



September 2025

The Securities and Exchange Board of India (“**SEBI**”) and the Reserve Bank of India (“**RBI**”) have introduced significant regulatory updates in the banking and finance space in August 2025.

SEBI has expanded the compliance framework for Investment Advisers (“**IAs**”) and Research Analysts (“**RAs**”) by allowing them to meet deposit requirements through liquid and overnight mutual funds; thereby offering more flexibility. SEBI has also introduced a new framework for converting private listed Infrastructure Investment Trusts (“**InvITs**”) to public InvITs.

Alongside SEBI, RBI also implemented critical amendments, including expanded transaction due diligence under its Know Your Customer (“**KYC**”) directions, a consolidated regulatory framework for Non-Fund Based (“**NFB**”) credit facilities, and a broadening of co-lending arrangements to strengthen borrower protections and transparency.

## SEBI updates

### Use of liquid mutual funds and overnight mutual funds for compliance with deposit requirement by IAs and RAs

SEBI, *vide* [circular](#) dated August 12, 2025, has allowed IAs and RAs to use liquid mutual funds and overnight mutual funds, as an additional option to the bank deposit required to be maintained with a scheduled bank, for compliance with deposit requirements as specified under the SEBI (IA) Regulations, 2013 (“**IA Regulations**”) and SEBI (RA) Regulations, 2014 (“**RA Regulations**”) respectively. Regulation 8 of the IA Regulations and RA Regulations, accordingly, require IAs and RAs to now maintain a deposit in the form of units of liquid mutual fund or an overnight mutual fund or as a deposit maintained with a scheduled bank. Such deposit will be marked as lien in favour of Investment Adviser Administration and Supervisory Body (“**IAASB**”) or Research Analyst Administration and Supervisory Body (“**RAASB**”), as the case may be. IAs and RAs must comply with the deposit requirements, latest by September 30, 2025. IAASB and RAASB are directed to put in place necessary systems and procedures for implementation of the provisions of this circular and bring the same to the notice of IAs and RAs, as the case may be.

### Review of framework for conversion of private listed InvITs into public InvITs

SEBI, *vide* [circular](#) dated August 8, 2025, has amended Chapter 14 (which provides for the framework for conversion of private listed InvITs into public InvITs) of the Master Circular for InvITs dated May 15, 2024. Some of the key amendments are as follows:

1. the requirements pertaining to minimum contribution and unitholding from the sponsor(s) and sponsor group(s) in the public issue of units for conversion of a private listed InvIT into a public InvIT are streamlined. In this regard:

- a) the sponsor(s) and sponsor group(s) must comply with the minimum unitholding requirement as specified in Regulation 12(3) and 12(3A) of the SEBI (InvIT) Regulations, 2014 ("**InvIT Regulations**"), as applicable, at all times. By this, the minimum contribution requirement has been linked to the same standard set out in the principal regulations being the InvIT Regulations; and
  - b) the lock-in on units held by the sponsor(s) and sponsor group(s) must comply with the minimum unitholding requirement, as specified in Regulation 12(5) of the InvIT Regulations. By this, the lock-in requirement has been linked to the same standard set out in the principal regulations being the InvIT Regulations; and
2. the procedure and disclosure requirements for public offer of units to convert a private listed InvIT into a public InvIT are aligned with the procedure and disclosure requirements applicable for follow-on offer rather than treating it as an initial offer. In this regard, the InvIT must comply with the requirements for follow-on offer for public issue of units prescribed under InvIT Regulations and the circulars issued thereunder.

## RBI update

### RBI (KYC) (2<sup>nd</sup> Amendment) Directions, 2025

RBI, *vide* [circular](#) dated August 14, 2025, has amended the RBI (KYC) Directions, 2016. Some of the key amendments are as follows:

1. a link to access the KYC Frequently Asked Questions is inserted;
2. para 11 (dealing with non-automatic denial of customers under the customer acceptance policy) now includes persons with disabilities in addition to financially and socially disadvantaged persons, ensuring no KYC application is rejected without application of mind and proper reasoning;
3. regulated entities are permitted to rely on the due diligence done by a third party at their option, in connection with occasional transactions of INR 50,000 (Indian Rupees fifty thousand) or above, whether conducted as a single transaction or several transactions that appear to be connected and any international money transfers;
4. Aadhaar face authentication is now a valid biometric based e-authentication; and
5. para 18 (dealing with video based customer identification process), now mandates that the liveness check should also include persons with special needs.

## JSA updates

### Tracking key regulatory changes to the RBI co-lending arrangements

RBI, *vide* [notification](#) dated August 6, 2025, has passed the RBI (Co-Lending Arrangements) Directions, 2025. Commercial banks (excluding small finance banks, local area banks and regional rural banks), financial institutions, and Non-banking Financial Companies ("**NBFCs**") (including housing finance companies) who intend to co-lend, will be required to enter into co-lending arrangements only as per the new RBI framework. The digital lending arrangements will continue to be governed by the RBI (Digital Lending) Directions, 2025, provided that any digital lending involving co-lending by the regulated entities will, without derogation to the RBI (Digital Lending) Directions, 2025, also be guided by the RBI (Co-Lending Arrangements) Directions, 2025. These directions will come into force from January 1, 2026. There have been various updates in relation to borrower protection, which has been strengthened through mandatory 'Key Facts Statements', single-point contact, and clear disclosures on rates, fees, and lender roles.

For a detailed analysis, please refer to the [JSA Prism of August 12, 2025](#).

## RBI issues new directions to govern NFB credit facilities

The [RBI \(Non-Fund Based Credit Facilities\) Directions, 2025](#) (“**NFB Directions**”) were issued by RBI on August 6, 2025, with a view to harmonise and consolidate the regulatory framework governing NFB credit facilities such as guarantees, letters of credit, co-acceptances, etc. The NFB Directions will come into effect from April 1, 2026, or at an earlier date as adopted by a Regulated Entity (“**RE**”) in accordance with its internal policy.

The NFB Directions introduce a unified framework applicable to a wide range of REs, including commercial banks, co-operative banks, All-India Financial Institutions (“**AIFIs**”), and for specific instances certain specified NBFCs. It lays down comprehensive guidelines for issuance of NFB facilities and Partial Credit Enhancement (“**PCE**”).

Some of the key highlights of the NFB Directions include:

1. unified approach for all REs and requirement for establishment of internal policies for issuing NFB facilities;
2. extended applicability to co-operative banks and AIFIs;
3. detailed requirements for guarantees and co-acceptances; and
4. clear guidelines for issuance of PCE in relation to certain specified bonds, which is now also permitted for AIFIs and eligible NBFCs but continues to exclude rural regional banks.

For a detailed analysis, please refer to the [JSA Prism of August 13, 2025](#).

### Finance Practice

JSA has a widely recognised market leading banking & finance practice in India. Our practice is partner led and is committed to providing quality professional service combining domain knowledge with a constructive, consistent, comprehensive and commercial approach to issues. Clients trust our banking lawyers to take a practical and business-oriented approach to achieving their objectives. Our lawyers have a clear understanding of the expectations and requirements of both sides to a financing transaction and provide tailored advice to each client’s needs. The practice is especially praised for its accessibility and responsiveness and its ability to work well with international firms and clients. We represent a variety of clients including domestic and global banks, non-banking finance companies, institutional lenders, multi-lateral, developmental finance and export credit institutions, asset managers, funds, arrangers and corporate borrowers in different sectors on a wide range of financing transactions.

Our full spectrum of services includes advising clients on corporate debt transactions (including term and working capital debt), acquisition finance, structured finance, project finance, asset finance, real estate finance, trade finance, securitisation, debt capital markets and restructuring and insolvency assignments.

Our practice has been consistently ranked in the top-tier for several years, and several of our partners are regarded highly, by international publications such as Chambers and Partners, IFLR, Asia Law, Legal 500, Asia Legal Business, IBLJ and Leaders League.

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7 Ranked Practices,  
21 Ranked Lawyers



14 Practices and  
12 Ranked Lawyers



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