Compliance Matters

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INDIA REGULATORY ROUND UP

Monthly Newsletter from Compliance Matters

"Risk management and governance cannot be a back-office function. They are central to strategy. Senior management and Boards have to ask themselves not only "What is our return on capital" but also "What risk culture are we building"

- Shri Swaminathan J Deputy Governor, Reserve Bank of India

Reserve Bank of India (Trade Relief Measures) Directions, 2025

The RBI (Trade Relief Measures) Directions, 2025 provide temporary support to borrowers engaged in exports, affected by global trade disruptions and to ensure continuity of viable businesses. Eligible borrowers whose accounts with all REs were classified as Standard export credit as of August 31, 2025 can receive a moratorium on loan instalments and deferment of cash credit/ overdraft ("CC/ OD") interest falling due between September 1 to December 31 2025, with simple interest and an option to convert accrued interest into a funded term loan repayable not later than September 2026. Regulated Entities (REs) may also relax drawing power and extend export credit tenor up to 450 days. These reliefs will not be treated as restructuring, and asset classification will exclude the moratorium period. A 5% general provision is required on eligible accounts. REs must maintain MIS on the reliefs provided borrower wise and and credit facility wise and submit fortnightly reports on DAKSH platform

Foreign Exchange Management (Export of Goods and Services) (Second Amendment) Regulations, 2025

The RBI has amended the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015 to extend key timelines for exporters. The amendment increases the period for realisation and repatriation of export proceeds from nine months to fifteen months. Further, It has been decided to extend the time limit for exporters to pursue recovery of outstanding export dues from one year to three years,

Consolidation of Regulations – Withdrawal of circulars

In a significant move to rationalise and weed out obsolete, overlapping circulars, RBI has withdrawn 9,445 circulars and released 244 consolidated Master Directions issued by the Department of Regulation. These Master Directions merge all relevant and active instructions from Department of Regulation (DoR) and the departments that were earlier merged into it. As a result, the corresponding circulars have been repealed with immediate effect. However, any actions already taken or initiated under the withdrawn circulars will remain valid and continue to be governed by the earlier provisions.

Compliance with Know Your Customer (KYC) norms | Compliance with Know Your Customer (KYC) norms

RBI has revised KYC compliance requirements by aligning all Authorised Persons (APs), with the entity specific 2025 KYC frameworks newly issued by the Department of Regulation(DoR). APs regulated by the Department of Regulation must now follow the updated KYC directions as applicable to them, while APs not regulated by DoR will comply with the RBI (NBFC–KYC) Directions, 2025; APs must also ensure full adherence by their agents, sub-agents, and franchisees.
Simultaneously, RBI has repealed the 2016 KYC Master Direction. All reference to this Master direction in KYC instructions issued to Payment System Providers and Payment System Participants will be read as with reference to the Reserve Bank of India (Commercial Banks – Know Your Customer) Directions, 2025. All linked circulars ,related definitions and processes, including OVD, CKYCR, digital KYC, and V-CIP, have been updated to align with the new Directions . The updated KYC framework is effective immediately, and entities must disseminate and implement the revised norms across their operations.

Amendments to Directions - Compounding of Contraventions under FEMA, 1999

The RBI has issued amendments to the Master Directions on Compounding of Contraventions under FEMA, 1999 to streamline the process of receiving the compounding application fee and compounding amount. The circular updates the designated bank account details for payments made through NEFT and RTGS, and Annexure I of the Master Directions has been revised accordingly. All Authorised Persons are required to inform their clients and constituents of these changes.

[Timeline for submission of information by the Issuer to the Debenture Trustee(s)]

SEBI has prescribed timelines for issuers to submit key reports and certificates to Debenture Trustees to strengthen ongoing monitoring of listed debt securities. These include quarterly Security Cover Certificates, half-yearly statements on pledged securities/DSRA and guarantor net worth, annual financials of corporate guarantors, and triennial valuation and title search reports. The requirements apply from the quarter ending December 31, 2025.

[Modifications to Chapter IV of the Master Circular for Debenture Trustees dated August 13, 2025]

SEBI has modified the Master Circular for Debenture Trustees to clearly define permitted uses of the Recovery Expense Fund (REF), enabling quicker enforcement actions in case of default. Specified activities may be undertaken without prior debenture holder consent (subject to disclosure), while unlisted uses require prior approval. The revised framework also prescribes procedures for release of REF funds by stock exchanges and mandates maintenance of accounts and annual disclosure to debenture holders.

[Specification of the terms and conditions for Debenture Trustees for carrying out activities outside the purview of SEBI]

SEBI has introduced Regulation 9C requiring Debenture Trustees to undertake non-SEBI-regulated activities only through Separate Business Units (SBUs), with strict Chinese Wall separation, independent staffing, records, disclosures, and grievance mechanisms. DTs must disclose that SEBI investor protections do not apply to such activities, obtain stakeholder confirmation, and align with other regulatory frameworks where applicable. Existing arrangements must comply within six months.

[Additional incentives to distributors for onboarding new individual investors from B-30 cities and women investors]

SEBI has revised the incentive framework for mutual fund distributors to promote investor outreach and awareness, particularly in B-30 cities and among women investors. Distributors will receive additional commissions for onboarding new eligible investors, funded from the investor education allocation, and paid over and above regular trail commissions. Certain schemes, including ETFs and short-duration schemes, are excluded. The framework is effective from February 1, 2026.

[Reclassification of Real Estate Investment Trusts (REITs) as equity related instruments for facilitating enhanced participation by Mutual Funds and Specialized Investment Funds (SIFs)]

SEBI has reclassified REITs as equity-related instruments effective January 1, 2026, enabling greater participation by Mutual Funds and Specialized Investment Funds. Existing REIT holdings in debt schemes as of December 31, 2025 will be grandfathered, InvITs will continue to be treated as hybrid instruments, and AMCs must update scheme documents through an addendum. REITs may be included in equity indices only after July 1, 2026.

Penalty corner

Imposed a monetary penalty of ₹10,000/- on **Viva Home Finance Limited**, Palghar, Maharashtra for non-compliance with certain directions issued by RBI on 'Non-banking Financial Company - Housing Finance Company (Reserve Bank) Directions, 2021'. The company had failed to obtain prior written permission of RBI for the appointment of a Whole-time Director, resulting in change of more than 30% of the Directors excluding Independent Directors of the company.

Imposed a monetary penalty of ₹39.60 lakh on **Tamilnad Mercantile Bank Limited** for contravention of provisions of section 10A of Payment and Settlement Systems Act, 2007 (PSS Act) and section 26A of the Banking Regulation Act, 1949 (BR Act). The Bank:
- Had indirectly imposed charges on Basic Savings Bank Deposit (BSBD) account holders for making payment using Unified Payments Interface (UPI); and
- Had not transferred eligible amounts to the Depositor Education and Awareness Fund within the prescribed period.

Imposed a monetary penalty of ₹4.00 lakh on **Glowmore Finance Private Limited**, Odisha for non-compliance with certain provisions of the ' Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023' issued by RBI. The company had failed to obtain prior written permission of the RBI for effecting change in management, resulting in change of more than 30 per cent of its directors, excluding independent directors.

Imposed a monetary penalty of ₹91.00 lakh on **HDFC Bank** Limited for contravention of provisions of section 19 (1)(a) read with section 6(1) of the Banking Regulation Act, 1949 (BR Act) and non-compliance with certain directions issued by RBI on 'Interest Rate on Advances', 'Guidelines on Managing Risks and Code of Conduct in Outsourcing of Financial Services by banks' and 'Know Your Customer (KYC)'.
- The bank had adopted multiple benchmarks within the same loan category;
- A wholly owned subsidiary of the bank undertook business which is not a permissible business that can be undertaken by a banking company under Section 6 of the BR Act; and
- The bank had outsourced the function of determining compliance with KYC norms of certain customers to its outsourcing agents.

Imposed a monetary penalty of ₹3.10 lakh on **Mannakrishna Investments Private Limited** for non-compliance with certain provisions of the 'Master Direction – Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023' issued by RBI, relating to 'Governance Issues'. The company had failed to take prior written permission of the RBI while appointing a director resulting in change in management on account of change in more than 30 per cent of its directors, excluding independent directors.

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

SEBI has amended the Mutual Fund Regulations to formally incorporate REIT units within mutual fund investment norms. Key changes include enhancement of certain investment limits from 95% to 97%, introduction of exposure limits for Specialized Investment Funds in REITs, alignment of terminology by replacing "company" with "entity," and removal of redundant REIT-related provisions. The amendments aim to streamline regulations and align REIT investments with existing mutual fund frameworks.

Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2025

SEBI has revised anchor investor allocation norms in public issues by standardizing the number and minimum allotment size of anchor investors based on issue size. The amendments reserve 40% of the anchor portion, with defined sub-allocations for domestic mutual funds and insurance/pension funds, and allow reallocation of any under-subscribed portion. These changes seek to ensure broader institutional participation and bring consistency to anchor investor allocations.

Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2025

SEBI has notified amendments to the LODR Regulations to strengthen corporate governance and investor protection. Key changes include expansion of the scope of Related Party Transactions, revised materiality thresholds, clearer audit committee approval requirements for subsidiary transactions, and enhanced timelines and modalities for disclosures and annual reports. Certain provisions take effect 30 days from Gazette publication.

Securities and Exchange Board of India (Alternative Investment Funds) (Third Amendment) Regulations, 2025

SEBI has introduced the concept of "Accredited Investors Only Fund," permitting AIFs or schemes exclusively for accredited investors (other than managers, sponsors, or employees/directors). The amendments reduce minimum investor thresholds, exempt such funds from certain regulatory requirements, and clarify that trustee responsibilities will lie with the fund manager. Existing AIFs may convert subject to Board approval. Effective from the date of Gazette notification.

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

SEBI has amended the Investment Adviser Regulations by updating eligibility and certification requirements, expanding coverage to persons associated with investment advice, and revising educational and NISM certification norms. Advisers exceeding specified client or fee thresholds must transition to non-individual advisers within prescribed timelines. Reporting forms and infrastructure declarations have also been updated.

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

SEBI has revised the Research Analyst Regulations to update qualification, certification, and reporting requirements. The amendments extend eligibility norms to persons associated with research services, require fresh NISM certification within three years or before expiry, and update registration disclosures to include compliance and principal officer details along with infrastructure declarations.

Securities and Exchange Board of India (Informal Guidance) Scheme, 2025

SEBI has replaced the 2003 Informal Guidance Scheme with the SEBI (Informal Guidance) Scheme, 2025, effective December 1, 2025. The new scheme expands eligibility to include stock exchanges, clearing corporations, depositories, and Managers of Pooled Investment Vehicles, introduces a nodal cell to streamline application processing, and requires applications to be submitted in the prescribed format via email along with the revised fee through SEBI's payment module.

Consultation paper on Amendments to SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007

SEBI has proposed updates to the CAPSM framework by expanding the definition of "Associated Persons," introducing long-term NISM courses as an additional certification pathway, and permitting online Continuing Professional Education (CPE). Existing exemptions are proposed to be replaced with a single eligibility criterion of minimum 50 years of age and 10 years of relevant experience. Public comments were invited until November 27, 2025.

Consultation on draft circular - Clarifications and specific modalities with respect to maintaining pro-rata rights of investors of AIFs

SEBI has issued a draft circular providing detailed modalities for maintaining pro-rata rights of investors in AIFs, including guidance on the use of commitments and undrawn commitments for drawdowns, disclosure requirements in the PPM, and conditions to avoid disproportionate exposure. The draft also clarifies exclusions for open-ended Category III AIFs (except where investments are primarily in unlisted securities), exempts carried interest from pro-rata distribution, and mandates recording investor commitments in INR. Public comments are invited until November 28, 2025.

Consultation Paper on amendments to SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, with the objective of enhancing ease of doing business and increasing the participation of retail investors in public issue

SEBI has proposed amendments to ease compliance and enhance retail investor participation by allowing pledged shares to be marked as non-transferable where lock-in creation is not feasible and by simplifying disclosure requirements. Key proposals include introducing a standardized Offer Document Summary to replace the abridged prospectus and reducing documentation burden while improving investor comprehension. Public comments are invited until December 4, 2025.

Ease of investments and ease of doing business measures - Review of the Facility for Basic Services Demat Account (BSDA) for Financial Inclusion.

SEBI has proposed amendments to enhance ease of investment and operational efficiency under the BSDA framework, including exclusion of ZCZP bonds from eligibility calculation, revised treatment of delisted and illiquid securities, quarterly reassessment of BSDA eligibility, and flexible consent mechanisms for opting out of BSDA. These measures aim to promote financial inclusion and investor convenience. Public comments are invited until December 15, 2025.

Ease of doing investment - Review of simplification of procedure and standardization of formats of documents for issuance of duplicate securities certificates

SEBI has proposed measures to simplify and standardize the issuance of duplicate securities certificates by increasing the threshold for simplified documentation from ₹5 lakh to ₹10 lakh and permitting a single Affidavit-cum-Indemnity bond (with stamp duty as per the investor's state of residence). For securities exceeding ₹10 lakh, existing requirements such as FIR/e-FIR, court documents, and newspaper advertisement will continue. The proposals aim to reduce procedural burden, enhance investor convenience, and encourage dematerialization. Public comments are invited until December 16, 2025.

Consultation Paper on amendments to SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, with the objective of enhancing ease of doing business and increasing the participation of retail investors in public issue

SEBI has proposed amendments to ease compliance and enhance retail investor participation by allowing pledged shares to be marked as non-transferable where lock-in creation is not feasible and by simplifying disclosure requirements. Key proposals include introducing a standardized Offer Document Summary to replace the abridged prospectus and reducing documentation burden while improving investor comprehension. Public comments are invited until December 4, 2025.

Consultation Paper on draft circular- Disclosure of registered name and registration number by SEBI regulated entities and their agents on Social Media Platforms.

SEBI has issued a draft circular proposing enhanced transparency and investor-protection norms for social media use by regulated entities and their agents. The draft requires mandatory disclosure of the entity's registered name and SEBI registration number on social media accounts and content, prohibits misleading or exaggerated claims, assured return promises, performance references, and misuse of SEBI's identity, and mandates compliance with Advertisement Codes for promotional content. Public comments are invited until December 19, 2025.

Extension of timeline for submission of public comments on the consultation paper on 'Comprehensive review of SEBI (Mutual Funds) regulations, 1996'

SEBI has extended the deadline for submitting public comments on its consultation paper on a comprehensive review of the SEBI (Mutual Funds) Regulations, 1996, from November 17, 2025, to November 24, 2025, following industry representations.