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The Need for Speed -

Fast Track Mergers Incremental Change or Next Gen Reform?

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Main stories

Welcome to this issue of ***Insight***.

This edition features two lead articles. The first focuses on the 2025 amendments to the fast-track merger framework under the Companies Act and its impact on M&As in the Indian market. The second analyses SEBI's proposed principle-based guidelines for regulating the use of Artificial Intelligence by SEBI-regulated entities in the Indian securities markets. Both articles also include recommendations aimed at striking a balance between practical considerations and regulatory changes either made or proposed.

This issue also focuses on key circulars and notifications issued by SEBI and RBI in the quarter under review.

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

Regards,

CYRIL SHROFF

Managing Partner
Cyril Amarchand Mangaldas

India's leading law firm

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The Need for Speed - Fast Track Mergers Incremental Change or Next Gen Reform?

The Report of the Irani Committee (2005) recognised that the Indian court-based process for schemes of mergers / amalgamations was slow and not business-friendly. Stating that *"in the context of increasing competitiveness in the market, speed is of the essence"*, the Committee recommended a *"short form of amalgamation"*. As a result, the Companies Act, 2013 (**Act**), introduced fast-track mergers (**FTM**) in Section 233 for a limited class of companies. To operationalise the FTM framework, the Ministry of Corporate Affairs (**MCA**) introduced Rule 25 of the Companies (Compromises, Arrangements, and Amalgamations) Rules, 2016 (**Rules**).

Since 2016, the FTM framework has undergone significant but piecemeal performance upgrades, extending FTM to more companies, including start-ups, and making the process more time bound. Since 2024, FTM framework has also permitted reverse-flips of foreign holding companies through mergers with their Indian wholly owned subsidiaries (**WOS**).

Despite these steps, the FTM framework has failed to deliver for India Inc. due to several factors:

- The framework remains inaccessible to listed companies.
- Lack of clarity persists on whether demergers and slump sales can be undertaken through the FTM route.
- Voting thresholds for shareholders' and creditors' approvals are very high (exceeding 90 per cent).
- The approval process in Regional Director (**RD**) offices across different states is neither streamlined nor consistent.

Consequently, the industry has consistently sought more meaningful reform.

The Finance Minister's Budget Speech for 2025–2026 stated that *"Requirements and procedures for speedy approval of company mergers will be rationalized. The scope for fast-track mergers will also be widened and the process made simpler"*. It is in this context that amendments were keenly awaited, and the MCA flagged off the race to Viksit Bharat by 2047 by notifying the 2025 Amendment on September 4, 2025.

Turbo Charging the FTM Framework: Impact of 2025 Amendment

The FTM route has now been extended to a wider set of entities, as below:

- **Unlisted Companies with Limited Leverage:** FTM may now be undertaken between two or more unlisted companies (excluding Section 8, not-for-profit companies). The key requirement is that none of the entities should have debt exposure exceeding INR 200 crore, including outstanding loans, debentures, or deposits. The companies must also have no subsisting defaults in repayment, and the company's auditor must certify compliance with these conditions. *This provision enables unrelated medium-sized private and unlisted companies to undertake mergers and restructuring without the National Company Law Tribunal (**NCLT**) process. The INR 200 crore threshold is four times that proposed in the April draft rules. This higher threshold is a meaningful relaxation and reflects the contemporary scale of Indian businesses today, but this may have to be periodically reviewed, as companies accelerate through different growth phases.*
- **Holding Companies and Subsidiaries:** FTMs are now permitted between holding companies (listed or non-listed) and their subsidiaries (listed or non-listed), provided the transferor company is not listed. *Note that prior to the 2025 Amendment, the scope was limited to mergers between holding company – WOS, and this change was also recommended by the Company Law Committee Report (2022).*
- **Subsidiaries of the Same Holding Company:** FTMs would also be permitted between subsidiary companies of the same holding company, provided the transferor companies are not listed. *This provision would enable intra-group consolidations.*
- **Cross-Border Reverse-Flips:** In line with the 2024 Amendment to Rule 25A *(which deals with cross-border schemes under Section 234 of the Act)*, pursuant to which reverse-flips through cross-border mergers of the foreign holding companies and their Indian WOS had been permitted through the FTM route, Rule 25 *(which deals with FTM)* has been amended to include a mirroring clause for abundant clarity.

The 2025 Amendment shifts India's M&A landscape into high gear, significantly expanding the scope of fast-track mergers to enable a broader range of corporate restructuring transactions. The FTM framework now explicitly covers demergers and transfer of business undertakings, not just amalgamations. The 2025

Amendment also provides clarity for reverse-flip transactions, ensuring smoother track conditions for India's start-ups. These changes will collectively enable faster M&A for mid-market companies and streamlined group reorganisations, though the chequered flag for listed companies remains elusive, as benefits to them will remain limited.

A Missed Opportunity at Closing the Gap

While the 2025 Amendment will certainly accelerate the adoption of the FTM framework, there are several questions left unanswered and other unintended consequences that may cause the FTM regime to skid off-track.

- **Blanket Restriction on Listed Transferors:** The blanket restriction on listed transferor companies appears driven by concerns around minority protection and public interest in listed companies. However, SEBI already evaluates FTM schemes under Regulation 37 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**SEBI LODR**), from an investor protection perspective even before the scheme can be filed with the RD's office. If so, why must schemes involving listed transferors go through the NCLT process again? This duplication of review ignores a key fact that the 12–18 month timeline for listed company schemes through NCLT may sometimes be value destructive for the very public shareholders it aims to protect.
- **Mirror Demergers of Listed Companies Not Permitted:** It is arguable that Section 233(12) of the Act previously permitted an FTM between a listed holding company and its WOS, where the listed company was the transferor. For example, a demerger of an undertaking from a listed company to its WOS to create a new listed company with a mirror shareholding pattern – this is no longer be permitted, despite no disadvantage to minority shareholders. This needs a rethink.
- **Inconsistent Treatment of Listed Companies:** The 2025 Amendment permits listed companies to be the transferee (the surviving entity) in schemes with their subsidiaries but completely prohibits them from being transferors, revealing a lack of logical consistency. While consolidation of subsidiary accounts into that of the listed holding company may partially explain this differential treatment, it does not explain the inconsistency. Even when a listed company is the transferee, issues such as fairness of share swap ratios and valuation can impact public shareholders' interests. If the RD office is deemed competent to evaluate and approve schemes involving listed companies as transferees, the same logic should apply to listed companies as transferors as well.
- **Clarity on Shareholders' and Creditors' Voting Thresholds:** The FTM regime requires the approval of shareholders holding more than 90 per cent of total shares and creditors with more than 90 per cent (by value) of outstanding debt, compared to NCLT schemes' requirement of a majority in number and three-fourths in value (on present and voting basis). The Company Law Committee Report (2022) noted this as a key deterrent for listed companies and recommended rationalising these thresholds. This equally applies to unlisted companies with large shareholder bases, such as late-stage start-ups. RD offices in different states have taken contrary views on whether shareholder approval is required in absolute terms or on a "present and voting basis". This should have been clarified. Additionally, shareholders' written consent could have been permitted, as that for creditors.
- **New Interpretational Challenges:** Some aspects will require interpretational views on whether the various limbs of Rule 25(1A) of the Rules should be read together or in isolation. For example, consider a composite scheme involving merger of an Indian subsidiary and a foreign subsidiary into a third Indian subsidiary of the same foreign holding company. Can this be permitted under FTM? Logically, yes. Sub-rule 25(1A)(v) permits FTM for *merger between subsidiary companies of the same holding company*. The definitions of "holding company" and "subsidiary company" under Section 2 include "body corporates", which covers companies incorporated outside India. However, sub-rule 25(1A)(vi) of the Rules permits cross-border schemes through FTM only for *"merger of a foreign holding company with its Indian WOS"*. This creates interpretational challenges.

The Need for "Next-Gen Reforms"

The 2025 Amendment is a step in the right direction. But, in the context of the opportunity presented by the emerging shifts in geopolitics, for India to sprint through the laps and clock a podium finish, the need of the hour is "Next Gen Reforms", involving a holistic review and reimagination of the M&A framework in India, and not merely incremental reform.

This transformation requires meaningful dialogue between all stakeholders (including the multiple regulators) and a shift from existing processes to a more progressive approach, which recognises M&A as the turbo-charged engine for India's growth, minimises regulators and regulations for M&A, assumes absence of mal-intent on the part of corporates, and solves exceptional cases through anti-abuse provisions.

Key steps would include bringing listed entities within the FTM process (including as "transferors"). The "single-window clearance" concept articulated by the Irani Committee should be operationalised in the FTM process. Currently, FTM provisions require notices to sectoral regulators and stock exchanges, similar to that for NCLT schemes. Then why must SEBI / stock exchange approval under Regulation 37 of LODR be a pre-condition to the RD / NCLT process? A better model would be for SEBI, stock exchanges, and sectoral regulators to submit concerns to the RD / NCLT, which would streamline the process while maintaining necessary oversight and safeguards.

In addition to broader tax and acquisition financing reforms, certain foundational challenges with FTM must also be addressed for management crews to drive India towards transformational growth at full throttle. Does approval (or deemed approval) by the RD (being an organ of the executive) of an FTM scheme hold the same sanctity as that of an NCLT order (being a quasi-judicial body), including for aspects such as registration / mutation of land records and transfer of licenses and registrations? For FTM schemes involving companies with registered offices in different states, can there be a central authority (instead of the RD office of each state) to approve the scheme? How can the FTM process before the RD's office be made more transparent and streamlined? Perhaps e-governance could provide a helpful tool in balancing the objective of speed with clarity and transparency.

This is far from the last set changes to the FTM regime – it is, as they say, *"It's lights out and away we go!"* India's M&A transformation race has begun!

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Accountable Intelligence: SEBI's principle-based Framework for Governing the Use of AI in Securities Markets

Introduction

On June 20, 2025, SEBI released a consultation paper on responsible AI/ML use in Indian securities markets, acknowledging the growing adoption of AI by regulated entities. While AI use is still emerging in India, it is advancing worldwide, compelling regulators to act. Internationally (such as in the US and in Singapore), principle-based frameworks are being favoured due to AI's rapid evolution.

In his book *'Co-Intelligence: Living and Working with AI'*, professor and author Ethan Mollick has famously noted that *"the version of the AI that we use today is the worst version of AI that we will ever use"* – a reflection of the continuous upgradation and development of AI's capabilities. This sets the stage for SEBI's own principle-based approach for AI regulation which is encapsulated in its consultation paper proposing certain high-level principles for regulating AI usage by SEBI regulated entities.

In coming up with the principles, SEBI has *inter alia* considered a consultation report of the International Organisation of Securities Commissions[1] as well the inputs provided by regulated financial services entities to SEBI on their present and future use of AI. The principles and recommendations are driven towards ensuring appropriate guardrails, continuous monitoring and ensuring that there is a human in the loop in the entire development and implementation process of an AI system.

Here, we consider SEBI's principle-based guidelines in this evolving area.

Background to the Consultation Paper

SEBI had in 2019, in the interest of transparency and oversight, released a series of circulars, mandating stockbrokers and depository participants,[2] market infrastructure institutions,[3] and mutual funds[4] to undertake quarterly reporting to SEBI of the AI/ ML applications and systems used or offered by them.

In November 2024, SEBI released a consultation paper proposing amendments to the extant regulations in an attempt to assign responsibility for the use of AI by persons regulated by SEBI. This was closely followed by amendments to the SEBI (Intermediaries) Regulations, 2008,[5] the SEBI (Depositories and Participants) Regulations, 2018,[6] and the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018,[7] which resulted in the insertion of similarly worded regulations in relation to ascribing responsibility over the output of AI used by SEBI regulated entities (collectively, the **Responsibility Attribution Regulations**).

Per the Responsibility Attribution Regulations, collectively notified by the Central Government on February 10, 2025, *SEBI-regulated entities (including depositories, stock exchanges and clearing corporations) shall be solely responsible for the output arising from the usage of artificial intelligence and machine learning tools and techniques*. Such AI system may either be offered to investors/ customers, or be used for internal functions such as compliance or management. It is also clarified that the responsibility for the AI output lies on the regulated entity regardless of (i) whether such tools/ techniques were designed by it or procured from third-party service providers; or (ii) the scale and scenario of adoption of such tools for conducting its business and servicing its investors.

The Responsibility Attribution Regulations further stipulate that regulated entities using AI shall also be solely responsible for the privacy, security and integrity of investors' and stakeholders' data throughout the AI processes involved, as well as for compliance with applicable law.

The broad and absolute nature of the aforementioned regulations has left little doubt that *notwithstanding the fact that an action, output, or recommendation is made by an AI system used by a SEBI regulated entity, the entity using such AI system would not be able to disclaim any liability resulting to a customer/ investor from such action, output or recommendation and argue that AI did it!*

[1] The SEBI Consultation Paper refers to the IOSCO Consultation Report on the use of AI by market intermediaries and asset managers, of June 2020. Note that the IOSCO has subsequently released a Final Report on this subject in September 2021, which may be accessed here: FR06/2021 The use of artificial intelligence and machine learning by market intermediaries and asset managers.
[2] SEBI | Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by market intermediaries.
[3] SEBI | Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by Market Infrastructure Institutions (MIIs).
[4] SEBI | Reporting for Artificial Intelligence (AI) and Machine Learning (ML) applications and systems offered and used by Mutual Funds.
[5] Securities and Exchange Board of India (Intermediaries) (Amendment) Regulations, 2025, notified in the Official Gazette on February 10, 2025.
[6] Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2025, notified in the Official Gazette on February 10, 2025.
[7] Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2025, notified in the Official Gazette on February 10, 2025.

SEBI's Key Recommendations

Following the limited regulatory steps taken by SEBI to regulate AI usage, the principles proposed by SEBI for future regulation of AI is an interesting framework that bears consideration. In summary, the proposals are as follows:

i) Governance: Entities using AI systems must develop internal capabilities to monitor the performance and security of any AI systems employed by it. Additionally, sufficient records and documentation must be maintained for the purposes of audit, diagnosis, and explainability of the AI systems.

ii) Training: AI systems must be carefully trained and retrained with data sets large enough to capture non-linear relationships and tail events. Further, the system must be trained on data of adequate quality to ensure lack of bias in the data and such that the system does not discriminate one group of investors/ customers over the other, since fairness and an audit trail must be maintained at all times. A related point is the need to ensure that the AI system is trained in a manner that makes it sensitive to diverse cultural backgrounds and values.

iii) Human oversight and Management Responsibility: It is essential to ensure a responsible *human in the loop*. Following the overarching principles laid down by the Responsibility Attribution Regulations, there must be designated responsible senior management for overseeing the AI system's operations, testing, development and decision making.

iv) Third-party service providers: Regulated entities using AI systems or tools shall be solely responsible for the output of such systems, regardless of whether the systems were procured from third party service providers. Further, regulated entities must maintain oversight over the performance of third-party service providers and have a clear service-level agreement in place that lays down the performance indicators as well as remedies of the regulated entity for poor performance by the third party.

v) Investor protection: Entities must make disclosure to their customers/ investors of the following information in relation to the AI system employed: features, purpose, risks, charges levied, and the quality of the data on the basis of which the AI system makes decisions. Investor grievance mechanisms for AI systems should be in line with SEBI's existing regulatory framework.

vi) Testing: Rigorous testing of AI models is recommended in different environments (including sandbox environments) to test, monitor and validate AI outputs. This also includes continuous oversight over the AI post deployment into live use, to ensure the model does not behave inexplicably.

vii) Data privacy/ cyber security: Regulated entities using AI shall be solely responsible for the privacy, security and integrity of investors' and stakeholders' data, as well as for compliance with applicable law, throughout the AI processes involved. The paper further recommends that regulated entities have a clear policy in place for data security, cyber security and data privacy for the usage of AI models.

viii) Tiered approach: In lieu of the disparity of AI's usage among SEBI-regulated entities, a tiered regulatory approach may be adopted. For instance, entities using AI simply for compliance purposes may be subject to light touch regulations such as mandating internal oversight and monitoring, whereas entities using AI in its product offerings may be subject to the full breadth of the recommended guidelines including extensive disclosures and rigorous testing.

Potential Challenges and Recommendations

i) Liability Attribution

- SEBI's regulatory prescription for AI usage, in the Responsibility Attribution Regulations are absolutist i.e. intermediaries are responsible for the AI they use. Given that AI usage in financial markets is still at a nascent stage and that regulated entities and investors alike are yet to fully understand the potential as well as risks of AI usage, this regulation seems like an appropriate investor protection measure for now.
- Absolutist regulations such as the present may hinder AI adoption by regulated entities, and what is required is a sliding scale approach, where the regulatory framework applies differently for retail investors and sophisticated investors.

ii) Regulating third-party service providers

- Given that it requires considerable time and resources to build an in-house AI system from scratch, practically the regulated entities will prefer using/ licensing AI systems developed by third parties. The AI ultimately deployed into use by regulated entities is often based on foundational AI/ ML models built by AI developers that are then adapted for specific industries by intermediary service providers.
- The consultation paper does not account for the above reality. With the expected increase in AI adoption, it may

be prudent for SEBI to expand its regulations to cover such intermediaries too.

- Regulations for governing third party service providers may be introduced in conjunction with a gradual offsetting of responsibility/ liability for AI output from the regulated entities. Some suggested regulatory measures are:
  - Differentiated regulation for the developers and the operators of AI systems, thereby distributing regulatory compliance burden, and allocating it as per capabilities of the regulated entities.
  - Mandating the obtaining of insurance by service providers, on the lines of a third-party insurance.
  - Certification/ accreditation of service providers by SEBI, allowing AI models and systems to become certified as compliant with applicable standards.

- Principles of governing/ regulating AI use may have significant overlaps in the larger financial sector. Therefore, coordination between regulators such as SEBI and the Reserve Bank of India (RBI) may be encouraged in order to upgrade existing risk management regulatory frameworks and/ or clarify supervisory expectations on the usage of AI by regulated entities.

iii) Inherent AI risks:

- AI systems carry certain inherent risks, *inter alia* such as (a) the tendency to hallucinate (i.e., generating misleading outputs confidently); (b) producing inaccurate or biased outputs as a result of poor-quality training datasets; (c) the risk of exposing sensitive/ personal data in outputs; and (d) the frequent absence of any explainability in generating output.
- Given that the responsibility to address the above issues is significant, it must be distributed between the regulated entity and entities operating higher up in the AI value chain. Accordingly, regulations must ensure that while developers of AI systems are responsible for training the AI on high quality data that is clean, complete, standardised and bias-free, the regulated entities must be responsible for assessing the suitability of a chosen AI model for its intended activity and ensuring that the manner of its deployment does not impose unreasonable risks on others.

iv) Consumer protection:

- SEBI has recommended that currently prescribed grievance redressal mechanisms should be made applicable to AI usage as well.
- It is also likely that similar to a compliance officer (under SEBI frameworks) or 'Officer in Default' under the Companies Act, 2013, all financial services regulators will also require the appointment of a responsible officer in regulated entities using AI, to ensure that there is a human in the loop for ensuring AI's compliance with laws.

The Way Forward

Regulatory prescriptions worldwide in relation to AI usage are today in the form of guidelines instead of legislation[8].

This is also indicative of the fact that overall, the usage of AI in the financial services sector is still nascent. Having said that, measures nonetheless need to be taken to protect the financial markets and investor interest in a fair and transparent manner and with sufficient oversight by regulators.

While the use of AI may be underestimated in the long run and overestimated in the short run, it is critical that the advantages and risks of the use of AI in financial markets is not disregarded.

While SEBI has shown intent to regulate AI in the past, the consultation paper is a more comprehensive and welcome move. Driven by rapid global advancements in AI, SEBI's present recommendations demonstrate a resolve to construct a comprehensive framework for the regulation of AI usage in the financial industry from the bottom up, that will serve as the foundation of future SEBI regulations in this regard.

[8] OECD - regulatory approach to AI.pdf

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SECURITIES LAW UPDATES

. Amendments

1. ***SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) (Amendment) Regulations, 2025***

SEBI has notified SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) (Amendment) Regulations, 2025, making amendments to definitions, mandatory periodic disclosure requirements, conditions governing securitisation, minimum ticket size, minimum retention requirement, minimum holding period, clean-up call option, and advertisement regulations for public issues. Accordingly, the main highlights of the amendments are as follows:

- In Regulation 2 *(Definitions)*, in sub-regulation (1), the definitions of "advertisement", "control" and "minimum holding period" have been added.
- Sub-clause (ii) of Clause (g) of sub-regulation (1), (definition of "debt" or "receivables") has been expanded to now include any financial asset originated by an originator regulated by the Reserve Bank of India (**RBI**) subject to the following:
  - i) the special purpose distinct entity shall ensure that such originators do not undertake, *inter alia*, (a) resecuritisation exposures; (b) structures with short-term instruments such as commercial paper, which are periodically rolled over and issued against long-term assets; (c) synthetic securitisation;
  - ii) loans with tenor up to 24 months extended to individuals for agricultural activities, where both interest and principal are due only on maturity and trade receivables with tenor up to 24 months, discounted or purchased by lenders from their borrowers shall be eligible for securitisation, provided only those loans or receivables shall be eligible for securitisation where a borrower (in case of agricultural loans) or a drawee of the bill (in case of trade receivables) has fully repaid the entire amount of last two (2) loans or receivables (one loan, in case of agricultural loans with maturity extending beyond one year) within 90 days of the due date; and
  - iii) debts or receivables shall arise from written contractual obligations or contracts provided that no other debt or receivable (including unlisted debt securities or other securities or instruments or assets) shall be permitted to be an underlying for a securitised debt instrument and re-securitisation and synthetic securitisation shall not be permitted.
- In Regulation 14 *(Credit enhancement and liquidity facilities)*, a new sub-regulation (3) has been inserted detailing the conditions to be ensured by the special purpose distinct entity while availing the services of a liquidity provider. Such conditions include the requirement that the facility be provided on an "arms-length basis"; that payment of fees or income related to the facility not be subordinated, deferred, or waived; that the facility be limited to a specified amount and duration; that there be no recourse to the facility provider beyond its fixed contractual obligations, etc.
- The newly inserted Regulation 19A *(Conditions governing securitisation)* states that the conditions for issuing a securitised debt instrument include that no obligor can have more than **25 per cent** in the asset pool at issuance;

the assets must be homogeneous; and the debt instruments must be fully paid up upfront. Additionally, both the originators and obligors must have a track record of operations for three (3) **financial years** related to the type of debt or receivable being securitised.

- The newly inserted Regulation 36A *(Advertisements for Public issues)* mandates that public offers of securitised debt instruments be advertised through electronic modes such as online newspapers or the issuer's website or stock exchange's website, or in widely circulated English national and regional daily newspapers at the location of the issuer's registered office. The advertisement must contain specific disclosures as outlined in Schedule VII.
- A new Schedule VII *(Format of advertisements for public issues of securitised debt instruments)* has been inserted.

(Notification No. SEBI/LAD-NRO/GN/2025/247 dated May 5, 2025)

2. ***Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2025 (SEBI LODR Amendment Regulations)***

SEBI notified the SEBI LODR Amendment Regulations that provide for amendments to Regulation 13(2) and Schedule III – Part D of the SEBI (Listing Obligations and Disclosure Requirements), 2015. Regulation (13)(2) states that all listed entities must register on the SCORES platform, or such other SEBI-mandated platform. The SEBI LODR Amendment Regulations provides for an amendment to insert a proviso to Regulation (13)(2) stating that in case of securitised debt instruments, the SCORES registration may be taken at trustee level for all special purpose distinct entities they are trustees of. Further, Schedule III (Part D) includes the list of events required to be disclosed by a listed entity with listed securitised debt instruments. The two new clauses in the SEBI LODR Amendment Regulations list include (i) any outstanding litigations and material developments in relation to the originator or servicer or any other party to the transaction that could be prejudicial to the interests of the investors; and (ii) any defaults in connection with servicing obligations undertaken by the servicers that shall be disclosed to the stock exchanges, on an annual basis.

(Notification No. SEBI/LAD-NRO/GN/2025/244 dated April 29, 2025)

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

By way of the InvIT Amendment Regulations, SEBI has, *vide* the notification dated April 1, 2025, amended the SEBI (Infrastructure Investment Trusts) Regulations, 2014 (**InvIT Regulations**) introducing the following key amendments:

- **Filling the vacancy of an Independent Director of the Investment Manager:** If the vacancy is due to the expiry of the term of the independent director of the investment manager, it should be filled by the date the office is vacated. However, for other reasons, it should be filled at the earliest and not later than three months from the date of such vacancy.
- **Rights and Responsibilities of the Trustee:** The trustee shall adhere to core principles such as transparency, accountability, due diligence, and compliance. Moreover, they should act impartially, prioritising unitholder interests and ensuring effective management oversight. Further, Schedule X has been inserted in the InvIT Regulations to introduce illustrative roles and responsibilities of trustees, which includes, among other things, (i) asset management oversight; (ii) regulatory compliance and reporting; (iii) managerial oversight; (iv) information and documentation; (v) auditing and financial review; and (vi) due diligence.
- **Unitholding by Sponsor and Sponsor Group:** Locked-in units held by sponsor or sponsor group entities can only be transferred within the same group, subject to the condition that the lock-in period for the remaining period be maintained by the transferee. In case of a change in sponsor or sponsor group entities, units can be transferred to the incoming sponsor or its sponsor group entities, provided minimum unitholding requirements are met. Further, in case of a conversion to self-sponsored investment manager, locked-in units held by the outgoing sponsor, or its sponsor group entities may be transferred to the self-sponsored investment manager or its shareholders or group entities of self-sponsored investment manager, provided minimum unitholding requirements are met after such transfer.
- **Investment and Distribution:** Investments of not more than 20 per cent of the value of the infrastructure investment trusts (**InvITs**) assets by public InvITs have been diversified by allowing investment in unlisted equity shares of a company providing project management and other incidental services, units of liquid mutual funds, and interest rate derivatives, subject

to certain conditions. Further, for the purpose of distribution of not less than 90 per cent of the net distributable cash flows of the InvIT to the unit holders, cash flows generated by all InvIT assets shall be considered.

- **Borrowings and deferred payments:** If the aggregate consolidated borrowings and deferred payments of the InvIT, HoldCo, and the SPV(s), net of cash, and cash equivalents exceed 25 per cent of the value of the InvIT assets, further borrowings will require the InvIT to obtain issuer credit rating instead of a mere credit rating. Moreover, for borrowings above 49 per cent of the InvIT's value, the InvIT must have a track record of at least six (6) distributions on a continuous basis post listing, as at the end of the quarter immediately preceding the proposed date of enhanced borrowings. For this. a maximum one distribution per quarter shall be considered.
- **Application of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations):** The term "non-executive director" shall be read as "independent director" at all places except for the purpose of Regulation 19(1) of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (**SEBI LODR Regulations**), as applicable to the investment manager under these regulations.

(Notification No. SEBI/LAD-NRO/GN/2025/240 dated April 1, 2025)

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

SEBI notified the SEBI (Infrastructure Investment Trusts) (Second Amendment) Regulations, 2025, expanding the scope of the proviso in Regulation 18(4) by extending the reference from Clause "(v)" to include Clauses "(v), (vi), (vii) and (viii)" of Regulation 18(5)(b) of the InvIT Regulations. The intent of this amendment is to expand the scope of permitted investments for un-invested funds, which may now be invested in instruments as provided under sub-clauses (ii), (iii), (iv), (v), (vi), (vii), and (viii) of Clause (b) of Regulation 18(5)(b) of the SEBI InvIT Regulations.

These amendment regulations shall be deemed to have come into force on April 2, 2025.

(Notification No. SEBI/LAD-NRO/GN/2025/243 dated April 28, 2025)

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

SEBI notified the SEBI (Real Estate Investment Trusts) (Amendment) Regulations, 2025 (**Amendment Regulations**), on April 23, 2025, amending various regulations under the SEBI (Real Estate Investment Trusts) REIT Regulations, 2014 (**REIT Regulations**). By way of these Amendment Regulations, SEBI has, *inter alia*, introduced the definition of "common infrastructure", in the REIT Regulations, to include facilities or amenities that exclusively supply or cater to, or are exclusively consumed by the REIT, its HoldCo(s) or SPV(s), irrespective of whether such facilities or amenities are co-located within any project of REITs or not.

The Amendment Regulations also introduced nomenclature for offer documents for the small and medium REITs and schemes thereunder, by adding definitions of "KIS" (key information of the scheme) and "KIT" (key information of the Trust) in Regulation 26H under Chapter VIB *(Small and Medium REITs)*. Additional amendments include the insertion of sub-regulations to the regulation on conditions for initial offer and other updates under Chapter VIB *(Small and Medium REITs)*.

Separately, the following schedules have also been inserted: (a) Schedule IIIA, listing the mandatory disclosures to be disclosed in scheme offer document (KIT and KIS); (b) Schedule XI, to illustrate the conditions to be met to ensure compliance with the principle mentioned in Regulation 18 (5B); and (c) Schedule XII, to guide the trustees with an illustrate list of their roles and responsibilities.

The Amendment Regulations came into force on the date of their publication in the Official Gazette (i.e., April 22, 2025).

(Notification No. F. No. SEBI/LAD-NRO/GN/2025/241 dated April 23, 2025)

II. Circulars

1. ***Industry Standards on "Minimum Information to be Provided to the Audit Committee and Shareholders for Approval of Related Party Transactions"***

Part A and Part B of Section III-B (Disclosure and other obligations of listed entities in relation to related party transaction (**RPTs**)) of the SEBI Master Circular dated November 11, 2024 (**Master Circular**), specify the information that must be placed before the audit committee and shareholders of a listed entity, respectively, for their consideration of the RPTs.

To facilitate a uniform approach and assist listed entities in complying with these requirements, the Industry Standards Forum (**ISF**) had formulated Industry Standards on "Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction" (**Industry Standards**) and SEBI had, *vide* its circular dated February 14, 2025, read with the circular dated March 21, 2025, mandated listed entities to follow the Industry Standards with effect from July 1, 2025.

Pursuant to feedback from stakeholders and in consultation with SEBI, ISF has issued the revised Industry Standards on "Minimum information to be provided to the Audit Committee and Shareholders for approval of a related party transaction" (**Revised Industry Standards**). Key modifications under the Revised Industry Standards are as follows:

- The Industry Standards required providing to shareholders a copy of the valuation reports considered by the audit committee. The Revised Industry Standards require providing to shareholders a web link and QR code to access such reports.
- The Industry Standards required approval only from the audit committee for the redaction of commercially sensitive information, provided such redaction did not render the content insufficient for informed decision making by the shareholders. The Revised Industry Standards require such an approval from both the board of directors and the audit committee.
- The Industry Standards required the audit committee to review all relevant information and confirm that the RPT does not benefit the promoter(s) to the detriment of public shareholders. The Revised Industry Standards have omitted this standard.
- The Revised Industry Standards require a stock exchange disclosure when a material RPT or any material modification to the RPT approved by the audit committee and the Board recommends the same for the shareholders' approval.

Section III-B of the Master Circular has been revised to stipulate that listed entities provide the audit committee with the information, as required under the Revised Industry Standards. The explanatory statement to the notice be sent to the shareholders for the approval of any RPT shall include information as required under the Revised Industry Standards.

The provisions of this circular were to come into effect from September 1, 2025.

(SEBI Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/93 dated June 26, 2025)

2. ***Trading Window closure period under Clause 4 of Schedule B read with Regulation 9 of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 – Extension of Automated Implementation of Trading Window Closure to Immediate Relatives of Designated Persons, on Account of Declaration of Financial Results***

Under Clauses 4(1), 4(2) of Schedule B read with Regulation 9 of the SEBI (Prohibition of Insider Trading) Regulations, 2015 (**SEBI PIT Regulations**), designated persons (**DPs**) and their immediate relatives are not permitted to trade in securities when the trading window is closed and one of the instances of trading window closure is the period from the end of every quarter to 48 hours after the declaration of financial results.

To ensure compliance, SEBI had previously, *vide* the Master Circular dated September 23, 2024, mandated stock exchanges and depositories to develop a system to restrict trading DPs of listed companies during trading window closure periods on account of the declaration of financial results through PAN freezing at the security level.

After consultations with stock exchanges and depositories, SEBI, *vide* its circular dated April 21, 2025, extended the scope of this automated framework to include the immediate relatives of DPs. The circular prescribes a phase-wise implementation schedule, with Phase 1 being made applicable from July 1, 2025, to the top 500 companies listed on BSE, NSE, and MSEI, and Phase 2 being made applicable from October 1, 2025, to all other listed companies, including those listed after the issuance of this circular.

The circular also details the implementation procedure of this circular, including the identification of demat accounts of immediate relatives based on PAN, specification of trading window closure periods by listed companies, and freezing of PANs at the ISIN level during such periods.

The provisions of the April 21, 2025, circular came into effect immediately upon issuance.

(SEBI Circular No. SEBI/HO/ISD/ISD-PoD-2/P/CIR/2025/55 dated April 21, 2025)

3. ***Investor Charter Real Estate Investment Trusts (REITs) and Investor Charter Infrastructure Investment Trusts***

In a move to enhance financial consumer protection alongside enhanced financial inclusion and financial literacy and in view of the recent developments in the securities market, SEBI issued circulars on *"Investor Charter Real Estate Investment Trusts"* and *"Investor Charter Infrastructure Investment Trusts"* respectively, on June 12, 2025.

Some of the key guidelines under the circulars (applicable to both REITs and InvITs) are as follows:

- Indian REITs Association (**IRA**) for REITs and Bharat Infrastructure Association (**BIA**) for InvITs are advised to publish the investor charter on their website, mobile applications, and display it in their office at prominent places.
- InvITs and REITs are advised to bring the investor charter to their investors' notice through their websites and mobile applications, display at prominent places in their office, and through e-mails / letters.
- IRA and REITs are also advised to occasionally review the investor charter and update it based on any changes made to the REIT Regulations and/or circulars issued under it. BIA and InvITs are advised to occasionally review the investor charter and update it based on any changes made to the InvIT Regulations and/or circulars issued under it.
- InvITs and REITs are required to disclose the data on complaints received against them or against issues dealt by them and its redressal on their website latest by seventh (7th) of the succeeding month, as per the format prescribed under the circular.
- The investor charter includes the vision, mission, description of activities/business entity, services provided for unitholders, grievance redressal mechanism for investors, Dos and Don'ts for investors, rights of investors, responsibilities of investors, and duties of IRA and BIA as designated bodies to redress investor complaints. The circular also provides the format for investor complaints data to be displayed by REITs on their respective websites.

(SEBI Circular No. SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/88 dated June 12, 2025 and SEBI Circular No. SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/89 dated June 12, 2025)

4. ***Clarification on the Framework for Environment, Social, and Governance (ESG) Debt Securities (other than Green Debt Securities)***

In its board meeting dated September 30, 2024, SEBI had announced its decision to expand the scope of sustainable finance in Indian securities market, and approved the proposal to specify frameworks for issuance of social bonds, sustainability bonds, and sustainability-linked bonds, which

together with green debt securities, was termed ESG Debt Securities. Accordingly, SEBI, *vide* its circular dated June 5, 2025 (**ESG Circular**), released the framework for ESG debt securities (other than green debt securities) specifying the operational framework for the issuance and listing of ESG debt securities in India.

The following are the key provisions of the ESG Circular:

- **Applicability of the ESG Circular:** The framework shall apply to ESG debt securities labelled as "social bonds", "sustainability bonds" and "sustainability-linked bonds" listed or proposed to be listed on a recognised stock exchange. The requirements under the proposed framework shall be in addition to those specified in the Securities and Exchange Board of India (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (**SEBI NCS Regulations**) and the LODR Regulations.
- **Classification of a Debt Security:** The classification of a debt security as a green debt security, social bond, or sustainability bond shall be determined by the issuer based on its primary objectives for the underlying projects. Additionally, the debt securities under the proposed framework shall be labelled as "social bonds" or "sustainability bonds" or "sustainability-linked bonds" only if the funds raised through the issuance of such debt securities are proposed to be utilised for financing or refinancing projects and / or assets aligned with any of the following recognised standards, i.e., (a) International Capital Market Association principles / guidelines; (b) Climate Bonds Standard; (c) ASEAN standards; (d) European Union standards; and (e) any framework or methodology specified by any financial sector regulator in India. Alternatively, such labelling is allowed if the debt securities are proposed to be utilised for financing or refinancing projects and / or assets aligned with the definitions of "social bonds", "sustainability bonds", or "sustainability-linked bonds" under SEBI NCS Regulations and SEBI LODR Regulations or this proposed framework.
- **Initial Disclosure for Social Bonds:** An issuer desirous of issuing social bonds shall make the disclosures as specified in Part I of Annexure A of the ESG Circular in the offer document for public issues / private placements in addition to adhering to the obligations in accordance with the relevant international standards that the securities are aligned / issued with. An issuer who has listed social bonds shall provide continuous disclosures as specified in Part II of Annexure A of the ESG Circular in its annual report and financial results in addition to adhering to the obligations in accordance with the relevant international standards that the securities are aligned / issued with. The issuer of social bonds shall appoint an independent third-party reviewer / certifier to undertake the activities and responsibilities specified in Part III of Annexure A of the ESG Circular.
- **Initial Disclosure Requirements for Sustainability Bonds:** An issuer desirous of issuing sustainability bonds shall comply with the provisions specified for green debt security as specified in Chapter IX of the Master Circular for issue and listing of Non-Convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities, and Commercial Paper (**NCS Master Circular**) and for social bonds as specified in Annexure A of the ESG Circular.
- **Initial Disclosure Requirements for Sustainability-Linked Bonds:** An issuer desirous of issuing sustainability-linked bonds shall make the disclosures as specified in Part I of Annexure B of the ESG Circular in the offer document for public issues / private placements in addition to adhering to the obligations in accordance with the relevant international standards that the securities are aligned / issued with. An issuer who has listed sustainability-linked bonds shall provide disclosures as specified in Part II of Annexure B of the ESG Circular along with its annual report and financial results. The issuer of sustainability-linked bonds shall appoint an independent third-party reviewer / certifier to undertake the activities and responsibilities specified in Part III of Annexure B of the ESG Circular.
- **Measures to Mitigate the Risk of "Purpose Washing" and Not Being "True to Label":** To prevent *"purpose-washing"* and ensure the bonds remain *"true to label"*, issuers must continuously monitor the impact of their operations to confirm they are achieving the intended social or sustainable outcomes. The ESG Circular categorically mentions that the misuse of funds, misleading labels, or selective disclosure of data is strictly prohibited. Additionally, if any deviation is discovered, issuers shall inform investors and may be required to redeem the bonds early, subject to the approval of the majority of debenture holders.
- **Responsibilities of the Issuer:** Issuers of social or sustainability bonds will be required to maintain a clear decision-making process to ensure that the funded projects or assets remain eligible throughout the bond's lifecycle. Further, they shall also guarantee that the proceeds be used strictly for the purposes disclosed in

the offer document, aligning with the documented social or sustainability objectives.

- **Post-Listing Obligations:** An issuer eligible to list specified securities on SME exchange as defined in Regulation 2(1)(ddd) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**SEBI ICDR Regulations**) and intending to issue ESG debt securities shall have to comply with the post listing obligations bi-annually, as specified under "Continuous disclosure requirements" specified in Annexure A and Annexure B of the ESG Circular, and Paragraph 2 of Chapter IX (green Debt Securities) of NCS Master Circular.

The proposed framework for issuances of ESG debt securities became effective from June 5, 2025.

(SEBI Circular No. SEBI/HO/DDHS/DDHS-POD-1/P/CIR/2025/84 dated June 5, 2025)

5. ***Limited Relaxation from Compliance with Certain Provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015***

Regulation 58(1)(b) of SEBI LODR Regulations requires listed entities to send hard copies of financial statement summaries to non-convertible securities (**NCS**) holders without registered e-mail addresses. Following the circulars issued by the Ministry of Corporate Affairs (**MCA**) extending relaxations with the requirement of dispatching physical copies of the financial statements, including Board's report, Auditor's report, or other documents to be attached therewith (initially to September 2024, then to September 2025), SEBI has decided the following:

- Entities with listed NCS that followed the MCA Circular dated September 19, 2024, and did not send hard copies of key documents to holders without registered e-mail addresses will not face penalties for non-compliance with Regulation 58(1)(b) of SEBI LODR Regulations for the period from October 1, 2024, to June 5, 2025.
- Further, from June 6, 2025, to September 30, 2025, SEBI has extended a similar relief. provided the entities disclose a web link to the statement of salient features of relevant documents in their advertisement under Regulation 52(8), ensuring access for holders of non-convertible securities as per Section 136 of the Act.

(SEBI Circular No. SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2025/83 dated June 5, 2025)

6. ***SEBI Circular on Margin Obligations to Be Given by Way of Pledge / Re-pledge in the Depository System***

To mitigate the risk of misappropriation or misuse of client securities, SEBI had, *vide* its circular dated February 25, 2020 (**2020 Circular**), mandated brokers to accept collateral only through "margin pledge". However, the brokers did not sell invoked client securities on the same day, leading to potential misuse. To address this, SEBI had released a Consultation Paper titled *"Margin obligations to be given by way of Pledge / re-pledge in the Depository system"*. Pursuant to the consultation process, SEBI has issued the circular dated June 3, 2025 (**Circular**) with the following key instructions:

- **Automated Process:** A combined automated process for invocation and sale of pledged securities has been introduced with an aim to eliminate manual steps and reduce delays in realising funds from invoked securities.
- **Pledge Release for Early Pay-in:** The depositories must now provide a single instruction functionality called *"Pledge release for early pay-in"* to allow brokers to release the pledge and simultaneously block the securities for early pay-in, without needing physical / electronic instructions or Demat Debit and Pledge Instruction / Power of Attorney. This shall streamline the process when clients sell pledged securities.
- **Invocation cum Redemption for Mutual Fund Units:** For mutual fund units not traded on exchanges, depositories must enable a single instruction called "invocation cum redemption", to ensure that such units are automatically redeemed upon invocation, improving efficiency and reducing manual intervention.
- **Handling of Frozen Client Accounts:** If a client's trading account is frozen or marked "Not permitted to trade" after pledge creation, the invoked securities will be transferred to the broker's demat account and sold under the proprietary code. This would ensure that brokers can still liquidate securities and avoid accumulation.
- **Same-Day Pay-in Requirement:** To prevent accumulation of client securities in brokers' accounts, the Circular mandates that pay-in of securities be completed on the same day as invocation.

Accordingly, Annexure A of the 2020 Circular and Para 41 of Master Circular for Stockbrokers dated August 9, 2024 have been amended. The provisions of the Circular came into force with effect from September 5, 2025.

(SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/82 dated June 3, 2025)

7. ***SEBI Circular on Final Settlement Day (Expiry Day) for Equity Derivatives Contracts***

Following its Consultation Paper dated March 27, 2025, SEBI released a circular dated May 26, 2025 (**Circular**), regarding the final settlement days / expiry days for derivative products, aiming to space out the expiry days to reduce concentration risk and to prevent too many expiry days that result in expiry day hyperactivity. Accordingly, it decided the following in relation to the final settlement / expiry day for equity derivative contracts:

- Expiry of all equity derivatives of an exchange will be uniformly limited to Tuesday or ` ` A .
- Every exchange will continue to be allowed one weekly benchmark index options contract on their chosen day, either Tuesday or ` ` A .
- Besides benchmark index options contracts, all other equity derivates contracts (all benchmark index futures contracts, non-benchmark index futures/options contracts, and all single stock futures/options contracts) will be offered a minimum tenor of one month, and the expiry will, based on their chosen day, be either on the last Tuesday or last Thursday of every month.
- Exchanges must now seek prior approval from SEBI to modify the settlement day of their derivatives contracts from the one existing.

The stock exchanges were accordingly required to submit their proposal to SEBI for compliance with the Circular by June 15, 2025.

(SEBI Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2025/76 dated May 26, 2025)

8. ***Extension of Timeline for Implementation of Provisions of SEBI Circular dated December 17, 2024, on Measures to Address Regulatory Arbitrage with respect to Offshore Derivative Instruments and Foreign Portfolio Investors (FPIs) with Segregated Portfolio vis-à-vis FPIs***

By way of a circular dated May 16, 2025, SEBI extended to November 17, 2025, dated December 17, 2024, SEBI had taken measures to address regulatory arbitrage related to Offshore Derivative Instruments (**ODIs**) by Foreign Portfolio Investors (**FPIs**) and requirements related to segregated portfolios. Some key guidelines of the circular are set out below:

- FPIs shall issue ODIs only through a separate dedicated FPI registration with no proprietary investments. This registration must be in the name of the FPI with the suffix "ODI" under the same PAN. However, the requirement for a separate dedicated registration does not apply to ODIs issued with Government securities as the reference / underlying.
- ODI issuing FPI shall collect from its ODI subscribers that fulfil specific criteria granular details of all entities holding any ownership, economic interest, or exercising control in the ODI subscriber, on a full look-through basis, up to the level of all natural persons, without applying any threshold. These must be submitted to the Depositories.
- This additional disclosure requirement shall be triggered when an ODI subscriber holds more than 50 per cent of its equity ODI positions through the ODI issuing FPI in ODIs referenced to securities of a single Indian corporate group and an ODI subscriber has equity positions worth more than INR 25,000 crore in the Indian markets.

SEBI, by way of a circular dated May 16, 2025, extended the timeline for the implementation of the aforementioned requirements to November 17, 2025.

(SEBI Circular No. SEBI/HO/AFD/AFD-POD-3/P/CIR/2025/71 dated May 16, 2025)

9. ***Rating of Municipal Bonds on the Expected Loss based Rating Scale***

SEBI, *vide* its circular dated May 15, 2025, permitted credit-rating agencies (**CRAs**) to use an expected loss (**EL**) based rating scale in addition to the traditional standardised ratings for municipal bonds issued to finance infrastructure assets. This is an extension of a previous provision that allowed EL ratings for general infrastructure projects.

(SEBI Circular No. SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/70 dated May 15, 2025)

10. ***SEBI Circular on Investor Charter for Registrars to an Issue and Share Transfer Agents (RTAs) dated May 14, 2025***

SEBI, *vide* its circular dated May 14, 2025, had issued an updated investor charter for Registrars to an Issue and Share Transfer Agents (**RTAs**). This move aims to enhance financial consumer protection alongside enhanced financial inclusion

and financial literacy, considering recent developments in the securities market, including the introduction of Online Dispute Resolution platform and SCORES 2.0.

The following are the key provisions of the circular:

- **Dissemination Requirements:** All registered RTAs must bring the Investor Charter to the notice of existing and new shareholders by disseminating it on their websites / through e-mail and displaying it at prominent places in offices; the Registrar Association of India shall also disseminate the Investor Charter on its website.
- **Transparency in Grievance Redressal:** All registered RTAs must continue to disclose on their respective websites, data on complaints received against them or against issues dealt by them and redressal thereof, latest by seventh (7th) of the succeeding month.
- **Vision and Mission:** The charter establishes a vision to be a trusted, transparent, and prompt service provider to investors, conforming to the highest standards of compliance, confidentiality, and professionalism.
- **Service Timelines:** The charter specifies detailed timelines for various services, including 21 days for transmission requests, 30 days for duplicate security certificates, and 15 days for dematerialisation requests.
- **Investor Rights:** The charter outlines comprehensive investor rights including the right to receive all benefits / material information, fair and equitable treatment, participation in AGM/EGM and E-voting events, and the right to approach various authorities for grievance resolution.
- **Grievance Redressal Mechanism:** A detailed grievance redressal process is established, including approaches through Listed Company/RTA, SCORES 2.0 platform, and the new SMARTODR platform for online conciliation and arbitration.

The provisions of this Circular came into force with immediate effect. With the issuance of this Circular, SEBI Circular No. SEBI/HO/MIRSD/MIRSD_RTAMB/P/CIR/2021/670 dated November 26, 2021, stands rescinded and Clause 29 of Master Circular for RTAs dated May 07, 2024, stands amended.

(SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/67 dated May 14, 2025)

11. ***Measures for Ease of Doing Business – Facilitation of SEBI Registered Stockbrokers to Undertake Securities Market–Related Activities in Gujarat International Finance Tech-City – International Financial Services Centre under a Separate Business Unit***

To ensure ease of doing business and leverage the existing infrastructure of stockbrokers, SEBI issued a Consultation Paper dated March 21, 2025, on facilitating SEBI-registered stockbrokers to undertake securities market–related activities in Gujarat International Finance Tech-City – International Financial Services Centre (**GIFT-IFSC**) under a Separate Business Unit (**SBU**). Following comments / suggestions from stakeholders, SEBI released a circular dated May 2, 2025 (**SBU Circular**), for facilitating SEBI-registered stockbrokers to undertake securities market–related activities in the GIFT-IFSC as a SBU, doing away with the requirement for stockbrokers to obtain specific approval from SEBI and permitting them to undertake securities market–related activities in GIFT-IFSC under a SBU of the stockbroking entities. Before the SBU Circular, SEBI registered stockbrokers were required to obtain approval from SEBI to float subsidiaries or enter into joint ventures to undertake securities market–related activities in GIFT-IFSC. The subsidiary / joint venture's activities in GIFT-IFSC were under the jurisdiction of the respective regulatory authority, and the subsidiary / joint venture was required to obtain necessary permissions from such regulatory authority.

The SBU Circular also prescribes that in policy-related matters, eligibility criteria, risk management, investor grievances, inspection, and enforcement for SBUs set up in GIFT-IFSC will be specified under the regulatory framework issued by the relevant regulatory authority. The SBU Circular also prescribed the following measures to demarcate the regulatory obligations and to ring-fence the activities of stockbrokers operating in the Indian securities market and those from SBUs in GIFT-IFSC:

- Stockbrokers shall ensure that securities market–related activities of the SBU in GIFT-IFSC are segregated and ring-fenced from the Indian securities market–related activities of the stockbrokers, and arms-length relationship between these activities are maintained.
- SBUs in GIFT-IFSC shall be exclusively engaged in providing securities market–related activities permitted by the IFSCA.

- Stockbrokers shall prepare and maintain a separate account for the SBU on arms-length basis.
- The net worth of the SBU shall be kept segregated from the net worth of stockbrokers in the Indian securities market. Net worth criteria for stockbrokers shall be satisfied after excluding account of the SBU. The net worth for the purpose of the SBU shall be as per regulatory framework issued by the regulatory authority concerned.

Since the activities of the SBU shall be under the jurisdiction of another regulatory authority, investors availing the services from SBUs shall not be able to avail services for grievance redressal mechanism, investor protection fund of stock exchanges, and SCORES.

(SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/61 dated May 2, 2025)

12. *Measures for Enhancing Trading Convenience and Strengthening Risk Monitoring in Equity Derivatives*

SEBI, *vide* the circular dated May 29, 2025 (**Circular**), notified provisions measures to improve risk metrics for better monitoring and disclosure of risks in future and options (**F&O**), reduce instances of spurious F&O ban periods in single stocks, and establish better oversight over concentration or manipulation risk in index. Key provisions of the Circular include:

- **Formulation of Open Interest:** Open Interest (**OI**) of participants in derivatives shall be measured at the portfolio level by computing net delta-adjusted open positions across futures and options for an underlying at a given point in time. Delta denotes the sensitivity of the price movement of a derivative position with respect to the underlying, with long futures having a delta of +1 times notional and options delta ranging between 0 and +1 times notional for long calls and between 0 and –1 times notional for long puts.
- **Revised Market Wide Position Limit (MWPL):** The current MWPL for single stocks of 20 per cent of the number of shares held by non-promoters in the relevant underlying security (free-float holding) has been revised to the lower of 15 per cent of free float and 65x Average Daily Delivery Value (**ADDV**) across clearing corporations with a floor limit of 10 per cent of free float. This metric shall be recalculated every three (3) months based on rolling ADDV for the preceding three-month period, with tying MWPL to cash market delivery volume reducing potential manipulation and better aligning derivatives risk with underlying cash market liquidity.
- **Intraday Monitoring:** Stock exchanges shall perform intraday monitoring of MWPL utilisation at least four (4) random times during trading session to take appropriate actions once OI utilisation breaches certain limits (such as levying additional surveillance margin, monitoring entity-level concentration, additional surveillance checks) and report instances of significant utilisation / breach to SEBI in fortnightly surveillance meetings.
- **Eligibility Criteria for Non-Benchmark Indices:** Derivatives on non-benchmark indices require minimum

of 14 constituents, top constituent's weight must be ≤ 20 per cent, combined weight of top three constituents must be ≤ 45 per cent, and all other constituents' individual weights must be lower than those of higher-weighted constituents (descending weight structure).

- **Individual Entity-Level Position Limits for Single Stocks:** Position limits linked to MWPL vary by entity: Client/NRI – 10 per cent of MWPL; Trading Member (Proprietary) – 20 per cent of MWPL; Trading Member (Proprietary + Client) / FPI (Category I) / MF– 30 per cent of MWPL; FPI (Category II - other than individuals, family offices, corporates) – 20 per cent of MWPL; and FPI (Category II - individuals, family offices, corporates) – 10 per cent of MWPL.

The Circular includes a detailed schedule of implementation from July 1, 2025, to December 6, 2025, aligning with monthly compliance mock sessions.

(SEBI Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2025/79 dated May 29, 2025)

13 *Circular on Review of - (a) Disclosure of Financial Information in Offer Document and (b) Continuous Disclosures and Compliances by Infrastructure Investment Trusts and Real Estate Investment Trusts*

SEBI had released a Master Circular for infrastructure investment trusts (**InvIT Master Circular**) and for real estate investment trusts (**REIT Master Circular**), respectively, on May 15, 2024. Chapter 3 of these circulars sets out guidelines for disclosure of financial information in the offer document / placement memorandum by InvITs and REITs along with the framework for calculation of net distributable cash flows, while Chapter 4 of these circulars specifies provisions for continuous disclosures and compliances by the InvITs and REITs, post the listing of their respective units. SEBI has now revised Chapters 3 and 4 of the REIT Master Circular and InvIT Master Circular along with Paragraph 7 of Annexures 5 and 6 of these circulars. The key provisions are as follows:

Chapter 3 of the REIT Master Circular and InvIT Master Circular *(Disclosure of Financial Information in Offer Document for REITs and InvITs)*

Financial Information for Initial and Follow on Offers of InvITs and REITs:

- InvITs and REITs are now mandated to disclose audited financial statements for the last three (3) financial years and a stub period if applicable. If the latest audited financials are older than six (6) months from the date of filing of the offer document / placement memorandum, then the audited stub period financial statements shall be disclosed.
- For initial offer, audited combined financial statements of the InvIT and REIT are to be disclosed in the offer document. Further, in respect of the follow-on offer, audited consolidated financial statements along with link to the website for accessing separate audited financial statements will need to be disclosed in the relevant offer document. For any acquisition or divestment of any material assets after the latest period for which the financial information is disclosed in the offer document but before the date of filing of the offer document, the certified proforma financial statements of the InvIT and REIT shall be disclosed for at least the period covering the last completed financial year and the stub period, if any.
- In addition to the financial statements, the following information shall also be included:
  i) project wise operating cash flows;
  ii) a statement of contingent liabilities, commitments, and capitalisation;
  iii) information relating to related-party transactions;
  iv) capitalised statement for follow-on offers, an explanatory note explaining changes in unit capital, if any (as part of the capitalisation statement), is now mandated;
  v) debt payment history;
  vi) statement of total returns at fair value; and
  vii) a statement of net assets and total assets at fair value, as per the prescribed format in the circular.
- InvITs and REITs are mandated to disclose in their offer document information in relation to the projections of income and operating cash flows.
- A management discussion and analysis (**MD&A**) by the manager comparing the most recent financial information with the previous two (2) years along with a statement from the said manager regarding the sufficiency of working capital to fulfil the present requirements of InvIT and REIT for at least 12 months from the listing date will need to be disclosed.

Chapter 4 of the REIT Master Circular and InvIT Master Circular (Continuous Disclosures and Compliances by InvITs and REITs)

Disclosure of Financial information to Stock Exchanges:

- InvITs and REITs will need to submit quarterly and year-to-date financial results within 45 days of quarter-end with annual financial results due within 60 days of the financial year-end. The final quarter results must reconcile the full-year audited figures with those reported up to the third quarter.
- Unit holding patterns of the InvITs and REITs to be reported one day before listing, quarterly within 21 days, and within 10 days of any capital restructuring exceeding a 2 per cent change in total outstanding units.
- Before the submission of the financial information to the stock exchanges, the financial information shall be approved by the board of directors / governing body of the manager and shall be authenticated and signed in the manner specified in the circular.
- The circular mandates the steps to be undertaken by the InvIT and REIT for audit of financial information, the disclosure of financial information of the Investment Manager of the InvIT, obligation for the InvIT to maintain proper books of accounts and continuous disclosures to the stock exchanges such as obligation of the InvIT to enter into a listing agreement with all stock exchanges, disclosing the unitholding pattern for each class of unitholders as applicable as per the timelines prescribed in the circular, review of the credit rating every once a year, maintaining of a functional website, ensuring that adequate steps are taken for the expeditious redressal of investor complaints and submission of the statement of deviation to the recognised stock exchanges in case there is a statement indicating deviation in the use of proceeds from the objects stated in the offer document or a statement indicating category wise variation, if any, between projected utilisation of funds made by it in its offer document.

This circular was applicable with immediate effect except for the requirements specified under Chapter 4 of both the circulars, which were to be applicable for disclosure of financial information for the period beginning on or after April 1, 2025.

(SEBI Circular No. SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/63 dated May 7, 2025)

14. *Extension of Timeline for Implementation of Provisions of SEBI Circular Dated December 10, 2024, on Optional T+0 Settlement Cycle for Qualified Stockbrokers*

In a circular dated April 29, 2025, SEBI had notified the extension of the timeline for the implementation of provisions of the SEBI circular dated December 10, 2024 (**Circular**), on optional T+0 settlement cycle for qualified stockbrokers (**QSBs**).

Paragraph 3.3.1 of the Circular required stockbrokers designated as QSBs and those who meet the parameter of minimum number of active clients for qualification as QSB as on December 31, 2024, to put in place necessary systems and processes for enabling seamless participation of investors in optional T+0 settlement cycle with effect from May 1, 2025. SEBI has subsequently extended the timeline for the implementation of this circular's provisions to November 1, 2025.

(SEBI Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2025/58 dated April 29, 2025)

15. *Extension of Timeline for Formulation of Implementation Standards Pertaining to SEBI Circular on "Safer Participation of Retail Investors in Algorithmic Trading"*

To ensure smooth implementation of the framework, without any disruption to the market players and investors, the implementation standards were to come into effect from May 1, 2025.

(SEBI Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/46 dated April 1, 2025)

16. *Clarification on the Position of Compliance Officer in Terms of Regulation 6 of the SEBI LODR Regulations*

In a circular dated April 1, 2025 (**Circular**), SEBI clarified the position of the *"compliance officer"* under Regulation 6(1) of the SEBI LODR Regulations and provided the following guidance on the interpretation of the term *"level"* in the organisational structure of listed entities in relation to the *"compliance officer"*:

- The term "level" used in Regulation 6(1) of the SEBI LODR Regulations refers to the position of the compliance officer in the organisation structure of the listed entity.
- *"One-level below the board of directors"* means one-level below the managing director or whole-time director(s) who are part of the board of directors of the listed entity,

and this shall be in line with Regulation 2(1)(o) of the SEBI LODR Regulations read with section 2(51) of the Act.

- If a listed entity does not have a managing director or whole-time director(s), then the compliance officer cannot be more than one-level below the chief executive officer or manager or any other person heading the day-to-day affairs of the listed entity.

(SEBI Circular No. SEBI/HO/CFD/PoD2/CIR/P/2025/47 dated April 1, 2025)

III. Consultation Paper

1. ***Consultation Paper on Guidelines for Responsible Usage of AI/ML in India Securities Market***

SEBI, by way of its Consultation Paper dated June 20, 2025, has invited comments, views, and suggestions from the public and other stakeholders on proposed guiding principles for responsible usage of Artificial Intelligence (**AI**) / Machine Learning (**ML**) applications / models in securities markets. These proposed guidelines are based on the following core principles:

- **Model Governance:** Market participants using AI / ML models (**Models**) should have an internal team to monitor and oversee the performance, controls, testing, efficacy, and security of the algorithms. The team should implement risk-control measures and governance framework for outcome derived from Models and establish procedures for exception and error handling. There should also be a designated senior management responsible for oversight over Models. AI / ML services provided by third-party vendors would be deemed to be provided by market participants and the latter should have clear service-level agreement in place. The use / test case for models shall be subject to independent auditing and must be subject to periodic review after deployment, the accuracy results of Models shall be shared with SEBI on periodic basis.
- I**nvestor Protection-Disclosure:** Disclosure by market participants using Models for business operations that directly impact customers, specifically (i) selection of trading algorithms / algorithmic trading (including HFT); (ii) asset management / portfolio management; and (iii) advisory support services. Disclosure to investor must include details, including (i) product features, purpose, risks, limitations, and accuracy results; (ii) fees / charges; and (iii) accuracy, completeness, and relevance of data used for decisions. Disclosure language should be comprehensible and grievance redressal mechanism shall be in line with the existing SEBI regulatory framework.
- **Testing Framework:** Models should be tested in environment segregated from live environment to ensure that Model performs as expected in stressed and unstressed market conditions. Shadow testing should be performed on live traffic, documentation of the model, and input and output data should be maintained for the last five (5) years. The logic of models should also be explained in documents to ensure that the outcomes produced are explainable, traceable, and repeatable. Models should be continuously monitored to avoid changes in behaviour due to a shift in operating conditions or excessive noise.
- **Fairness and Bias:** Market participants should ensure that the data it is broad and of adequate quality. Further, the Model should be fair, and biases in the data sets should be removed.
- **Data Privacy and Cyber Security:** Market participants should have a policy on data security, cyber security, and data privacy for Models in compliance with applicable laws. Further information about data breaches and technical glitches should be communicated to SEBI and other relevant authorities in line with existing framework.
- **Tiered Approach:** SEBI has also proposed the adoption of a lite framework for usage of AL / ML for purposes other than business operations, which may directly affect clients and has specified that only some of the guidelines will be applicable for SEBI-regulated entities.
- **Risk Control Measure:** The Consultation Paper also provides for possible control measures for risks like model failure, herding and collusive behaviour, concentration risk, malicious usage leading to manipulation and / or misinformation, regulatory non-compliance and lack of explainability.

(Consultation Paper on guidelines for responsible usage of AI/ML in India Securities Market dated June 20, 2025)

2. ***Consultation Paper on Draft Circular Mandating Periodic Disclosure Requirements for Securitised Debt Instruments***

SEBI had set up a working group to, *inter alia*, review and align the provisions of the Securities and Exchange Board of

India (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008 (**SEBI SDI Regulations**), along with the Master Direction – RBI (Securitisation of Standard Assets) Directions, 2021 – for standard assets (**RBI SSA Master Directions**). As a result, amendments were made to the SEBI SDI Regulations, one of which was the addition of Regulation 11B, which mandated that special-purpose distinct entities and their trustees furnish half-yearly disclosures to SEBI.

SEBI has now released a draft circular proposing that the trustees submit the disclosures listed in Annexure I and II of the Consultation Paper on the Draft Circular Mandating Periodic Disclosure Requirements for Securitised Debt Instruments (**SDI Consultation Paper**) within 21 days from the end of March and September to SEBI and the relevant stock exchange.

Annexure I of the SDI Consultation Paper applies to SDIs backed by loans, listed debt securities, or credit facility exposures, whereas Annexure II applies to SDIs backed by other exposures. Illustrative guidance on weighted average maturity, pool rating, and default rate are provided in Annexure III.

Public comments were invited on the SDI Consultation Paper until July 7, 2025.

(Consultation Paper on draft circular mandating periodic disclosure requirements for securitised debt instruments dated June 16, 2025)

3. ***Consultation Paper on Separate Carve-Out for Voluntary Delisting of PSUs***

By way of a Consultation Paper dated May 6, 2025, SEBI invited comments, views, and suggestions from the public on various proposals on a proposal to introduce a separate carve-out under the Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2021 (**SEBI Delisting Regulations**) for public sector undertakings (**PSUs**), where the shareholding of promoter / promoter group equals or exceeds 90 per cent of the total issued shares. These proposals are as follows:

- **Eligibility:** SEBI has suggested that only PSUs where the aggregate shareholding of the promoter / promoter group along with other PSUs equals or exceeds 90 per cent of the total issued shares should be eligible for delisting through this separate carve-out mechanism.
- D**ispensing with the Requirement of Complying with Minimum Public Shareholding (MPS Norms):** SEBI has recommended that these eligible PSUs be exempted from the requirement of complying with the MPS norms, thereby allowing them to be delisted without meeting these criteria.
- **Delisting through a Fixed-Price Delisting Process (with a 15 per cent Premium over the Floor Price):** SEBI has proposed that eligible PSUs be delisted through a fixed-price delisting process, with the fixed delisting price set at least 15 per cent above the floor price, regardless of the trading frequency of the shares.

- **Relaxing the Requirement of Seeking Two-Thirds Approval from Public Shareholders to the Proposal of Delisting:** SEBI has suggested that the requirement for seeking two-third approval from public shareholders for delisting be relaxed, provided the aggregate shareholding of the promoter / promoter group along with other PSUs equals or exceeds 90 per cent of the total issued shares, and amendments be made to Securities Contracts (Regulation) Rules, 1957, for the same.
- **Exit Price to the Public Shareholders:** Presently, the floor price for a company whose shares are frequently traded will be determined based on the computation of 60 days VWAMP and for infrequently traded shares – computation will be based on the valuation parameters. SEBI has proposed three options as follows:
- *Option A: The exit price for public shareholders is determined by the highest of several parameters, including recent acquisition prices, adjusted book value, market price, or independent valuation*
- *Option B: The exit price is determined solely by an independent registered valuer, considering various valuation metrics such as book value, trading multiples, and discounted cash flow.*
- *Option C: Any other parameter for determination of floor price.*
- **Transferring the Unutilised Amount to the Designated Stock Exchange:** Presently, the acquirer is not allowed to access the amount lying in the escrow account or the bank guarantee meant for consideration to public shareholders for a minimum period of one (1) year or until payment is made to the remaining public shareholders who had not tendered their shares, whichever occurs earlier. For the delisting of such PSUs, SEBI has now proposed that this amount be transferred to the designated stock exchange and held for a minimum period of seven (7) years. During this time the investor/s may claim the amount directly from the exchange. After seven (7) years, the amount should be transferred to Investor Education and Protection Fund (**IEPF**) for entities established under the Companies Act and to SEBI's Investor Protection and Education Fund (**IPEF**).

Subsequently, in its board meeting on June 18, 2025, SEBI approved the amendments to the SEBI Delisting Regulations for introduction of special measures for PSUs (other than Banks, NBFCs, and Insurance Companies) under the ambit of any financial sector regulator to undertake voluntary delisting through a fixed-price delisting process when the shareholding of the Government of India as a promoter and or other PSUs equals or exceeds 90 per cent.

(Consultation Paper on separate carve-out for voluntary delisting of public sector undertakings dated May 6, 2025)

4. ***Modification to Chapter VII of the Master Circular for Listing Obligations and Disclosure Requirements for Non-Convertible Securities, Securitised Debt Instruments, and Commercial Paper***

The SEBI draft circular proposes modifications to Chapter VII of the Master Circular concerning listing obligations and disclosure requirements for non-convertible securities, securitised debt instruments, and commercial paper. The changes aim to align corporate governance norms for high-value debt listed entities (**HVDLEs**) with the updated SEBI LODR Regulations, specifically Chapter VA.

Key updates include mandatory submission of annual secretarial compliance reports, periodic corporate governance reports, and detailed disclosures of RPTs. The circular outlines the formats and timelines for these reports and emphasises transparency, accountability, and shareholder empowerment. It also specifies the information required for audit committee and shareholder review of RPTs, including financial terms, valuation reports, and justification for transactions. Public comments on the draft were invited until May 30, 2025, via SEBI's online portal. The circular is intended to enhance regulatory oversight and investor protection in the debt securities market.

(Modification to Chapter VII of the Master Circular for listing obligations and disclosure requirements for non-convertible securities, securitised debt instruments and commercial paper dated May 9, 2025.)

5. ***Consultation Paper on Rationalisation of Placement Document for Qualified Institutions Placement***

By way of a Consultation Paper dated May 2, 2025, SEBI invited comments, views and suggestions from the public and other stakeholders on various proposals for rationalising the Placement Document for Qualified Institutions Placement, with a view to reduce the information already in the public domain, which results in the duplication of the information in placement documents. These proposals are as follows:

- Prescribing only the relevant information regarding the issue to rationalise the content of the placement document of the qualified institutions placement.

- Certain examples of such proposed changes include:
  - i) aligning the glossary of terms / abbreviations with Schedule VI of SEBI ICDR Regulations to avoid ambiguity;
  - ii) prescribing specific material risks related to the issue, issuer, and its business may enhance the investor's understanding;
  - iii) renaming the section *"Use of Proceeds"* to *"Objects of the Offer"* to align with Schedule VI of SEBI ICDR Regulations;
  - iv) defining the section *"Capitalisation Statement"* by including the specific details only;
  - v) including a summary of the financial and other information in the placement document and giving a reference to the audited reports filed with the stock exchanges, to avoid duplication of the information already disclosed in audited financial statements filed with the stock exchanges;
  - vi) deleting the *"Management's discussion and analysis of financial condition and results of operations"* section, as the same is not required in rights issue and preferential issues;
  - vii) including a summary about the business of the issuer and the industry in which it operates may be sufficient in relation to the business and industry descriptions;
  - viii) in relation to the board of directors and senior management, mentioning specific details in Schedule VII to align with Schedule VI (IPO and Rights Issue) to avoid any ambiguity; and
  - ix) in relation to the legal proceedings section, prescribing specific details and incorporating the materiality thresholds specified in Schedule VI for IPOs and Rights Issue in Schedule VII to align with Schedule VI to avoid any ambiguity.

Public comments were invited on the Consultation Paper until May 23, 2025.

(Consultation Paper on rationalisation of placement document for qualified institutions placement dated May 2, 2025)

6. *Consultation Paper on Regulatory Amendments for REITs and InvITs*

By way of a Consultation Paper dated May 2, 2025, SEBI sought comments, views and suggestions from the public on certain proposals to amend the provisions of the REIT Regulations and InvIT Regulations. The matters consulted in the Consultation Paper are divided into: (a) Part A: Ease of Doing Business Measures; and (b) Part B: Investor Education and Protection measures. The key proposals are as follows:

PART A: Ease of Doing Business Measures

- Clarification on definition of "public" for minimum public unitholding requirement to amend the definition of "public" to include the related parties or associates of the sponsor(s), investment manager, or project manager of the InvIT who are qualified institutional buyers, within the ambit of the term "public".
- Adjustment of negative cash flows at the holding company level with distributions received from special purpose vehicle in the calculation of net distributable cash flow.
- Alignment of timelines for submission of quarterly report to the trustee by the manager / investment manager to the trustee with the timelines for the submission of quarterly financial results.
- Alignment of timelines for the submission of valuation report with the timelines for submission of financial results.

Part B: Investor Education and Protection Measures

- Introduction of the investor charter for REITs and InvITs.

Public comments were invited on the Consultation Paper until May 22, 2025.

(Consultation paper on regulatory amendments for REITs and InvITS dated May 2, 2025)

7. *Consultation Paper on Certain Amendments to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, with the Objective of Mandatory De-materialisation of Existing Securities of Select Shareholders Prior to IPO*

By way of a Consultation Paper dated April 30, 2025, SEBI invited comments, views, and suggestions from the public and other stakeholders on certain proposals to amend the provisions of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (**SEBI ICDR Regulations**). These proposals are as follows:

- To amend the provisions of the SEBI ICDR Regulations to mandate the issuance of all specified securities held by

critical pre-IPO shareholders such as directors, promoter group, key managerial personnel, senior management, selling shareholders, and even qualified institutional buyers to be in dematerialised form before the filing of the offer document; and

- To expand the scope of the regulatory requirement under Regulation 7(1) of the SEBI ICDR Regulations to include various classes of shareholders.

Public comments were invited on the Consultation Paper until May 20, 2025.

(Consultation Paper on certain amendments to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, with the objective of encouraging dematerialisation of securities and streamlining certain processes in view of the current regulatory landscape dated April 30, 2025)

8. *Consultation Paper on Limited Relaxation from Compliance with Certain Provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations*

SEBI has, by way of a Consultation Paper dated April 21, 2025, invited comments and suggestions from the public on the draft circular on "Limited relaxation from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015" (**Draft Circular**). The Ministry of Corporate Affairs, *vide* the General Circular No.09/2024 dated September 19, 2024 (**General Circular**), has, *inter alia*, extended the relaxation for sending physical copies of financial statements to the holders of non-convertible securities who have not registered their e-mail addresses, as per Regulation 58(1)(b) of the SEBI LODR Regulations. Considering the General Circular, the Draft Circular proposes the following:

- Listed entities who have complied with the General Circular shall not be subject to any penal action for non-compliance with Regulation 58(1)(b) under the LODR Regulations.
- Listed entities have relaxation from the requirement of sending physical copies under Regulation 52(1)(8) of the SEBI LODR Regulations, provided the advertisement issued by the entities in terms of Regulation 52(8) of the SEBI LODR Regulations discloses the web link containing the requisite information.

Public comments were invited on the Consultation Paper until May 12, 2025.

(Consultation paper on limited relaxation from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations dated April 21, 2025)

9. *Draft Circular on "Amendments to Master Circular on Online Resolution of Disputes in the Indian Securities Market"*

Upon receiving inputs from Market Infrastructure Institutions (**MIIs**), SEBI issued a draft circular on April 21, 2025 (**Draft Circular**), proposing amendments to be made to the Master Circular on Online Resolution of Disputes (**ODR**) in the Indian Securities Market (**Master Circular**) and invited comments from the public.

The Draft Circular proposes the following key changes / additions to the Master Circular, which was first issued on July 31, 2023, and subsequently amended on August 4, 2023, and December 20, 2023:

- Inclusion of a new provision relating to direct arbitration in certain cases.
- Inclusion of a new provision relating to making consent given in the conciliation proceedings irrevocable.
- Maintaining separate panels each for 'Conciliators' and 'Arbitrators' by ODR Institutions.
- Inclusion of a new provision relating to broad aspects of statement of purpose.

(Draft Circular for public comments on "Amendments to the Master Circular on Online Resolution of Disputes (ODR) in the Indian Securities Market" dated April 21, 2025)

10. *Consultation Paper on Investment by Mutual Funds in Real Estate Investment Trusts and Infrastructure Investment Trusts*

By way of a Consultation Paper dated April 17, 2025, SEBI invited comments from the public on the proposed changes to mutual fund (**MF**) investments in REITs and InvITs. The proposal aims to increase the capital inflow into REITs and InvITs and enhance liquidity in these instruments and broaden their market base.

Currently, the MF schemes are restricted to investing a maximum of 10 per cent of their net asset value (**NAV**) in the units of REITs and InvITs, with a 5 per cent cap per issuer. The MF schemes are also restricted to owning a maximum of 10 per cent of the units issued by a single issuer.

SEBI, *vide* the Consultation Paper, has proposed raising these limits to 10 per cent of the NAV of the fund per issuer and up to 20 per cent overall for equity and hybrid schemes. However, debt schemes would maintain the 10 per cent overall cap due to the higher risk profile of REITs and InvITs.

SEBI has also received suggestions to classify REITs and InvITs as equity instruments and include them in equity indices. While stakeholders highlighted features aligning with equity instrument such as ownership rights and performance-linked distributions, the mutual fund advisory committee (**MFAC**) and the association of mutual funds in India (**AMFI**) advised maintaining classification of the REITs and InvITs as hybrid instruments rather than a hybrid or an equity instrument. Further, MFAC deliberated on whether the inclusion of the REITs and InvITs instruments as constituents of equity indices would be appropriate and fair to investors in schemes following such indices as benchmark.

Given the limited universe of these instruments, MFAC proposed that a dedicated MF scheme was not recommended at this stage, citing lack of liquidity offered by these instruments.

Public comments were invited on the Consultation Paper until May 11, 2025.

(Consultation paper on investment by mutual funds in real estate investment trusts and infrastructure investment trusts dated April 17, 2025)

11. *Consultation Paper on Investor Charter for Registrars to an Issue and Share Transfer Agents*

By way of a Consultation Paper dated April 11, 2025, SEBI has invited comments, views, and suggestions from the public and other stakeholders on the revised Investor Charter for Registrars to an Issue and Share Transfer Agents (**RTAs**). To facilitate investor awareness about various activities where an investor must deal with RTAs for availing Investor Service Requests, SEBI, *vide* its circular dated November 26, 2021, issued an investor charter for RTAs. In a move to enhance financial consumer protection alongside enhanced financial inclusion and financial literacy and in view of the recent developments in the securities market, including the introduction of Online Dispute Resolution (**ODR**) platform and SCORES 2.0, SEBI felt it necessary to review the investor charter for RTAs. The key proposals in the draft circular are as follows:

- The charter establishes specific timelines for various services, such as 21 days for processing transmission requests; 15 days for processing dematerialisation requests; 30 days for processing the issue of duplicate security certificate requests; and 21 days for responding to the inquiries of the investors and redressal of grievance.
- The charter introduces a comprehensive grievance redressal process, including the ODR platform, where if not satisfied with the resolution the market participants provide, the investor has the option to file the complaint / grievance on the SMARTODR platform for its resolution through online conciliation or arbitration.
- All the registered RTAs shall continue to disclose on their respective websites, the data on complaints received

against them or against issues dealt by them and redressal thereof, latest by seventh of the succeeding month.

Public comments were invited on the Consultation Paper until May 2, 2025.

(Consultation paper on investor charter for registrars to issue and share transfer agents (RTAs) dated April 11, 2025)

IV. Clarifications

1. ***Frequently Asked Questions on SEBI (Issue of Capital and Disclosure Requirements), Regulations 2018***

To provide clarity and guide market participants and investors on the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, as amended (**SEBI ICDR Regulations**) and to highlight the nuances of various requirements under the SEBI ICDR Regulations, SEBI had issued comprehensive frequently asked questions (**FAQs**) on May 15, 2025. These FAQs include various clarifications, such as (i) types of public issues and offer documents in India; (ii) description of the book building process; (iii) categories of investors in the primary market; (iv) intermediaries to the issue and their roles; and (v) role of SEBI in the capital-raising process; and (vi) ASBA-related details.

(Frequently Asked Questions dated May 15, 2025)

2. ***Frequently Asked Questions on SEBI (Buy-back of Securities) Regulations, 2018***

To provide clarity and guide market participants and investors on the SEBI (Buy-back of Securities) Regulations, 2018, as amended (**Buyback Regulations**) and to highlight the nuances of various requirements under the Buyback Regulations in relation to the buyback of its own shares and related matters, SEBI had issued FAQs on April 25, 2025. These include various clarifications, such as (i) the manner in which the company can buy back its own shares; (ii) the details of companies proposing to buy back their shares; (iii) the process for a shareholder to tender shares for buy-back in the tender offer method; (iv) method in which letter of offer can be dispatched; and (v) timeline for the shareholder to receive the intimation about acceptance of his/her shares, the payment and return the unaccepted demat shares/ share certificate in the tender offer method.

(Frequently Asked Questions dated April 25, 2025)

V. Informal Guidance

1. ***Informal Guidance by way of an Interpretative Letter Received from CHL Limited in Relation to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011***

CHL Limited (**Company**) is a listed company with its equity shares listed on BSE Limited. As on the date of the application to SEBI, the shareholding pattern of the Company comprised promoter and promoter group holding being 72.84 per cent and the public shareholders holding 27.16 per cent. The promoter and promoter group primarily constitute family members of the Malhotra family.

The Company was contemplating raising funds through a preferential issue of compulsorily convertible preference shares (**CCPS**) and/ or compulsorily convertible debentures (**CCDs**) involving several investors, including members of the promoter and promoter group such as an entity incorporated outside India and wholly owned and controlled by Mr. Lokesh Malhotra, who is a non-resident Indian (**Foreign Investor Entity 1**), Mr. Gagan Malhotra, Mr. Luv Malhotra, and Mr. Lokesh Malhotra, as well as the public category shareholders, including an entity incorporated in India (**Domestic Investor Entity**) and an entity incorporated under Malta Laws (**Foreign Investor Entity 2**).

Upon conversion of the CCPS and CCDs into the equity shares in FY 2026–2027, the revised shareholding pattern would result in the promoter and promoter group's total shareholding decreasing from 72.84 per cent to 71.89 per cent (a decrease of 0.96 per cent), while the shareholding of the public shareholders would increase from 27.16 per cent to 28.11 per cent (an increase of 0.96 per cent). Additionally, Foreign Investor Entity 1 would have the right to appoint three non-executive nominee directors and one observer, Foreign Investor Entity 2 would have the right to appoint one non-executive nominee director and one observer, and the Company would need to appoint four additional independent directors, bringing the total board strength to 14 directors.

The Company sought informal guidance from the SEBI on:

Query 1. *Whether promoter and promoter group members would be required to make an open offer under Regulation 3(2) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (**Takeover Code**) considering the aggregate change in shareholding would be (–) 0.96 per cent?*

Query 2. *Whether public announcement of an open offer would be required by the various investor entities under Regulation 3(3) of the Takeover Code? and*

Query 3. *Whether any open offer obligations would be triggered under Regulation 4 of the Takeover Code due to board appointment rights, considering no change in control would occur?*

SEBI provided the following informal guidance:

- **Query 1:** SEBI clarified that Regulation 3(2) of the Takeover Code, inter-alia, provides that no acquirer, who together with persons acting in concert, has acquired or holds shares or voting rights in a target company entitling them to exercise 25 per cent or more of the voting rights of the company, will acquire more than 5 per cent of the voting rights in a target company within any financial year unless the acquirer makes an open offer. Further, in terms of the clause (ii) of Explanation to Regulation 3(2) of the Takeover Code, in case of acquisition of shares by way of issue of new shares by the target company, or where the target company has made an issue of new shares in any given financial year, the difference between the pre-allotment and the post-allotment percentage voting rights will be regarded as the quantum of additional acquisition. Based on the facts presented, since all the preferential allottees will be converting the proposed CCDs and / or CCPS into equity shares on the same date and since the shareholding of the acquirer along with persons acting in concert, i.e., shareholding of the promoter or promoter group will not increase by 5 per cent, and in fact will reduce by 0.96 per cent, the preferential allottees, viz. Foreign Investor Entity 1, Mr. Luv Malhotra, Mr. Gagan Malhotra, and Mr. Lokesh Malhotra, being part of the promoter and promoter group of the Company, will not be required to make an open offer under Regulation 3(2) of the Takeover Code.

- **Query 2:** SEBI noted that Regulation 3(3) of Takeover Code, inter-alia, provides that acquisition of shares by any person, such that the individual shareholding of such person acquiring shares exceeds the thresholds stipulated under Regulation 3(1) or Regulation 3(2) of the Takeover Code, will attract the obligations of making an open offer. Based on the facts presented, considering that Foreign Investor Entity 1's individual shareholding will not exceed 25 per cent, the said entity would not be required to make an open offer under Regulation 3(3) read with Regulation 3(2) of Takeover Code. Further, considering the individual shareholding of neither Domestic Investor Entity nor Foreign Investor Entity 2 would exceed the threshold stipulated under Regulation 3(1) of Takeover Code, neither of these entities would be required to make an open offer under Regulation 3(3) read with Regulation 3(1) of Takeover Code.

- **Query 3:** SEBI determined that no open offer obligations arise under either Regulation 3 or 4 of the Takeover Code. Under Regulation 3, Foreign Investor Entity 2's acquisition of 10.89 per cent voting rights (with no prior shareholding) remains within permissible thresholds and does not trigger open offer obligations. SEBI noted that the board composition would change from the current six directors (two executive, three independent, one non-executive non-independent) where the promoter group appoints 50 per cent (three of six directors), to a post-allotment structure of 14 directors comprising two executive, seven independent, and five non-executive non-independent directors. Post-allotment, Foreign Investor Entity 1 would appoint three nominee directors plus one non-voting observer, representing only 42.86 per cent (6/14) of the board. This would reduce the promoter group's proportional influence from 50 per cent. Since Foreign Investor Entity 1 is wholly owned by a promoter group member, it would remain within the existing control structure without creating new control acquisition. Foreign Investor Entity 2 will appoint merely one director out of 14 (7.14 per cent), clearly insufficient for majority control, and SEBI confirmed that Foreign Investor Entity 2 will not gain rights to appoint majority directors or control management and policy decisions through shareholding, management rights, or any shareholder / voting agreements. Therefore, SEBI concluded that no change or acquisition of control occurs as neither entity gains majority board representation or management control rights, and the promoter group's relative board influence decreases proportionally.

(SEBI Informal Guidance No. SEBI/HO/CFD/PoD-1/OW/P/2025/2126/1 dated January 22, 2025)

2. ***Informal Guidance by way of an Interpretative Letter received from Century Plyboards (India) Limited in Relation to the SEBI (Prohibition of Insider Trading) Regulations, 2015***

Century Plyboards (India) Limited (**Company**) is a listed company with its equity shares listed on the stock exchanges. As per the code of conduct formulated by the

Company, the promoters of the Company are classified as designated persons (**DP**). The Company sought interpretive guidance from SEBI regarding certain transactions involving its promoter and designated person, Sajjan Bhajanka (**SB**). On November 21, 2024, SB acquired 50,000 shares of the Company and intended to gift 1,00,000 shares to his daughter "A" (a member of the promoter group and immediate relative of SB) through an off-market *inter se* transfer on December 10, 2024. Additionally, SB's other daughter "B" (immediate relative of SB) also planned to sell 20,000 shares in the open market on December 20, 2024.

The Company sought informal guidance on:

Query 1. *Whether the gift of shares by SB to his daughter "A" through an off-market inter se transfer would constitute a contra trade under the SEBI (Prevention of Insider Trading) Regulations, 2015 (**PIT Regulations**)?*

Query 2. *Whether the second leg of the transaction (acquisition of shares by daughter "A" from SB as a gift) and the third leg (sale of shares by daughter "B") would be considered as contra trades and thus subject to the same restrictions?*

Query 3. *Whether the members of the promoter group who are not privy to Unpublished Price Sensitive Information (**UPSI**) would be considered to be within the ambit of DP for the purposes of the PIT Regulations?*

SEBI provided the following informal guidance:

- **Query 1:** SEBI clarified that the shares SB gifted to his daughter "A" constitutes dealing in shares and falls within the definition of "trading" under PIT Regulations, as per FAQ 45 of Comprehensive FAQs on PIT Regulations dated December 31, 2024 (**FAQs**). Clause 10 of Schedule B under Regulation 9 of PIT Regulations places a restriction on contra trades if executed within a period less than six (6) months. Therefore, the gift of shares to "A" will attract contra trade restrictions on the donor (SB). However, the said clause also provides an avenue for relaxation from the restriction on contra trades – even if the transaction constitutes a contra trade, the compliance officer, if empowered by the board of directors of the Company, may grant relaxation from strict application of the contra trade provisions, if the said relaxation does not result in violation of the PIT Regulations.
- **Query 2:** SEBI clarified that the acquisition of shares by daughter "A" and the sale of shares by daughter "B" will attract contra trade restrictions if undertaken within six (6) months of acquisition by DPs and their immediate relatives collectively, as per FAQ 42. The compliance officer may refer to the company's Code of Conduct framed under the PIT Regulations and act accordingly, while ensuring compliance with the provisions of the PIT Regulations.
- **Query 3:** Regulation 9(4)(iii) of PIT Regulations specifies that all the promoters of listed companies are DPs, and FAQ 51 clarifies that promoter group members having access to UPSI will be included within the ambit of DPs. Hence, all the promoters of the listed entity shall be specified as DPs and those members of the promoter group, other than the promoter itself, who do not have access to UPSI may not be classified as DPs. Therefore, Designated Persons of a listed company in relation to the promoter group may include all promoters of the listed company and members of the promoter group (other than promoters) who have access to UPSI.

(SEBI Informal Guidance No. SEBI/HO/ISD/ISD-POD-2/P/OW/2025/4262/1 dated February 07, 2025)

3. *Informal Guidance by way of an Interpretative Letter Received from Empire Industries Limited in Relation to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011*

Empire Industries Limited (**Company**) is a public limited company with the equity shares listed on BSE Limited. The Company sought SEBI's informal guidance regarding inter-family share transfers among promoters, Mr. Satish Chandra Malhotra and Mrs. Usha Devi Malhotra (the **Donors**), holding 1.59 per cent and 3.30 per cent equity shares in the Company respectively, who wished to gift their entire cumulative shareholding of 4.90 per cent in the Company in equal proportion to their sons, Mr. Ranjit Malhotra and Mr. Dileep Malhotra (the **Donees** or **Acquirers**), who are also the promoters of the Company. As a result of the proposed gift of shares, Mr. Ranjit's shareholding would increase from 16.14 per cent to 18.58 per cent and Mr. Dileep's shareholding would increase from 24.60 per cent to 27.05 per cent in the Company.

The Company sought informal guidance on:

Query 1. *Considering that the Donors and Donees were immediate relatives, whether the proposed acquisition between the transferors and acquirers was exempted from the open offer obligations as envisaged under*

*Regulation10(1)(a)(I) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (**Takeover Code**)?*

Query 2. *Whether an off market inter se transfer of shares between the promoters of the Company could be executed during the period of trading window closure under clause 4 of the Schedule B read with Regulation 9 of the PIT Regulations, and would pre-clearance be required from the compliance officer of the Company to execute the gift of shares during such period?*

Query 3. *Could Mr. Ranjit Malhotra and Mr. Dileep Malhotra make a joint application under Regulation 10(7) of the Takeover Code to avail exemption under Regulation10(1)(a)(i) of the Takeover Code and whether disclosure under Regulation 29(2) of Takeover Code was required for Donees only or for Donors as well?*

SEBI provided the following informal guidance:

- **Query 1:** SEBI responded that the Regulation 10(1)(a)() of the Takeover Code provides that the acquisition pursuant to *inter se* transfer of shares among immediate relatives will be exempt from the obligation to make an open offer under Regulations 3 and 4 of the Takeover Code, subject to fulfilment of the stipulated conditions. The acquisition by Mr. Dileep Malhotra, whose shareholding would increase from 24.60 per cent to 27.05 per cent, would trigger open offer obligations under Regulation 3(1) read with Regulation 3(3) of the Takeover Code, since the stipulated thresholds thereunder are met. However, since the transaction qualified as an *inter se* transfer between immediate relatives, Mr. Dileep Malhotra could avail of the exemption under Regulation 10(1)(a)(i) of the Takeover Code, provided all conditions under the Regulation were met. The increase regarding the shareholding of Mr. Ranjit Malhotra from 16.14 per cent to 18.58 per cent did not breach the threshold limits specified under Regulation 3(1) read with Regulation 3(3) of the Takeover Code, and consequently no open offer obligations would arise for Mr. Ranjit Malhotra.

- **Query 2:** SEBI clarified that the trading window transactions would not apply to the *inter se* off-market transfer between the promoters of the Company, if the said transaction is carried out in compliance with the conditions mentioned in Clause (i) of the proviso to Regulation 4(1) of SEBI PIT Regulations, subject to pre-clearance by the compliance officer and compliance with respective regulations made by SEBI.

- **Query 3:** SEBI clarified that since only Mr. Dileep Malhotra triggered the open offer obligation and sought exemption, the compliance responsibility under Regulation 10(7) of the Takeover Code lies solely with him, and he would be required to submit a report setting out the details of the acquisition, within 21 working days. Further, both Donors and Donees were required to comply with disclosure requirements under Regulation 29(2) of the Takeover Code.

(SEBI Informal Guidance No. SEBI/HO/CFD/PoD-1/OW/P/2025/6753/1 dated March 03, 2025)

4. ***Informal Guidance by way of an Interpretative Letter Received from Pritish Nandy Communications Limited in Relation to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011***

Pritish Nandy Communications Limited (**Company**) is a listed entity, wherein promoter group holding was 54.84 per cent as on March 31, 2024. Ideas.Com India Private Limited (**Acquirer**) is part of the promoter group that acquired a total of 4.87 per cent shareholding in the Company through three separate trades / tranches executed between March 26 and 28, 2025. Due to trading holidays through March 29–31, 2025, the shares from the last trade on March 28, 2025, were credited to the Acquirer's demat account only on April 2, 2025, and therefore it did not reflect in the BENPOS of the Company as on March 31, 2025. The Acquirer made payments for all the three trades on or before the execution, and the Company disclosed the transactions to the stock exchanges on March 27 and 28, 2025.

The Company sought clarity on whether the acquisition should be considered in the financial year of trade execution or of demat credit, i.e., whether the acquisition was to be considered in the financial year when contracted or in the financial year in which delivery was completed. This was particularly in the context of the 5 per cent annual acquisition limit under Regulation 3(2) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (**Takeover Code**).

SEBI clarified that from a conjoint reading of Regulation 3(2) and Regulation 13 of the Takeover Code, the relevant factor is the intention to acquire, not the completion of acquisition. The terms "acquirer" and "acquisition" include agreements to acquire, i.e., a prospective acquisition as defined under Regulations 2(1)(a) and 2(1)(b) of the Takeover Code. The public announcement of an open offer will precede the acquisition of shares or voting rights beyond the specified threshold. Accordingly, in terms of Regulation 13(2) of the Takeover Code, the public announcement in case of market purchases will be made before the placement of the purchase order with the stockbroker to acquire the shares that would take the entitlement to voting rights beyond the stipulated thresholds.

Therefore, the acquisition for the purposes of the relevant regulations should be considered in the financial year in which the purchase order was placed, i.e., when the trade was executed, not when the shares were credited to the demat account.

(SEBI Informal Guidance No. SEBI/HO/CFD/PoD-1/OW/P/2025/16482/1 dated June 19, 2025)

5. ***Informal Guidance by way of an Interpretive Letter received from Ipca Laboratories Limited in relation to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011***

Ipca Laboratories Limited (**Company**) is a listed company with equity shares listed on BSE and NSE. Paschim Chemicals Private Limited (**PCPL**) is a wholly owned subsidiary of Kaygee Investments Private Limited (**KIPL**), both being promoters of the Company. Both KIPL and PCPL are controlled and managed by the Premchand Godha family. It was proposed that PCPL be merged with KIPL pursuant to an NCLT Scheme of Arrangement under Sections 230–232 of the Companies Act, 2013. As a result of the merger, PCPL's 4.01 per cent stake in the Company would be transferred to KIPL, increasing KIPL's shareholding in the Company from 21.47 per cent to 25.48 per cent. KIPL sought informal guidance on whether the increase in the shareholding of KIPL pursuant to the Scheme, would be exempt from the open offer obligations under Regulation 10(1)(d)(iii) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011. (**Takeover Code**).

SEBI provided the following informal guidance:

Regulation 10(1)(d)(iii) of the Takeover Code exempts acquisitions pursuant to schemes of arrangement not directly involving the target company as transferor or transferee, subject to (i) the cash component in the consideration payable under the scheme being less than 25 per cent of consideration and (ii) at least 33 per cent voting rights in the combined entity post-scheme must be held by the same persons who held the entire voting rights pre-scheme. The proposed acquisition would normally trigger an open offer obligation under Regulation 3(1) of the Takeover Code. SEBI observed that the restructuring involves only KIPL and its wholly owned subsidiary PCPL, with no direct involvement of the Company. The entire shareholding of PCPL would be extinguished with no fresh share issue, assets, and liabilities would transfer to KIPL, and there would be no cash component. Furthermore, the Premchand Godha family will retain 100 per cent voting rights in KIPL, ensuring continuity.

Based on the facts presented, SEBI observed that the restructuring only involved KIPL and PCPL, with no direct involvement of the Target Company. The transaction would have no fresh issue of shares and no cash component. Furthermore, the Premchand Godha family would retain 100 per cent of the voting rights in KIPL, ensuring continuity. Accordingly, SEBI stated that the proposed acquisition appeared to qualify for an exemption from open offer

obligations under Regulation 10(1)(d)(iii), subject to the fulfilment of all other applicable conditions.

(SEBI Informal Guidance No. SEBI/HO/CFD/CFD-POD-1/P/OW/2025/98/1 dated January 2, 2025)

6. ***Informal Guidance Application Received from InfoBeans Technologies Limited Seeking Interpretation of Regulation 16(1)(b)(iv) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015***

InfoBeans Technologies Limited (**Company**), a listed entity, had appointed an independent director who received sitting fees and commission as per the permissible limit under the Companies Act, 2013 (**Act**). Subsequently, the Company planned to engage the same independent director as a consultant to its U.S. based subsidiary, InfoBeans INC., such that InfoBeans INC. would compensate the individual for services rendered.

The definition of "Independent Director" under Section 149(6)© of the Act clearly prescribes that the person must have or have had no pecuniary relationship (other than remuneration as such director or having transaction not exceeding 10 per cent of total income or such amount as may be prescribed) with the company, its holding, subsidiary or associate company, or their promoters, or directors, during the two immediately preceding financial years or during the current financial year. However, Regulation 16(1)(b)(iv) of SEBI LODR Regulations neither prescribes for any such percentage or limit to define the pecuniary relationship nor imposes any specific restriction on the amount of transactions for an independent director. Hence, the Company sought guidance from the SEBI on the term "material pecuniary relationship" under regulation 16(1)(b)(iv) of the SEBI LODR Regulations.

Against this backdrop, SEBI provided the following informal guidance:

SEBI noted SEBI LODR Regulations do not specify any quantitative limits for determining whether a pecuniary relationship between an independent director and listed entity, its holding, subsidiary or associate company, or their promoters, or directors is "material" or not. However, Regulation 16(1)(b) of the SEBI LODR Regulations specifies various parameters to determine the independence of a director. For example, such director should not be a promoter of the listed entity or its holdings or subsidiary or associate companies and not be related to such promoter; should not hold the position of key managerial personnel in such entities; should not be a non-independent director of another company on the board of which any non-independent director of the listed entity is an independent director; neither self nor relatives should be a material supplier, service provider, or customer or a lessor or lessee of the listed entity, etc. Further, the SEBI LODR Regulations mandates every independent director to submit a declaration stating, *inter alia*, that they meet the criteria of independence as provided in Regulation 16(1)(b) of the SEBI LODR Regulations and the board of directors to assess the veracity of such a declaration. SEBI noted that Section 149(6) of the Act is also relevant in relation to an independent director of a company. In view of the above, a listed entity shall ensure compliance with the provisions of SEBI LODR Regulations and other applicable laws, including Section 149(6) of the Act, with respect to the appointment of independent directors. Thus, the Company and its board of directors shall ensure that the proposed arrangement of the Company with its subsidiary, i.e., InfoBeans INC. is compliant with these provisions.

(SEBI Informal Guidance No. SEBI/HO/CFD/PoD2/OW/P/2025/13133/1 dated May 14, 2025)

7. ***SEBI Informal Guidance to DCB Bank Limited Seeking Interpretation of Regulation. 6 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015***

DCB Bank Limited (**Company**) has sought informal guidance from SEBI regarding the interpretation of Regulation 6 of the SEBI LODR Regulations on the position of the compliance officer in a listed entity, specifically regarding the following issues:

Query 1. *Whether the continuance of Ms. Chaturvedi, placed at Level 5 (grade) below the board of directors and reports to the Managing Director & CEO of the Company, as a compliance officer of the Company shall be considered compliant with the provisions of Regulation 6 of the SEBI LODR Regulations, as amended vide the notification dated December 12, 2024?*

Query 2. *Based on the understanding of Regulation 6(1) of the SEBI LODR Regulations, it is believed that being one level below the board of directors shall mean persons occupying the designation / grade one level below the board of directors and who report directly to such a person (being one of the board members of the organisation). The provision seeks to ensure that the compliance officer possesses adequate authority and direct access to key decisionmakers at the*

Board level. However, considering recent amendments and the interpretations concerning corporate governance practices, the Company has sought a clarification from SEBI on whether adjustments to the organisations grade hierarchy / reporting structure are necessary?

Against this backdrop, SEBI provided the following informal guidance:

The term "level" has been used in the SEBI LODR Regulations in the context of, *inter alia*, "Compliance Officer", "senior management", determining the number of independent directors required on the board, information to be placed before the board of directors, etc. It has also been used in the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015 (**PIT Regulations**), to determine the applicability of the code of conduct. Therefore, the usage of the term "level" in the proviso to Regulation 6(1) of the SEBI LODR Regulations refers to the position a person occupies in the organisational hierarchy. On the other hand, usage of the expressions "reporting" or "report to" would mean the obligation of a person to communicate / submit his work or an issue to the concerned individual / body for consideration / approval. To comply with the requirements under the proviso to the Regulation 6(1) of the SEBI LODR Regulations, read with SEBI Circular dated April 1, 2025, the Compliance Officer has been mandated to be positioned just one level below the board of directors in the organisational hierarchy of the listed entity. Therefore, the individual is to be placed not more than one level below the Managing Director or Whole-time Director(s). Accordingly, the Company should take appropriate steps to ensure compliance with the said provision.

(SEBI Informal Guidance No. SEBI/HO/CFD/PoD2/OW/P/2025/10114/1 dated April 3, 2025)

VI. Board Meetings

1. *SEBI Board Meeting held on June 18, 2025*

In its 210th board meeting held on June 18, 2025, SEBI approved, *inter alia*, the following:

- **Relaxation in Public Issue Regulations:** SEBI has approved amendments to the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018, and SEBI (Share-Based Employee Benefits and Sweat Equity) Regulations, 2021, to ease public issue norms. The key changes include extending exemption from the holding period of one year for equity shares arising from the conversion of compulsorily convertible securities following the approved scheme for offer for sale eligibility; and allowing non-promoter entities such as alternative investment funds, banks, insurance companies, and foreign venture capital investors to contribute equity shares arising from the conversion of fully paid-up compulsorily convertible securities towards to minimum promoter contribution requirements. The founders were permitted to retain employee stock options granted at least one year before filing the draft red herring prospectus (**DRHP**), even after being classified as promoters.
- **Mandatory Dematerialisation for Select Shareholders:** In addition to existing regulatory requirement for the dematerialisation of holding of promoter, SEBI has mandated the dematerialisation of securities held by a promoter group, key managerial personnel, senior management, qualified institutional buyers, directors, employees, selling shareholders, shareholders with special rights, and other specified shareholders before filing the DRHP.
- **Simplified Disclosures for Qualified Institutional Placements (QIPs):** SEBI has approved streamlining the placement documents for QIPs by dispensing with the requirement to disclose generic risk factors, allowing summarised disclosures for financials, business overview, and industry in which the issuer operates.
- **Introduction of Special Measures to Facilitate Voluntary Delisting of Certain Public Sector Undertakings (PSUs):** SEBI has proposed amendment to SEBI (Delisting of Equity Shares) Regulations, 2021, to allow the delisting of PSUs, where the Government of India is a promoter and / or the other PSU has at least 90 per cent of the shares. It has dispensed with the threshold requirement of approval by public shareholders in favour of the delisting set at two-thirds majority. A minimum 15 per cent premium over the floor price has been mandated, which is to be determined using multiple valuation methods. Unclaimed proceeds post-delisting will be held for seven (7) years and then transferred to investor protection funds.
- **Amendment to Regulatory Framework for Social Stock Exchange:** SEBI has broadened the definition of Not-for-Profit Organisations (**NPOs**) to include trusts and societies. It has introduced Social Impact Assessment Organizations (**SIAOs**) for a profession agnostic approach

to social impact assessment. Further, NPOs must raise funds within two (2) years of registration, and annual disclosures are now split into financial and non-financial categories. Additionally, the list of eligible activities for social enterprises has been expanded and aligned with Schedule VII of the Companies Act, 2013.

- **Amendments to Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992, for Rationalisation and Ease of Doing Business:** SEBI has relaxed the requirement of hiving off and allowed Merchant Bankers (**MB**) to undertake non-SEBI regulated financial services, subject to certain conditions. MBs may undertake (i) activities within the purview of other financial sector regulators and the MB complies with the regulatory framework as specified by such regulator; and (ii) fee-based and non-fund-based activities pertaining to the financial services sector. MBs are also categorised based on net worth, with Category I requiring INR 50 crore and Category II INR 10 crore and Category II MBs are not permitted to manage equity issues on the main board. Compliance requirements include maintaining liquid net worth, revenue thresholds, and qualifications for compliance officers.

- **Regulatory Enhancements for Debenture Trustees (DTs):** DTs can now perform non-SEBI-regulated activities, if these are regulated by other financial sector regulators (**FSRs**) or perform fee-based and non-fund-based activities in the financial services sector, if these are beyond the purview of other FSR or SEBI. SEBI has introduced standardised Debenture Trust Deed formats, modified the manner of usage of the Recovery Expense Fund (**REF**), and defined the rights of the debenture trustee and issuer obligations to strengthen fiduciary duties.

- **Ease of Doing Business for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs):** SEBI allowed related parties who are Qualified Institutional Buyers (**QIBs**) to be classified as public holders. HoldCos are also allowed to offset negative cash flows before distribution. The reporting timelines have been aligned with financial results. The minimum allotment size for privately placed InvITs has been reduced from INR 1 crore /25 crore to INR 25 lakhs.

- **Custodians Permitted to Offer Financial Services:** Custodians can now offer non-SEBI-regulated financial services within the same legal entity, provided they maintain transparency and manage conflicts of interest. SEBI shall issue a list of activities the custodian might take up under SEBI Regulations or any unregulated activities. Non-bank custodians must disclose that such services are outside SEBI's purview and create separate strategic business units.

- **Co-Investment Schemes for Category I & II AIFs:** SEBI has allowed Category I & II AIFs to offer co-investment schemes (**CIV schemes**), enabling accredited investors to co-invest in unlisted companies alongside the AIF. A separate CIV scheme shall be launched for each co-investment.

- **Revised Framework for Angel Funds:** SEBI has mandated that investors in angel funds be accredited investors (**AIs**) requiring independent verification of investor status and being considered as QIBs exclusively for investment in Angel Funds. The eligibility threshold has also been updated. Earlier investments by non-AIs are grandfathered, with a one-year transition period.

- **Relaxed Regulatory Compliances for Foreign Portfolio Investors (FPIs) Investing only in Government Securities:** SEBI eased compliance for FPIs investing exclusively in Government Securities by relaxing Know Your Customer (KYC) review periodicity, exemption from investor group disclosures, and extended reporting deadlines from 7 to 30 days. Non-resident Indians and overseas citizens of India are now allowed to participate without prior restrictions.

- **Simplified Disclosure Document for Portfolio Managers:** SEBI has restructured the disclosure document format into dynamic and static sections and removed the format from regulations. The disclosure document will not undergo change, and only updated section of the disclosure document will need to be circulated to the clients.

- **Settlement Scheme for Migrated Venture Capital Funds (VCFs):** SEBI has set up a one-time scheme for VCFs that had not winded-up their scheme within the prescribed timeline and had migrated to AIF regulations. Settlement amounts depend on delay duration and unliquidated investment costs, with expenses borne by the sponsor or investment manager.

- **Amendment to LODR for Mandatory Dematerialisation for Corporate Actions:** SEBI has mandated issuance of securities in demat form for corporate actions such as consolidation, split, and schemes of arrangement.

- **Deletion of Requirement of Maintain Proof of Delivery:** SEBI removed the requirement for listed entities to maintain proof of delivery in case of intimation to the transferor for minor difference in signature or to both the transferor and transferee in case of a major difference in signatures.
- **Approved Use of Liquid Mutual Funds for Investment Advisers and Research Analysts deposit compliance:** Investment advisers (**IAs**) and research analysts (**RAs**) can now use liquid and overnight mutual funds to meet deposit requirements, replacing fixed deposits.

(SEBI Board Meeting PR No. 33/2025 dated June 18, 2025)

VII. Press Releases

1. ***Approaching Deadline for Filing Claims in the Matter of Karvy Stock Broking Limited***

Karvy Stock Broking Limited was declared defaulter by NSE on November 23, 2020. As per the NSE's byelaws, claims against Karvy were invited from investors, and the deadline was June 2, 2025. As the deadline approached, investors were advised to take note and file a claim before the deadline.

(SEBI Press Release No. 26/2025 dated May 16, 2025)

2. ***SEBI Accepts Surrender Application of Strata SM REIT***

SEBI, *vide* a press release dated May 14, 2025, issued caution to the investors. "Strata SM REIT", which had received a license from the SEBI to operate as a small and medium real estate investment trust (**SM REIT**), has had its certificate of registration as an SM REIT surrendered and will not hold out or represent itself as a SEBI-regulated intermediary or SM REIT. SEBI's decision to accept the surrender application of Strata SM REIT follows certain news reports and a review of legal proceedings against the promoter of Strata SM REIT. As on date, Strata SM REIT has not launched any SM REIT schemes or migrated any pre-existing fractional real estate entities under the SM REIT framework. Consequently, Strata SM REIT will no longer be permitted to present itself as a SM REIT. SEBI has also advised investors to exercise caution while dealing with the entity.

(SEBI Press Release on caution to investor – SEBI accepts surrender application of Strata SM REIT dated May 14, 2025)

FOREIGN EXCHANGE AND RBI UPDATES

1. ***Amendments to Master Directions on Compounding Contraventions under FEMA, 1999***

   The RBI through the A.P. (DIR Series) Circulars notified on April 22, 2025, and April 24, 2025, has issued Master Directions on the Compounding of Contraventions under FEMA, 1999 (**Master Directions**). These supersede the erstwhile master directions and integrate the provisions of the Foreign Exchange (Compounding Proceedings) Rules, 2024 (**Compounding Rules**). The new framework set out under the Master Directions aims to streamline the compounding process and provide clearer guidelines for individuals and entities.

   Some of the key amendments are set out below:

   - **Fresh Applications for Compounding Not Linked to Previous Compounding Order:**

     The RBI has deleted the provision under the Master Directions, which earlier imposed an automatic 50 per cent enhancement on the compounding amounts (subject to an overall cap of 300 per cent of the sum involved in the contravention) of applicants against whom a compounding order had been passed earlier, and the applicant had failed to pay the compounding amount as mentioned in this order and subsequently re-applied for the compounding of the contravention relating to the same contravention.

     With this deletion, each compounding application is now de-linked from previous applications on the same subject matter, with no enhanced compounding amount for non-payment of the compounding amount for the same contravention under FEMA previously.

   - **Cap on Maximum Compounding Amount:**

     The compounding amount for miscellaneous non-reporting contraventions will now be capped to INR 2,00,000 for each contravention of regulation / rule under FEMA. Previously, the compounding amount for such contraventions was not capped. It stated, "fixed amount of INR 50,000 plus a percentage of amount under contravention". The applicability of cap for the aforesaid contraventions is subject to satisfaction of the compounding authority, based on the nature of contravention, exceptional circumstances / facts involved in case, and the public interest.

(RBI Master Direction RBI/2025-26/135; FED Master Direction No.04/2025-26 dated April 22, 2025, and RBI Circular RBI/FED/2025-26/32; A.P. (DIR Series) Circular. No 04/2025-26 dated April 24, 2025)

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List of Contributors

Cyril Shroff
Managing Partner

Yash Ashar
Senior Partner

Ramgovind Kuruppath
Partner

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

Archit Bhatnagar
Partner

Megha Krishnamurthi
Partner

Nayana Dasgupta
Principal Associate

Sarvpriya Mishra
Principal Associate

Mansi Jhaveri
Principal Associate

Rishav Buxi
Principal Associate

Surabhi Saboo
Principal Associate

Nikita Singhi
Senior Associate

Utkarsh Jhingan
Senior Associate

Pruthvi Jasani
Senior Associate

Pooja Jasani
Senior Associate

Sakhsam Khokar
Senior Associate

Cyril Amarchand Mangaldas
Advocates & Solicitors

100+ years of legacy | **1200** Lawyers | **220** Partners

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