.

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

- SEBI vide Circular No. SEBI/HO/CFD/DCR1/CIR/P/2025/0034 dated March 20, 2025 has introduced an Online Filing System for reports submitted under Regulation 10(7) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. This regulation mandates that acquirers claiming an exemption under Regulation 10(1)(a)(i) and Regulation 10(1)(a)(ii) of Takeover Regulations from making an open offer must file a report with SEBI detailing the acquisition and the grounds for the exemption. With the new system, submissions will now be made exclusively through SEBI's digital platform, replacing manual filings. The online system for filing of these reports is through SEBI Intermediary Portal (SI Portal).

In the first phase, it has been decided to enable filing of two reports under Regulation 10(7), in respect of exemptions provided for in Regulation 10(1)(a)(i) and Regulation 10(1)(a)(ii) of Takeover Regulations, through SI Portal. Filing of reports in respect of other exemptions provided for in Regulation 10 shall continue as per the existing system of filing, i.e., through email. This transition aims to enhance transparency, streamline compliance, and ensure a more efficient monitoring process.

Acquirers and authorized representatives must register on the portal, submit reports in a structured format, and authenticate filings using digital signatures or login credentials. The system will generate automated acknowledgments, provide tracking features, and facilitate faster processing of regulatory filings.

Consultation Paper on certain Amendments to SEBI (ICDR) Regulations, 2018, ("ICDR Regulations") and SEBI (SBEB & SE) Regulations, 2021 ("SBEB Regulations")

- On March 20, 2025, SEBI issued a consultation paper on the amendments to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations"), and Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("SBEB & SE Regulations"), with the objective of streamlining certain processes and providing clarifications related to requirements of a public issue. The Consultation Paper invites public comments and suggestions, to be submitted at the latest by April 10, 2025.

This Consultation Paper seeks comments/ suggestions from the public on the following proposals relating to the amendments to the ICDR Regulations and the SBEB & SE Regulations:

- Minimum holding period for Equity Shares to be eligible for Offer for Sale (OFS) in public issue.
- Clarification on ESOPs granted prior to filing of DRHP to founders who are classified as promoters at the time of filing of DRHP.

Framework on Social Stock Exchange (SSE)

- SEBI vide Circular No. SEBI/HO/CFD/PoD-1/P/CIR/2025/33 dated March 19, 2025 amended the framework for the Social Stock Exchange (SSE). The amended framework is based on the recommendations of the Social Stock Exchange Advisory Committee and public comments received in respect of the Consultation paper in the matter. It was decided to revise the existing minimum application size for subscribing to Zero Coupon Zero Principal Instruments from INR 10,000 to a lower amount i.e., INR 1,000.

SEBI (Prohibition of Insider Trading) (Amendment) Regulations 2025:

- The Securities Exchange Board of India (SEBI) has introduced the Prohibition of Insider Trading (Amendment) Regulations 2025, amending 2015 regulations vide Notification No. SEBI/LAD-NRO/GN/2025/235 dated March 11, 2025. These regulations further curb unfair trading practices and enhance compliance measures. The key amendments are as follows:

- Listed companies and market intermediaries are now required to implement stricter compliance measures to prevent and detect insider trading. SEBI mandates automated surveillance systems to monitor trading activities, ensuring that any potential misuse of confidential information is flagged and reported. Companies must establish real-time tracking mechanisms for executive trades and transactions involving immediate relatives. Additionally, intermediaries such as stockbrokers, mutual funds, and investment analysts are subject to heightened due diligence obligations, including prompt reporting of unusual trading patterns.
- The amendments expand the definition of Unpublished Price Sensitive Information (UPSI) to cover a wider range of non-public data that could impact stock prices. This now includes forward-looking financial projections, regulatory approvals, key executive changes, and corporate transactions such as mergers and acquisitions. By broadening the scope of UPSI, SEBI aims to close loopholes that insiders might exploit and ensure that any material information affecting stock prices is fairly disclosed to all market participants.
- Stricter disclosure requirements now mandate insiders and their relatives to report trades within two trading days through a centralized reporting system. This ensures real-time detection of potential violations, reducing market manipulation risks.
- SEBI has introduced higher penalties and stronger enforcement mechanisms, including tiered fines based on severity, surprise audits, and forensic investigations. These measures reinforce market discipline and accountability to safeguard investor confidence.

Faster Rights Issue with a flexibility of allotment to specific investor(s)

- SEBI has vide Circular No. SEBI/HO/CFD/CFD-PoD-1/P/CIR/2025/31 dated March 11, 2025 introduced a revised framework for rights issues, aimed at faster completion and increased flexibility. Effective April 7, 2025, rights issues must be completed within 23 working days from board approval. The new regulations, outlined in the SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2025, also specify that rights issues must remain open for subscription for a minimum of seven and a maximum of thirty days. Stock exchanges and depositories are tasked with developing an automated system for bid validation within six months.

The circular also introduces amendments to existing master circulars, clarifying procedures for letter of offer disclosures, application forms, bid data correction, and fee payments. For convertible debt instruments requiring shareholder approval, timelines will be adjusted accordingly. These changes are designed to streamline the rights issue process, enhance efficiency, and protect investor interests.

SEBI (Issue of Capital and Disclosure Requirements) Amendment Regulations 2025:

- SEBI had introduced amendments to the Issue of Capital and Disclosure Requirements (ICDR) Regulations, 2018, through the SEBI (ICDR) Amendment Regulations 2025, published in official gazette on March 4, 2025 vide Notification No. SEBI/LAD-NRO/GN/2025/233. These amendments bring significant changes to rights issue, disclosure norms and the compliance requirement for listed companies.

Key modifications include the following:

- incorporating stock appreciation rights under employee stock schemes;
- clarifying the price determination of securities for promoters' contribution; and
- allowing loan repayments as part of capital expenditure disclosures.

Additional changes apply to bonus shares issued under employee stock schemes and eligibility conditions for Rights Issues. The revised regulations also impact draft offer documents filed post-amendment. This notification follows a series of amendments made since 2022, reflecting SEBI's ongoing efforts to update disclosure and capital issuance norms.

Relaxation in Timeline for reporting differential rights issued by AIFs

- SEBI vide Circular No. SEBI/HO/AFD/AFD-POD-1/P/CIR/2025/29 dated March 3, 2025 granted relaxation in the timeline for reporting differential rights issued by Alternative Investment Funds (AIFs).¹ Earlier, SEBI had amended the AIF Regulations, 2012 in November 2024 regarding differential rights granted to investors in AIF schemes. Thereafter in December 2024, SEBI laid out guidelines for AIFs offering differential rights to certain investors.

This adjustment to the timeline aims to provide AIFs with additional timeline to comply with regulatory reporting requirements ensuring smoother implementation and adherence to SEBI guidelines. The timeline had been extended till March 31, 2025, for ease of compliance.

RECENT UPDATES | RESERVE BANK OF INDIA ("RBI")

Guidelines on Settlement of Dues of Borrowers by ARCs

- RBI vide Notification No. RBI/2024-25/106 dated January 20, 2025 issued the updated guidelines under Reserve Bank of India (Asset Reconstruction Companies) Directions, 2024, effective immediately.

ARCs are now required to create Board-approved policies for settling dues, detailing eligibility criteria, permissible concessions, and valuation methods. Settlements should be pursued only when optimal, with lump-sum payments preferred.

For accounts exceeding INR 1 Crore, Independent Advisory Committee (IAC) recommendations and Board approval are mandatory. For accounts below INR 1 Crore, separate Board-defined policies apply, with regular oversight. Settlements involving frauds or wilful defaulters must follow the same strict procedures as high-value accounts. Additionally, legal proceedings require consent decrees for settlements to take effect. These revisions aim to enhance governance, ensure transparency, and standardize resolution practices across ARCs.

Prevention of financial frauds perpetrated using voice calls and SMS – Regulatory prescriptions and Institutional Safeguards

- RBI vide notification no. RBI/2024-25/105 dated January 17, 2025, issued comprehensive guidelines to curb the rising threat of financial frauds perpetrated through voice calls and SMS. The increasing reliance on mobile numbers for account authentication has made them a prime target for scammers. To combat this, RBI has mandated that regulated entities (REs) such as banks, co-operative banks, and non-banking financial companies (NBFCs) integrate the Mobile Number Revocation List (MNRL) into their systems. This will help prevent the misuse of revoked numbers in financial transactions.

Under the new directive, REs are required to establish Standard Operating Procedures (SOPs) for monitoring accounts linked to revoked mobile numbers, ensuring timely detection and mitigation of potential fraud. Additionally, customer care contact numbers must be verified with the Department of Telecommunications (DoT) and included in the “Sanchar Saathi” portal to further strengthen security measures.

To reduce the risks of fraud, the guidelines also stipulate that REs must adopt specific numbering series for both transactional and promotional calls. Furthermore, financial institutions are instructed to proactively inform their customers about these new safety protocols through emails, SMS, and other communication channels.

The RBI has set a deadline of March 31, 2025, for full compliance with these measures. The move is aimed at enhancing the security of mobile-based financial transactions and protecting consumers from the growing menace of financial fraud.

Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) (Fifth Amendment) Regulations, 2025

- RBI vide notification No. FEMA 10(R)(5)/2025-RB dated January 14, 2025, has issued amendments to the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulations, 2015. The changes allow Indian exporters to open, hold, and maintain foreign currency accounts with overseas banks for the realisation of export earnings, advance remittances, and import payments. However, exporters must repatriate any remaining funds to India by the end of the subsequent month after adjusting for forward commitments.

Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Third Amendment) Regulations, 2025

- RBI vide Notification No. FEMA 395(3)/2025-RB dated January 14, 2025, has issued amendments to the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Third Amendment) Regulations, 2025.

The regulations state that payments for investments in equity instruments, foreign portfolio investments, limited liability partnerships (LLPs), foreign venture capital investments, investment vehicles, and Indian Depository Receipts (IDRs) must be made through inward remittance or from specific foreign currency accounts, such as repatriable foreign currency or Special Non-Resident Rupee (SNRR) accounts. It also outlines that proceeds from the sale or disinvestment can be sent abroad or credited to the investor's repatriable accounts.

Additionally, the amendment includes specific rules for the redemption or conversion of IDRs. These changes aim to simplify and ensure compliance with the Foreign Exchange Management Act (FEMA) for foreign investors.

Foreign Exchange Management (Deposit) (Fifth Amendment) Regulations, 2025

- RBI vide Notification No. FEMA 5(R)(5)/2025-RB dated January 14, 2025, has issued amendments to the Foreign Exchange Management (Deposit) Regulations, 2016, effective upon publication in the Official Gazette.

These amendments enhance foreign exchange transactions. Notably, authorized dealers' branches outside India are now permitted to handle deposits, and fund transfers between repatriable Rupee accounts for bona fide transactions are facilitated. Additionally, the scope of Special Non-Resident Rupee (SNRR) accounts has been expanded to include permissible current and capital account transactions with both Indian residents and non-residents.

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

- RBI vide Circular No. RBI/2024-25/126 dated January 7, 2025, issued Master Directions on

Non-resident Investment in Debt Instruments, to regulate foreign investments in Indian debt markets.

This direction consolidates previous guidelines under various FEMA regulations, including those on permissible capital account transactions, borrowing and lending, and debt instruments. The RBI has also issued directions through A.P. (DIR Series) Circulars, which are now incorporated into this Master Direction.

Authorized Dealer (AD) Category-I banks are required to inform their constituents about the updated guidelines. Furthermore, units in International Financial Services Centres (IFSCs) can now open SNRR accounts with authorized dealers in India for business transactions outside the IFSC. These amendments aim to streamline processes and offer greater flexibility for businesses engaged in foreign exchange operations.

The Master Directions issued under FEMA and the RBI Act, ensure compliance with existing laws while streamlining non-resident investment processes in India's debt markets.

Review and rationalization of prudential norms-UCBs

- RBI vide Circular No. RBI/2024-25/118 dated February 24, 2025 has provided for the review and rationalization of prudential norms- Urban Co-operative Banks (UCBs) to enhance financial resilience while ensuring a greater operational flexibility. The definition of small value loan has been updated, which requires UCBs to maintain at least 50% of their loan portfolio in loan up to Rs. 25 lakh or 0.4% of Tier I capital, whichever is higher, with a maximum limit of Rs. 1 crore per borrower.

There has also been a revision in the real estate exposure norms, which allows UCBs to allocate up to 25% of total loans to residential mortgages and 5% to other real estate loans. Individual housing loan limits have been increased based on UCB tier, with a maximum of Rs 3 crore per borrower for Tier 4 banks. The provisioning requirement for investment in Security Receipts (SRs) has been extended by 2 years until FY 2027-28, which will allow UCBs more time to comply while maintaining existing provisions.

Review of risk weights on Microfinance Loans

- RBI vide Circular No. RBI/2024-25/119 dated February 25, 2025 has reviewed risk weights on microfinance loans for commercial, small finance, regional rural (RRBs), and local area banks (LABs).

For commercial banks (excluding RRBs and LABs), microfinance loans categorized as consumer credit will now attract a 100% risk weight, instead of the previously applicable 125% risk weight. However, microfinance loans that meet the regulatory retail portfolio criteria, may still qualify for the lower 75% risk weight, provided banks implement appropriate policies to ensure compliance. For RRBs and LABs, all microfinance loans will uniformly attract a 100% risk weight.

Exposures of Scheduled Commercial Banks (SCBs) to Non-Banking Financial Companies (NBFCs)- Review of Risk Weights

RBI vide Circular No. RBI/2024-25/120 dated February 25, 2025 has reversed the additional 25% risk weight imposed on SCBs exposures to NBFCs, where the existing risk weight based on external ratings was below 100%. From April 1, 2025 SCBs will apply risk weights solely based on NBFCs' external ratings, as per the Basel III regulations.

Revised norms for Government Guaranteed Security Receipts (SRs)

- A new directive from the Reserve Bank of India (RBI) bearing Circular no. RBI/DOR/2024-25/135 DOR.STR.REC.72/21.04.048/2024-25 dated March 29, 2025, allows India's public sector banks to book profits on security receipts against bad loans that have been fully written off and sold to the asset reconstruction companies.

The RBI categorically took a stand that if a bad loan is sold at a price higher than its net book value, the excess amount can now be recognised as profit immediately, provided that the deal involves only cash and government-backed Security Receipts.

The change applies to both, past and future transactions. However, Security Receipts must still be deducted from core capital, and banks cannot pay dividend from them.

Master Direction – Reserve Bank of India (Prudential Norms on Capital Adequacy for Regional Rural Banks) Directions, 2025

- RBI had issued Master Direction on Prudential Norms on Capital Adequacy for Regional Rural Banks ("RRBs"), 2025, vide Circular No. RBI/DOR/2024-25/129 dated March 25, 2025. The Master Direction consolidates all existing guidelines on capital adequacy norms for RRBs, ensuring a uniform regulatory framework. The circular is effective from April 1, 2025.

The Master Direction mandates that RRBs maintain a minimum capital to Risk weighted assets Ratio (CRAR) of 9%, with Tier1 capital comprising at least 7 % of Risk weighted Assets. It defines eligible capital components, including paid-up capital, reserves, and Perpetual Debt Instruments (PDIs), while outlining risk weighted asset computation and reporting requirements. RRBs shall issue PDI in Indian currency only. The amount of PDI to be raised may be decided by the Board of Directors of banks.

The directive also incorporates modifications to prudential norms and repeals some earlier circulars totally and partially repeals some other circulars for regulatory clarity.

Master Directions - Reserve Bank of India (Priority Sector Lending – Targets and Classification) Directions, 2025

- RBI issued Master Directions on Priority Sector Lending-Targets and Classification, 2025, vide Circular No. RBI/FIDD/2024-25/128 dated March 24, 2025, superseding 2020 guidelines. The circular is effective from April 1, 2025.

The provisions of these Directions shall, unless otherwise provided, apply to every Commercial Bank [including Regional Rural Bank (RRB), Small Finance Bank (SFB), Local Area Bank (LAB)] and Primary (Urban) Co-operative Bank (UCB) other than Salary Earners' Bank. The revised norms increase the loan limits for housing under PSL, expand eligible purpose for renewable energy loans, and revise PSL targets for Urban Co-operative Bank (UCB) to 60 % of Adjusted Net Bank credit (ANBC) or Credit Equivalent of off- Balance Sheet Exposures (CEOBSE), whichever is higher.

Additionally, the guidelines broaden the eligibility criteria for weaker sections and remove the cap on loans by UCBs to individual women beneficiaries, ensuring better inclusion. These updates aim to enhance credit flow to priority sectors, supporting economic growth.

RECENT UPDATES | INTERNATIONAL FINANCIAL SERVICES CENTRES AUTHORITY ("IFSCA")

Consultation Paper on SPV Framework Under IFSCA (Fund Management) Regulations, 2022

- IFSCA on January 9, 2025, issued a consultation paper inviting public comments on a proposed framework for Special Purpose Vehicles (SPVs) under the Fund Management Regulations, 2022.

The draft aims to streamline co-investment opportunities and leverage transactions within the IFSC, fostering growth in the alternative investment industry. Key proposals include the formation of SPVs by Fund Management Entities (FMEs), with at least 50% ownership by a Controlling Scheme, and investments limited to a single portfolio company, except in cases of corporate restructuring. The framework also outlines reporting, valuation, and disclosure requirements, as well as compliance with leverage limits.

Comments on the proposal were invited until January 31, 2025.

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IFSCA kickstarts the IFSCA (Informal Guidance) Scheme, 2024

- The International Financial Services Centres Authority (IFSCA) has launched the Informal Guidance Scheme, 2024, effective January 1, 2025, to assist businesses and individuals in navigating the complex regulatory landscape of International Financial Services Centres (IFSCs) in India.

The scheme is designed to offer clarity on legal and regulatory matters, helping stakeholders make informed decisions and boosting confidence in the IFSCs. This initiative aims to simplify regulatory compliance.

Circular on liquidity enhancement scheme for Bullion Exchange

- IFSCA vide Circular No. IFSCA-DMCDPRMS/2/2023/DMC dated February 4, 2025 has provided for the liquidity enhancement scheme (LES) for bullion exchange. The circular permits the Bullion Exchange in the IFSC to introduce one or more liquidity enhancement schemes to enhance the liquidity of illiquid commodity derivatives contracts.

The circular aims to enhance the trading of commodity derivatives contracts, particularly those that may be considered illiquid. The LES is designed to encourage more active participation in the market, making it easier for traders to buy and sell bullion-related financial products. The circular allows Bullion Exchange the autonomy to introduce one or more LES tailored to their specific needs and market conditions.

The Governing Board of the Bullion Exchange must approve any LES before implementation. The scheme is valid for 1 year or such lesser period as may be decided by the Board. The implementation and outcome of the LES shall be monitored by the Board at quarterly intervals. The scheme, including any modification or discontinuation, shall be disclosed to the market at least 15 days in advance.

The Bullion Exchange must formulate its own benchmarks for selection of securities for liquidity enhancement with the objective of enhancing liquidity in illiquid securities. It may introduce LES on any security. Once the scheme has been discontinued, it can be re-introduced on the same security. The list of securities eligible for liquidity shall be disclosed to the market.

Circular on liquidity enhancement scheme for Bullion Exchange

- IFSCA vide Circular No. IFSCA/CMD-MIIT/RTP/2024-25/001 dated February 11, 2025 provided the remote trading participants on the Stock Exchanges. IFSCA vide circular IFSCA/CMD-MIIT/RTP/2023-24/001 dated April 03, 2024, had permitted foreign entities not having a physical presence in IFSC, to trade directly on the Stock Exchanges in the IFSC, on a proprietary basis, as Remote Trading Participants (RTP), subject to terms and conditions.

The circular states that an entity regulated by the securities market regulator in its home jurisdiction, shall be eligible to be onboarded as a RTP, provided that the entity is a resident of a country whose securities market regulator is a signatory to the International Organisation of Securities Commission's

Multilateral Memorandum of Understanding (IOSCO-MMoU) or a signatory to the bilateral Mou with IFSCA, the entity is a body corporate, the entity is a body corporate, the entity is not a resident of a country identified in the public statement of the Financial Action Task Force (FATF) as- a jurisdiction having strategic Anti-Money Laundering or Combating the Financing of Terrorism deficiencies to which counter measures apply; or a jurisdiction that has not made sufficient progress in addressing the deficiencies or has not committed to an action plan developed with the Financial Action Task Force to address deficiencies.

The IFSCA circular IFSCA/CMD-MIIT/RTP/2023-24/001 dated April 3, 2024 is superseded by this circular.

Amendment to the circular dated January 29, 2025 titled as "Permissible transactions through the Special Non- Resident Rupee (SNRR) accounts of IFSC units- Amendment"

- IFSCA vide Circular No. IFSCA-FMPP0BR/4/2024-BANKING/1 date February 18, 2025, has issued an amendment to its circular dated January 29, 2025, concerning permissible transactions through SNRR accounts of units operating in IFSCs. This amendment introduces key modifications to the regulatory framework governing such accounts, aligning them with the evolving financial landscape.

Under the revised framework, Clause 2 of the original circular has been substituted to clarify that the Foreign Exchange Management (Deposit) Regulations, 2016 earlier permitted the use of SNRR accounts for business-related transactions, including administrative expenses in INR outside the IFSC, proceeds from the sale of scrap, and government incentives in INR. This modification reaffirms the scope of permissible transactions while ensuring compliance with existing foreign exchange regulations.

Further amendment has been made to reflect the recent regulatory change that was notified on January 14, 2025, which enables units established in an IFSC, to open an SNRR account with an authorized dealer in India for business-related transactions conducted outside the IFSC. To uphold regulatory oversight and financial integrity, the amendment mandates that all IFSC units process monetary consideration for financial services exclusively through accounts maintained with Banking Units in the IFSC. Issued under Sections 12 and 13 of the IFSCA Act, 2019, this revision enhances operational clarity while ensuring compliance with India's financial regulations.

Press release on notification of IFSCA (Fund Management) Regulations, 2025

- The IFSCA has notified the IFSCA (Fund Management) Regulations, 2025 (FM Regulations 2025) in the Official Gazette on February 19, 2025, replacing the 2020 framework. This revision aligns with the Government of India's vision to enhance ease of doing business, as outlined in the Union Budget for FY 2023-24, and follows an extensive consultative process involving industry stakeholders and regulatory bodies. The amendments seek to promote regulatory consistency, streamline compliance, and introduce necessary safeguards to protect investor interests while fostering the growth of fund management activities in GIFT IFSC.

A key focus of the new framework is facilitating Non-Retail Schemes, such as Venture Capital Schemes and Restricted Schemes. The minimum corpus requirement has been reduced from USD 5 million to USD 3 million, allowing fund managers to commence investment activities at a lower threshold. Open-ended schemes may now begin investing with USD 1 million, provided they reach the USD 3 million minimum corpus within a year. Additionally, fund management entities (FMEs) and their associates are now permitted to contribute up to 100% of a scheme's corpus, subject to certain conditions. Safeguards have also been introduced to regulate transactions involving associates, major investors, and related entities to ensure investor protection.

It simplifies compliance, by reducing approval requirements for Key Managerial Personnel (KMP) and easing retail fund management rules. The minimum corpus is lowered to USD 3 million, fund of funds schemes receives operational relaxations, and listing for close-ended retail schemes is now optional for larger investors.

Portfolio Management Services (PMS) reforms reduce the minimum investment to USD 75,000 and introduce new fund transfer options. Additional changes include a 12-month compliance window for custodians, expanded investment options, and relaxed "fit and proper" criteria. FMEs can now open overseas offices with just an intimation to IFSCA. These reforms enhance regulatory efficiency and position GIFT IFSC as a global fund management hub. The full regulations are available on the IFSCA website.

Press release on notification of IFSCA (Fund Management) Regulations, 2025

- Circular on Appointment and Change of Key Managerial Personnel by a Fund Management Entity

IFSCA vide Circular No. IFSCA-IF-10PR/1/2023-Capital Markets/6 dated February 20, 2025, has specified the procedure for the appointment and change of Key Managerial Personnel (KMPs) by Fund Management Entities (FMEs) under the IFSCA (Fund Management) Regulations, 2025. FMEs are required to appoint KMPs based in IFSC who meet the prescribed qualifications and experience criteria. Any appointment or change must be intimated to the Authority in the prescribed format, along with payment of the applicable fee. Pending applications for KMP approval may be refiled in accordance with the new procedure, provided proof of prior payment is submitted.

The Authority will review KMP appointment/change intimations within seven working days, with FMEs required to address any comments before finalization. FMEs and their controllers must ensure compliance with eligibility requirements and maintain operational continuity through effective recruitment and succession planning. Vacant KMP positions must be filled within six months, with intimation filed no later than three months from the vacancy's occurrence. This circular, issued under the IFSCA Act, 2019, and the Fund Management Regulations, 2025, takes immediate effect, strengthening regulatory oversight of KMP management in IFSC.

Circular on Registration on FIU-IND FIN Gate 2.0 portal for compliance with International Services Centres Authority (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022

- IFSCA vide Circular No. IFSCA/2/2025-AMLCFT/01 dated February 25, 2025 has been issued regarding registration on FIU-IND FIN Gate 2.0 portal ('FIU-IND Portal') for compliance with International Services Centres Authority (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022. The regulated entities shall ensure that the registration on FIU-IND portal is completed prior to commencement of business and in case of urgency to commence business, the registration shall be completed within 30 days from the date of commencement of the business.

The regulated entities must ensure that any modification or addition to the line of business is updated on the FIU-IND portal within 30 days from the date of commencement of such an additional line of business. If a regulated entity is not able to complete the registration due to reasons beyond the control of the regulated entity or an update on the FIU-IND portal prior to commencement of business, it shall make all necessary filing under the Prevention of Money Laundering Act, 2002 with FIU-IND through email, stating the reason for not reporting through FIN Gate 2.0 portal.

Circular on Interest on late payment of fee by entities undertaking permissible activities in IFSC

- IFSCA vide Circular No. IFSCA-DTFA/1/2025-DTFA dated February 26, 2025 has provided for the Interest on late payment of fee by entities undertaking permissible activities in IFSC. The circular has amended Schedule II of the Circular dated May 17, 2023, which was amended on February 6, 2024, which provided for the fees structure for entities undertaking or intending to undertake permissible activities in IFSC. The amendment clarifies that the 15% simple interest per month is required to be paid on the late fee only, i.e., on the 20% of outstanding fee or outstanding dues payable.

This circular has also substituted S. No. 1 of Schedule II of the circular dated May 17, 2023, and states that, failure to pay outstanding dues/fees, in full (unpaid) or part (short- paid), to the Authority within the specified time, will attract simple interest of 0.75% per month on the amount of fee remaining unpaid or short-paid, for every month of delay or part thereof to the Authority.

Guidelines on Cyber Security and Cyber Resilience for Regulated Entities in IFSCs

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Public Consultation- Enabling Operating Lease Including any Hybrid of Operating and Financial Lease of Oilfield Equipment as Financial Product

- IFSCA had issued a Public Consultation paper on 7th March 2025 seeking comments on a proposal to classify operating lease, including any hybrid of operating and financial lease of oilfield equipment as a financial product under Section 3(1)(d)(vi) of the IFSCA Act, 2019. This move aims to position GIFT IFSC as a regional hub for oilfield equipment leasing services, facilitating capital efficiency, technological access, and operational flexibility in India's oil and gas sector. Deadline for Public comments is 28 March 2025.

India imports 87% of its crude oil, and leasing equipment could reduce capital costs, support government policies like HELP & OALP, and align with global best practices (Singapore, Dubai, Malaysia). The \$85.9 billion oilfield equipment leasing market is growing at 4.91% CAGR (2024-2032).

The IFSCA proposes a dedicated regulatory framework for oilfield equipment leasing, ensuring clarity for financial institutions operating in IFSCs. The consultation seeks inputs on proposed definition of oilfield equipment for leasing, additional regulatory support required, specific types of oilfield equipment that should be considered and broader categories of frequently leased equipment that may be included.

RECENT UPDATES | COMPETITION COMMISSION OF INDIA (CCI)

Consultation on Draft the Competition Commission of India (Determination of Cost of Production) Regulations 2025

- The Competition Act, 2002 ('Act') aims to prevent practices having an adverse effect on competition, to promote and sustain competition in the markets, to protect the interests of consumers and to ensure freedom of trade carried on by other participants in markets, in India. The Competition (Amendment) Act, 2023 incorporated various amendments in the Act which created a need for amendment/ repeal/

overhauling of the various regulations framed by the Commission as well as for introduction of certain new ones.

Section 64(2)(a) of the Act also empowers the Commission to make regulations with respect to the cost of production to be determined under clause (b) of the Explanation to Section 4. Accordingly, the Commission notified the CCI (Determination of Cost of Production) Regulations, 2009 on 20.08.2009. The CCI has invited stakeholders to submit written comments on the draft Competition Commission of India (Determination of Cost of Production) Regulations, 2025.

NOTABLE CASE LAWS

Independent Sugar Corporation Limited v. Girish Sriram Juneja²

- A three-judge bench of the Supreme Court (“SC”) was called upon to clarify/clear the law surrounding the proviso to Section 31(4) of the Insolvency and Bankruptcy Code, 2016 (“IBC”). The SC in this case dealt with the question of the mandatory/directory nature of the approval of resolution plan proposing combination from the Competition Commission of India (“CCI”) under Section 31(4) and held that the resolution plan proposing a combination shall be placed before the Committee of Creditors (“CoC”) only after the approval has been obtained from the Commission.

The factual matrix of the case is that, the set of appeals before the SC arose from the orders of the National Company Law Appellate Tribunal (“NCLAT”) upholding the approval of the resolution plan by AGI Greenpac Limited (“Resolution Applicant”) and the approval of the combination, advanced by proposed resolution plan, between Hindustan National Glass and Industries Limited (“Corporate Debtor”) and Greenpac. The corporate insolvency resolution process (“CIRP”) was initiated against the corporate debtor, on an application of Section 7 petition, followed by CoC’s formation. Greenpac and Independent Sugar Corporation Limited (“Appellant/INSO”) being resolution applicants, submitted resolution plans before the CoC. Greenpac’s resolution plan proposing a combination, lacked the approval of the CCI, was approved by the CoC, after which the CCI’s approval was obtained.

The Appellant challenged this approval before the National Company Law Appellate Tribunal, Kolkata (“NCLT Kolkata”), and later the NCLAT. However, both fora upheld the CoC’s decision, and opined that obtaining CCI’s nod, while mandatory, need not precede CoC approval. Aggrieved by the NCLAT’s decision, the Appellant appealed to the Supreme Court.

The primary issue before the SC was whether the approval of a resolution plan, proposing combination, by the Commission shall precede the approval of the plan by the CoC in terms of proviso to sub-clause (4) of Section 31 of the Code. The appellant argued that the resolution process was flawed, as it violated Section 31(4) of IBC and its proviso.

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It further contended that statutory approval from the CCI should be obtained before the resolution plan is placed before the CoC for their consideration. The appellant further contended that the proviso to Section 31(4) was mandatory, and not directory, and that there was no conflict between the timelines under the IBC and the Competition Act.

Greenpac and the Resolution Professional argued that the proviso to Section 31(4) had been interpreted as directory in previous judgements. They further argued that obtaining CCI’s approval before CoC’s consideration, would be impractical, given the time needed for such approval. They further contended that the appellant, being an operational creditor, had no locus standi to challenge the resolution plan.

The SC, by a majority of 2:1, held that the proviso to Section 31(4) of IBC is mandatory in nature. It further emphasized on the legislative intent for using the term “prior” and stated that, using the term is to ensure that CCI approval is obtained before the resolution plan involving a combination is placed before the CoC for their consideration. The Apex Court further distinguished between timelines for statutory approvals and CCI’s regulatory approval, noting that delays in obtaining CCI approval beyond the prescribed timeline were rare.

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