



advocates & solicitors

# **Knowledge Management**

Semi-Annual Corporate Law

Compendium 2025

July – December 2025

# Semi-Annual Corporate Law Compendium 2025



## Introduction

This Compendium consolidates all key developments undertaken in the corporate sector including real estate, media and Information Technology (“IT”) sector, which were circulated as part of the JSA Newsletters/Prisms during the calendar period from July 2025 till December 2025.

## SECURITIES AND EXCHANGE BOARD OF INDIA (“SEBI”)

### Special window for re-lodgement of transfer requests of physical shares

SEBI, *vide* circular dated July 2, 2025, decided to alleviate the issue faced by investors, Registrar & Share Transfer Agents (“RTAs”), and listed companies that some of the investors had missed the March 31, 2021 deadline for re-lodging their documents for transfer of securities, by opening a special window only for re-lodgement of transfer deeds. It is applicable to the deeds that were lodged prior to the deadline of April 1, 2019, and rejected/returned/not attended to due to deficiency in the documents/process/or otherwise, for

a period of 6 (six) months from July 7, 2025, till January 6, 2026. During this period, the securities that are re-lodged for transfer (including those requests that are pending with the listed company/RTAs, as on date) must be issued only in demat mode.

### Operational efficiency in monitoring of non-resident Indians position limits in exchange traded derivatives contracts

To promote ease of doing investment and convenience to Non-Resident Indians (“NRIs”) for trading in exchange traded derivatives contracts, SEBI, *vide* circular dated July 29, 2025, decided to do away with the mandatory requirement of NRIs having to notify the names of clearing member/s and subsequent assignment of a unique Custodial Participant (“CP”) Code to the NRIs by the exchange. Accordingly, for NRIs trading in exchange traded derivative contracts without CP code, the exchange/clearing corporation must monitor the NRI position limits in the same manner as client level position limits are monitored by them. Therefore, the stock exchanges/clearing corporations are directed to:

1. notify their members and disseminate the same on their websites;
2. amend the necessary bye-laws, rules, regulations, circulars, etc.;
3. issue a revised operational process within 30 (thirty) days of issuance of the circular;
4. advise their members to provide an option to existing NRI clients to exit from CP code on submission of request through email within 90 (ninety) days of issuance of the circular; and
5. provide an option to such NRI clients (to submit their request through email) who initially opted for CP code but later decide to exit from CP code.



## Research Analysts and Investment Advisers and related updates

### SEBI (Investment Advisers) (Amendment) Regulations, 2025 and SEBI (Research Analysts) (Amendment) Regulations, 2025

SEBI, *vide* circular dated August 5, 2025, amended Regulation 8 stating that a deposit must be marked as lien in favour of a body or body corporate recognised by SEBI for the purpose of administration and supervision of Investment Advisers (“**IAS**”)/ Research Analysts (“**RAs**”) in accordance with Regulation 14 of the SEBI (IAS) Regulations, 2013 (“**IA Regulations**”) and SEBI (RAs) Regulations, 2014 (“**RA Regulations**”). The deposit must be available for utilisation in case the IA/RA fails to pay the dues emanating out of arbitration and conciliation proceedings, if any, under the online dispute resolution mechanism or such other mechanism as may be specified by SEBI.

### 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, allowed IAs and RAs to use liquid mutual funds and overnight mutual funds, as an option to the bank deposit, for compliance with deposit requirement as specified under the IA Regulations and RA Regulations respectively. Further, to ensure compliance with the deposit requirements under Regulation 8 of the IA Regulations and RA Regulations, IAs and RAs must 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 IA Administration and Supervisory Body or RA Administration and Supervisory Body, as the case may be.

### Interim arrangement for certified past performance of IAs and RAs prior to operationalisation of Past Risk and Return Verification Agency

SEBI, *vide* circular dated October 30, 2025, provided an interim arrangement for IAs and RAs to communicate certified past performance data to clients for the period prior to operationalisation of Past Risk and Return Verification Agency (“**PaRRVA**”). In this regard the following is decided:

1. IAs/RAs may provide past performance data certified by a member of the Institute of Chartered Accountants of India (“**ICAI**”)/Institute of Cost Accountants of India to a client (including prospective client) only on specific request of such client;
2. such past performance data must not be made available to general public through public media/website of IA/RA or any other mode;
3. IAs/RAs who wish to communicate certified past performance data to clients (including prospective clients) must enrol with PaRRVA within 3 (three) months of its operationalisation;
4. any communication of such past performance data must be accompanied with the prescribed disclaimer; and

5. IAs/RAs are permitted to communicate/display only PaRRVA verified risk and will not be permitted to use past performance data related to the period prior to the date of operationalisation of PaRRVA, in any communication to clients (including prospective clients), after 2 (two) years from the date of operationalisation of PaRRVA.

### Enabling IAs to provide second opinion to clients on assets under pre-existing distribution arrangement

SEBI, *vide* circular dated October 30, 2025, decided to provide investors the opportunity of obtaining a second opinion on assets under pre-existing distribution arrangement with other entity. Accordingly, IAs may charge fee on such assets subject to a limit of 2.5% of the assets value per annum. IAs must disclose and seek consent from such clients (on annual basis) so that in addition to the advisory fees payable to the IA, the clients will also be incurring costs towards distributor consideration for such assets.

### SEBI (IAs) (Second Amendment) Regulations, 2025

SEBI, *vide* circular dated November 25, 2025, issued the SEBI (IAs) (Second Amendment) Regulations, 2025, amending the IA Regulations. Some of the key amendments are as follows:

1. the eligibility for qualification and certification requirements for IAs is expanded by including the term 'persons associated with investment advice', bringing them within the qualification and certification requirements;
2. individuals giving investment advice or associated with such advice must now hold a graduate degree or any equivalent from a government-recognised university, or a Chartered Financial Analyst ("CFA") charter and relevant certification from National Institute of Securities Markets ("NISM") or another NISM-accredited institution or a post graduate degree in Securities Market (Investment Advisory) from NISM or in Financial Planning from NISM;
3. certification must be renewed before expiry or within 3 (three) years of registration, whichever is earlier;

4. if an individual IA exceeds: 300 (three hundred) clients, or INR 3,00,00,000 (Indian Rupees three crore) annual fees, whichever occurs earlier, they must immediately inform the Administration and Supervisory Body, and apply for in-principle approval to transition to a non-individual IAs within 3 (three) months; and
5. Form A specifically requires a declaration confirming that the applicant has necessary infrastructure to perform investment advisory functions effectively.



### SEBI (RAs) (Second Amendment) Regulations, 2025

SEBI, *vide* notification dated November 25, 2025, issued the (RAs) (Second Amendment) Regulations, 2025, amending the RA Regulations. Some of the key amendments are as follows:

1. the eligibility for qualification and certification requirements for RAs is expanded by including the term 'persons associated with research services', bringing them within the qualification and certification requirements;
2. individuals engaged in research services or persons associated with research services must now hold a graduate degree from a government-recognised university or a CFA charter, and a relevant certification from NISM or another NISM-accredited institution or a post graduate degree in Securities Market (Research Analysis) from NISM or any other program of NISM as may be specified;
3. all individuals engaged in research services whether independent analysts, employees, principal officers, or partners in RA firms must obtain a fresh NISM certificate before the existing certificate expires, or within 3 (three) years from registration, whichever applies;

4. applicants must now submit forms and documents to a SEBI-recognised body or body corporate responsible for administering RAs; and
5. applicants must now simply declare that they have necessary infrastructure to function effectively as a RA, removing earlier detailed requirements.



## Infrastructure Investment Trusts and Real Estate Investment Trusts

### Review of framework for conversion of private listed infrastructure investment trusts into public infrastructure investment trusts

SEBI, *vide* circular dated August 8, 2025, amended Chapter 14 (which provides for the framework for conversion of private listed Infrastructure Investment Trusts (“InvITs”) into public InvITs) of the Master Circular for InvITs dated May 15, 2024. Pursuant to the amendment, the requirements pertaining to minimum contribution 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:

1. the sponsor(s) and sponsor group(s) must comply with the minimum unitholding requirement as specified in Regulations 12(3) and 12(3A) of the SEBI (InvIT) Regulations, 2014 (“**InvIT Regulations**”), as applicable, at all times;
2. 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; and
3. 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. In this regard, the InvIT must

comply with the requirements for follow-on offer prescribed under InvIT Regulations and the circulars issued thereunder, for public issue of units.

### SEBI (InvITs) (Third Amendment) Regulations, 2025

SEBI, *vide* notification dated September 2, 2025, issued the SEBI (InvITs) (Third Amendment) Regulations, 2025, amending the InvIT Regulations. Some of key amendments are as follows:

1. a proviso is inserted to the definition of the term ‘public’ to the effect that related parties of the sponsor, investment manager or project manager of the InvIT will be excluded from the purview of ‘public’ for the purpose of the InvIT Regulations. Further, it is clarified that the sponsor, sponsor group, investment manager and project manager of the InvIT would also not be considered as ‘public’;
2. Regulation 14(2) (pertaining to raising of funds by an InvIT by way of private placement) is amended to help improve accessibility of InvITs as an investment option for more categories of investors. Pursuant to the amendment:
  - a) the minimum investment is reduced from INR 1,00,00,000 (Indian Rupees one crore) to INR 25,00,000 (Indian Rupees twenty-five lakhs); and
  - b) the stipulation mandating minimum investment of INR 25,00,00,000 (Indian Rupees twenty-five crore), in cases where a privately placed InvIT invests or proposes to invest at least 80% of the InvIT assets in completed and revenue generating assets, is omitted;
3. a proviso is inserted under Regulation 18(6)(ba) (pertaining to distributions of net distributable cash flows by the holding company to the InvIT). While 100% of cash flows received by the holding company from underlying Special Purpose Vehicle (“SPVs”) are required be distributed to the InvIT, the proviso specifies that, where the net distributable cash generated by the holding company is negative, it may adjust it against the cash flows received from the underlying SPVs so

long as the prescribed disclosure requirements are met; and

4. the timelines for submission of periodic reports and valuation reports are aligned with SEBI prescribed timelines for submission of the relevant financial results to stock exchanges.



### SEBI (Real Estate Investment Trusts) (Second Amendment) Regulations, 2025

SEBI, *vide* notification dated September 2, 2025, issued the SEBI (Real Estate Investment Trusts (“REITs”)) (Second Amendment) Regulations, 2025, amending the SEBI (REIT) Regulations, 2014 (“REIT Regulations”). Some of the key amendments are as follows:

1. a proviso is inserted to the definition of the term ‘public’ to the effect that the related parties of the sponsor or manager of the REIT will be excluded from the ambit of ‘public’ for the purpose of the REIT Regulations;
2. a proviso is inserted under Regulation 18(16)(aa)(i) (pertaining to distributions made by the holding company to the REIT). While 100% of cash flows received by the holding company from underlying SPVs must be distributed to the REIT, the proviso stipulates that, if the net distributable cash flow generated by the holding company on its own is negative, then such holding company may adjust it against the cash flows received from its underlying SPVs, provided appropriate disclosure requirements in this regard are met; and
3. the timelines for submission of periodic reports and valuation reports are aligned with the timelines for submission of the relevant financial results to stock exchanges.

### Reclassification of REITs as equity related instruments for facilitating enhanced participation by mutual funds and Specialized Investment Funds

SEBI, *vide* notification dated November 28, 2025, amended the SEBI (Mutual Funds) Regulations, 1996 (“MF Regulations”) for reclassification of REITs, as equity related instruments. With effect from January 1, 2026, any investment made by mutual funds and Specialized Investment Funds (“SIFs”) in REITs will be considered as investment in equity related instruments. InvITs will continue to be classified as hybrid instruments for the purpose of investments by mutual funds and SIFs. Further, existing REIT holdings in debt schemes and SIF strategies as of December 31, 2025, will be grandfathered. The Association of Mutual Funds in India will include REITs in the list of classification of scrips as per their market capitalisation. Asset management companies will also issue addendum to incorporate the required changes in the scheme documents, and these revisions must not be regarded as a change to the fundamental attributes of the scheme. Additionally, REITs may be included in equity indices only after July 1, 2026.

### SEBI (REITs) (Third Amendment) Regulations, 2025 and SEBI (InvITs) (Fourth Amendment) Regulations, 2025

SEBI, *vide* gazette notification dated December 9, 2025, introduced amendments to the regulatory frameworks governing REITs and InvITs through the SEBI (REITs) (Third Amendment) Regulations, 2025 and the SEBI (InvITs) (Fourth Amendment) Regulations, 2025.

Some of the key amendments are as follows:

1. the amendments revise the definition of certain investor categories, including family trusts and intermediaries, requiring them to have a net worth exceeding INR 500,00,00,000 (Indian Rupees five hundred crore) to be recognised under the relevant clause;
2. the definition of Qualified Institutional Buyer (“QIB”) is aligned with the meaning assigned under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“SEBI ICDR Regulations”), ensuring uniformity across regulatory frameworks; and

3. the definition of 'strategic investor' is amended by expanding eligibility to institutional investors, specific Foreign Portfolio Investors ("FPIs"), and regulated Non-banking Finance Companies ("NBFCs") across middle, upper and top layers. Strategic investors must invest at least 5% of the total offer size, subject to compliance with the Foreign Exchange Management Act, 1999.



## Delisting equity shares of public sector undertakings

SEBI, *vide* notification dated September 2, 2025, issued the SEBI (Delisting of Equity Shares) (Amendment) Regulations, 2025, amending the SEBI (Delisting of Equity Shares) Regulations, 2021. Special provisions dealing with delisting of Public Sector Undertakings ("PSUs") are introduced. Some of the key provisions are as follows:

1. the special provisions apply to delisting of equity shares of PSUs, other than banks, NBFCs and insurance companies, subject to certain conditions;
2. equity shares of a PSUs which are listed may be delisted from all the recognised stock exchanges, subject to certain conditions, such as the following:
  - a) the aggregate shareholding of the acquirer along with other PSUs equals or exceeds 90% of the total issued shares of that class;
  - b) the delisting is approved by the shareholders of the concerned PSU by way of a special resolution passed through postal ballot or e-voting; and
  - c) the delisting is undertaken through the fixed price process;
  - d) the floor price for delisting must be at least the highest of:
    - i) the volume-weighted average price paid or payable for acquisitions by the acquirer during the 52 (fifty-two) weeks preceding the reference rate;
    - ii) the highest price paid or payable for acquisition by the acquirer during the 26 (twenty-six) weeks preceding the reference rate; or
    - iii) the price determined under a joint valuation report obtained from 2 (two) independent registered valuers taking into account the prescribed valuation parameters; and
  - e) the delisting price must be at 15% higher than the price determined in (d) above; and
3. voluntary strike-off (effected after 1 (one) year from the date of delisting but not later than 30 (thirty) days from the expiry of such 1 (one) year period) initiated by a PSU, whose shares are delisted must comply with certain conditions, such as:
  - a) any money owed to public shareholders who have not tendered their shares in the delisting process must be transferred to a designated account of the stock exchange;
  - b) if unclaimed after 7 (seven) years, the money must be transferred to the Investor Education and Protection Fund ("IEPF") under the Companies Act, 2013 ("CA 2013"); and
  - c) if transfer to IEPF fails, the amount will be transferred to SEBI's investor protection and education fund. Investors can claim their dues from the stock exchange, which may then seek reimbursement from the relevant fund as per SEBI's specified procedures.

## Portfolio Managers related updates

### Revisions to format of disclosure document for portfolio managers

SEBI, *vide* notification dated September 2, 2025, issued the SEBI (Portfolio Managers ("PMs")) (Amendment) Regulations, 2025 amending the SEBI (PMs) Regulations, 2020 ("PM Regulations"). Pursuant to the amendment, the form of the disclosure document (included as Schedule V of the PM Regulations), i.e., the disclosure document to be provided by the PM to the client prior to entering into an agreement, is deleted. Instead, the amended PM Regulations specify that the

disclosure document must be in the form specified by SEBI.

Subsequently, on September 9, 2025, as part of an initiative for ease of doing business, SEBI issued a simplified format of the disclosure document for PMs. The disclosure document is divided into 2 (two) sections *viz.* static and dynamic. While the static section *inter alia* includes disclaimers, risk factors, taxation and diversification policy, the dynamic section *inter alia* includes:

1. client representation including complete disclosure in respect of transactions with related parties as per the standards specified by the ICAI;
2. the financial performance of the PM based on audited financial statements and in terms of procedure specified by SEBI for assessing the performance;
3. performance of the PMs for the last 3 (three) years;
4. audit observations of the preceding 3 (three) years; and
5. details of investments in the securities of related parties of the PM.

### Transfer of Portfolio Management Services business by PMs

SEBI, *vide* circular dated October 24, 2025, permitted the transfer of Portfolio Management Services (“PMS”) business by PMs, post approval from SEBI, subject to the following conditions:

1. PMs will have the option to transfer select investment approach(es) or complete PMS business to another PM within the same group. If the entire PMS business is transferred, the certificate of PMS registration of transferor must be surrendered within a period of 45 (forty-five) working days from the date of completion of transfer. In case of transfer of only select investment approach (es), the transferor may continue to hold certificate of PMS registration; and
2. for transfer of PMS business from one PM to another PM not belonging to the same group: (a) a joint application by both the PMs (transferor and transferee) must be made to SEBI for approval of transfer of PMS business; (b) the transferor must transfer complete PMS business. Transfer of select

investment approach(es) of PMS business to transferee will not be permitted; (c) the transferee must fulfill all the regulatory requirements and once the transfer of PMS business is complete, the acts, deeds, pending actions/litigations, other obligations against the transferor, if any, will be the responsibility of the transferee; and (d) the entire process of transfer must be completed as expeditiously as possible but not later than 2 (two) months from the date of approval. Until the transfer process is complete, the transferor must continue to act as PM but must not onboard any new client(s).



### Know your client/customer and related updates

#### Streamlining the process for surrender of Know Your Client registration agency registration

SEBI, *vide* circular dated September 5, 2025, streamlined the process for Know Your Client (“KYC”) Registration Agencies (“KRAs”) to surrender their registration, for voluntary/involuntary scenarios, so that their critical operations and services are wound down in an orderly manner. By way of context, the applicable regulations provide that a KRA’s registration surrender request would *inter alia* be assessed on factors concerning arrangement for preservation of records, transfer of client records, arrangements for continuity of services, investor grievance redressal mechanism etc.

It is proposed now that a KRA intending to surrender its registration certificate must transfer KYC records available with it to another SEBI registered KRA. Further, KRAs must formulate a board approved Standard Operating Procedure (“SOP”) to be followed in case of surrender of registration and must *inter alia*

constitute an oversight committee for monitoring the winding down process, including transfer of KYC data, seamless investor services, as specified under the SOP.

KRAs must available the SOP available on their websites within 90 (ninety) days from September 5, 2025. The SOP must be reviewed periodically as and when circumstances warrant/necessitates or at least once in 5 (five) years. The circular provides a model SOP, detailing the process of selection of transferee KRA and respective procedures to be followed in scenario of voluntary and involuntary surrender of registration/winding down. Further, the circular also specifies that the SOP must be uniform and mutually agreed amongst the KRAs.

### Relaxation on geo-tagging requirement in India for NRIs while undertaking reverification KYC

SEBI, *vide* circular dated December 10, 2025, amended the provisions under Master Circular on KYC dated October 12, 2023, to ease reverification of KYC process for NRIs. In this regard, the requirement of physical location being in India will be relaxed for NRI clients to undertake due diligence through digital mode.



### SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021

#### SEBI (Share Based Employee Benefits and Sweat Equity) (Amendment) Regulations, 2025

SEBI, *vide* notification dated September 8, 2025, issued the SEBI (Share Based Employee Benefits and Sweat Equity) (Amendment) Regulations, 2025, amending the SEBI (Share Based Employee Benefits and Sweat

Equity) Regulations, 2021 (“**Incentive Regulations**”). Regulation 9A is inserted which stipulates that an employee identified as a ‘promoter’ or part of the ‘promoter group’ in the draft offer document filed by a company with SEBI in relation to an initial public offering, who was granted options, Stock Appreciation Right (“**SAR**”) or any other benefit under any scheme at least 1 (one) year prior to filing of the draft offer document, would be eligible to continue to hold and/or exercise such options, SAR or any other benefit, as per its terms and subject to compliance with the Incentive Regulations and other applicable laws.

### Unified valuation framework for takeovers and share-based employee benefits

SEBI, *vide* gazette notifications dated December 3, 2025, issued the SEBI (Share Based Employee Benefits and Sweat Equity) (Second Amendment) Regulations, 2025 and SEBI (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2025. Some of the key amendments are as follows:

1. the definition of ‘valuer’ is updated to align it with Section 247 of the CA 2013, thereby shifting valuation responsibilities from merchant bankers to independent registered valuers; and
2. all new valuations must be conducted exclusively by registered valuers. Further, SEBI now mandates that valuation of shares must be conducted by independent registered valuers, while providing a 9 (nine) month transition period for ongoing valuation assignments initiated before the amendment takes effect.

These amendments came into force from January 2, 2026.

### SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and related updates

#### SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2025

SEBI, *vide* notification dated September 8, 2025, issued the SEBI (Listing Obligations and Disclosure

Requirements) (Third Amendment) Regulations, 2025, amending the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”). Some of the key amendments are as follows:

1. Regulation 39(2A) is inserted stating that a listed entity must issue securities pursuant to any scheme of arrangement or any subdivision, split or consolidation of securities only in dematerialised form. The listed entity must open a separate demat account for such securities of investors not having a demat account;
2. in respect of a Not-for-Profit Organisation (“**NPO**”) registered on a Social Stock Exchange (“**SSE**”), Regulation 91C(1) is amended whereby an NPO must make annual disclosures in relation to the financial aspects (by October 31 or before due date of filing of income-tax returns, whichever is later) and non-financial aspects (within 60 (sixty) days from end of the financial year); and
3. Regulation 91E(2A) is inserted stating that a social enterprise which is only registered on an SSE without raising funds must submit a self-certified Annual Impact Report (“**AIR**”). However, an NPO that is registered on an SSE will be permitted not to raise funds through it for a maximum period of 2 (two) years from the date of registration or such duration as may be specified by SEBI and upon expiry of the period of 2 (two) years from the date of registration, the NPO must have at least 1 (one) listed project, failing which it will cease to be registered.



### Minimum information to be provided to the audit committee and shareholders for approval of related party transactions

SEBI, *vide* circular dated October 13, 2025, eased the requirement of providing minimum information to the audit committee and shareholders for approval of Related Party Transactions (“**RPT**”). If an RPT, whether individually or together with previous transaction(s) during a financial year, does not exceed 1% of annual consolidated turnover of the listed entity as per the last audited financial statements or INR 10,00,00,000 (Indian Rupees ten crore), whichever is lower, the listed entity must provide minimum information. Such information must be as specified in the Industry Standards on ‘Minimum information to be provided to the audit committee and shareholders for approval of RPTs’. This requirement will not be applicable to transaction(s) which does not exceed INR 1,00,00,000 (Indian Rupees one crore). The same will be applicable on the notice being sent to the shareholders seeking approval for any RPT.

### SEBI (Listing Obligations and Disclosure Requirements) (Fourth Amendment) Regulations, 2025

SEBI, *vide* notification dated October 24, 2025, amended the LODR Regulations, modifying Regulation 56 (Documents and Intimation to Debenture Trustees (“**DTs**”). Accordingly, listed entities must forward specific information to DTs within 24 (twenty-four) hours of an event or receipt of information, unless otherwise specified. This replaces the previous requirement of forwarding information ‘promptly’.

### SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2025

SEBI, *vide* notification dated November 18, 2025, issued the SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2025, amending the LODR Regulations. Some of the key amendments are as follows:

1. thresholds for material RPTs are now aligned with the newly inserted Schedule XII, which prescribes

- a turnover-based framework for determining materiality;
2. stricter provisions for audit committee approvals are introduced for high-value transactions involving subsidiaries, including those lacking at least 1 (one) year of audited financials;
  3. it is clarified that the omnibus approval granted by the shareholders for material RPTs in an annual general meeting will be valid till the date of the next annual general meeting held within the timelines prescribed under Section 96 of the CA 2013. Further, it is clarified that 'holding company' refers to a listed holding company; and
  4. Regulations 53 and 58 are amended to enhance annual report disclosures and streamline timelines for dissemination of documents.

### SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2025

SEBI, *vide* gazette notification dated December 15, 2025, issued the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2025 amending the LODR Regulations. The key amendment includes a uniform substitution of the term 'share transfer agent' with 'registrar to an issue and share transfer agent'. This amendment is to ensure consistency with the new SEBI (Registrar to an Issue and Share Transfer Agent) Regulations, 2025 ("RTA Regulations 2025").

### SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 and related updates

#### Streamlining of qualified institutions placement disclosures: Key takeaways from the September 2025 amendments to the disclosure requirements

SEBI on September 8, 2025, notified the SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2025 ("Amendment Regulations"). The Amendment Regulations introduce substantive changes to the disclosure framework for Qualified Institutions Placements ("QIPs") under Schedule VII of the SEBI ICDR Regulations. The amendments are aimed at simplifying and streamlining the information included in placement documents for QIP ("Placement Documents"). The objective of these amendments is to eliminate the repetitive content and align the QIP disclosures with information already available through periodic filings under the LODR Regulations. The revised approach marks a pivotal shift towards concise, issue-specific disclosures, recognising that QIBs are sophisticated investors with access to extensive public information on listed issuers.

The table below provides a comparison of the erstwhile provisions of Schedule VII of the SEBI ICDR Regulations, providing disclosures requirements for Placement Documents, with the updated provisions pursuant to Amendment Regulations with our analysis on their practical implications:

Sr. No.	Earlier provision	Amended provision	Analysis
1.	Glossary of terms/abbreviations	The existing Clause (2) is substituted as follows: <b>(2) Definitions and abbreviations:</b> 1. conventional or general terms; 2. issue related terms; 3. issuer and industry related terms; and 4. abbreviations.	The Clause is updated to align with the disclosure requirement prescribed under Schedule VI of the SEBI ICDR Regulations for initial public offerings. While most issuers have already been adhering to this disclosure requirement in practice, its formalisation reduces interpretational ambiguity.

Sr. No.	Earlier provision	Amended provision	Analysis
2.	Risk factors	<p>The existing Clause (5) is substituted as follows:</p> <p><b>(5) Risk Factors:</b></p> <p>Risk factors will be in relation to the following:</p> <ol style="list-style-type: none"> <li>1. issue and object of the issue; and</li> <li>2. risk material to the issuer and its business.</li> </ol> <p>In each of the above, where applicable, along with the instances of occurrence of such risk in the past and financial or other impact thereof, if any, on the issuer and its business, the mitigation measures, if any, adopted to reduce or eliminate such risk will be disclosed.</p>	<p>The Amendment Regulations rationalise the disclosure requirements for risk factors, bifurcating them into 2 categories: (a) risks associated with the business and the issuer company, and (b) risks associated with the QIP and its objects.</p> <p>Historically, Placement Documents mirrored the detailed risk disclosures made in IPO offer documents, typically covering; (a) business and operational risks; (b) financial risks; (c) legal and regulatory risks; (d) risks relating to the objects of the offer; (e) other internal risks of the company; and (f) external risk factors.</p> <p>Following this amendment, external risk factors, including generic industry-related risks, may now be excluded from Placement Documents. However, disclosures under the other categories will continue to be required to enable investors to make an informed investment decision.</p> <p>Further, since listed companies are already required to disclose all material business and operational risks along with mitigation measures and past instances in their annual reports, this amendment also serves to align disclosures made in the public domain with those provided in Placement Documents.</p>
3.	<p>Use of proceeds:</p> <ol style="list-style-type: none"> <li>1. purpose of the placement;</li> <li>2. break-up of the cost of the project for which the money is being raised;</li> <li>3. means of financing for the project; and</li> </ol>	<p>In Clause (7), in the heading, the words "Use of proceed" will be substituted with the following:</p> <p>"Objects of issue and use of issue proceeds"</p>	<p>There are no specific action points arising from this change.</p> <p>Further, the guidance issued under NSE circular NSE/CML/2022/56 dated December 13, 2022, in relation to disclosures on the objects of</p>

Sr. No.	Earlier provision	Amended provision	Analysis
	4. proposed deployment status of the proceeds at each stage of the project.		the issue, will continue to remain applicable.
4.	Capitalisation statement	<p>The existing Clause (8) is substituted with the following Clause:</p> <p><b>(8) Capitalisation statement:</b></p> <p>1. Capitalisation statement showing total borrowings, total equity, and the borrowing/equity ratios before and after the issue is made will be incorporated. It will be prepared on the basis of the Consolidated Financial Statement for the latest financial year or when applicable at the end of the stub period. In case of any change in the share capital since the date as of which the financial information is disclosed in the placement document, a note explaining the nature of the change will be given.</p> <p><b>2. Capital structure:</b></p> <p>a) Authorised, issued and subscribed capital, after suitable incorporation of the outstanding convertible securities (number of securities, description and aggregate nominal value);</p> <p>b) paid-up capital:</p> <p>i) before the issue;</p> <p>ii) after the issue;</p> <p>iii) after conversion of convertible instruments (if applicable); and</p> <p>iv) share premium account (before and after the offer).</p>	<p>The Amendment Regulations clarify the requirement for disclosure of a capitalisation statement, which mirrors the IPO disclosure format and, in practice, is already being included in Placement Documents. Accordingly, there are no specific action points arising from this clarification.</p> <p>Further, while the Amendment Regulations now require disclosure only of the authorised and subscribed capital in Placement Documents, the obligation to provide the share capital build-up since incorporation continues under Sections 42 and 62 of the CA 2013 read with Form PAS-4.</p> <p>Although the amendment simplifies the disclosure requirement relating to capital structure, a further alignment with Form PAS-4 may be necessary to fully achieve the objective of simplification and streamlining of Placement Documents.</p>
5.	Selected financial and other information	The existing Clause (10) is omitted	
6.	The audited consolidated or unconsolidated financial statements, as applicable prepared in accordance with applicable accounting standards	The existing Clause (11) is renumbered as Clause (10), and substituted with the following Clause:	The Amendment Regulations have eased disclosure norms for QIPs by doing away with the requirement to include 3 years of consolidated financial

Sr. No.	Earlier provision	Amended provision	Analysis
	<p>for the last 3 financial years. The issuer company may voluntarily provide proforma financial statements for acquisitions or divestments, for such financial periods as determined by the issuer company, provided such proforma financial statements are prepared in accordance with any guidance note, standard on assurance engagement or guideline issued by the ICAI from time to time and certified by the statutory auditor or chartered accountants, who hold a valid certificate issued by the Peer Review Board of the ICAI. The issuer may also voluntarily include financial statements of the business or subsidiary acquired or divested, provided that such financial statements are certified by the auditor (of the business or subsidiary acquired or divested) or chartered accountants, who hold a valid certificate issued by the Peer Review Board of the ICAI. In addition, the latest reviewed financials (mentioned below) disclosed to the stock exchange:</p> <ol style="list-style-type: none"> <li>1. report of statutory auditor's on the financial statements included in the preliminary placement document/placement document;</li> <li>2. balance sheets;</li> <li>3. statements of income;</li> <li>4. schedules to accounts;</li> <li>5. statements of changes in stockholders' equity;</li> <li>6. statements of cash flows;</li> <li>7. statement of accounting policies; and</li> <li>8. notes to financial statements including the statement relating to subsidiary companies (in case of unconsolidated financial statements).</li> </ol>	<p><b>(10) Financial information of the issuer:</b></p> <p>A summary of the financial position of the company as in 3 audited balance sheets immediately preceding the QIP offer including the following items:</p> <ol style="list-style-type: none"> <li>1. total income from operations;</li> <li>2. net profit/loss before tax and extraordinary items;</li> <li>3. net profit/loss after tax and extraordinary items;</li> <li>4. equity share capital;</li> <li>5. reserves and surplus;</li> <li>6. net worth;</li> <li>7. basic earnings per share;</li> <li>8. diluted earnings per share;</li> <li>9. return on net worth;</li> <li>10. net asset value per share; and</li> <li>11. cash flow statements.</li> </ol>	<p>statements and the latest quarterly results filed with stock exchanges. Instead, issuers are now only required to present a summary of key balance sheet, profit and loss and cash flow line items for the last 3 audited financial years. The intent is to cut down repetitive disclosures for listed companies that are already subject to detailed, periodic reporting under the LODR Regulations.</p> <p>It is pertinent to note that quarterly financial results disclosed to stock exchanges are usually limitedly reviewed financials and not audited. Pursuant to this amendment, only the financial line items of the last 3 fiscals are required to be disclosed in the Placement Documents. However, in practice, to enable investors to form a well-informed opinion, financial and operational non-GAAP ("<b>Generally Accepted Accounting Principles</b>") measures, along with reconciliation with GAAP measures, may be required to be included for the stub period in the Placement Documents.</p> <p>Therefore, while interim results (whether quarterly stock exchange filings or condensed consolidated financial statements under Ind-AS 34) are no longer mandatory, issuers could still choose to include them. This helps bridge the time gap between the last audited financials and the QIP launch, while also giving investors comfort through more current performance metrics.</p>

Sr. No.	Earlier provision	Amended provision	Analysis
7.	Management's discussion and analysis of financial condition and results of operations	The existing Clause (12) is omitted	<p>The omitted Clause, which previously provided a narrative explanation of financial performance and key business drivers, is removed from Placement Documents. It is pertinent to note that a detailed analysis of the issuer's financial and operational performance is disclosed in the annual reports, quarterly earning calls, and investor presentation. Accordingly, deletion of requirement to include management discussion and analysis section in the Placement Document will further simplify and streamline the disclosures in the Placement Documents.</p> <p>This omission is consistent with SEBI's move towards simplified, no-duplicative disclosures, on the basis that QIBs already have access to such information through periodic filings under the LODR Regulations.</p>
8.	Industry description	<p>The existing Clauses (13) and (14) are renumbered as Clause (11), and substituted with the following Clause:</p> <p><b>(11) Business and Industry description:</b></p> <p>A summary of the primary business of the issuer and the industry in which it operates.</p>	<p>Pursuant to the Amendment Regulations, SEBI clarified that Placement Documents are now required to include only a summary of the business and industry in which the company operates.</p> <p>This change eases the disclosure burden on issuers, who were earlier required to provide detailed descriptions of their business information that is, in any case, already available in the public domain, including annual reports.</p> <p>However, as part of the QIP process, issuers typically continue to obtain a third-party industry report. These reports serve multiple purposes: (a) providing peer comparisons; (b) framing positioning statements for the issuer; and (c) outlining industry outlook.</p>
9.	Business description		

Sr. No.	Earlier provision	Amended provision	Analysis
			They also remain an important basis for discussions with investors, and issuers may still rely on them for disclosures in the Placement Documents.
10.	Board of directors and senior management	<p>The existing Clause (16) is renumbered as Clause (13), and substituted with the following Clause:</p> <p><b>(13) Board of directors and senior management:</b></p> <p>Name, date of birth, age, director identification number, address, occupation and date of expiration of the current term of office of manager, Managing Director (“MD”) and other directors (including nominee directors and whole-time directors).</p>	Pursuant to the Amendment Regulations, SEBI clarified that only limited details of directors and senior management are required to be disclosed, and there is no mandatory requirement to provide detailed profiles such as their work experience, educational qualifications, or similar information.
11.	Legal proceedings to be disclosed in accordance with the materiality policy framed under the LODR Regulations	<p>The existing Clause (19) is renumbered as Clause (16), and substituted with the following Clause:</p> <p><b>(16) Outstanding litigation and legal proceedings:</b></p> <ol style="list-style-type: none"> <li>1. summary of outstanding litigation and legal proceedings in a tabular format along with the amount involved, wherever quantifiable for the pending matters which, if they result in an adverse outcome, would materially and adversely affect the operations or the financial position of the issuer;</li> <li>2. pending matters as mentioned below: <ol style="list-style-type: none"> <li>a) involving criminal liability on the part of the issuer;</li> <li>b) material violations of the statutory regulations by the issuer; and</li> <li>c) economic offences where proceedings are initiated against the issuer; and</li> </ol> </li> </ol>	<p>Pursuant to the Amendment Regulations, the disclosure approach for legal proceedings in Placement Documents is streamlined as follows:</p> <ol style="list-style-type: none"> <li>1. all criminal, regulatory, statutory violations and economic offences involving the issuer entity are required to be disclosed;</li> <li>2. tax or civil matters involving the issuer entity are to be disclosed only in a summary form (typically the number of cases and the aggregate amount involved is included);</li> <li>3. Disclosure of criminal, civil, regulatory, statutory violations and economic offences involving directors, promoters, or subsidiaries is no longer mandatory (though these were previously included in Placement Documents).</li> <li>4. In addition, a summary table must be included for all legal proceedings which, if</li> </ol>

Sr. No.	Earlier provision	Amended provision	Analysis
		<p>3. for the purpose of determining materiality, the threshold will be lower of the threshold criteria mentioned below:</p> <p>a) as per the policy of materiality defined by the board of directors of the issuer and disclosed in the placement document; and</p> <p>b) litigation where the value or expected impact in terms of value, exceeds the lower of the following:</p> <p>i) 2% of the turnover, as per the last audited consolidated financial statements of the issuer;</p> <p>ii) 2% of the net worth, as per the last audited consolidated financial statements of the issuer, except in case the arithmetic value of the net worth is negative; or</p> <p>iii) 5% of the average of absolute value of profit or loss after tax, as per the last 3 audited consolidated financial statements of the issuer.</p>	<p>decided adversely, would materially and adversely impact the operations or financial position of the issuer. This would include all such legal matters which are disclosed by the issuer to stock exchanges under Regulation 30 of the LODR Regulations.</p> <p>While these amendments truncate disclosure of legal proceedings in Placement Documents, it is important to note that disclosure requirements under Form PAS-4 continue to apply. Accordingly, any litigation or legal action pending or instituted within the 3 years preceding the QIP by any Ministry, Department of the Government, or statutory authority against any promoter of the issuer company must still be included in the Placement Documents.</p>
12.	-	<p>After the Clause (20) so renumbered, the following new clause (21) is inserted:</p> <p>(21) The issuer may include additional details in the placement document wherever it may deem fit.</p>	<p>The intent behind the revised disclosure requirements under Schedule VII is to streamline the QIP document, offering QIBs a more concise and focused overview, given that they are regarded as sophisticated investors.</p> <p>At the same time, the Amendment Regulations preserve flexibility by allowing issuers to include any additional disclosures they consider necessary.</p>

## Conclusion

Listed entities are subject to stringent and continual disclosure requirements pursuant to the SEBI regulations. The Amendment Regulations eliminates duplication of such information in the Placement Documents, allowing issuer entities to access capital markets in an efficient time-bound manner. Listed entities raising funds from QIPs are also subject to disclosure requirements under the CA 2013 (including form PAS-4), which may also require amendment to align with the intent and rationale of the Amendment Regulations.

## SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2025

SEBI, *vide* notification dated October 31, 2025, modified the SEBI ICDR Regulations, to introduce specific changes to the allocation norms for anchor investors participating in public issue through the book building process, that will be effective from December 1, 2025. Some of the key amendments are as follows:

1. in case of public issue on the main board:
  - a) for an allocation of up to INR 250 crore (Indian Rupees two hundred fifty crore), a minimum of 2 (two) and a maximum of 15 (fifteen) anchor investors are permitted, subject to a minimum allotment of INR 5,00,00,000 (Indian Rupees five crore) per investor (initially a maximum of 2 (two) investors were permitted for allocation up to INR 10,00,00,000 (Indian Rupees ten crore) and a minimum of 2 (two) and maximum of 15 (fifteen) investors were permitted for allocation above INR 10,00,00,000 (Indian Rupees ten crore) and up to INR 250 crore (Indian Rupees two hundred fifty crore), subject to a minimum allotment of INR 5,00,00,000 (Indian Rupees five crore) per investor); and
  - b) for allocations exceeding INR 250 crore (Indian Rupees two hundred fifty crore), a minimum of 5 (five) and a maximum of 15 (fifteen) investors are permitted for the first INR 250 crore (Indian Rupees two hundred fifty crore), plus an additional 15 (fifteen) investors for every subsequent INR 250 crore

(Indian Rupees two hundred fifty crore) or part thereof, subject to a minimum allotment of INR 5,00,00,000 (Indian Rupees five crore) per investor (initially in case of allocation above INR 250 crore (initially Indian Rupees two hundred fifty crore); a minimum of 5 (five) investors and a maximum of 15 (fifteen) investors for allocation up to INR 250 crore (Indian Rupees two hundred fifty crore) and an additional 10 (ten) investors for every additional INR 250 crore (Indian Rupees two hundred fifty crore) or part thereof, were permitted, subject to a minimum allotment of INR 5,00,00,000 (Indian Rupees five crore) per investor ); and

2. 40% of the anchor investor portion is now reserved, with 33.33% reserved for domestic mutual funds and 6.67% reserved for life insurance companies and pension funds. Any under-subscription in the life insurance/pension fund category may be allocated to domestic mutual funds (initially one-third of the anchor investor portion were reserved for domestic mutual funds).



## Alternative Investment Funds and related updates

### Alternative Investment Funds amendments and co-investment framework

SEBI, *vide* circulars dated September 9, 2025 and September 10, 2025, amended the SEBI (Alternative Investment Funds (“AIFs”)) Regulations, 2012 (“AIF Regulations”), to increase operational clarity, investor protection and ease of doing business. These changes include new rules for Co-investment Schemes (“CIV Schemes”), stricter investor criteria and enhanced compliance requirements for fund managers and sponsors. Some of the key amendments are as follows:

1. **CIV Scheme:** The term CIV Scheme is inserted to mean a scheme of a Category I AIF or Category II AIF, which facilitates co-investment to investors of a particular scheme of an AIF, in unlisted securities of an investee company where the scheme of the AIF is making investment or has invested. The term 'shelf placement memorandum' is inserted to mean a placement memorandum filed by an AIF for launching CIV Schemes. Co-investment through a CIV Scheme will be carried out by manager of Category I AIFs or Category II AIFs, subject to certain key operational modalities as specified below:
  - a) managers of AIFs must make co-investment for an investor in an investee company either through co-investment PMs under PM Regulations or CIV Scheme route;
  - b) manager of AIF must file a shelf placement memorandum (in the prescribed template), that *inter alia* includes, principal terms relating to co-investments, governance structure and regulatory framework for co-investment;
  - c) each CIV Scheme must have a separate bank account and demat account and assets of each CIV Scheme must be ring fenced from assets of the other schemes; and
  - d) co-investments of an investor in an investee company across CIV Schemes must not exceed 3 (three) times of the contribution made by such investor in the total investment made in the said investee company through the scheme of the AIF to which the aforesaid CIV Schemes are affiliated.
  
2. **Angel funds:** Angel funds are decoupled from venture capital fund definitions and recognised directly under Category I AIF. These are restricted from raising money solely from Accredited Investors ("ACI") by issuing units. Further, the key management personnel of the fund or its manager are also permitted to invest in these funds and the requirement for a minimum investment threshold for angel investors is removed. SEBI prescribed specific conditions and modalities with respect to various provisions pertaining to angel funds. Some of the key provisions are as follows:
  - a) angel funds must raise funds only from ACIs by way of issue of units, in the prescribed manner;
  - b) an angel fund must on-board at least 5 (five) ACIs before declaring its first close in the prescribed manner;
  - c) an angel fund must not launch any schemes for soliciting funds from angel investors or making any investments. Accordingly, investments in investee companies must be made directly by angel funds, without the requirement of launching a scheme for this purpose;
  - d) angel funds must invest directly in investee companies (without launching solicitation schemes) and can make in existing investee companies which are no longer start-ups (up to INR 25,00,00,000 (Indian Rupees twenty-five crore), subject to pro-rata rights;
  - e) investments are now subject to a lock-in of 1 (one) year, reduced to 6 (six) months if exited via sale to third parties (buy-back by the investee company or purchase by its promoters or their associates are excluded). Any such sale must be subject to terms of articles of association of the investee company; and
  - f) the investors of an angel fund will have rights in an investment of the angel fund and in the distribution of proceeds of the investment, pro-rata to their contribution to such investment.



### Modalities for migration to ACI only schemes and relaxations to Large Value Funds for ACI under the AIF Regulations

SEBI, *vide* circular dated December 8, 2025, prescribed the modalities for migration to ACIs only schemes and provided relaxations to Large Value Funds ("LVFs") for ACIs under the AIF Regulations. The circular operationalises the amendments notified to the AIF Regulations in November 2025 and aims to provide

greater flexibility to AIFs catering exclusively to ACIs, while maintaining investor consent and disclosure safeguards. In this regard, some of the key modalities and relaxations are as follows:

1. **Naming convention:** ACI-only schemes and LVFs must have 'ACI only fund' or 'LVF' added to their scheme name, respectively.
2. **Migration of existing schemes:** Eligible AIFs/schemes can convert to ACI-only or LVF schemes with investor consent and meeting specified conditions.
3. **Reporting obligations:** Managers must inform SEBI of the conversion and modified name *via* email within 15 (fifteen) days of conversion. A similar intimation of the change in name must be made to depositories to ensure system-level updates.
4. **Tenure extension:** The maximum permissible tenure extension for ACI-only schemes, including LVFs, will be 5 (five) years in aggregate, inclusive of any extensions granted prior to migration.

### Certification requirement for COs of managers of AIFs

SEBI, *vide* circular dated December 30, 2025, mandated certification requirements for Compliance Officers ("COs") of managers of AIFs, outlining eligibility criteria and implementation timelines. Key provisions include:

1. **Mandatory certification:** COs must obtain certification from the NISM by passing the NISM Series-III-C: Securities Intermediaries Compliance (Fund) Certification Examination.
2. **Effective date:** Managers of AIF must ensure that with effect from January 1, 2027, only those persons who have obtained the aforesaid certification will be appointed as or will continue to act as CO of managers of AIFs.
3. **Reporting obligation:** AIF trustees /sponsors/managers must include compliance with this requirement in the 'Compliance Test Report' as per SEBI master circular dated May 7, 2024.



### Foreign Portfolio Investors and related updates

#### Ease of regulatory compliances for FPIs investing only in Government Securities

To facilitate ease of regulatory compliances for FPIs investing only in Government Securities ("G-Secs") ("GS-FPIs"), SEBI, *vide* circular dated September 10, 2025, amended the Master Circular for FPIs, Designated Depository Participants ("DPs") and Eligible Foreign Investors dated May 30, 2024, as follows:

1. FPIs that invest exclusively in G-Secs under fully accessible route will not be required to furnish investor group details;
2. GS-FPIs are now exempted from providing detailed investor group information and from the need to inform SEBI of certain changes in their information, except for material changes;
3. the requirement for a declaration of no changes during the 3 (three) year registration renewal period will not apply to GS-FPIs;
4. to facilitate transition between regular FPI and GS-FPI, new mechanism is established under Para 19 for FPIs to easily transition between being a regular FPI and a GS-FPI, and *vice versa*; and
5. KYC review process is simplified, by aligning its periodicity with the FPI's bank account KYC cycle as prescribed by the Reserve Bank of India ("RBI").

The provisions of this circular came into force with effect from February 8, 2026.

#### SEBI introduces Single Window Automatic and Generalised Access for Trusted Foreign Investor framework for Foreign Venture Capital Investors and FPIs

SEBI, *vide* gazette notifications dated December 1, 2025, issued the SEBI (FPI) (Second Amendment)

Regulations, 2025 (“**FPI Amendment**”) and SEBI (Foreign Venture Capital Investors (“**FVCIs**”)) (Amendment) Regulations, 2025 (“**FVCI Amendment**”). The concept of Single Window Automatic and Generalised Access for Trusted Foreign Investor (“**SWAGAT-FI**”) is introduced along with consequent relaxations to the eligibility and fee framework. The FPI Amendment and FVCI Amendment will come into force 180 (one hundred and eighty) days from publication in the official gazette, i.e. on or around June 1, 2026.

Some of the key amendments are as follows:

### 1. **SWAGAT-FI – concept and scope**

The term SWAGAT-FI is inserted in the SEBI (FPIs) Regulations, 2019 (“**FPI Regulations**”) and SEBI (FVCIs) Regulations, 2000 (“**FVCI Regulations**”), which includes: (a) Government and Government related investors under Regulation 5(a)(i) of the FPI Regulations; and (b) public retail funds as defined in the explanation to Regulation 22(4) of the FPI Regulations, subject to conditions as may be specified by SEBI from time to time.

### 2. **Amendments to the FPI Regulations**

- a) a proviso is inserted to Regulation 4 (c) (v) of the FPI Regulations to allow mutual funds as constituents of applicants, to include retail schemes under AIFs, and to redefine the roles of fund management entities and associates; and
- b) registration fees for SWAGAT-FI are now payable in advance for blocks of 10 (ten) years each before the beginning of such block, instead of the standard periodic payments.

### 3. **Amendments to the FVCI Regulations**

- a) Regulation 3(2) of the FVCI Regulations (dealing with eligibility/conditions for grant of FVCI registration) is amended to insert a proviso that the provisions of sub-regulation (2) will not apply to a SWAGAT-FI, thereby exempting such trusted investors from certain entry-level conditions;
- b) in case of a SWAGAT-FI, renewal fees must be paid every 10 (ten) years from the eleventh year of registration; and
- c) the standard investment limits of 66.67% and 33.33% under the FVCI Regulations will not apply to SWAGAT-FIs and the renewal fees for

SWAGAT-FIs must be collected in advance for blocks of 10 (ten) years each.



### **Amendment to custodian regulations**

SEBI, *vide* notification dated September 18, 2025, notified the SEBI (Custodian) (Amendment) Regulations, 2025. These amendments, which will take effect after 6 (six) months i.e. from March 17, 2026, aim to make custodians of securities financially stronger, more accountable and compliant with higher governance standards. Some of the key amendments are as follows:

1. a custodian, who was granted a certificate of registration prior to the commencement of the SEBI (Custodian) (Amendment) Regulations, 2025, must, within 3 (three) years from such commencement, raise its net worth to not less than INR 75,00,00,000 (Indian Rupees seventy-five crore), separately and independently, of the capital adequacy requirements, if any, for each activity undertaken by it under the relevant regulations;
2. the term ‘physical’ is explicitly inserted before ‘securities and computer systems’ in Regulation 6. This clarifies that custodians are responsible not just for dematerialised assets but also for the safe custody of physical securities;
3. custodians can now offer a broader range of financial services, moving away from a rigid structural separation to a more flexible functional separation within a single entity;
4. Regulation 19B is inserted dealing with obligations and responsibilities for custodians to establish strong governance structures, risk management policies, framework for orderly winding down and operational infrastructure; and

5. third schedule dealing with the code of conduct is amended. Key provisions include:
  - a) avoiding unfair competition and misleading advertising;
  - b) ensuring director and senior management 'fit and proper' status;
  - c) client grievance redressal mechanisms;
  - d) transparent and honest disclosures to regulators; and
  - e) strong internal controls to prevent fraud, theft, and misconduct.



## Stock exchanges and clearing corporations

### Amendments to the framework on SSE

SEBI, *vide* circular dated September 19, 2025, modified the framework on SSE dated September 19, 2022. Some of the key modifications are as follows:

1. the eligibility criteria for registration of an NPO will also include:
  - a) a trust registered under the Indian Registration Act, 1908 with the relevant sub-registrar in those States that have not enacted the law governing public trust;
  - b) a charitable society registered under the Societies Registration Act of the relevant State; and
  - c) a company registered under the CA 2013, including a company registered under the repealed Companies Act, 1956;
2. regarding the annual disclosure by NPOs on the SSE (which have either raised funds or are registered with the SSE in terms of the LODR Regulations), additional disclosures must be made

by the NPOs on an annual basis of the financial year by October 31<sup>st</sup> of each year:

- a) disclosures on general aspects, such as, outreach of organisation, details of top donors or investors of organisation, details of top 5 (five) programs in disclosure period;
  - b) disclosures on governance aspects, such as, reporting of RPTs, compliance management process and statement of compliance from senior decision maker; and
  - c) disclosures on financial aspects;
3. all social enterprises which have raised funds using the SSE must provide duly assessed AIR to the SSE by October 31<sup>st</sup> of each year or before the due date of filing the income tax return as prescribed under the provisions of the Income Tax Act, 1961, whichever is later;
  4. the AIR must cover 67% of the program expenditure in the previous financial year; and
  5. the AIR must be assessed by social impact assessors and the social enterprises must disclose the report of social impact assessors along with AIR.

### Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2025 and SEBI (Depositories and Participants) (Third Amendment) Regulations, 2025

SEBI, *vide* notifications dated November 21, 2025, issued the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2025 and SEBI (Depositories and Participants) (Third Amendment) Regulations, 2025, amending the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 and SEBI (Depositories and Participants) Regulations, 2018 respectively. Some of the key amendments are as follows:

1. amendments relating to roles, responsibilities and appointment procedures of MDs are inserted;
2. Regulation 25A (dealing with appointment of Executive Director ("ED")), Regulation 30B (dealing with appointment, role and

responsibilities of Chief Technology Officer (“CTO”) and Regulation 30C (dealing with appointment, role and responsibilities of Chief Information Security Officer (“CISO”)) are inserted to Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018;

3. Regulation 26A (dealing with appointment of ED), Regulation 81B (dealing with appointment, role and responsibilities of CTO) and Regulation 81C (dealing with appointment, role and responsibilities of CISO) are inserted to (Depositories and Participants) Regulations, 2018; and
4. MDs will oversee overall operations, compliance, risk management and infrastructure, while EDs manage specific verticals with similar authority and responsibilities. CTOs are tasked with managing technology systems, IT policies, and risk frameworks, whereas CISOs handle cybersecurity governance, risk mitigation, and incident management. Additionally, the amendment formalises conditions for non-executive appointments on external boards and defines tenure, maximum age, and approval processes for EDs.



### Smooth transmission of securities from nominee to legal heir

In order to streamline the process of transmission of securities from nominee to legal heir and resolve issues related to taxation, SEBI *vide* circular dated September 19, 2025, mandated that a standard reason code *viz.* ‘Transmission to Legal Heirs’ must be used by the reporting entities while reporting the transmission of securities from nominee to legal heir, to the Central Board of Direct Taxes, so as to enable proper

application of the provisions of the Income Tax Act, 1961.

## Debenture trustees and related updates

### SEBI (DTs) (Amendment) Regulations, 2025

SEBI, *vide* notification dated October 24, 2025, amended the SEBI (DTs) Regulations, 1993 (“DT Regulations”). The SEBI (DTs) (Amendment) Regulations, 2025 significantly expand the activities DTs can undertake and strengthen their rights and operational safeguards. Some of the key amendments are as follows:

1. a new Regulation 9C is inserted in the DT Regulations, which permits DTs to undertake additional activities on an arms-length basis through Separate Business Units (“SBUs”). These activities include those under the purview of other financial sector regulators or other fee-based, non-fund-based activities related to the financial services sector that do not fall under any regulator’s purview. Further, trustees registered before this amendment have 6 (six) months to transfer existing activities to SBU(s). A DT must ensure that the net worth specified under the DT Regulations, must be ring-fenced from any adverse effects arising from these new permissible activities;
2. Regulation 14 of the DT Regulations is substituted, specifying that trust deeds must contain matters as per Section 71 of the CA 2013, and related rules, in a format and timeline specified by SEBI (earlier Regulation 14 simply required the trust deed to contain matters as specified in Schedule IV of the DT Regulations, this amendment harmonised the SEBI requirements with a more extensive provision of the CA 2013); and
3. a new Regulation 15A of the DT Regulations is inserted granting DTs explicit rights to aid their duties, including the ability to inspect the issuer’s books and records, call for relevant documents from issuers and intermediaries, and utilise the Recovery Expense Fund with debenture holders’ consent, in the manner as specified by SEBI.

## Specification of the terms and conditions for DTs for carrying out activities outside the purview of SEBI

SEBI, *vide* circular dated November 25, 2025, outlined the terms and conditions for DTs engaging in activities outside SEBI's regulatory purview. On October 27, 2025 (check date as above it is oct 24), amendments to the DT Regulations were notified, whereby Regulation 9C was incorporated, to bring clarity on the permitted activities for a DT. In this regard, some of the conditions for DTs to undertake activities that are not regulated by SEBI are as follows:

1. a DT must undertake such activities that are not regulated by SEBI only at arms' length basis through 1 (one) or more SBU of the DT, segregated by a Chinese Wall and ring-fenced from the SEBI regulated activities;
2. a DT must ensure that the grievance redressal mechanism including escalation mechanism, if any, with respect to activities not regulated by SEBI, is separate and distinct from the grievance redressal mechanism provided for activities regulated by SEBI and is part of the SBU;
3. a DT must prepare and maintain separate records in the SBU, for the non-SEBI regulated activities;
4. the staff of a DT engaged in the non-SEBI regulated activities, must be distinct from the staff handling activities regulated by SEBI. However, the staff can cross the Chinese Wall, subject to due procedures approved by the board of directors of the DT. Such Chinese Wall will not be applicable for the key managerial personnel; and
5. a DT undertaking any activity not regulated by SEBI must ensure that an undertaking is submitted in respect of the activities not regulated as a part of its half yearly compliance reporting confirming compliances with the requirements of Regulation 9C of the DT Regulations.

## SEBI (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2025

SEBI, *vide* notification dated October 24, 2025, amended the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021. These amendments aim to simplify and add flexibility to the

process of issuing and listing non-convertible securities. Some of the key amendments are as follows:

1. issuers must now execute the trust deed according to a format and within the timelines specified by SEBI;
2. a proviso is inserted to Regulation 18 (1) of the principal regulations stating that the DT can accept deviations from the specified format, but the issuer must provide a summary of the deviations and rationale in the relevant documents; and
3. the previous requirement to structure the trust deed into two parts (Part A and Part B) is removed.



## Mutual Funds and related updates

### SEBI (Mutual Funds) (Second Amendment) Regulations, 2025

SEBI, *vide* notification dated October 31, 2025, amended the MF Regulations. These amendments aim to enhance transparency, strengthen governance, and expand investment flexibility for mutual funds. Some of the key amendments are as follows:

1. the definition of 'derivatives' in Regulation 2 of MF Regulations is expanded to include REITs units. Accordingly, the REIT units are integrated into several provisions governing mutual fund investments;
2. mutual funds must ensure that while determining the price of the units, the repurchase price of an open ended scheme is not lower than 97% of the net asset value (earlier this was 95%);

3. mutual fund schemes are now subject to investment limits on the units of REITs issued by a single issuer; and
4. Regulation 52(6A) (b) allowing additional expenses, beyond the standard limits, of up to 0.30% of the daily net assets of the scheme, are omitted.

### Additional incentives to distributors for onboarding new individual investors from beyond top 30 cities and women investors

SEBI, *vide* circular dated November 27, 2025, introduced a framework for incentivising distributors for new investment/ inflows from beyond top 30 (thirty) cities ("**B-30 cities**"). To encourage mutual fund distributors to expand their outreach and create awareness among new investors, in terms of Regulation 52(4A) of MF Regulations, mutual fund distributors will be eligible for additional commission in the manner of new investments/inflows eligible for the additional commission and/or incentive structure. For new investments, new individual investors (new Permanent Account Number ("**PAN**")) from B-30 cities, at the mutual fund industry level and new women individual investors (new PAN) from both Top 30 and B-30 cities are eligible.

The additional distribution commission will be paid from the 2 (two) basis points on daily net assets, mandated to be set apart annually by asset management companies for investor education, awareness and financial inclusion initiatives, subject to adequate claw back provisions. The payment of additional distribution commission will be mandatory for all schemes of a mutual fund, except for Exchange Traded Funds, fund of funds (domestic) with more than 80% of Assets Under Management invested in domestic funds, and schemes having duration requirement of less than 1 (one) year, such as - overnight fund, liquid fund, ultra short duration fund and low duration fund. Any changes in the offer document, pursuant to the revised incentive structure will not be considered as a fundamental attribute change.

The provisions of this circular came into effect from February 1, 2026.



### Strengthening financial and business continuity criteria for SEBI-registered intermediaries

SEBI, *vide* gazette notification dated December 3, 2025, issued the SEBI (Intermediaries) (Third Amendment) Regulations, 2025. A new clause (da) under Regulation 30A(1) of the SEBI (Intermediaries) Regulations, 2008 is introduced, specifying additional grounds on which a person may be deemed 'not fit and proper' to act as an intermediary. Some of the additional grounds are:

1. not meeting prescribed minimum net worth or liquid net worth requirements;
2. failing to achieve the mandated minimum revenue from permitted activities (subject to SEBI-notified exemptions); and
3. not transferring specified activities to a SBU as required by SEBI.

Pursuant to the amendment, the eligibility and business continuity standards for registered intermediaries are tightened.

### SEBI updates merchant banker framework, revenue norms and valuation transition

SEBI, *vide* gazette notification dated December 3, 2025, notified the SEBI (Merchant Bankers) (Amendment) Regulations, 2025, amending the SEBI (Merchant Bankers) Regulations, 1992. These amendments comprehensively recast registration categories, eligibility conditions, permitted activities, revenue criteria and transition out of valuation work where a merchant banker is not registered as a valuer.

Some of the key amendments are as follows:

1. the definition of 'principal officer' is revised to require at least 5 (five) years' experience in financial markets, formal designation by the merchant banker and responsibility for day-to-day merchant banking operations, with existing registered merchant bankers given time as specified by SEBI to align;
2. 2 (two) categories of merchant bankers are introduced i.e. Category I and Category II merchant bankers. Category I merchant banker is authorised to carry out all activities permitted under the principal regulations. Category II merchant banker has a more restricted scope. A Category II merchant banker can undertake all permitted merchant banking activities except those relating to main-board initial public offerings;
3. the minimum net worth and liquid net worth requirements for Category I and II merchant banker are amended. The minimum net worth and liquid net worth of Category I merchant banker will be INR 50,00,00,000 (Indian Rupees fifty crore) and INR 12,50,00,000 (Indian Rupees twelve crore fifty lakh) respectively. For Category II merchant bankers the minimum net worth and liquid net worth will be INR 10,00,00,000 (Indian Rupees ten crore) and INR 2,50,00,000 (Indian Rupees two crore fifty lakh) respectively;
4. merchant bankers are prohibited from managing their own issues or issues where key personnel holds significant shares;
5. a merchant banker must ensure that the net worth specified for a merchant banker is ring-fenced from any adverse impact that may arise from undertaking the specified activities;
6. books of account and other records and documents maintained must be preserved for 8 (eight) years; and
7. core merchant banking activities cannot be outsourced, and permitted activities are clearly defined, with SBU requirements for certain operations.



## Clarification on the digital accessibility circulars of SEBI

SEBI, *vide* circular dated December 8, 2025, issued a clarification on its digital accessibility circulars, providing guidance on implementation timelines and reporting obligations for Regulated Entities (“REs”) to ensure inclusive access to investor-facing digital platforms. Key clarifications include:

1. **Investor Charter (“IC”)**: REs must include the ‘Investor’s Right to Digital Accessibility’ in their ICs.
2. **Revised timeline**: REs are required to submit a status of readiness and compliance for all investor-facing digital platforms by March 31, 2026, in the prescribed format.
3. **Grievance redressal**: Investors may raise digital accessibility-related complaints through SEBI’s Complaints Redress System platform, which REs are required to address promptly.

## Provisions relating to strengthening governance of Market Infrastructure Institutions

SEBI, *vide* circular dated December 12, 2025, issued provisions relating to strengthening governance of Market Infrastructure Institutions (“MIIs”), aimed at enhancing governance, accountability and operational oversight of MIIs including stock exchanges, clearing corporations and depositories. Some of the key provisions of the circular are as follows:

1. **Mandatory appointment of 2 (two) EDs**: Each MII must appoint 2 (two) EDs, one to oversee critical operations and the other to oversee regulatory compliance, risk management and investor grievances, strengthening functional leadership.
2. **Reporting structure**: EDs will report to the MD and provide quarterly reports to the Governing Board; they may escalate critical matters directly to SEBI where necessary.
3. **Realigned senior management reporting**: Key personnel such as CTO and CISO will report to the ED of critical operations, while the CO and chief risk officer report to the ED of regulatory functions, reinforcing accountability.

4. **Implementation timelines:** MIIs must complete appointments and amend their by-laws and internal governance documents within SEBI-specified timelines to reflect the strengthened governance framework.

These governance enhancements are designed to clearly delineate operational and regulatory responsibilities within MIIs, improve leadership accountability, and bolster institutional resilience in India's securities markets.



### RTA Regulations 2025

SEBI, *vide* notification dated December 15, 2025, notified the RTA Regulations 2025, repealing the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993. The new regulations aim to introduce enhanced requirements relating to registration, governance, investor protection (including net worth of INR 50,00,000 (Indian Rupees fifty lakh), appointment of COs, audit requirements), and operational standards, consolidating past circulars for clarity and bringing RTA oversight in line with evolving market needs. Some of the key provisions are as follows:

1. no person may act as an RTA without obtaining a certificate of registration from SEBI;
2. services provided to unlisted companies must be carried out through a segregated business unit and such services are not governed by the RTA Regulations 2025;
3. registered RTAs must abide by SEBI regulations, obtain prior board approval for change in control, enter into legally binding client agreements, maintain required net worth at all times, and provide services only to listed or proposed listed entities; and
4. RTAs are required to resolve investor grievances within 21 (twenty one) calendar days of receipt and comply with a SEBI-specified IC. Disputes between RTAs, clients and investors must be referred to appropriate dispute resolution

mechanisms including mediation, conciliation or arbitration.

### Mandating periodic disclosure requirements – Securitised Debt Instruments

SEBI, *vide* circular dated December 16, 2025, mandated periodic disclosure requirements for Securitised Debt Instruments (“SDIs”) under Regulation 11B of the SEBI (Issue and Listing of SDI and Security Receipts) Regulations, 2008 (“SDI Regulations”). The move seeks to enhance transparency, investor protection and ongoing monitoring of securitisation transactions. Key provisions include:

1. the disclosure requirements apply to: (a) special purpose distinct entities created for securitisation transactions; and (b) trustees appointed in relation to SDIs;
2. disclosures must be made on a half-yearly basis; and
3. the required disclosures must be submitted to: (a) SEBI; and (b) the stock exchange(s) concerned where the SDIs are listed.

The periodic disclosure requirements will be effective from March 31, 2026.

### Ease of investments and ease of doing business measures – enhancing the facility for basic services demat account

SEBI, *vide* circular dated December 24, 2025, simplified compliance for DPs and improved investor access to low-cost demat services. Under the circular:

1. zero coupon zero principal bonds and delisted securities are excluded while computing the threshold for Basic Services Demat Account (“BSDA”) eligibility;
2. DPs will reassess BSDA eligibility on a quarterly basis; and
3. DPs must obtain active consent from the beneficiary owner to avail or continue to avail the facility of a regular demat account, through a verifiable channel as specified by the depositories.



## Review of simplification of procedure and standardisation of formats of documents for issuance of duplicate certificates

To facilitate ease of doing investment for investors, SEBI, *vide* circular dated December 24, 2025, simplified and standardised the process for issuance of duplicate securities certificates. Accordingly, it is decided to increase the threshold for simplified documentation from the current INR 5,00,000 (Indian Rupees five lakh) to INR 10,00,000 (Indian Rupees ten lakh). To simplify the documentation, it is decided to:

1. prescribe a standardised affidavit-cum-indemnity bond;
2. rationalise the documentation for securities having value of more than INR 10,00,000 (Indian Rupees ten lakh); and
3. do away with notarisation of the affidavit-cum-indemnity bond for cases involving securities with value up to INR 10,000 (Indian Rupees ten thousand).

## RESERVE BANK OF INDIA

### Foreign Exchange Management Act, 1999 rules, regulations and updates

#### Amendment to the foreign exchange management rules: Issuance of bonus shares to non-resident investors by companies engaged in sectors prohibited from receiving foreign direct investment

Bonus shares are issued under Section 63 of the CA 2013 and the Companies (Share Capital and

Debentures) Rules, 2014. This process involves the issuance of additional shares in a pre-determined ratio to existing shareholders resulting in an increase in the total number of shares and a corresponding proportional decrease in the stock price. The issuance of bonus shares must be undertaken in compliance with the provisions of the CA 2013, rules thereunder, and applicable foreign exchange laws including the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019 (“**NDI Rules**”). In the case of listed entities, it is also necessary to comply with the applicable regulations issued by SEBI, including the SEBI ICDR Regulations.

### Amendment to NDI Rules

On June 11, 2025, the Ministry of Finance (“**MoF**”) introduced amendments to Rule 7 of the NDI Rules (“**Amendment Notification**”). The Amendment Notification allows resident companies (operating in sectors prohibited for Foreign Direct Investment (“**FDI**”) or undertaking activities prohibited from receiving FDI as elaborated below) to issue bonus shares to existing non-resident shareholders with the condition that such non-resident shareholders’ shareholding does not increase pursuant to such issuance. The Amendment Notification came into effect from June 11, 2025. The Amendment Notification is also retrospective in nature and applies to bonus issuance undertaken during the subsistence of the erstwhile Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 or the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017.

### Prohibited sectors

The FDI Policy, 2020 restricts FDI in the following sectors:

1. lottery business including Government/private lottery, online lotteries, etc.;
2. gambling and betting including casinos etc.;
3. chit funds;
4. nidhi company;
5. trading in transferable development rights;

6. real estate business or construction of farm houses<sup>1</sup>;
7. manufacturing of cigars, cheroots, cigarillos and cigarettes, of tobacco or of tobacco substitutes; and
8. activities/sectors not open to private sector investment e.g. (a) atomic energy; and (b) railway operations (other than permitted activities mentioned in para 5.2 of the FDI Policy, 2020).

### Related clarifications

Prior to the Amendment Notification, the Department for Promotion of Industry and Internal Trade (“DPIIT”), through Press Note 2 (2025 series) dated April 7, 2025 (“PN 2”), had issued a clarification concerning the issuance of bonus shares by Indian companies operating in sectors where FDI is prohibited. The clarification however did not include provisions relating to retrospective applicability of the clarification.

In addition to including the provision as substantive law, it may be noted that the deeming language under the Amendment Notification provides clarity relating to the fact that these relaxations are available retrospectively including relating to actions undertaken under the erstwhile Foreign Exchange Management (Transfer or issue of Security by a Person Resident outside India) Regulations, 2000 or the Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) Regulations, 2017.

### Conclusion

The Amendment Notification eases the restrictions on companies while undertaking future issuance of bonus shares. This is particularly beneficial to foreign shareholders whose investments were ‘grandfathered’ (i.e. new rules restricting investments do not apply retroactively to existing investments) pursuant to any change in law which restricted their holding by means of a prohibition on foreign investment. Such shareholders may now be able to freely receive bonus shares without increasing their total shareholding percentage. Further, given that the Amendment Notification provides retrospective validation to bonus

shares already issued, the Amendment Notification will provide relief to several companies who may now be able to regularise outstanding non-compliance issues in this regard. The Amendment Notification is accordingly a welcome move for existing foreign investors in companies operating in FDI prohibited sectors and reduces legal complexity and uncertainty.



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

RBI, *vide* notification dated October 6, 2025, amended the Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2015. Pursuant to these amendments, Indian exporters are allowed to open and maintain foreign currency accounts with banks, outside India, including those located in International Financial Services Centre. Funds in this account can be used to pay for imports into India or repatriated to India within 3 (three) months if the account is with a bank in an International Financial Services Centre and by the next month for accounts in other jurisdictions, after adjusting for any forward commitments. These provisions are subject to compliance with the Foreign Exchange Management (Export of Goods and Services) Regulations, 2015.

### Timeline for realisation and repatriation of export proceeds extended

RBI, *vide* notification dated November 13, 2025, issued the Foreign Exchange Management (Export of Goods and Services) (Second Amendment) Regulations, 2025, amending Regulations 9 and 15 of the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015. The amendments provide exporters

<sup>1</sup> ‘Real estate business’ does not include development of townships, construction of residential/commercial premises,

roads or bridges and REITs registered and regulated under the REIT Regulations.

with a longer compliance window, reflecting a more flexible and facilitative regulatory framework. The amendments are as follows:

1. under Regulation 9, the period for realisation and repatriation of export proceeds to India is extended to 15 (fifteen) months from the date of shipment/invoice (earlier this was 9 (nine) months); and
2. under Regulation 15, the period for exporters to ship goods from the date of receiving an advance payment is extended to 3 (three) years (earlier this was 1 (one) year) or as per the contractual agreement, whichever is later.

### **RBI mandates direct daily Liberalised Remittance Scheme reporting by the authorised dealer Category-II banks and full-fledged money changers**

RBI, *vide* circular dated December 3, 2025, mandated submission of 'LRS Daily Return' under the Liberalised Remittance Scheme ("LRS") by Authorised Dealer ("AD") Category-II banks/entities and Full-Fledged Money Changers ("FFMCs"), expanding earlier reporting requirements that applied only to AD Category-I banks. The aim is to enhance real-time monitoring and compliance of individual remittances under LRS. The LRS Daily Return submission will be effective January 1, 2026. The master direction on reporting under the Foreign Exchange Management Act, 1999 will be updated to reflect this change. Some of the key provisions of the circular are as follows:

1. **Direct daily reporting:** AD Category-II banks/entities and FFMCs are required to submit their own LRS Daily Return directly on RBI's Centralised Information Management System ("CIMS"), starting January 1, 2026.
2. **Cessation of intermediated reporting:** With direct access to CIMS, AD Category-II banks/entities and FFMCs no longer need to report LRS transactions through AD Category-I banks.
3. **PAN-wise balance checking:** Access to CIMS enables AD Category-II banks/entities and FFMCs to view the cumulative amount remitted by a resident individual (PAN-wise) under LRS during the current financial year before facilitating a new LRS transaction, aiding compliance with the annual limit.



## **Banking regulations**

### **RBI (KYC) (2nd Amendment) Directions, 2025**

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

1. a link to access the KYC FAQs is inserted;
2. para 11 (dealing with customer acceptance policy) includes persons with disabilities, ensuring no KYC application is rejected without proper reasoning;
3. due diligence requirements are extended to transactions of INR 50,000 (Indian Rupees fifty thousand) or above and any international money transfers; and
4. Aadhaar face authentication is a valid method of authentication.

### **Framework to standardise documentation for settlement of claims in respect of deceased customers of banks**

RBI, *vide* circular dated September 26, 2025, issued the RBI (Settlement of Claims in respect of Deceased Customers of Banks) Directions, 2025. The directions provide a harmonised framework to standardise the documentation for settlement of claims in respect of deposit accounts, safe deposit locker and articles in safe custody of a deceased customer and to minimise the difficulties faced by the nominees, survivors and legal heirs. The revised norms mandate banks to settle claims on deceased customers' accounts and lockers within 15 (fifteen) days, with compensation for delays. Further, the procedure for accounts below INR

15,00,000 (Indian Rupees fifteen lakh) (INR 5,00,000 (Indian Rupees five lakh) for co-operative banks) is simplified, while higher amounts may require additional documents. The instructions issued *vide* these directions must be implemented as expeditiously as possible but not later than March 31, 2026.



### Trade relief measures issued safeguarding exporters

RBI, on November 14, 2025, issued the RBI (Trade Relief Measures) Directions, 2025 (“**Directions**”). The Directions aim to provide relief to Indian exporters facing challenges from global trade disruptions. It aims to ease debt burdens, maintain credit stability and support the continuity of viable export-oriented businesses by providing measures like moratoriums on loan repayments, extending export credit periods and offering more flexibility in meeting obligations.

Some of the key provisions of the Directions are as follows:

1. **Applicability:** The Directions apply to the following REs, namely, commercial banks, co-operative banks, NBFCs (including housing finance companies), All-India Financial Institutions and Credit Information Companies (“**CICs**”) (for reporting only).
2. **Eligibility criteria:** A borrower is eligible to the relief measures under the Directions if (i) it is engaged in export from listed HS-code sectors (e.g., fish, chemicals, textiles, machinery); (ii) it has an outstanding export credit from an RE as on August 31, 2025; and (iii) all accounts from all REs are classified as standard as on August 31, 2025.
3. **Relief measures:**
  - a) **Moratorium/deferment on term loans:** REs may grant moratorium on principal/interest instalments due between September 1, 2025

and December 31, 2025 (“**Effective Period**”); interest accrues simply without compounding.

- b) **Deferment on working capital interest:** Recovery of interest on cash credit/overdraft facilities may be deferred during the Effective Period; drawing power may be recalculated by reducing margins or reassessing limits temporarily.
  - c) **Funded interest term loan:** The accumulated accrued interest during moratorium/deferment period may be converted into a funded interest term loan which will be repayable in 1 (one) or more instalments after March 31, 2026, but not later than September 30, 2026.
  - d) **Extended export credit tenor:** A RE eligible to undertake export financing business may permit an enhanced credit period of up to 450 (four hundred and fifty) days for pre-shipment and post-shipment export credit disbursed till March 31, 2026.
  - e) **Packing credit liquidation:** For packing credit facilities already availed by exporters on or before August 31, 2025, RE may allow liquidation of such facilities from any legitimate alternate sources, including domestic sale proceeds or other export proceeds.
4. **Asset classification exclusion:** Any moratorium or deferment period granted will not be included in the calculation of days past due for asset classification purposes under the existing Income Recognition and Asset Classification (“**IRACP**”) norms. Additionally, the granting of such measures will not be categorised as a restructuring event, meaning it will not lead to a downgrade in asset classification status. Upon the conclusion of the moratorium or deferment period, asset classification must resume in alignment with the applicable IRACP norms. Furthermore, REs are required to report to CICs while adhering to these specific directives, ensuring that the measures taken do not negatively impact borrowers' credit histories.
  5. **General provisioning:** In respect of eligible borrower accounts which were in default but classified as ‘standard’ as on August 31, 2025, and where relief measures are extended pursuant to

these Directions, an RE will make a general provision of not less than 5% of the total outstanding in such accounts, by December 31, 2025. The above general provision may be adjusted against the actual specific provisioning requirements for slippage from these borrower accounts. Any residual general provisions at the end of the financial year 2025-26 will be either written back or adjusted against the provisions required for all other borrower accounts by June 30, 2026.

6. **Disclosure and reporting:** REs will maintain a borrower/facility-wise management information system; submit fortnightly reports (15th/month-end) on RBI's DAKSH platform.



### RBI issues amendments to gold metal loan scheme

RBI, *vide* notification dated December 4, 2025, issued amendments to the Gold Metal Loan (“GML”) scheme, finalising changes to the regulatory framework for GMLs following stakeholder feedback on the draft RBI (Gold Metal Loans) Directions, 2025. The amendments aim to consolidate existing GML regulations, address prudential gaps, expand scheme scope, and provide operational flexibility to banks. Some of the key amendments are as follows:

1. **Broadened borrower eligibility:** GMLs may be extended to jewellers outsourcing manufacturing, in addition to traditional jewellery manufacturers and exporters, enhancing access for a wider set of industry participants.
2. **End-use monitoring and definitions:** Banks are required to monitor end-use of gold, and ‘gold in raw form’ is redefined as ‘primary gold’ to clarify permissible collateral and risk treatment.
3. **Flexible security arrangements:** For borrowers without direct banking relationships, banks may accept stand-by letters of credit or bank guarantees in place of physical gold to secure GMLs.
4. **Extended repayment tenor:** The maximum repayment tenure for GMLs is extended to 270 (two hundred and seventy) days, aligning with jewellery inventory cycles and business cash-flow needs.
5. **Reporting and supervisory framework:** Periodic reporting templates are updated to calculate weighted average interest rates on disbursed amounts, and reporting frequency is revised from monthly to quarterly to improve supervisory oversight.

### Master Direction – RBI (Rupee Interest Rate Derivatives) Directions, 2025

RBI, on December 8, 2025, issued the Master Direction – RBI (Rupee Interest Rate Derivatives) Directions, 2025 (“**Derivative Directions**”), consolidating and updating the regulatory framework governing rupee Interest Rate Derivatives (“**IRD**”) in India. The Derivative Directions modernise the existing regime to reflect evolving product innovation, market structures, and wider risk-hedging needs across the financial system. Some of the key provisions are as follows:

1. **Scope and applicability:** They apply to all rupee IRD transactions, including over the counter and exchange-traded interest rate swaps, forward rate agreements, caps, floors, collars and similar instruments.
2. **Eligible participants:** Both resident and non-resident persons are eligible to participate in IRD markets.
3. **Reporting and supervision:** Mandatory transaction reporting to trade repositories and regulatory disclosures are required to support RBI’s monitoring of systemic risk and market developments.
4. **Product coverage:** The Derivative Directions cover a range of IRD products such as interest rate swaps, forward rate agreements, caps, floors and collars, and standardise the treatment of forward contracts in G-Secs consistent with related RBI IRD policy.

5. **Documentation, conduct and risk management:** Participating entities must follow standardised documentation, risk-management practices and exposure norms for IRDs, including valuation and settlement conventions designed to enhance market discipline.



### Directions for mandating authentication mechanisms for digital payment transactions

RBI, *vide* circular dated September 25, 2025, issued the RBI (Authentication Mechanisms for Digital Payment Transactions) Directions, 2025. These directions are applicable to all payment system providers and payment system participants (banks and non-banks) and to all domestic digital payment transactions, unless specifically exempted. These will be effective April 1, 2026, mandating two-factor authentication for all transactions. Issuers must implement mechanisms for handling cross-border Card Not Present transactions by October 1, 2026, and register their bank identification numbers with card networks.

### RBI (Non-Operative Financial Holding Company) (Amendment) Directions, 2025

RBI, *vide* notification dated December 5, 2025, issued the RBI (Non-Operative Financial Holding Company (“NOFHC”)) (Amendment) Directions, 2025, amending the RBI (NOFHC) Directions, 2025 to clarify and strengthen the structuring of activities within a banking group under a NOFHC framework. The amendments are effective December 5, 2025, and reflect stakeholder feedback on draft proposals.

Some of the key provisions of the amendment directions are as follows:

1. **Core vs. specialised activities segregation:** All activities permitted to banks under Section 6(1)(a) to (o) of the Banking Regulation Act, 1949 (e.g., deposit-taking, lending) must be carried out directly by the bank and not through NOFHC or group entities. In contrast, specialised financial services such as mutual fund business, insurance business, pension fund management, investment advisory and management services, PMS and broking services may be undertaken only through a subsidiary, joint venture or associate of the NOFHC/group entity.
2. **NOFHC approval/notification requirements:** NOFHCs are not required to obtain prior RBI approval for entities undertaking the permitted specialised activities as prescribed. However, they must intimate RBI within 15 (fifteen) days of the board resolution to commence such business. For any other business outside these specified specialised activities, the NOFHC must still obtain prior approval from RBI before undertaking such activities.
3. **Prohibition on non-permitted business:** Activities not permitted to the bank under the Banking Regulation Act, 1949 (i.e., non-core banking services) are also not permitted to be undertaken by the NOFHC group entities. This ensures that neither the bank nor its group outside the specified specialised services engages in inherently prohibited activities.

### DEPARTMENT FOR PROMOTION OF INDUSTRY AND INTERNAL TRADE

### Reforming defence security: Key highlights of press note 3 of 2025 and India’s updated security manual

India's defence manufacturing sector is witnessing rapid growth, driven by record-high exports, strategic policy reforms, and the push for self-reliance under the *Atmanirbhar Bharat* initiative. With major investments, industrial corridors, and increased private sector participation, India is steadily

positioning itself as a global hub for defence production and innovation.

With the objective to strengthen security guidelines for defence company, DPIIT released the press note 3 of 2025, on July 23, 2025, apprising that the Department of Defence Production (“DDP”), Ministry of Defence (“MoD”), issued a revised Security Manual for Licensed Defence Industries (“Manual”). This revision is aimed to address the rapidly evolving security and technology landscape especially the recent surge in sophisticated cyberattacks targeting Indian defence establishments.

This marks the first significant update since the 2014 Manual (“2014 Manual”), which required substantial overhaul to keep pace with contemporary security and operational demands. The updated Manual places greater emphasis on cyber and physical security, risk based categorisation of industries and mandates compliance for all companies holding industrial licences issued by the DDP. It aims to safeguard classified information, materials, and infrastructure across licensed defence production sites.

The highlight of the Manual include the following:

1. **Structural overhaul:** A significant element of the Manual is the classification of products into defined categories based on sensitivity and security risks associated with each product type:
  - a) Category A: Products that are highly classified and sensitive from the security angle and the manufacturing of these items would require the highest level of security. The illustrative examples of products under this category are arms, ammunitions, explosives, propellants, propulsion, aircrafts, warships, battle tanks, radars, weapons, software and various types of charges.
  - b) Category B: Semi-finished products, sub-assemblies, sub-systems of main weapons/equipment/platforms and some finished products of lesser degree of sensitivity. The illustrative examples of products under this category are wing assemblies/structural assemblies/barrel assemblies/turret/avionics etc.
2. **Appointment of the Company Chief Security Officer (“CCSO”):** Each Indian Licensed Defense Company (“ILDC”) or its multi-location units must appoint an Indian citizen as the CCSO who will be an ex-army/central paramilitary/police officer, responsible for ensuring that all security measures necessary for implementing the provisions of the Manual are in place. Persons of Indian Origin and NRIs are excluded from such appointments. Any person with adverse remarks in their release certificate is also ineligible to hold the position of CCSO. CCSO are subject to be vetted by government agencies through the nodal office, DDP, before hiring and every 3 (three) years subsequently.
3. **Appointment of CISO:** The Manual significantly expands the role and requirements of the CISO compared to the 2014 Manual with the objective to enhance accountability, structural clarity, and proactive cyber risk management, aligning with modern threats and national security expectations while ensuring robust and continuous protection of critical information infrastructure across organisational levels.
 

While the 2014 Manual allowed any senior officer with adequate computer knowledge to perform CISO functions alongside other duties, the Manual mandates positive vetting by government agencies before appointment and every 3 (three) years subsequently.

Manual introduces a turnover-linked requirement for companies above INR 250,00,00,000 (Indian Rupees two hundred and fifty crore) to appoint a dedicated CISO and specifies that the officer must have the necessary and sufficient IT system knowledge. The Manual elaborates detailed responsibilities, including the implementation of cyber security controls, incident response, maintaining threat awareness, internal audits, third-party risk assessments, automated monitoring, and incorporating information security clauses into contracts.
4. **Cybersecurity framework:** The Manual marks a significant advancement over the 2014 Manual, establishing a far more comprehensive and proactive cybersecurity framework, mandates a multi-tiered governance structure, including a dedicated, government-vetted CISO and a cyber security division. Cybersecurity policies must now be comprehensive, annually reviewed, and based on expert risk assessments, with explicit ISO 27001 compliance and continual improvement processes. Technical controls have evolved from basic measures such as anti-virus and patching to advanced solutions including Zero Trust

Architecture, SIEM, SOAR, MFA, and network segmentation.

Audit and compliance requirements are more rigorous, demanding both internal and external annual audits, automated monitoring, and strict follow-up on audit findings. Incident response is now holistic, covering the full lifecycle from preparation to recovery, with mandatory root cause analysis and detailed reporting to authorities. Regular, documented training is required for all personnel, including contractors, and supply chain security is robustly addressed through vendor vetting, contractual clauses, and software provenance management.

5. **Physical security measures:** A more robust and detailed regime for physical security compared to the 2014 Manual is introduced in the Manual through a multi-layered approach to securing premises, with explicit requirements for perimeter security, access control, surveillance, and emergency preparedness. The perimeter defences are enhanced, with Category A installations requiring a 10 (ten) foot-high wall topped with anti-scaling devices, regular manned guard posts or electronic surveillance, and comprehensive lighting and CCTV coverage with 90 (ninety) day footage retention. Category B installations, while slightly less stringent, still require an 8 (eight) foot wall with barbed wire or concertina coil and similar surveillance measures. Access control is now more sophisticated, mandating biometric systems at all entry points, integration of door frame and handheld metal detectors, and separate frisking facilities for female staff. The number of gates is minimised, with strict segregation between material and personnel entry points, and all gates are monitored by CCTV. Visitor management is formalised, requiring photo passes, pre-approval for entry into classified zones, and a total ban on unauthorised electronic devices within sensitive areas.
6. **Handling of documents and equipment:** A significantly more comprehensive and prescriptive framework for the handling of documents and equipment compared to the 2014 Manual is introduced in the Manual. It mandates that every ILDC must have a clearly defined data classification policy, treating its absence as a violation. Marking and labelling requirements are more stringent, with explicit instructions for the use of coloured paper, red ink, and clear identification on all physical and electronic media containing classified information.
7. **Subcontracting and consultants:** With the growing involvement of subcontractors and external consultants in defence manufacturing, the Manual imposes strict compliance requirements for all third-party entities. All subcontractors and consultants handling classified information must be bound by a Non-Disclosure Agreement (“NDA”), undergo security check and be subject to the Official Secrets Act, 1923. It requires thorough character and antecedent verification, including police checks, for all personnel involved in sensitive assignments, and stipulates that the terms for retention, handling, and destruction of classified information be explicitly detailed in contracts. The Manual mandates regular internal and external audits, with prompt action and reporting on audit recommendations, ensuring that all parties maintain strict compliance with security protocols to protect national security interests throughout the lifecycle of classified information and materials.
8. **International security:** The Manual mandates the use of GPS tracking for consignments, formalising the requirement for NDA for cross-border transactions involving sensitive or classified information. The Manual specifies that only designated government authorities may authorise and coordinate such transfers. It also requires immediate notification to law enforcement along the transport route and prescribes that classified consignments be shrouded and swiftly removed from public areas upon arrival. These enhancements reflect a shift towards greater procedural rigour, inter-agency coordination, and real-time monitoring, thereby reducing the risk of compromise and ensuring stricter compliance with national security protocols during international transactions.
9. **Audits and compliance:** The Manual mandates a dual-tiered audit system to ensure continuous adherence to security norms:
  - a) **Internal audit:** Both the 2014 Manual and the Manual mandate that internal security audits be conducted at least annually by ILDC, with additional requirements for more frequent

checks in multi-facility organisations. These audits are designed to verify adherence to security instructions, assess the effectiveness of existing security and fire control systems, and identify any lapses or vulnerabilities. Following each audit, the auditee must promptly rectify any observations, implement preventive measures, and submit a report of corrective actions to the relevant authorities, such as the Ministry of Home Affairs (“MHA”) and DDP.

- b) External audits: External audits, carried out by designated government agencies (MHA, MoD, or other nominated bodies), must be carried out at least once every 2 (two) years. The Manual also require annual cyber security audits by the empanelled auditors of the Computer Emergency Response Team - India It stipulates that all audit findings must be addressed in a time-bound manner. Compliance is further reinforced through mandatory self-certification, regular reporting, and the threat of penalties, including licence suspension or cancellation for non-adherence.

10. **Penalties for Non-Compliance:** While similar to the 2014 Manual, the Manual allows for legal action, licence suspension or cancellation (with a 24 (twenty-four) hour requirement to return all classified materials) and reporting of breaches to authorities. The Manual is, however, more explicit and comprehensive: it introduces clear financial penalties, denial of future government contracts, and extends liability to contractors, sub-contractors, and any person involved with the company.

## Conclusion

The Manual represents a significant shift in India’s security outlook, aligning security protocols with real-time issues. By introducing a dual-category framework, mandating specialised roles like CCSO and CISO, and significantly enhancing both cyber and physical security standards, the Manual addresses legacy issues of the 2014 Manual. The emphasis on audits, international coordination, and third-party accountability reflects a holistic approach to

safeguarding national security assets. These reforms will bolster India’s credibility as a secure and reliable defence manufacturing hub. The Manual is, thus, both a regulatory upgrade and a strategic enabler for India’s *Atmanirbhar Bharat* ambitions.

## MINISTRY OF CORPORATE AFFAIRS (“MCA”)

### Extension in the eligibility criteria for fast-track mergers

MCA *vide* its notification dated September 4, 2025 (“**2025 Notification**”) amended the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 (“**CAA Rules**”). The 2025 Notification is made in pursuance of the Company Law Committee’s report dated March 21, 2022 and the 2025-26 Union Budget announcement<sup>2</sup>.

The key amendment under the 2025 Notification is the extension of classes of companies eligible for a Fast-Track Merger (“**FTM**”), by which the scope of Section 233 (Merger or Amalgamation of Certain Companies) of CA 2013 is broadened. The amendments pursuant to the 2025 Notification are published in the official gazette and have come into force.

### Extension of classes of companies eligible for an FTM

Earlier, Section 233 of CA 2013 read with Rule 25(1A) of the CAA Rules permitted a FTM only for the following classes of companies:

1. 2 (two) or more small companies;
2. a holding company and its wholly owned subsidiary (“**WOS**”);
3. 2 (two) or more start-up companies; or
4. 1 (one) or more start-up company(ies) with 1 (one) or more small company(ies).

The 2025 Notification has expanded the FTM eligibility criteria under Rule 25(1A) of the CAA Rules to now also include the following:

that the scope for fast-track mergers will be widened and the process made simpler.

<sup>2</sup> Para 101 states that the requirements and procedures for speedy approval of company mergers will be rationalised and

1. **Merger between 1 (one) or more unlisted companies:** A merger between an unlisted company (excluding not for profit companies referred under Section 8 of the CA 2013) with another unlisted company, where every company involved in the merger:

- a) has, in aggregate, outstanding loans, debentures or deposits not exceeding INR 200,00,00,000 (Indian Rupees two hundred crores);
- b) has not defaulted in the repayment of such borrowings; and
- c) within 30 (thirty) days prior to the date of inviting objections from the regulatory authorities, and on the date of filing of the scheme. A certificate from the auditor of the company (in Form No. CAA-10A), stating that the company meets the above referred conditions must be appended to the FTM scheme.

2. **Merger of holding companies (listed or unlisted) with 1 (one) or more of its subsidiary(ies) (listed or unlisted):** A merger between a holding company (listed or unlisted) with its subsidiary companies (listed or unlisted), subject to the transferor company not being a listed company. Prior to the 2025 Notification, Section 233 of the CA 2013 only allowed a merger between a holding company and its WOS. The 2025 Notification extends the eligibility to unlisted subsidiaries as well.

3. **Merger of one or more subsidiary with another subsidiary of the same holding company:** A merger of one or more subsidiaries of the same holding company is included under the 2025 Notification, provided that the transferor company/companies are not listed. Merger between fellow subsidiaries of the same holding company was not provided for under Section 233 of CA 2013 prior to the 2025 Notification.

4. **Merger of a holding company (transferor) incorporated outside India with its WOS in India:** A merger between a transferor foreign company incorporated outside India, being a

holding company, and its WOS incorporated in India (as the transferee).<sup>3</sup>

## Ancillary amendments under the 2025 Notification

1. **Notice to the sectoral regulator:** Prior to the 2025 Notification, the notice of the proposed scheme under the CA 2013 was required to be sent only to the Registrar of Companies and the official liquidator in Form CAA-9 for objections and suggestions. As per the 2025 Notification, a company regulated by a sectoral regulator such as the RBI, SEBI, the Insurance Regulatory and Development Authority of India or Pension Fund Regulatory and Development Authority, must serve a notice for objections and suggestions to such sectoral regulators as well. In the case of listed companies, the notice must also be issued to the relevant stock exchanges. The regulators are required to furnish their objections within the mandated time frame of 30 (thirty) days.
2. **Filing of scheme after meetings:** Prior to the 2025 Notification, the transferee company was required to file the copy of the scheme and results of the meetings with the Central Government in Form CAA-11 (Notice of approval of the scheme), within 7 (seven) days of the conclusion of the meeting of members or class of members or creditors. Pursuant to the 2025 Notification, the transferee company must now file a copy of the scheme within 15 (fifteen) days of the conclusion of such meetings, along with: (a) a report of the result of each of the meetings; and (b) a report of the registered valuer, in Form CAA-11 as an attachment to form RD-1 (Filing with Regional Director), with the prescribed fees. Further, the objections and suggestions of the sectoral regulator, if any, must also be attached.
3. **Scheme of division or transfer:** It is clarified under the 2025 Notification that the application of FTM procedures will apply *mutatis mutandis* to cases of division or transfer of undertakings referred to in Section 232(1)(b) of CA 2013 .

<sup>3</sup> These provisions were earlier referred to in sub-rule (5) of rule 25A (Merger or amalgamation of a foreign company with a company and *vice versa*). It has now been inserted under Rule 25 of the CAA Rules *vide* the 2025 Notification, thereby

integrating Rule 25A into Rule 25 of the CAA Rules and consolidating FTM provisions into a single rule for clarity and ease of compliance.

## Conclusion

The proposed amendments align with the Government's ongoing efforts to reduce regulatory obstacles, as outlined in the Union Budget 2025–26. By extending the fast-track process to a wider range of companies, the 2025 Notification seeks to unburden the tribunal, declutter judicial bandwidth, mitigate procedural complexities and in turn facilitate quicker execution of transactions. This being said, high workload of the MCA officials on account of increased number of FTM would remain a concern.



## Companies (Meetings of Board and its Powers) Amendment Rules, 2025

MCA, *vide* notification dated November 3, 2025, notified the Companies (Meetings of Board and its Powers) Amendment Rules, 2025 (“**Amendment Rules**”) amending the Companies (Meetings of Board and its Powers) Rules, 2014. Pursuant to the amendment, the expression ‘business of financing industrial enterprises’ under Section 186(11)(a) of the CA 2013 now included following 2 (two) categories:

1. for an NBFC registered with RBI, it includes the ordinary course of business of giving loans or providing guarantees/security for loan repayment; and
2. for a finance company registered with the International Financial Services Centres Authority, it includes activities provided in Regulations 5(1)(ii)(a) or 5(1)(ii)(e) of the International Financial Services Centres Authority (Finance Company) Regulations, 2021, when done in the ordinary course of its business.

## Small company thresholds raised providing dematerialisation relief

On December 1, 2025, MCA revised the thresholds for a company to qualify as a small company under Section 2(85) of the CA 2013 *vide* G.S.R. 880(E), which amended Rule 2(1)(t) of the Companies (Specification of Definition Details) Rules, 2014 (“**Definitions Rules**”).

## Background

MCA is empowered to prescribe which classes of companies are required to issue securities in dematerialised form under Section 29 of the CA 2013. Pursuant to Section 29 with its powers under Section 469 of the CA 2013, the second amendment to the Companies (Prospectus and Allotment of Securities) Rules, 2014 (“**PAS Rules**”) was notified *vide* G.S.R 802(E) dated October 27, 2023. One of the key amendments made was the insertion of Rule 9B of the PAS Rules, which mandated the issuance of securities in dematerialised form by private companies (other than small companies).

The broad intent of Rule 9B is to ensure private companies issuing securities allot the said securities in dematerialised form going forward. Rule 9B also requires private companies to facilitate the dematerialisation of their currently allotted securities, moving the regime toward digitisation while phasing out physical share certificates. This rule extends to all private companies, except those which fall within the ambit of a ‘small company’ as of the last day of a financial year ending on or after March 31, 2023. Once the rule is determined to be applicable to a company at the end of a relevant financial year, the company will have 18 (eighteen) months to comply with the provisions of the rule.

As a result, dematerialisation has become a necessary first step for most corporate actions dealing with securities. A company to which Rule 9B applies cannot undertake a rights issue, bonus issue, buy-back, or private placement unless the securities held by its promoters, directors, and key managerial personnel, and the persons subscribing to the shares (if they are existing shareholders) are already in dematerialised form. Additionally, shareholders in such a company cannot transfer their shares unless the securities held by them are in dematerialised form.

## Amendment to the definition of small company

A 'small company', as defined under Section 2(85) of the CA 2013, benefits from greatly reduced compliance requirements, with benefits such as abridged annual returns<sup>4</sup> and lower penalties for a variety of non-compliances<sup>5</sup> under the CA 2013 being applicable to them.

Rule 2(1)(t) of the Definitions Rules, read with Section 2(85) of the CA 2013, specifies that a company will be considered to be a small company if the paid-up share capital of the company does not exceed INR 10,00,00,000 (Indian Rupees ten crore) if the turnover does not exceed INR 100,00,00,000 (Indian Rupees one hundred crore). The share capital and turnover thresholds specified under Rule 2(1)(t) of the Definition Rules are now at the maximum permissible thresholds permitted to be prescribed under Section 2(85) of the CA 2013, and these thresholds cannot be further increased without further amending the CA 2013 itself. This revision is a significant increase from the previously applicable thresholds of INR 4,00,00,000 (Indian Rupees four crore) and INR 40,00,00,000 (Indian Rupees forty crore) respectively.

It is prudent to keep in mind that a holding company, subsidiary company, a Section 8 company, or a company or body corporate governed by any special act cannot be considered to be a small company and will not be exempt from the dematerialisation requirements under Rule 9B of the PAS Rules.

## Implication of increased thresholds

Some of the key concerns raised by stakeholders in relation to the dematerialisation requirements include:

1. the requirement for private companies to dematerialise their securities resulted in a significant uptick in the number of applications for dematerialisation being received by depositories, resulting in long lead times due to a backlog in the issuance of 'International Securities Identification Numbers'. This resulted in delays to a variety of corporate actions being executed, including securities issuances, share transfers and employee stock option exercises;

2. the dematerialisation requirement also adds a significant cost component for private companies, with the process involving the execution of an agreement between the company and an RTA and a tripartite agreement between the company, an RTA and a depository. In addition to the above, dematerialisation also requires one-time registration charges and annual maintenance charges to be paid to the depositories. This requires additional planning, budgeting, and adds a layer of internal approvals, especially for many closely held private companies; and
3. the completion of the dematerialisation process also requires all shareholders to open dematerialisation accounts with stockbrokers and DPs. This step is particularly cumbersome for private companies with foreign shareholders who did not possess a permanent account number, as most intermediaries require the same for KYC verification.

The increased thresholds have a major impact on the applicability of Rule 9B of the PAS Rules, greatly reducing the number of private companies which need to facilitate the dematerialisation of their shares and enabling a much larger number of private companies to continue undertaking share transfers and issuances in physical form, if that is their preference. The substantial increase in the applicable thresholds enables private companies to scale without the burden of additional compliances and enhances the ease of doing business for small companies.

The amendment also reduces the burden on depositories, DPs and RTAs.

## Conclusion

These amendments reflect MCA's effort to balance the fostering of a more transparent and accountable corporate ecosystem, and the ease of doing business for small companies and start-ups. While dematerialisation is expected to deliver long-term benefits such as robust ownership tracking, quicker transactions and the prevention of disputes arising out of loss, forgery, manipulation or defective titles to shares, the process has also been flagged into being cumbersome and expensive for smaller companies to implement effectively. As such, the newly increased

<sup>4</sup> Rule 11 of the Companies (Management and Administration) Rules, 2014

<sup>5</sup> Section 446B of CA 2013

thresholds are a welcome step to making India's competitive corporate landscape easier to navigate for small companies.



### **Annual KYC filing requirements replaced with simpler KYC intimation once every 3 (three) years**

MCA, *vide* gazette notification dated December 31, 2025, notified the Companies (Appointment and Qualification of Directors) Amendment Rules, 2025 amending the Companies (Appointment and Qualification of Directors) Rules, 2014. The amendment significantly reduces compliance burden by rationalising director KYC requirements and updating procedural references under the rules. Key modifications include:

1. annual KYC filing requirement is replaced with a simpler KYC intimation once every 3 (three) years; and
2. directors must file Form No. DIR-3 KYC Web within 30 (thirty) days of any change in their mobile number, email address, or residential address, along with the prescribed fee, irrespective of the triennial cycle.

These amendments aim to streamline director identification number KYC compliance, reduce

repetitive filings, and improve ease of doing business without diluting regulatory oversight.

The amendment will come into effect on March 31, 2026.

## **JSA PRISMS**

### **United States sanctions and implications for Indian companies**

#### **Overview of United States sanctions regime**

Sanctions have emerged as strategic tools used by Governments to advance their foreign policy objectives, enforce international law and norms, safeguard national security, and combat terrorism. By restricting trade, financial transactions, and technology transfers, sanctions apply economic pressure to influence the behaviour of targeted entities or nations.

Prior to 2001, sanctions were primarily imposed by the United Nations Security Council through a multilateral process and were aimed at maintaining international peace and addressing crimes against humanity. While unilateral sanctions did exist (such as those imposed by the United States ("US") on Cuba (since the 1960s), Iran (from 1979), and North Korea (from the 1990s)), the use of such unilateral measures surged after the events of September 11, 2001. Since then, sanctions have become a central component of the US' national security and foreign policy strategy.

The Office of Foreign Assets Control ("OFAC"), a division of the US Department of the Treasury, administers and enforces these sanctions.

US sanctions vary in scope and focus and generally fall into 2 (two) broad categories:

1. **Comprehensive sanctions:** These prohibit nearly all transactions with targeted countries such as Iran, North Korea, Cuba, and Russian occupied regions of Ukraine.
2. **Targeted or list-based sanctions:** These apply to individuals, companies, and entities designated on OFAC's Specially Designated Nationals (SDN) List or Sectoral Sanctions Identification (SSI) List (which would include sectors such as defense, energy, and high-end technology).

Further, each of these sanctions contain both: (a) 'Primary Sanctions' i.e. restrictions applicable to US persons including US citizens, permanent residents, entities organised under US laws, and anyone physically present in the US; and (b) 'Secondary Sanctions' which seek to penalise non-US persons and entities for engaging in transactions with sanctioned parties, even in the absence of a direct US connection. While under primary sanctions, US persons are prohibited from engaging in transactions with sanctioned parties unless specifically authorised by OFAC, secondary sanctions are aimed at deterring non-US persons from engaging in activities that threaten the effectiveness of US sanctions policy. Notably, a non-US person may also be held liable under primary sanctions if they 'cause' a US person, such as a US financial institution, to engage in a prohibited transaction. Secondary sanctions, on the other hand, are typically imposed when a non-US person is found to have 'materially assisted, sponsored, or provided financial, material, or technological support', to a person designated under a US sanctions program.

Secondary sanctions, in particular, have become a prominent feature of US enforcement action in recent years, expanding the global compliance burden.

### Impact on Indian companies

India's growing strategic relevance, as the fastest-growing major economy with surging energy demand and an expanding diplomatic footprint, has drawn increased attention from US regulators. Its principled stance of rejecting all unilateral sanctions further heightens the scrutiny for Indian companies operating globally. In recent years, several Indian entities have faced regulatory action stemming from inadvertent or indirect involvement in transactions that violated US sanctions.

As per OFAC's public records, more than 80 (eighty) Indian entities are subject to US secondary sanctions, including 21 (twenty-one) designated in October 2024<sup>6</sup> for transactions linked to Russia. Indicatively:

1. In 2023, Godfrey Phillips India Ltd., settled with OFAC for causing US banks to process dollar

transactions related to supply of certain tobacco products to North Korea<sup>7</sup>.

2. In 2024, Shaurya Aeronautics Private Limited and other Indian firms were sanctioned for supplying high-priority microelectronics to Russia, thereby causing US correspondent banks to violate sanctions<sup>8</sup>.

The risk is further amplified for Indian companies with US subsidiaries or where Indian companies appoint US citizens or residents as directors, executives, secondees, or signatories, as those individuals bring a US nexus into play. If these individuals approve or facilitate prohibited transactions, both the individual and the company could be held liable under OFAC regulations.

It is also relevant to note that while secondary sanctions are predominately imposed on the basis of 'materially' assisting, sponsoring or providing support to a sanctioned party, 'material' support is not explicitly defined. OFAC evaluates it on a case-by-case basis and retains discretion to impose sanctions irrespective of the number/quantum of the dealings. Additionally, US authorities can designate entities without prior notice and without affording the affected party an opportunity to be heard.

In case an Indian entity is designated, it could, *inter alia*, lead to:

1. penalties and asset freezes;
2. loss of US Dollar clearing capabilities; and
3. severed access to US institutions (financial, insurance, shipping etc.).

Adding to the complexity for companies operating in multiple jurisdictions, countries such as the European Union and the United Kingdom ("UK") have blocking statutes which prohibit local companies from complying with certain US sanctions (e.g., those related to Cuba or Iran), creating tension between competing legal regimes. Indian companies involved in cross-border transactions must, therefore, balance their domestic interests with varying international sanctions frameworks.

<sup>6</sup> U.S Sanctions on Indian Companies

<sup>7</sup> OFAC Settles with Godfrey Phillips India Limited, Department of The Treasury, March 1, 2023.

<sup>8</sup> Treasury Takes Aim at Third-Country Sanctions Evaders and Russian Producers Supporting Russia's Military Industrial Base

## Conclusion

US sanctions, especially secondary sanctions, pose serious extraterritorial risks for Indian businesses. To mitigate these risks, Indian companies need to consider and implement a comprehensive sanction monitoring and compliance framework, including:

1. robust due diligence across supply chain;
2. regular screening of customers, suppliers, and third parties;
3. written sanctions policy supported by automated tools;
4. regular training for directors and key decision-makers;
5. strong contractual safeguards such as representations, warranties, and indemnities; and
6. periodic internal and external audits to assess controls and red flags proactively.

Given the evolving nature of sanctions and the severity of penalties, Indian companies need to consider deal-specific legal advice for cross-border transactions to tailor compliance protocols and reduce exposure in real time.



## Chapter 12 of the India-UK Comprehensive Economic and Trade Agreement: Framework for digital trade

On July 24, 2025, India and the UK signed the Comprehensive Economic and Trade Agreement (“CETA”). It’s a comprehensive trade agreement with 30 (thirty) chapters that covers products, services, investments, and collaboration. Chapter 12 of the CETA

(“Chapter 12”) focuses exclusively on digital trade including IT, e-commerce, and data-driven services to both economies.

Chapter 12 reflects an increasing importance of digital commerce in the bilateral trade relationship, where services trade and technology-enabled sectors constitute a significant proportion of overall economic exchange.

### Key takeaways

#### Legal recognition and trade facilitation

Chapter 12 requires the parties to accord legal recognition to electronic contracts, electronic authentication, and electronic signatures. It obligates the parties to maintain legal frameworks that do not deny validity solely on the basis that a transaction is conducted electronically. Chapter 12 also encourages the use of paperless trading systems in customs and trade administration and includes a commitment to accept electronic copies of trade administration documents. For consumers, it ensures smoother access to digital services, such as online banking, insurance claims, and e-commerce platforms.

#### Data flows and localisation

Chapter 12 requires that measures adopted for electronic invoicing be designed to facilitate the cross-border exchange of usable information between the parties’ invoicing systems. At the same time, it recognises India’s regulatory space to maintain localisation obligations and data transfer restrictions, such as those reflected in RBI’s payment data rules.

Chapter 12 provides that after the enforcement of CETA, where a party concludes a trade agreement with a third country with data protection provisions, cross-border data transfer, or data localisation provisions, the other party can request consultations to discuss a possible extension of similar provisions under this CETA. However, this does not affect the operation of each party’s domestic personal data protection laws, nor does it require the extension of benefits arising from regulatory cooperation measures, including those relating to authorisation, licensing, certification, or prudential rules in financial services.

## Consumer protection and digital trust

The parties have agreed to adopt or maintain measures to protect consumers engaged in online commercial activities against fraudulent, misleading, or deceptive practices. Chapter 12 requires the establishment of transparent and effective measures to address unsolicited commercial electronic messages (spam), including providing consumers with the ability to prevent ongoing reception. The agreement also promotes fair competition by addressing exploitative business practices, such as misleading advertising or abuse of dominant positions in digital marketplaces.

## Source code and intellectual property protection

Chapter 12 contains a provision prohibiting either party from requiring the transfer of, or access to, the source code of software owned by a person of the other party, as a condition for market access. This requirement is imposed on mass-market software but not on software developed for critical infrastructure or for public procurement. Moreover, Chapter 12 clarifies that the provision does not preclude a regulator or court from ordering access to source code for some investigations, law enforcement, or regulatory ends in conformity with domestic law.

## Cooperation on standards and interoperability

Chapter 12 requires joint efforts by the parties towards making sure that international standards and guidelines are taken into account in their respective digital regulatory frameworks. The objective is to promote interoperability of digital systems and to avoid unnecessary barriers to digital trade. It includes provisions for mutual co-operation in the aspects of future technologies, digital identity systems, and electronic trust services by mutual consent.

## Cybersecurity

Chapter 12 includes provisions recognising the importance of maintaining robust cybersecurity measures to support digital trade. The parties commit to cooperation on cybersecurity issues, including sharing best practices, strengthening the resilience of digital infrastructure, and fostering collaboration

between their respective Computer Emergency Response Teams. The text also highlights the role of risk-based approaches and voluntary frameworks in mitigating cyber threats, while ensuring that regulatory measures are consistent with international practices and do not create unnecessary barriers to trade.

## General exceptions and safeguards

The obligations under Chapter 12 are subject to general exceptions similar to those in the World Trade Organization framework. Measures necessary to achieve objectives such as the protection of public morals, the maintenance of public order, or the protection of human, animal, or plant life or health are permitted. This ensures that commitments under the digital trade chapter do not prevent either country from pursuing legitimate domestic regulatory objectives.

## Conclusion

Chapter 12 of the CETA represents a significant move forward in India's strategy towards digital trade. It expresses the intent to comply with international standards while retaining the freedom to aim for domestic objectives. For Indian businesses, Chapter 12 has numerous benefits. IT and IT-enabled service firms can operate with more legal certainty. Small and medium enterprises and exporters enjoy the less fragmented recognition of digital contracts and authentication. Startups involved in SaaS, Artificial Intelligence ("AI"), and fintech gain from protection of proprietary code and potential access to the UK market under more straightforward rules. For regulators, this move raises significant questions about how best to balance obligations under the CETA with the requirements of domestic regulation, consumer protection, and cybersecurity.

The chapter will probably shape the drafting of the Digital India Act and could also be a precedent for India's future trade negotiations with other partners, including the European Union and ASEAN. Its relevance thus goes well beyond the bilateral relationship with the UK.



## Telangana's new sports policy: An invitation for industrialists to invest

July 2025 marked a pivotal moment for India's sports sector, unlocking significant new opportunities for private enterprises. With the concurrent launch of the National *Khelo Bharat Niti* – 2025<sup>9</sup> and Telangana's forward-thinking Telangana Sports Policy 2025<sup>10</sup>, the Government signalled a clear paradigm shift which is, sports development is no longer a State-run monopoly but a collaborative, investment-ready ecosystem.

For industrialists and corporate leaders, these developments are more than a policy update, they represent a strategic invitation to partner with the Government, drive innovation, and capitalise on the immense economic potential of a burgeoning sports industry. Telangana's framework, in particular, is meticulously designed to attract and facilitate private investment, positioning the State as a premier destination for building the future of Indian sports.

### A new playbook for investment: Key opportunities through the Telangana Sports Policy, 2025

The Telangana Sports Policy, 2025, is built on 5 (five) foundational pillars, each opening distinct and lucrative avenues for private sector participation. The Government's clear intent is to act as a facilitator, creating a robust framework where private expertise and capital can thrive.

#### Key investment opportunities

##### 1. Infrastructure development through public-private partnerships

- a) The policy explicitly calls for private investment to build and manage world-class sports infrastructure. Opportunities are

available through flexible and proven models as mentioned below:

- b) **Lease-develop-operate** : Long-term leases for developing and operating new, large-scale stadiums and sports complexes;
- c) **Operation and maintenance** : Contracts to manage and upgrade existing state facilities, bringing in professional management and operational efficiency; and
- d) **High-performance academies on a Build-Operate-Transfer ("BOT") model**: The flagship Young India Sports Academy ("YISA"), a multi-disciplinary institution for elite talent, will be operated by a private integrator on a BOT basis. The State Government will support this venture by providing prime land at a nominal fee, making it a landmark opportunity for a corporate entity to take the lead in shaping India's future champions.

#### Land allocation and commercial viability

A cornerstone of the State's commitment to private partnership is its land allocation policy. For flagship projects like YISA, the Government will provide land at a nominal fee. Furthermore, for infrastructure developed under public-private partnerships models, the policy allows up to 30% of the site to be used for commercial activities, ensuring financial viability and attractive returns on investment for private partners.

#### Sports goods manufacturing Special Economic Zone

1. In order to attract industrial investment, the policy announces the creation of a dedicated manufacturing Special Economic Zone ("SEZ") for sports goods. This initiative presents a prime opportunity for industrialists to establish production facilities within a purpose-built ecosystem. Investors can expect benefits such as streamlined regulatory approvals, state-of-the-art infrastructure, potential tax incentives, and logistical advantages, positioning Telangana as the

<sup>9</sup> Ministry of Youth Affairs and Sports (Department of Sports), Notification F. No. 80-04/2022-SP-VI, dated July 10, 2025

<sup>10</sup> Government of Telangana, Youth Advancement, Tourism & Culture (Sports) Department, G.O.Ms.No. 3, dated July 3, 2025

premier hub for sports equipment and apparel manufacturing in India.

2. **Who can invest? A sector-specific look at the sports SEZ:** The creation of the sports SEZ is a strategic move designed to attract a wide array of industries. This purpose-built ecosystem is particularly attractive for the following:
  - a) Apparel and textile giants: Companies specialising in performance wear, athletic apparel, and smart fabrics can leverage the SEZ to set up cutting-edge manufacturing units.
  - b) Footwear manufacturers: The zone is ideal for producing specialised athletic footwear, from running shoes to cleats, catering to both domestic and international markets.
  - c) Sporting goods and equipment producers: This is a key sector, inviting gym equipment industries to set up manufacturing for high-tech machinery, alongside producers of traditional equipment (like cricket bats and footballs), protective gear, and fitness accessories.
  - d) Advanced materials and composites industry: Businesses involved in carbon fiber, advanced polymers, and other lightweight, high-strength materials will find a ready market for applications in modern sports equipment like rackets, bicycles, and protective gear.
  - e) Wearable technology, data analytics, and electronics firms: SEZ and the broader tech-supportive policy provide a perfect base for companies developing and manufacturing fitness trackers, GPS devices, and performance monitoring sensors. This is a direct call to action for firms specialising in athlete data tracking and performance analytics, who can partner with YISA and Young India Physical Education and Sports University of Telangana (“YIPESU”) to pilot and scale their technologies.
  - f) Corporate sponsorship and Corporate Social Responsibility (“CSR”) Integration: Aligning with the national ‘One Corporate-One Sport’ vision, the policy creates structured opportunities for corporations to sponsor teams, adopt districts, and fund specific sports, fulfilling CSR mandates while building significant brand value.

## Fostering a sports technology hub

Building on its reputation as one of India’s leading technology and innovation hubs, Telangana’s policy provides robust support for sports-tech startups and established tech firms. This creates a vibrant Research and Development (“R&D”) environment and a direct invitation for companies to develop and deploy cutting-edge solutions. The policy’s commitment to creating a comprehensive State sports repository for athlete data and performance tracking creates an immediate and significant opportunity for companies specialising in performance analytics, AI driven insights, and wearable technology.

## Convergence of sports, pharma, and education: A new frontier for investment

Leveraging its status as India’s premier pharmaceutical and life sciences hub, Telangana’s policy creates a unique convergence between sports, healthcare, and education. The establishment of the YIPESU is central to this vision, creating a nexus for research, innovation, and commercial application.

This integration opens highly specialised and high-value opportunities for the following:

1. **Pharmaceutical and life sciences companies:** The policy’s focus on sports science, medicine, injury rehabilitation, and nutrition directly aligns with the strengths of the pharma sector. This creates a ready-made market for the following:
  - a) Sports nutrition and nutraceuticals: Manufacturing and R&D of specialised supplements, protein-based products, performance nutrition products, and hydration solutions. This creates a direct avenue for protein and nutrition product manufacturing companies to cater to a high-demand market of elite athletes and a growing fitness-conscious population.
  - b) Sports medicine and rehabilitation: Establishing advanced physiotherapy clinics, diagnostic labs, and sports-focused medical facilities in partnership with YIPESU and YISA.
  - c) Biotechnology and R&D: Collaborating on research in areas like athlete genomics,

performance analytics, and advanced recovery therapies, solidifying Telangana's 'Genome Valley' leadership.

2. **Educational institutions and ed-tech firms:** YIPESU and the broader focus on integrating sports into the curriculum create opportunities for:
  - a) private universities and colleges to establish partnerships for dual-degree programs, specialised courses, and research collaborations;
  - b) ed-tech companies to develop digital learning modules for sports science, coaching certification, and athlete management; and
  - c) skill development agencies to create and run vocational training programs for sports support staff, from physiotherapists to data analysts.

### A stable and supportive environment: Alignment with national policy

A key advantage for investors is the seamless alignment between Telangana's policy and the national framework. This synergy ensures a stable, predictable, and supportive regulatory environment, reducing investment risk and enhancing scalability.

### Key de-risking factors

1. With the national policy targeting the 2036 Olympics, investments in Telangana's sports ecosystem are part of a long-term, high-priority national mission.
2. The State's sports repository will sync with the National Sports Repository System, providing investors with standardised data for performance tracking and decision-making.
3. The move towards autonomous, professionally managed bodies like the sports hub of Telangana mirrors the proposed National Sports Governance Bill, 2025<sup>11</sup>, ensuring transparency and professional administration, which are critical for investor confidence.

<sup>11</sup> The National Sports Governance Bill, 2025 (Bill No. 76 of 2025), as introduced in Lok Sabha on July 23, 2025.

## Conclusion

The Telangana Sports Policy 2025 is a clear and compelling business proposition. It is a testament to the 'Telangana Rising' vision, offering a practical blueprint for how public goals and private enterprise can achieve powerful results together. By creating an autonomous, professionally managed, and investment-friendly ecosystem, the Government is inviting industrialists to be co-creators of a new economic sector. This is a unique opportunity to gain a first-mover advantage in a high-growth industry.



## India's online gaming law: Prohibition, promotion, and compliance

The Promotion and Regulation of Online Gaming Act, 2025 ("Gaming Act"), received the assent of the President on August 22, 2025, after being passed by both Houses of the Indian Parliament. This represents a landmark shift in India's approach to digital gaming. The Gaming Act aims to prohibit online money gaming and promote and regulate e-sports and casual non-money gaming. Its provisions extend across India and also apply to online money gaming services offered from outside the country but made available within its territory.

### Key takeaways

1. **The different games:** The Gaming Act establishes a clear 3 (three) tiered classification for online games:
  - a) 'E-sports' are defined as online games played in organised, competitive events, with outcomes

determined solely by a player's physical dexterity, mental agility, or strategic thinking. Crucially, they are also recognised under the National Sports Governance Act, 2025, and must not involve any form of betting or wagering;

- b) 'online social games' are those offered for entertainment, recreation, or skill development, which do not involve the staking of money or other stakes with the expectation of winning money in return. These games may, however, be monetised through a subscription or one-time access fee, provided it does not constitute a stake or wager; and
- c) 'online money game' is defined as a game where a user pays a fee, deposits money, or uses other stakes with the expectation of winning monetary or other enrichment in return, irrespective of whether the game is based on skill or chance. E-sports are explicitly excluded from this final category.

2. **Promotion of e-sports and online social games:**

The Central Government is tasked with taking necessary steps to recognise and register e-sports as a legitimate form of competitive sport in India and to promote and develop the sector. Such measures may include forming guidelines for e-sports events, establishing training academies, and introducing incentive schemes. Similarly, the Government will take steps to recognise, categorise, and register online social games to facilitate their development for recreational and educational purposes. This can include creating mechanisms for registration and supporting initiatives to increase public access to safe and age-appropriate content.

- 3. **Ban on online money gaming:** The Gaming Act imposes a sweeping prohibition on all online money games. It explicitly states that no person will offer, aid, abet, induce, or otherwise be involved in the offering of an online money game or online money gaming service. The 'Statement of Object and Reasons' attached to the Gaming Act indicates that this is a deliberate move to prohibit rather than regulate these games due to their 'deleterious and negative impact' on individuals, families, society, and the nation.
- 4. **Ban on advertising:** The prohibition extends to advertising as well. No person is permitted to

make, cause to be made, or be involved in any advertisement, in any media, that directly or indirectly promotes or induces people to play any online money game or indulge in online money gaming.

- 5. **Ban on financial transactions:** The Gaming Act also imposes a strict ban on financial transactions related to online money gaming. Banks, financial institutions, and any other person that facilitates financial transactions are prohibited from engaging in, permitting, aiding, or otherwise facilitating any transaction of funds toward a payment for an online money gaming service.
- 6. **Penalties and liability:** Violations of the Gaming Act carry severe penalties. Offering online money gaming services or facilitating related fund transfers can result in imprisonment for a term of up to 3 (three) years, a fine of up to INR 1,00,00,000 (Indian Rupees one crore), or both. Advertising a prohibited game is punishable by imprisonment for up to 2 (two) years and a fine of up to INR 50,00,000 (Indian Rupees fifty lakh). For repeat offenses for offering services or fund transfers, the penalties are even more stringent, including a mandatory minimum imprisonment of 3 (three) years and a fine of at least INR 1,00,00,000 (Indian Rupees one crore).

The Gaming Act also addresses corporate liability, stating that if an offense is committed by a company, both the company and every individual in charge of and responsible for the relevant business at the time of the offense will be held liable.

- 7. **Regulatory framework and enforcement:** The Central Government is empowered to establish or designate an authority to assist in the Gaming Act's functions. This authority has the power to determine whether a game is an online money game and to recognise, categorise, and register online games. The Gaming Act also grants broad enforcement powers, including the authority for government officers to conduct warrantless searches and arrests in any physical or digital place if they have a reasonable suspicion of an offense. Offences for offering services and fund transfers are designated as cognisable and non-bailable.

## Regulatory and operational ambiguities

The current version of the Gaming Act leaves several critical details unclear, creating a need for further clarification. It does not provide a timeline for ceasing the operations of online money games, nor does it specify how companies should handle existing user balances. This creates a situation where platforms could be in immediate violation of the law once it comes into force, as the Gaming Act imposes a complete and immediate ban on offering such services.

The Gaming Act also delegates significant powers to the Central Government to define key aspects of its implementation through future rules. The manner of recognising, categorising, and registering other online games is left to be prescribed later, which is a major source of uncertainty for the industry.

## Conclusion

The Gaming Act marks a decisive move by the Central Government to bring online money gaming under its direct regulatory control. While 'betting and gambling' have traditionally fallen within the States' jurisdiction, the Central Government justifies its intervention by framing online money gaming as a national security issue, highlighting risk of money laundering, terror financing, financial fraud, and misuse by terrorist organisations. By doing so, the Gaming Act shifts the debate from the Union List-State List divide to the Central Government's plenary powers over sovereignty, public order, and national security.

It also departs from judicial precedents and existing State laws by uniformly prohibiting both games of skill and chance, effectively shutting down real-money formats such as rummy and fantasy sports. Backed by stringent penalties and a wide enforcement framework, the Gaming Act signals a push toward tighter centralised control of the digital sector.



## Strengthening India's port sector with the Indian Ports Act, 2025

The Indian Ports Act, 2025 ("**2025 Act**"), passed by both Houses of Parliament will shortly be notified as being in force. The 2025 Act marks a significant reform in India's maritime legislation, replacing the pre-independence Indian Ports Act, 1908 ("**1908 Act**"). The 2025 Act aims to: (a) consolidate the law relating to ports; (b) promote integrated port development; (c) facilitate ease of doing business; (d) ensure the optimum utilisation of India's coastline; (e) create an institutional mechanism to effectively administer, control and manage major ports and non-major ports; (f) provide for the management of pollution, disaster, emergencies, security, safety, navigation, and data at ports; (g) ensure compliance with India's obligations under international instruments to which it is a party, (h) take measures for the conservation of ports; and (i) provide for adjudicatory mechanisms for the redressal of port-related disputes.

## Salient features

1. **Establishment of the Maritime State Development Council ("Council"):** The 2025 Act provides for the formation of a Council by the Central Government. The Council provides recommendations to the Central Government and the State Government on various regulatory and operational matters such as: (a) revisions required in the existing legal framework; (b) strategies to foster growth of the port sector; and (c) requirement of building port connectivity infrastructure. Furthermore, the Council issues guidelines for (a) data collection, storage and submission of information in relation to the ports to the Council; (b) dissemination of port-related information to the public; and (iii) ensuring transparency of port tariff.

Additionally, the 2025 Act empowers the Council to advise the Central Government on formulating the national perspective plan for meeting the needs of maritime trade and identifying priority infrastructure projects. The 2025 Act provides that the Central Government, State Governments and the authority "shall endeavour to adhere" to the national perspective plan and the Council's guidelines. The language suggests that it is not binding, but that adherence is only on a best effort

basis. Hence, it is unclear under what circumstances they can be deviated from, and what effect it will have. Furthermore, the 2025 Act does not expressly mention whether: (a) the regulations issued by the Council; and (b) the recommendations of the Council to the Central Government and the State Government will be binding or not.

2. **Establishment of the State maritime board:** The Major Port Trust Act, 1963 (superseded by the Major Port Authorities Act, 2021) recognises the Board of Major Port Authority as the statutory body which will be responsible for overseeing the development and operation of major ports. However, the 1908 Act did not provide an institutional framework for ports other than major ports. Some states (for example, Gujarat, Maharashtra, Tamil Nadu and Andhra Pradesh) have created State maritime boards by statute under the respective State legislations. However, other States still run ports through government departments. The 2025 Act provides recognition to the State maritime boards and the departments established by the respective State Governments under the applicable State legislations. Furthermore, the 2025 Act allows State Governments up to 6 (six) months from the date of commencement of the 2025 Act to establish a board by notification, where one is not already in place.

The functions of the respective State maritime boards in relation to ports other than major ports include: (a) formulating development plans; (b) promoting the use and improvement of existing ports; (c) exercising supervision and control over all port works, licensing functions in respect of infrastructure; and (d) developing new ports, subject to security clearance in accordance with the Central Government guidelines.

3. **Establishment of the dispute resolution committee:** The 2025 Act envisages time-bound resolution of disputes between ports other than major ports, concessionaires, port users and port service providers by a dispute resolution committee that is required to be constituted by the State Governments. However, the law specifically exempts from the jurisdiction of the committee disputes that are, pursuant to written agreement of the parties, to be resolved by arbitration or any

other dispute resolution mechanisms as provided under the concession agreement, licence, permit, or authorisation.

While this exemption appears favourable, it may result in arbitration being left out of the concession agreements, thereby meaning that disputes will inevitably end up being adjudicated by the dispute resolution committee.

4. **Change in control of the port:** The 2025 Act mandates that any port undergoing a change in substantial ownership or effective control must obtain prior clearance from the Central Government or a person authorised by the Central Government. However, the provisions do not provide clarity on what constitutes a change in substantial ownership or effective control.

Moreover, the 2025 Act provisions do not indicate whether the requirement of prior clearance from the Central Government is intended to supersede the equity lock-in restrictions and approval process. These restrictions and processes are already contained in concession agreements entered into by State Governments for ports other than major ports.

5. **Limited clarity on mega ports:** The 2025 Act introduces the concept of 'mega ports', whereby any port (major or non-major) may be notified as a 'mega port' by the Central Government. Notably, the 2025 Act does not specify what constitutes a 'mega port', but merely provides that the Central Government may, in consultation with the State Government, by notification, specify the criteria for classification of a port as mega port. It does not specify the consequences of a port being classified as a 'mega port'.

## Conclusion

The 2025 Act is a significant shift from the 1908 Act as it aims to create a conducive environment for developing and modernising India's port sector. Furthermore, it addresses key operational and regulatory aspects in relation to the development, operation and maintenance of the ports. It is expected that the Central Government will soon issue suitable notifications to clarify the scope and extent of certain of the provisions, which will bring in necessary clarity and certainty.



## Regulating AI generated content: Amendments proposed to be made to the Intermediary Rules, 2021

On October 22, 2025, the Ministry of Electronics and Information Technology (“MeitY”), published proposed amendments to the IT (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 (“**Intermediary Rules**”) issued under the IT Act, 2000 (“**IT Act**”) for stakeholder comments (“**Proposed Amendments**”). Comments on the Proposed Amendments can be submitted till November 6, 2025.

The Proposed Amendments aim to reduce the harm that may be caused due to the use of generative AI tools and the resulting proliferation of Synthetically Generated Information (“**SGI**”). The Proposed Amendments seek to regulate synthetically generated content, such as deepfakes and content created or modified using generative AI technology and are intended to bolster the due diligence obligations on intermediaries, including Significant Social Media Intermediaries (“**SSMIs**”).

### Key aspects of the Proposed Amendments

Some of the key provisions of the Proposed Amendments are as follows:

1. **Definition of SGI:** The Proposed Amendments define SGI as “any information which is artificially or algorithmically created, generated, modified or altered using a computer resource, in a manner that such information reasonably appears to be authentic or true”. The proposed definition appears to be wide enough to include all forms of content created, modified or altered using any AI technology, such as generative AI, which has become popular in creating deepfakes.
2. **Clarification on safe harbour under the IT Act:** The Proposed Amendments clarify that the intermediaries will not lose the safe harbour

granted to them under Section 79(2) of the IT Act, as long as they remove or disable access to SGI based on reasonable efforts or grievances reported by the users.

3. **Due diligence requirements for intermediaries:** The Proposed Amendments require intermediaries offering a computer resource that enables, facilitates or permits the generation, creation, modification or alteration of SGI, such as generative AI outputs, to label or embed SGI with permanent unique metadata or identifiers. The metadata or identifiers must be visibly displayed or made audible appropriately within the SGI. Additionally, the intermediaries must not, in any case, allow any modification, suppression or removal of such label, metadata or identifier. The following specifications are set out in regard to the metadata/identifier to be displayed in relation to SGI:
  - a) the metadata/identifier must be displayed at least 10% of the surface area of the visual display; or
  - b) in case of audio content, the metadata/identifier must be audible during the initial 10% of its duration.
  - c) The aforesaid means can be used to immediately identify information that is SGI which is created, generated, modified or altered using the computer resource of the intermediary. Separately, the Proposed Amendments also state that the intermediary must not enable the modification, suppression or removal of the permanent unique metadata or identifier.
4. **Additional due diligence for SSMIs:** The Proposed Amendments set out the following additional requirements for SSMIs, which enables displaying, uploading, or publishing any information on their computer resource:
  - a) declaration from users on whether such information is SGI;
  - b) deployment of reasonable and appropriate technical measures, such as automated tools or appropriate mechanisms to ensure the accuracy of the user declarations; and
  - c) in cases where the user declaration or appropriate technical measures confirm that

any information is SGI, ensure that it is clearly and prominently displayed with a label or notice that such content is SGI.

The SSIMs will be deemed to have failed to exercise due diligence where such SSIM knowingly permits, promotes or fails to comply with the above requirements with respect to the user declaration regarding SGI. The SSIMs will be accountable for carrying out reasonable and proportionate technical measures to verify the correctness of user declarations and to ensure that no SGI is published without such a declaration or label.

### Conclusion

The Proposed Amendments introduce clear accountability for intermediaries and SSIMs in managing SGIs, through labelling, metadata traceability, and other transparency measures. They protect intermediaries acting in good faith while mandating that SSIMs ensure that users declare SGIs and the SSIMs label synthetic content using reasonable verification mechanisms. Overall, the changes set out in the Proposed Amendments aim to help users identify authentic information, foster trust, and advance India’s vision of an open, safe, and accountable internet that balances innovation with user rights.

Whilst the MeitY touched upon similar topics in the past *via* advisories such as the one issued on March 15,

### Phased commencement of key provisions

The DPDP Rules implement a staggered approach to commencement, a critical factor for global compliance planning:

Timeline	Commencement date	Implication
Immediate	November 13, 2025	Establishment of the Data Protection Board of India (“ <b>Board</b> ”) and its operational procedures.
12 Months	November 13, 2026	The framework for the registration and detailed obligations of Consent Managers, the term used for a person registered with the Board, to act as a point of contact to enable a Data Principal to give, manage, review and withdraw consent, (“ <b>Consent Manager</b> ”) comes into force.

<sup>12</sup> Data Fiduciaries is the term used for entities that determine the purpose and means of processing (analogous to ‘data controllers’ in other regimes).

2024, in relation to the use of AI models/large language models/generative AI, software(s) or algorithm(s), the Proposed Amendment appears to be an attempt by the Government of India to address deepfakes *via* legislation.

### Digital Personal Data Protection Rules, 2025: Operationalising consent, security, and governance obligations

The Government of India officially notified the Digital Personal Data Protection Rules, 2025 (“**DPDP Rules**”) on November 13, 2025, officially published in the Gazette on November 14, 2025. The DPDP Rules enable the operationalisation of the Digital Personal Data Protection Act, 2023 (“**DPDP Act**”).

The DPDP Act is India’s first comprehensive, principles-based statute governing the processing of digital personal data. It applies to processing within India and extraterritorially to entities offering goods or services to individuals in India. The DPDP Act operates primarily on a foundation of explicit consent.

The DPDP Rules *inter alia* include key operational rules for Data Fiduciaries<sup>12</sup> (“**Data Fiduciary**”) and addresses mechanisms created to protect the rights of Data Principals<sup>13</sup> (“**Data Principal**”).

<sup>13</sup> Data Principals is the term used for individuals to whom the personal data relates (analogous to ‘data subjects’ in other regimes).

18 Months	May 13, 2027	Core compliance duties apply, including notice, security safeguards, breach intimation, Significant Data Fiduciary (“SDF”) obligations, and Data Principal rights.
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## Critical compliance obligations for Data Fiduciaries

The DPDP Rules set out the operational requirements that Data Fiduciaries must follow to implement the core obligations under the DPDP Act.

### Notice and consent

The formal notice provided by a Data Fiduciary to a Data Principal must be clear, independent, and contain a ‘fair account’ of the processing activities. The overall framework is grounded in a notice-and-consent model, requiring Data Fiduciaries to disclose key processing details upfront and obtain valid consent before processing begins. The notice requires, at minimum:

1. an itemised description of the personal data to be processed;
2. the specified purpose of processing, including a specified description of the goods, services, or uses enabled; and
3. a specific communication link for Data Principals to withdraw consent, exercise other rights or make a complaint to the Board, ensuring the ease of withdrawal is comparable to the ease with which consent was given.

### Business impact

Organisations will need to redesign consent flows and user interfaces to ensure consent is purpose-specific, informed with clear withdrawal pathways, or at the very least update their privacy policies to include the foregoing.

### Security safeguards and breach intimation

The DPDP Rules mandate enhanced security and stringent breach reporting protocols:

1. **Mandatory security measures:** Data Fiduciaries must implement minimum safeguards, including encryption, obfuscation, masking, or the use of

virtual tokens. This applies to all personal data held or controlled, including personal data processed by a Data Processor (entity processing personal data on behalf of the Data Fiduciary) (“**Data Processor**”).

2. **Contractual mandate:** Contracts with Data Processors must contain appropriate provisions for implementing these reasonable security safeguards.
3. **Time-bound breach reporting:** Upon becoming aware of a personal data breach, a Data Fiduciary must:
  - a) intimate and provide the Board a description of the personal data breach without delay, followed by a detailed report within 72 (seventy-two) hours; and
  - b) intimate each affected Data Principal without delay, providing a description of the breach, its consequences, and mitigation measures.

### Business impact

Companies will need to implement appropriate data security safeguards across all systems handling Indian personal data. Coupled with steep penalties of up to INR 200,00,00,000 (Indian Rupees two hundred crore) (~ USD 22,200,000 (US Dollars twenty-two million two hundred thousand) for reporting failures and the stringent ‘without delay’ notification requirement, organisations will likely need to operationalise a round-the-clock, India-aligned incident response function and incorporate strong, protective indemnity clauses in their Data Processor contracts to mitigate liability exposure.

### Data retention and erasure

The purpose of limitation principle, that personal data should only be kept as long as necessary for the specified purpose, is made quantifiable for certain large-scale Data Fiduciaries:

1. **Retention period for large fiduciaries:** E-commerce entities (with a minimum of 20,000,000

(twenty million) users), online gaming intermediaries (with a minimum of 5,000,000 (five million) users), and social media intermediaries (with a minimum of 20,000,000 (twenty million users) must erase personal data (with exceptions for user account access and virtual tokens) within 3 (three) years of the date, the Data Principal last approached the Data Fiduciary for the specified purpose, unless retention is mandated by law.

2. **Mandatory log retention:** Data Fiduciaries must retain associated traffic data and other processing logs for a minimum period of 1 (one) year for forensic and investigative purposes, after which they must be erased.
3. **Erasure notice:** Data Fiduciaries must notify Data Principals at least 48 (forty-eight) hours prior to the completion of the time period for erasure, allowing the Data Principal a chance to engage with the Data Fiduciary to preserve the personal data.

## Business impact

The DPDP Rules adopt a highly prescriptive approach to data retention, introducing a defined 3 (three) year deletion timeline for certain large digital platforms. This could require significant operational adjustments. Large e-commerce, gaming, and social media intermediaries will need to re-engineer data lifecycle practices, implement automated and auditable deletion workflows, and build mechanisms to track a Data Principal's 'last approach' date with precision.

## Key new regulatory mechanisms

### The Consent Manager framework

The Consent Manager framework is operationalised as a key intermediary to empower Data Principals:

1. **Registration criteria:** The stringent conditions ensure only trustworthy entities qualify. Requirements include: (a) incorporation in India; (b) minimum net worth of INR 2,00,00,000 (Indian Rupees two crore) (~ USD 200,000 (US Dollars two hundred thousand)); (c) demonstration of sufficient technical, operational, and financial capacity; and (d) certification that its platform is interoperable and adheres to data protection standards.
2. **Fiduciary capacity:** A Consent Manager must act in a fiduciary capacity toward the Data Principal.

3. **Obligations:** Consent Managers are prohibited from sub-contracting their obligations, must avoid conflicts of interest with Data Fiduciaries. Consent Managers must retain a record of consents, notices, and data sharing activities for at least 7 (seven) years. Critically, the Consent Manager cannot read the contents of the personal data being shared.

## Business impact

The Consent Manager construct, unique to the DPDP Act regime, creates a new consent orchestration layer. This introduces both compliance and architectural implications. Organisations may opt to build technical integrations with registered Consent Managers, redesign data-sharing workflows to route consent tokens through the Consent Manager ecosystem and accommodate 7 (seven) year retention requirements for consent records. Data Fiduciaries will need to establish robust governance and verification processes before relying on any Consent Manager. This necessity arises from the constraints on Consent Managers, which include inability to sub-contract, fiduciary duties towards Data Principals, and the imperative to remain conflict-free. Overall, the framework adds a significant new dependency for lawful, consent-driven processing and may materially influence product design, user experience, and backend data management practices.

## SDF additional obligations

The Central Government may notify Data Fiduciaries as SDFs based on criteria like the volume and sensitivity of personal data processed. Once notified, these entities face enhanced scrutiny:

1. **Mandatory annual assessment:** SDFs must conduct a Data Protection Impact Assessment ("DPIA") and an audit once every 12 (twelve) months.
2. **Algorithmic due diligence:** SDFs must exercise due diligence to verify that technical measures, including algorithmic software used for processing, do not pose a risk to Data Principals' rights.
3. **Data localisation restriction:** SDFs must undertake measures to ensure that certain personal data, when specified by the Central Government, is not transferred outside the territory of India. This potential restriction is

based on the recommendation of a government-constituted committee.

## Business impact

While the DPIA concept mirrors elements of the General Data Protection Regulation (“GDPR”) under European laws, the SDF designation introduces a far more intensive, India-specific compliance burden. Once classified as an SDF, an organisation needs to operationalise annual DPIAs and audits, implement ongoing algorithmic risk assessments, and prepare for the possibility of strict data-localisation obligations for categories of personal data that may be notified by the Government. At the moment, there is no clarity on what additional localisation obligations will be imposed. Notably, sectoral localisation obligations, such as payments data localisation, continue to apply

## International transfers and vulnerable data

### Cross-border data transfer

The DPDP Rules affirm the liberalised approach to personal data transfer:

1. personal data processed under the DPDP Act may be transferred outside the territory of India; and
2. this permission is subject to any restrictions that the Central Government may specify by general or special order concerning making personal data available to any foreign State or entity under its control. This maintains the ‘blacklist’ approach, providing operational ease until any prohibitive list is notified.

## Business impact

India’s continued use of a ‘blacklist’ model, where cross-border transfers are permitted unless a country or entity is specifically restricted, offers far greater operational flexibility than the GDPR’s adequacy and standard contractual clauses-based framework. For businesses, this could mean faster and lower-cost international data flows, with fewer contractual and assessment burdens, except in situations where additional localisation obligations are applicable to the data or entity in consideration.

## Processing of child data and person with disability data

1. **Verifiable consent:** Processing the personal data of a child (an individual under 18 (eighteen) years of age) or a person with a disability requires verifiable consent from the parent or lawful guardian.
2. **Verification:** Data Fiduciaries must adopt appropriate technical and organisational measures to verify that the individual claiming to be the parent is an identifiable adult. This verification is often by reference to reliable identity and age details or a virtual token issued by an authorised entity.
3. **Exemptions:** Limited exemptions from parental consent and protective duties are provided to certain classes of Data Fiduciaries (e.g., clinical establishments, educational institutions) for purposes such as providing health services or ensuring child safety and protection.

## Business impact

The DPDP Rules require platforms, handling child or disability-related personal data to implement reliable parental consent verification systems, adding technical and operational overhead. Product flows, especially for gaming, ed-tech, and social platforms, will need stronger age-gating, guardian consent paths, and restricted processing by default. Even with limited exemptions, most businesses must introduce special handling and governance controls for such personal data to remain compliant.

## Conclusion

The DPDP Rules operationalise India’s new data protection regime by introducing detailed, prescriptive requirements that will require significant operational, technical, and governance adjustments for organisations processing personal data in India.

While the staggered timelines offer some room for transition, businesses, especially large digital platforms and entities likely to be designated as SDFs, will need to begin alignment efforts well in advance of the 2027 compliance date. The DPDP Rules also create new ecosystem dependencies, such as the Consent Manager framework, and introduce India-specific

obligations around breach reporting, retention, and algorithmic due diligence. Overall, the DPDP framework represents a material shift toward structured and enforceable data governance, demanding early planning, cross-functional coordination, and sustained compliance readiness.

### India AI Governance Guidelines

MeitY released the comprehensive ‘India AI Governance Guidelines’ (“**Guidelines**”), establishing the foundational policy for the development and deployment of AI in India. Developed by a Drafting Committee (“**Committee**”) set up by MeitY in July 2025, the framework is a strategic, coordinated, and consensus-driven approach intended to balance rapid

AI innovation with accountability and safety. It is anchored in 7 (seven) core principles, or “*sutras*”, developed based on the FREE-AI Committee Report

issued by RBI. These *sutras* (explained below) establish an agile, balanced and pro-innovation philosophy that leverages existing statutes and sectoral regulators rather than proposing a new, all-encompassing AI law at this stage. The ultimate objective is to harness AI as a force multiplier in achieving the national aspiration of *Viksit Bharat* by 2047, ensuring its benefits are inclusive, safe, and globally competitive.

### Foundational principles: The 7 sutras

The governance philosophy is grounded in 7 (seven) guiding principles (*sutras*), adapted for cross-sectoral applicability:

Sutra	Core mandate	Legal and corporate relevance
<b>Trust is the foundation</b>	Essential for innovation and adoption at scale.	Underpins the need for strong safety and transparency measures.
<b>People first</b>	Human-centric design, oversight, and empowerment.	Requires human-in-the-loop mechanisms at critical decision points.
<b>Innovation over restraint</b>	Responsible innovation is prioritised over cautionary restraint.	Sets the permissive, non-restrictive tone of the framework.
<b>Fairness and equity</b>	Promote inclusive development and avoid discrimination.	Requires bias detection, fairness testing, and culturally representative datasets.
<b>Accountability</b>	Clear allocation of responsibility and enforcement of regulations.	Central to establishing the graded liability system.
<b>Understandable by design</b>	Provide disclosures and explanations to users and regulators.	Mandates transparency frameworks and explainability.
<b>Safety, resilience, and sustainability</b>	Safe, secure systems that are robust and environmentally sustainable.	Encourages resource-efficient, lightweight models and robust system design.

## The policy architecture: Pillars of governance

The Committee’s recommendations span across the following 3 (three) domains:

- 1. Enablement (infrastructure and capacity building):** Focuses on expanding access to foundational resources, driving skill development, and integrating AI with digital public infrastructure for scale and inclusion.
- 2. Regulation (policy and risk mitigation):** The strategy favors relying upon existing laws over creating a new AI Act at this stage. It emphasises developing an India-specific risk assessment framework based on empirical evidence of harm.
- 3. Oversight (accountability and institutions):** Requires organisations to adopt a graded liability system proportionate to function and risk, and the role of various actors in the AI-chain and their respective compliance with law.

## Mandatory and voluntary risk mitigation

Compliance will be a dual effort of mandatory legal adherence and voluntary transparency.

- 1. Content authentication (deepfakes):** Given the acute threat of deepfakes, the industry is directed to explore techno-legal solutions like watermarks and unique identifiers, aligning with global standards (e.g., C2PA), to authenticate AI-generated content and establish provenance.
- 2. Data protection:** The forthcoming implementation of the DPDP Act should resolve key AI-related issues, such as exemptions for training models on publicly available data and the compatibility of consent and purpose limitation principles with modern AI workflows.
- 3. Copyright:** The Committee suggests that the dedicated DPIIT-committee on AI and copyright consider a Text and Data Mining exception to copyright law, to enable large-scale innovative model training while protecting content creators.
- 4. Transparency and auditing:** Firms need to publish transparency reports (which may be shared confidentially with regulators, if sensitive) and establish effective, multi-lingual grievance redressal mechanisms. The Guidelines also encourage algorithmic auditing and self-certifications as accountability mechanisms.

## The institutional architecture for oversight

The framework mandates a ‘whole-of-Government’ institutional approach, which includes:

Institution	Role and function	Corporate interface
<b>AI Governance Group (“AIGG”)</b>	<b>High-level coordination:</b> Permanent inter-agency body chaired by the principal scientific adviser to coordinate policy across all ministries and regulators.	Sets the strategic direction; oversees cross-sectoral governance issues.
<b>Technology and policy expert committee</b>	<b>Advisory body:</b> Provides expert inputs on frontier technologies, emerging risks, and global policy to the AIGG.	Technical input into policy development (e.g., risk classification, legal amendments).
<b>AI safety institute</b>	<b>Technical validation:</b> Conducts research, risk assessment, safety testing, and develops draft standards.	Source of technical guidance, standards, and safety tools for the industry.
<b>Sectoral regulators</b>	<b>Domain enforcement:</b> Agencies like RBI, SEBI, the Insurance Regulatory and Development Authority of India, and the Indian Council of Medical Research retain the lead role in issuing sector-specific rules, providing guidance, and enforcing applicable laws.	Direct regulatory and compliance relationship for domain-specific AI applications.

## Conclusion

The Guidelines signal a clear direction, that corporate India must immediately focus on embedding the 7 (seven) *sutras* into their AI lifecycle management, prioritise transparency, and prepare for differentiated

accountability enforced by their respective sectoral regulators. The flexibility offered through these Guidelines is a strategic window for responsible self-regulation before mandatory, binding rules are introduced



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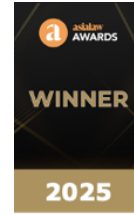
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