Compliance Matters

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INDIA REGULATORY ROUND UP

Monthly Newsletter from Compliance Matters

"Generative AI removes traditional human guardrails from decision-making processes. This will require Regulated Entities to embed strong ethical frameworks and accountability mechanisms into their AI governance structures, ensuring human oversight remains meaningful even when automated systems operate with greater autonomy"

- Ms. Suzanne Smith, APRA Member

Continuous Clearing and Settlement on Realisation in Cheque Truncation System: Phase 2

RBI has issued a partial modification to its August 13, 2025 circular on the introduction of Continuous Clearing and Settlement on Realisation (CCSR) in the Cheque Truncation System. While Phase 1 was implemented on October 4, 2025, the implementation of Phase 2 has been postponed until further notice to provide banks additional time to streamline their operational processes. Further, the timings have been revised, with the presentation session now scheduled from 9:00 AM to 3:00 PM and the confirmation session from 9:00 AM to 7:00 PM.

Foreign Exchange Management (Export and Import of Currency) (Amendment) Regulations, 2025 | Export and Import of Indian Currency to or from Nepal and Bhutan

RBI has revised the rules for carrying Indian currency to and from Nepal and Bhutan. Individuals (except citizens of Pakistan and Bangladesh) may now freely take or bring back any amount of Indian currency in denominations up to ₹100. They may also carry or bring higher denomination notes (above ₹100) up to a limit of ₹25,000 when travelling to or from Nepal and Bhutan. Necessary amendment to Regulation 8 has been notified as Foreign Exchange Management (Export and import of Currency) (Amendment) Regulations, 2025; published in the Official Gazette on December 02, 2025. Authorised persons are required to inform their customers accordingly.

Penal Interest on shortfall in CRR and SLR requirements - Change in Bank Rate | Standing Liquidity Facility for Primary Dealers | Liquidity Adjustment Facility - Change in rates

As per the Monetary Policy Statement 2025–26 dated December 05, 2025, the Reserve Bank of India has reduced the Bank Rate from 5.75% to 5.50% and the policy repo rate by 25 bps from 5.50% to 5.25% with immediate effect. Consequently, penal interest rates for CRR and SLR shortfalls have been revised to Bank Rate + 3% (8.50%) or Bank Rate + 5% (10.50%), depending on the duration of the shortfall. The Standing Liquidity Facility (SLF) for Primary Dealers will now be available at the revised repo rate of 5.25%. Further, under the Liquidity Adjustment Facility (LAF), the Standing Deposit Facility (SDF) rate has been revised to 5.00% and the Marginal Standing Facility (MSF) rate to 5.50%, while all other terms and conditions of the existing framework remain unchanged.

Liberalised Remittance Scheme (LRS)- Submission of 'LRS Daily Return' by Authorised Dealers-Category -II banks/ entities and Full-Fledged Money Changers

RBI has extended the requirement to submit the LRS Daily Return to AD Category-II banks/entities and FFMCs, who will now directly file this return on the CIMS portal from January 1, 2026, including nil reports. This allows them to check the PAN-wise cumulative LRS usage during the financial year before processing new remittances. All authorised persons must follow the CIMS User Manual, and newly onboarded entities may seek assistance from RBI's regional offices.

Clarification on the Digital Accessibility circulars of SEBI

- SEBI clarifies that "Investors' Right to Digital Accessibility" will be part of Investor Charters.
- REs no longer need to appoint accessibility auditors by Dec 14, 2025; must submit status report on digital accessibility by Mar 31, 2026 to SEBI in the prescribed format.
- "Accessibility" complaint category added on SCORES; REs must resolve complaints and conduct periodic accessibility audits of websites, apps, and portals.

Status: Clarification issued; compliance by March 31, 2026.

SEBI | Modalities for migration to AI only schemes and relaxation to Large Value Funds for Accredited Investors under SEBI (Alternative Investment Funds) Regulations, 2012

1. SEBI has issued a circular prescribing modalities for migration to Accredited Investor (AI)-only schemes and granting further relaxations to Large Value Funds (LVFs) under the AIF Regulations,

following amendments notified on November 19, 2025. Existing AIF schemes may convert to AI-only or LVF schemes with positive consent of all investors and compliance with specified conditions. Converted schemes must update their names, and report the conversion to SEBI and depositories within 15 days.

2. Investors qualifying as Accredited Investors at onboarding will retain AI status throughout the scheme's life. AI-only schemes may avail a maximum tenure extension of five years. LVFs are exempted from the standard PPM template and annual PPM audit without investor waivers.

SEBI | Relaxation on geo tagging requirement in India for NRIs while undertaking re-KYC

SEBI has relaxed the geo-tagging requirement for Non-Resident Indians (NRIs) while undertaking re-KYC to ease digital compliance. The requirement that a client's physical location must be in India during digital due diligence has been waived for existing NRI clients undergoing re-KYC. However, the intermediary's app must capture GPS coordinates, ensure they match the country in the Proof of Address, enable live/random client interaction, apply timestamping, and block spoofed IP addresses.

SEBI | Deferment of timeline for implementation of Phase III of Nomination Circular dated January 10, 2025 read with Circular dated February 28, 2025 and July 30, 2025

Phase III of SEBI's nomination facility revamp (Jan 10, 2025) is further deferred beyond Dec 15, 2025; new date to be notified.

SEBI | Provisions relating to Strengthening Governance of Market Infrastructure Institutions (MIIs)

SEBI's circular dated November 21, 2025, mandates a strengthened governance framework for Market Infrastructure Institutions (MIIs), including stock exchanges, clearing corporations, and depositories. A key highlight is the mandatory appointment of Executive Directors (EDs) for two specific verticals: Critical Operations (Vertical 1) and Regulatory & Compliance (Vertical 2). These EDs will serve on the Governing Board and must be selected through open advertisements. The reporting structure is redesigned to ensure independence; while EDs report to the Managing Director, they must also have direct, separate quarterly meetings with statutory committees (like SCOT and ROC) without the MD's presence. Key personnel like the CTO and CISO will now report to the ED of Vertical 1, while the Compliance Officer reports to Vertical 2. Additionally, the Chief Risk Officer (CRiO) will now oversee technology and cyber security audits. Implementation follows a glide path, with ED appointments required within 6 to 9 months.

SEBI | Mandating periodic disclosure requirements-Securitised Debt Instruments (SDIs)

Trustees of Securitised Debt Instruments (SDIs) must submit half-yearly disclosures under Regulation 11B to SEBI and the listed stock exchange within 30 days from March and September, in prescribed formats (Annexure I & II).

Penalty corner

• Bank

Imposed a monetary penalty of ₹61.95 lakh on **Kotak Mahindra Bank Limited** for non-compliance with certain directions issued by RBI on 'Access to Banking Services - Basic Savings Bank Deposit Account' and 'Scope of activities to be undertaken of Business Correspondents (BCs)' and contravention of provisions of Credit Information Companies Rules, 2006 (CIC Rules). The bank:

i. opened another BSBD account of certain customers who were already holding BSBD account in the bank;

ii. entered into an arrangement with BCs for undertaking activities, which are not covered within the scope of activities that can be undertaken by BCs; and

iii. furnished inaccurate information, in respect of certain borrowers, to Credit Information Companies (CICs).

Imposed a monetary penalty of ₹99.30 lakh on **Jammu and Kashmir Bank Limited** for contravention of the provisions of section 26A of the Banking Regulation Act, 1949 (BR Act) and non-compliance with certain directions issued by RBI on 'Internal Ombudsman Scheme 2018', 'Customer Service in Banks', and 'Know Your Customer (KYC) Directions'. the bank:

i. did not escalate certain complaints that were partly / wholly rejected by its internal grievance mechanism to the Internal Ombudsman for a final decision ;

ii. did not send final letters to its customers regarding redressal of their complaints and thereby failed to ensure that customers were made aware of their rights to approach Banking Ombudsman in case they were not satisfied with the bank's response;

iii. did not transfer eligible amount in certain accounts to Depositor Education and Awareness (DEA) Fund within the stipulated period; and

iv. did not have a face matching technology in Video-based Customer Identification Process (V-CIP) and also failed to confirm the economic and financial profile/information submitted by the customer during the V-CIP.

• NBFC

Imposed a monetary penalty of ₹ 2.40 lakh on **Valuecorp Securities & Finance Limited**, for non-compliance with certain directions issued by RBI on 'Submission of data to Credit Information Companies', 'Transfer of Loan Exposure' and 'Know Your Customer (KYC)'. The company had:

i. failed to submit credit information of its customers to any of the Credit Information Companies (CICs);

ii. transferred a loan exposure to other than a permitted entity;

iii. failed to assign Unique Customer Identification Code (UCIC) to its customers;

iv. failed to carry out risk categorisation of its customers.

Imposed a monetary penalty of ₹6.20 lakh on **Bansal Credits Limited** or non-compliance with certain provisions of the 'Reserve Bank of India (Know Your Customer (KYC)) Directions' issued by RBI. the Company:

i. failed to put in place any system for throwing alerts for effective identification, monitoring and reporting of suspicious transactions; and

ii. failed to upload the customers' KYC records onto Central KYC Records Registry.

[SEBI | Modification in the conditions specified for reduction in denomination of debt securities]

SEBI has amended the NCS Master Circular (Oct 15, 2025) to permit issuance of privately placed debt securities and NCRPS at a reduced face value of ₹10,000, including zero-coupon securities with fixed maturity and no structured obligations; applicable to new issuances from the circular date.

[SEBI | Ease of investments and ease of doing business measures – enhancing the 'Facility for Basic Services Demat Account (BSDA)']

SEBI has enhanced the BSDA framework by excluding ZCZP bonds and delisted securities from value threshold calculations and valuing illiquid securities at last closing price. DPs must quarterly reassess BSDA eligibility and obtain active investor consent to retain regular demat accounts; eligible accounts to be converted to BSDA otherwise. Changes replace parts of the June 28, 2024 circular and are effective from March 31, 2026.

[SEBI | Ease of doing investment - Review of simplification of procedure and standardization of formats of documents for issuance of duplicate certificates]

SEBI has simplified the process for issuing duplicate securities certificates, raising the threshold for simplified documentation from ₹5 lakh to ₹10 lakh. A standard Affidavit-cum-Indemnity bond is prescribed; notarisation is waived for securities up to ₹10,000, and minimal documentation applies up to ₹10 lakh. For securities exceeding ₹10 lakh, additional safeguards such as FIR/court records and newspaper advertisement are required. All duplicate securities will be issued only in demat form, promoting further dematerialisation.

[SEBI | Certification requirement for Compliance Officers of Managers of AIFs]

SEBI has mandated that Compliance Officers of AIF Managers must obtain the NISM Series III-C: Securities Intermediaries Compliance (Fund) Certification to ensure regulatory competence. The requirement must be complied with by January 1, 2027; only certified individuals may be appointed or continue in the role thereafter. AIF Managers must confirm certification status in their Compliance Test Report as part of ongoing regulatory filings. While effective immediately, the circular provides a grace period for existing officers, aiming to standardise compliance practices and strengthen investor protection.

[Securities and Exchange Board of India (Foreign Portfolio Investors) (Second Amendment) Regulations, 2025]

SEBI's Foreign Portfolio Investors (Second Amendment) Regulations, 2025 introduce the SWAGAT-FI framework for trusted foreign investors such as government-related investors and public retail funds. The amendments provide flexibility in eligibility, structure, and fee payment, with 10-year advance registration fees, and take effect immediately or after 180 days, as specified.

Imposed a monetary penalty of ₹3.10 lakh on **Keertana Finserv Limited** (formerly known as Keertana Finserv Private Limited) for non-compliance with certain directions issued by RBI on '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.

Imposed a monetary penalty of ₹3,10 lakhs on **Truhome Finance Limited** (formerly known as Shriram Housing Finance Limited) for non-compliance with certain provisions of the Reserve Bank of India (Know Your Customer (KYC)) Directions issued by RBI. The company failed to obtain Permanent Account Number (PAN) or equivalent e-document thereof or Form No. 60 in certain loan accounts.

[Securities and Exchange Board of India (Foreign Venture Capital Investors) (Amendment) Regulations, 2025]

SEBI's Foreign Venture Capital Investors (Amendment) Regulations, 2025 align the FVCI framework with the SWAGAT-FI regime, easing registration and investment restrictions. SWAGAT-FIs receive exemptions from sectoral limits and certain applicability conditions, along with a 10-year advance renewal fee structure, effective 180 days from Gazette publication.

[Securities and Exchange Board of India (Share Based Employee Benefits and Sweat Equity) (Second Amendment) Regulations, 2025]

SEBI's SBEB & Sweat Equity (Second Amendment) Regulations, 2025 require valuations to be done by an independent registered valuer in line with the Companies Act, with a nine-month transition for existing merchant banker assignments.

[Securities and Exchange Board of India (Merchant Bankers) (Amendment) Regulations, 2025]

SEBI has comprehensively amended the Merchant Bankers Regulations, 1992 to strengthen eligibility, governance, financial soundness and operational discipline. Key changes include higher capital and liquid net worth requirements, mandatory certifications for key personnel and compliance officers, prohibition on outsourcing core activities, and clearer permitted activity boundaries with net worth ring-fencing. The amendments tighten conflict-of-interest norms, underwriting limits, data localisation and record-keeping, enhance reporting and revenue requirements, and empower SEBI to issue clarifications for implementation.

[Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2025]

SEBI has amended the SAST Regulations, 2011 to align valuation norms with the Companies Act, 2013, requiring share valuations for open offers to be conducted by an independent registered valuer under section 247. SEBI may also direct such valuation at the acquirer's cost, while allowing existing valuers to complete ongoing assignments within a nine-month transition period.

[Securities and Exchange Board of India (Intermediaries) (Third Amendment) Regulations, 2025]

SEBI has amended the SEBI (Intermediaries) Regulations, 2008 to strengthen compliance and eligibility norms for intermediaries. The amendment empowers SEBI to take action against intermediaries that fail to meet minimum net worth or liquid net worth requirements, minimum revenue generation criteria from permitted activities (subject to specified exemptions), or transfer specified activities to a separate business unit, as required by the Board.

Securities and Exchange Board of India (Substitution of Registered Post with Speed Post) (Amendment) Regulations, 2025

SEBI has replaced "Registered Post" with "Speed Post with Registration" (and Acknowledgment Due where applicable) across the CIS, PFUTP, Intermediaries and ICDR Regulations to modernise and standardise regulatory communications.

Securities and Exchange Board of India (Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market) Regulations, 2003 [Last amended on December 05, 2025]

The SEBI (PFUTP) Regulations, 2003 prohibit fraudulent, manipulative and unfair practices in the securities market and empower SEBI to investigate and take enforcement action. Amendments up to December 5, 2025 strengthen oversight to address evolving market practices.

Securities and Exchange Board of India (Collective Investment Scheme) Regulations, 1999 [Last amended on December 05, 2025]

The SEBI (Collective Investment Scheme) Regulations, 1999 regulate CIS to protect investors and ensure orderly operation of pooled investment schemes. They require CIS to be launched only by SEBI-registered CIMCs, with mandatory trusteeship, disclosures, audits, and prohibition on guaranteed returns. Amended up to December 5, 2025, the framework strengthens transparency, compliance, and SEBI's enforcement and winding-up powers.

Securities and Exchange Board of India (Infrastructure Investment Trusts) (Fourth Amendment) Regulations, 2025 dated December 11, 2025 | Securities and Exchange Board of India (Real Estate Investment Trusts) (Third Amendment) Regulations, 2025 dated December 11, 2025

SEBI has amended the InvITs and REITs Regulations to refine and expand investor definitions and eligibility criteria. The amendments align the definition of Qualified Institutional Buyer (QIB) with the SEBI (ICDR) Regulations, 2018, and broaden participation by including family trusts and SEBI-registered intermediaries with a net worth exceeding ₹500 crore. A revised definition of institutional investor is introduced under the REIT framework. The scope of strategic investors is expanded across both regimes to include institutional investors, FPIs, specified NBFCs, and other entities notified by SEBI, subject to prescribed minimum investment thresholds, FEMA compliance, and other applicable regulatory requirements.

Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 2025

SEBI has notified the RTA Regulations, 2025, consolidating and strengthening the regulatory framework for Registrars to an Issue and Share Transfer Agents. The regulations revise eligibility and registration norms, capital adequacy and net worth requirements, and introduce enhanced governance, compliance, and accountability standards, including for compliance officers. They also lay down clearer norms on outsourcing, segregation of activities, data protection and record retention, and investor grievance redressal, while aligning RTA operations with evolving digital market practices. The framework empowers SEBI to take proportionate enforcement action for non-compliance, with the objective of improving operational resilience, investor protection, and market integrity.

India: Financial Sector Assessment Program, 2024

The IMF–World Bank India FSAP 2024 notes that India's financial system has become more resilient, diversified, and inclusive since 2017, supported by regulatory reforms, digital public infrastructure, and improved credit and market frameworks. The assessment recognises stronger supervision across banks, NBFCs, securities markets, and insurance, along with growth in capital markets and MSME financing. It recommends further reforms to strengthen risk management, mobilise private capital, deepen climate finance, enhance conduct supervision, and improve MSME credit data, broadly aligning with India's ongoing reform agenda.

Shri Sandip Pradhan takes charge as Whole Time Member, SEBI

Shri Sandip Pradhan has assumed charge as Whole Time Member (WTM) of SEBI. He will oversee the Market Intermediaries Regulation and Supervision Department, Alternative Investment Funds and Foreign Portfolio Investors Department, Information Technology Department, Office of Investor Assistance and Education, and the National Institute of Securities Market (NISM).

SEBI Board Meeting

The 212th meeting of the SEBI Board held on December 17, 2025 approved several regulatory reforms to simplify compliance, modernise regulations, and strengthen investor protection. Key decisions included replacing the SEBI (Stock Brokers) Regulations, 1992 with updated 2025 regulations and approving a comprehensive revamp of the SEBI (Mutual Funds) Regulations through the new 2026 framework. The Board also approved amendments to ICDR, LODR and NCS Regulations, relaxed norms for High-Value Debt Listed Entities, and measures relating to credit rating agencies and unclaimed amounts. Overall, the decisions aim to enhance transparency, ease of doing business, and market efficiency.

Consultation Paper on Review of existing position limits for Trading Members in Equity Derivatives Segment

SEBI proposes shifting Trading Member position limits from a notional value framework to a Future Equivalent (delta-based) methodology. For index options, limits are proposed at 15% of market-wide FutEq open interest or slab-based absolute limits (₹2,000–₹12,000 crore). Exchanges will provide daily and intraday delta data to support real-time compliance. Trading Members may need to recalibrate risk management systems and position monitoring processes to align with delta-based limits if the proposals are finalised.

Consultation Paper on Review of Master Circular for Foreign Portfolio Investors (FPIs) and Designated Depository Participants (DDPs)

SEBI has issued a consultation paper proposing a comprehensive revision of the Master Circular for Foreign Portfolio Investors (FPIs) and Designated Depository Participants (DDPs) by consolidating regulatory changes issued since May 2024. The proposals aim to enhance ease of doing business while strengthening risk-based compliance.

Key Highlights

- Introduction of an Abridged Common Application Form (CAF) for simplified FPI onboarding.
- Formalisation of digital onboarding, including use of scanned documents and digital signatures.
- Streamlined norms for GS-FPIs and IFSC-based funds.
- Mandatory Legal Entity Identifier (LEI) validation.
- Strengthened KYC and beneficial ownership disclosures.
- Strict liquidation timelines for non-compliant FPIs.
- Removal of obsolete transitory provisions and harmonisation of reporting timelines.

Impact:

FPIs and DDPs may need to update onboarding processes, KYC checks, and compliance monitoring frameworks once finalised.

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