REGSTREET

Law Advisors

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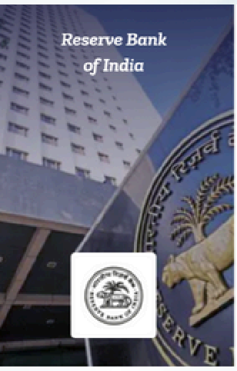
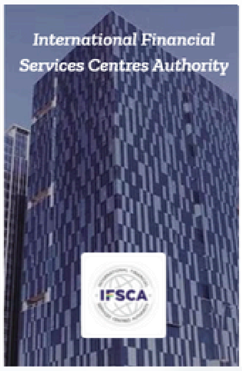
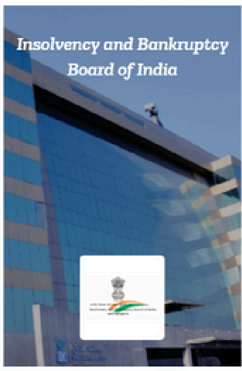
REGPOST

REGSTREET LAW ADVISORS' MONTHLY NEWSLETTER







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HIGHLIGHTS

Sumit Agrawal, Managing Partner, Regstreet Law Advisors and former SEBI Officer, co-authored an article with Dr. M. S. Sahoo, former SEBI Whole-Time Member, in The Financial Express on enhancing SEBI's consent settlement mechanism through greater proportionality and transparency to promote faster, fairer, and more predictable enforcement outcomes.

CONSENT FRAMEWORK

MECHANISM BUILT FOR SPEED, EFFICIENCY WILL GAIN IN CREDIBILITY FROM PROPORTIONALITY AND TRANSPARENCY

Predictability eludes Sebi

MS SAHOO
SUMIT AGRAWAL

The authors are legal practitioners. They earlier worked for Sebi

IN 2024-25, THE Securities and Exchange Board of India (Sebi) received a record 703 consent applications, marginally higher than the 600-plus applications filed annually between 2007 and 2010. This stands out against the manifold rise in investors and intermediaries, sharp growth in transaction volumes and values, addition of new markets (commodities) to Sebi's fold, and the resulting surge in enforcement actions. The flat trend signals that the market may not be viewing the consent process as a sufficiently predictable enforcement tool. During the year, Sebi disposed of 556 applications, accepting 284 and rejecting 272, a near-even split with an acceptance rate of 51% and a rejection rate of 49%. Cumulatively, since inception, Sebi has accepted 2,713 applications and rejected 2,808, almost evenly balanced at 49% versus 51%. This 50:50 symmetry suggests that negotiations between Sebi and applicants are finely balanced. Neither side enjoys overwhelming bargaining power: if Sebi presses too hard, applicants may opt for litigation; if applicants resist too much, Sebi may reject the application.

A deeper look, however, reveals a different story. Year-to-year acceptance rates have swung from as low as 25% in 2012-13 to as high as 82% in 2016-17, without a clear trend. Such swings undermine predictability, which likely explains why consent applications have not kept pace with the market's growth. Since applicants are numerous and diverse and act independently, predictability seems to depend less on their conduct and more on Sebi's approach in a year.

Two factors largely determine predictability: proportionality and transparency. Proportionality requires that settlement terms reflect the nature and gravity of the contravention, considering intent, scale of impact, and the benefits derived. A proportionate approach ensures relatively minor contraventions are resolved on lighter terms, while serious breaches invite onerous settlements. This not only aligns settlement outcomes with culpability but also promotes fairness, consistency, and deterrence. Where proportionality is applied unevenly, say, if minor infractions are rejected outright while significant ones are settled on lenient terms, fairness is compromised, and acceptance rates swing sharply.

Equally important is transparency. When settlement norms, evaluation criteria, and guiding principles are clearly articulated, publicly explained, and consistently applied, applicants and market participants can anticipate outcomes with greater confidence. Conversely, where the basis for decisions is not sufficiently visible or well-understood, participants may perceive outcomes as unpredictable, even if each decision is individually reasoned.

> A well-functioning settlement mechanism achieves in weeks or months what a trial might take decades to accomplish

Sebi pioneered the settlement mechanism in India in 2007, even before statutes formally backed it in 2014, to create an efficient and expeditious, non-adversarial means of resolving enforcement proceedings. The objective was simple: provide a structured path to closure that lightens the burden on the regulator, markets, and courts, while fully preserving the deterrence. A well-functioning settlement mechanism achieves in weeks or months what a trial might take decades to accomplish, with the added risk of the delinquent walking free on technical grounds after expensive and prolonged litigation. Importantly, settlement closes only after full compliance with agreed terms, whereas enforcement actions decided on merits may languish at the stage of implementation.

The mechanism derives settlement terms from a formula anchored in a "base amount" (BA), defined as the higher of (i) illegal profits made plus loss caused to investors, or (ii) a value specified in regulatory tables. While conceptually sound, this formula falters in practice.

Profit and loss data are rarely available, forcing reliance on tabular values that fail to reflect the gravity of defaults. This produces anomalies: a contravention yielding an unlawful gain of ₹1 crore attracts the same BA as one yielding only ₹1. The tables prescribe uniform amounts irrespective of scale or impact of the violation. A failure to disclose a change in shareholding, for example, draws the same BA whether the company in question has a lakh shareholders or merely a hundred.

Worse still, most contraventions are pushed into a "residuary" table. This table lists a few contraventions before sweeping the rest into a catch-all "residuary" category. Consequently, most contraventions are settled using the table values assigned to the residuary contraventions under the residuary table, which barely accounts for the seriousness of misconduct. Such distortions undermine fairness, diminish deterrence, and risk eroding confidence in settlements.

Opacity compounds these distortions. For instance, the regulations empower Sebi to refuse settlement where defaults affect "market integrity" or have a "market-wide impact". Yet, neither expression is articulated, leaving applicants, intermediaries, and professionals uncertain about what may be settled and what cannot. Similarly, the regulations offer no clarity on which contraventions may be resolved through monetary terms alone, which require non-monetary commitments, and which warrant a blend of both.

Settlement orders often lack essential details. Consider the contrast: following the Satyam scandal of 2009, the US regulators concluded proceedings by 2011 (Indian proceedings yet to conclude), imposing $7.5 million in penalties, censures, ongoing monitoring obligations, and far-reaching audit reforms on PwC, Satyam's auditors. The Securities and Exchange Commission's settlement order runs to over 16,000 words, rich in reasoning, factual context, and explanation. The level of detail not only justified the outcome but also created a road map for the market and future cases. In India, many consent orders are terse, leaving applicants and practitioners with limited insight into how terms were derived or why certain choices were made.

The regulations do prescribe a formula for determining settlement amounts. But an excessive reliance on formulae may obscure crucial considerations. The formula, for instance, does not factor in the strength of evidence, impacting the probability of conviction. If the formula indicates a settlement of ₹1 crore but the likelihood of conviction is only 10%, no rational applicant would settle at that amount; they might instead contest proceedings. This misalignment skews outcomes: cases backed by strong evidence are more likely to settle, while weaker cases drag through prolonged adjudication.

For the consent mechanism to remain a credible enforcement tool, it must embed and visibly uphold both proportionality and transparency. Together, these principles enhance predictability, strengthen trust, and reinforce regulatory legitimacy. Over time, their consistent application will build a body of jurisprudence that guides applicants, practitioners, and the regulator alike, toward fairer, faster, and more predictable enforcement outcomes.

HIGHLIGHTS

In his insights, Sumit Agrawal, Founder of Regstreet Law Advisors & former SEBI Officer, noted that once a formal investigation begins, "earlier determinations, whether favourable or adverse, are set aside in favour of an independent investigation." The matter, centered on the "reason to believe" standard under Section 11C of the SEBI Act, raises key procedural questions on transparency and regulatory decision-making.

SEBI ramped up Jane Street probe due to inadequate data, continued complaints, say sources

The apex regulatory body investigates Jane Street's trading practices and files appeal seeking documents because it believed "inadequate" data was used in the initial probe into the U.S. high-frequency trading firm

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REUTERS

According to Sumit Agrawal, a former SEBI official and founding partner of Regstreet Law Advisor, once a formal investigation is initiated any prior conclusions lose their weight, and the process begins anew.

"Earlier determinations, whether favourable or adverse, are set aside in favour of an independent investigation," he said.

The regulator had also continued to receive complaints from market participants of manipulation of India's key indexes, the two people said.

The firm in its appeal has sought copies of these complaints.

One such complaint was filed by UAE-based options trader Mayank Bansal on December 17, who told *Reuters* that "communication between a market participant and the regulator is premised on confidentiality".

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Orders / Judgments

1. Swaraj Shares and Securities Private Limited vs. SEBI (Appeal No. 406 of 2025) – SAT - 01.09.2025

SAT partly allowed an appeal filed by Swaraj Shares and Securities Pvt. Ltd., a SEBI-registered Merchant Banker, challenging SEBI's order dated August 19, 2025, which had suspended its registration for three months under Regulation 27(5) of the SEBI (Intermediaries) Regulations, 2008.

Following an inspection conducted in March 2024, SEBI observed nine violations, including creation of false records, specifically, submission of a digitally signed resolution ratifying the appointment of a compliance officer. The appellant contended that the compliance officer had been functioning since November 1, 2023, but the ratification resolution, prepared during inspection, was inadvertently signed by two directors. It argued that the lapse was unintentional, not an attempt to mislead, and sought relief on proportionality grounds. SEBI maintained that submission of a digitally signed resolution constituted a forged record, justifying the three-month suspension. The appellant countered that the Designated Authority had only recommended a one-month onboarding restriction, not full suspension.

SAT noted that the compliance officer was duly appointed, and the resolution merely ratified an existing fact, concluding that SEBI's penalty was disproportionate. Considering the appellant had already undergone part of the suspension, SAT reduced the penalty, limiting suspension to one month and directing a two-month restriction on onboarding new clients thereafter.

2. Order in the matter of SAR Televenture Limited – AO - 04.09.2025

SEBI initiated adjudication proceedings against SAR Televenture Limited, listed on NSE, based on an NSE report highlighting disclosure violations under the SEBI LODR Regulations. A review of announcements (Jan–Jun 2024) showed misleading and delayed disclosures, including false claims of NHAI permission (only a proposal was made) and misstatement of revenue-sharing terms under a BSNL agreement. SEBI also noted delays beyond the 12-hour disclosure timeline under Regulation 30(6).

While the company admitted lapses, terming them inadvertent and promptly rectified, SEBI held that listed entities carry strict disclosure duties and post-facto corrections cannot remedy non-compliance, as such lapses impair investor confidence.

Considering cooperation, clean record, and corrective actions, SEBI found violations of Regulations 4(1)(c), 4(1)(h), and 30(6) of the LODR Regulations, and imposed a total penalty of ₹2,00,000 under Sections 15A(b) and 15HB of the SEBI Act.

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3. Order in the matter of Rajasthan Tube Manufacturing Company Limited – AO - 04.09.2025

SEBI passed an adjudication order against Rajasthan Tube Manufacturing Company Limited (RTMCL), its promoters, directors, and connected entities for falsifying financial statements through circular trading and fictitious transactions. Acting on a Central GST Department reference, SEBI found that RTMCL, between FY 2017–2020, issued goods-less invoices and inflated turnover via sham transactions with related entities, including Rajendra Steel Company, Jain Impex, and SS Trading Company.

The investigation revealed sale and repurchase of identical quantities without actual movement of goods, lack of supporting documentation, and fund transfers to related parties and personal accounts, suggesting fund siphoning. SEBI held these acts constituted fraudulent and unfair trade practices, aimed at misleading investors.

Accordingly, SEBI imposed a total penalty of ₹47 lakh under Sections 15HA and 15HB of the SEBI Act and Section 23H of the SCRA on the company, promoters, and directors.

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4. Order in respect of the representation filed by Mr. Navneet Kumar Sureka and others - WTM - 11.09.2025

SEBI disposed of a representation by Mauria Udyog Limited (MUL) and its promoters, Navneet Kumar Sureka and Deepa Sureka, seeking relief from interim directions issued under SEBI's order dated June 19, 2023, which restrained them from trading and impounded ₹59.67 crore of alleged unlawful gains from price manipulation in five scrips, including MUL.

The applicants sought unfreezing of bank and demat accounts citing business hardship and proposed treating their frozen securities (₹70+ crore) as security in lieu of the cash deposit. SEBI rejected this, holding that estimated securities value cannot replace the mandated cash deposit into an escrow account.

However, acknowledging limited hardship, SEBI allowed unfreezing of MUL's gratuity account for employee payments and release of accounts held solely by their son, if frozen inadvertently. All other directions of the June 2023 interim order remain in force.

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5. Pat Financial Consultants Pvt. Ltd. Vs SEBI and Gandiv Investment Pvt. Vs. SEBI (Appeal Nos. 621 and 622 of 2022) – SAT - 15.09.2025

SAT partly allowed appeals filed by Pat Financial Consultants Pvt. Ltd. and Gandiv Investment Pvt. Ltd. against SEBI's Adjudicating Officer's order dated May 27, 2022, which had imposed penalties of ₹10 lakh and ₹15 lakh, respectively, for violations of Regulations 3 and 4 of the PFUTP Regulations, 2003.

SEBI had found that the appellants placed buy orders above the Last Traded Price (LTP) in the scrip of Ponni Sugars (Erode) Ltd. between November 2012 and October 2014, thereby contributing to positive LTP and New High Price (NHP), and alleged price manipulation. The appellants argued that they were large-volume traders, with a majority of trades executed at or below LTP, that their orders were with unconnected third parties, and that there were no allegations of collusion, promoter nexus, or disproportionate gains. They further contended that the enhanced penalties (from ₹5 lakh and ₹10 lakh earlier) were imposed without new evidence or reasoning.

While SAT upheld SEBI's finding of PFUTP violations due to trades above LTP being inconsistent with normal market conduct, it criticized the unexplained enhancement of penalties, noting no fresh facts or aggravating factors. Accordingly, SAT reduced penalties to ₹5 lakh for Pat and ₹7.5 lakh for Gandiv, directing refund of excess amounts with interest.

6. Ex-Parte Interim Order in the matter of Par Drugs and Chemicals Limited (PDCL) – WTM - 15.09.2025

SEBI passed an ex-parte interim order against Par Drugs and Chemicals Limited (PDCL), listed on NSE, over a proposed slump sale of its core profit-making business to a promoter-related entity, Phal-Jig Fine Chemicals Pvt. Ltd., alleged to be grossly undervalued and detrimental to public shareholders.

The unit accounted for 99.44% of PDCL's revenue, yet was valued at ₹95 crore against the company's market cap of ~₹428 crore, triggering a 70% share price fall post-announcement. SEBI found valuation lapses, treating the sale as asset aggregation, excluding intangibles, and lacking an independent fairness opinion, and voting irregularities with common IPs linking promoter and shareholder accounts, raising concerns under Regulation 37A of LODR.

To prevent irreversible harm, SEBI restrained PDCL from proceeding, directed NSE to appoint an independent valuer and obtain a fairness opinion, and ordered status quo on all slump-sale assets.

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7. Order in the matter of Cool Caps Industries Limited – AO – 17.09.2025

SEBI adjudicated proceedings against Dorni Vinimoy Pvt. Ltd., H&K Realestate LLP, Timely Financial Consultants Pvt. Ltd., and connected entities following a 1126% price surge in Cool Caps Industries Ltd. (CCIL) between April 2022 and January 2023.

The investigation noted that Dorni Vinimoy, H&K Realestate, Jayesh Rampuria, and Tanushree Bhattacharjee were connected entities contributing to positive price movements. However, SEBI found no cogent evidence of manipulative intent, collusive trading, or coordinated activity indicative of fraud under the PFUTP Regulations. Referring to Ketan Parikh v. SEBI and Vikas Ganeshmal Bengani v. SEBI, the AO observed that placing buy orders above last traded price alone cannot establish manipulation. Accordingly, these entities were granted the benefit of doubt and exonerated from PFUTP charges.

Separately, SEBI held that Timely Financial Consultants Pvt. Ltd. and its PACs failed to disclose an aggregate increase of over 2% (from 5.01% to 7.14%) on July 6, 2022, violating Regulations 29(2) and 29(3) of the SAST Regulations. A joint and several penalty of ₹5,00,000 was imposed under Section 15A(b) of the SEBI Act.

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8. Order in respect of Panchal Shanti Lal in the matter of Swan Energy Limited – AO – 17.09.2025

SEBI disposed of adjudication proceedings against Mr. Panchal Shanti Lal concerning alleged synchronized and reversal trades in the scrip of Swan Energy Limited (SEL) during Jan–Mar 2015. Earlier, a ₹5 lakh penalty had been imposed under Section 15HA of the SEBI Act for alleged PFUTP violations, which was remanded by SAT for fresh consideration after the Noticee claimed misuse of his PAN.

Upon re-examination, SEBI found that Panchal, a 67-year-old retired government employee, had never traded, and the demat account was fraudulently opened using his PAN with inconsistent KYC details and an unrelated mobile number. The alleged link to another noticee via a common number was deemed insufficient to establish trading or intent.

Holding the allegations unsubstantiated, SEBI dismissed the charges and dropped all penalties, emphasizing due diligence before attributing liability based on KYC or PAN misuse.

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9. PGIM Asset Management Company vs SEBI (Appeal No. 498 of 2022) – SAT - 17.09.2025

SAT allowed the appeal filed by PGIM Asset Management Company (AMC), its CEO, and three fund managers, setting aside SEBI's AO order dated June 30, 2022, which had imposed penalties aggregating ₹34 lakh for alleged violations of Regulations 25(1), 25(2), and 25(16) of the SEBI (Mutual Funds) Regulations, 1996 and the Code of Conduct.

The AO had held that the AMC executed 18 inter-scheme transfers (ISTs) of certain stressed or downgraded securities from open-ended to close-ended schemes between August 2018 and February 2019, allegedly favoring investors of open-ended schemes and violating due diligence and conflict-of-interest provisions. The appellants contended that ISTs were permitted under Schedule VII, executed at market prices, and aligned with the investment objectives of transferee schemes. They argued that SEBI's order was based on hindsight bias and lacked evidence of mala fides, personal gain, or investor harm.

SAT observed that ISTs are permissible under the regulations, and all transfers met the twin conditions of Schedule VII. It held that conflict-of-interest provisions in the Code of Conduct apply to personal conflicts, not inter-se scheme impacts, and requiring parity across unit-holders would render all ISTs impermissible. SAT further ruled that recorded rationales, such as portfolio rebalancing, maturity alignment, and cash deployment, demonstrated due diligence, and the AO could not substitute its commercial judgment for that of professional fund managers. Accordingly, SAT set aside the AO's order and quashed all penalties.

10. Viresh Joshi vs SEBI (Appeal No. 77 of 2024) – SAT - 18.09.2025

SAT partly allowed an appeal filed by Viresh Joshi, former Chief Dealer of Axis Mutual Fund, challenging SEBI's communication dated October 23, 2023, which had refused to furnish 14 categories of documents sought in response to a front-running show cause-cum-interim order dated February 28, 2023 that restrained him from the market and impounded ₹30.56 crore.

The appellant contended that SEBI withheld material relied upon, including chat data, statements, and trade logs, denying him a fair opportunity to defend. SEBI argued that relevant evidence was already shared, and that third-party data contained private information unrelated to the appellant. SAT observed that principles of natural justice entitled the appellant to all relied-upon and contextual materials but recognized SEBI's duty to protect third-party privacy. Accordingly, it directed SEBI to furnish: (i) relevant chat data involving the appellant, (ii) statements of fund managers, (iii) documents from the appellant's desk, (iv) daily custody registers of his devices, and (v) call data records of his work phone. SEBI was permitted to redact private or irrelevant information.

Requests for complete third-party data and Section 65B certificates were rejected, the latter being within SEBI's discretion at the pre-adjudication stage. SAT held that fair disclosure must balance due process and privacy, and set aside SEBI's refusal to the extent specified.

11. Order in the matter of Neomile Corporate Advisory Ltd. – QJA - 18.09.2025

SEBI disposed of proceedings against Neomile Corporate Advisory Ltd. (NCAL) for allegedly misrepresenting itself as a "SEBI-registered merchant banker" on its website. The case arose from SEBI's review of SME IPO advisory practices, where NCAL had only acted as an 'Advisor to the Company/Issue', while due diligence was handled by registered BRLMs.

SEBI noted that NCAL was not functioning as an unregistered merchant banker and had promptly corrected the inadvertent website error upon being flagged. The statement neither misled issuers nor influenced transactions, and no fraud, misrepresentation, or investor harm was found.

Observing that Section 12(1) applies only to entities acting without registration, not to inadvertent disclosures, SEBI applied principles of proportionality and legitimate expectation. It found no violation warranting penalty and disposed of the show cause notice, terming the lapse unintentional and non-prejudicial to the market.

Read More

12. Final Orders in the Matter of Adani Group with respect to Adicorp Enterprises Pvt. Ltd., Milestone Tradelinks Pvt. Ltd., and Rehvar Infrastructure Pvt. Ltd. – WTM - 19.09.2025

SEBI issued two final orders concluding its investigations arising from the Hindenburg Research report, which alleged that Adani Group entities had routed funds through intermediary companies to disguise related party transactions (RPTs) and evade disclosure and approval requirements. The first matter involved Adicorp Enterprises Pvt. Ltd., while the second pertained to Milestone Tradelinks Pvt. Ltd. (MTPL) and Rehvar Infrastructure Pvt. Ltd. (RIPL).

The investigation established that APSEZ had advanced ₹1,282 crore to Adicorp, ₹1,010 crore to MTPL, and ₹742 crore to RIPL, which were onward-lent on the same day to APL and AEL, creating circular fund flows. While SEBI acknowledged that the transactions were routed through intermediaries, it held that, under the plain meaning of Regulation 23 of the SEBI (LODR) Regulations and Clause 49 of the Listing Agreement, as they stood prior to the April 2023 amendment, such indirect transactions did not fall within the definition of RPTs.

Ultimately, SEBI found no evidence of fund siphoning, market manipulation, or regulatory breach, observing that all loans were repaid with interest before the investigation. Accordingly, no penalties were imposed. However, SEBI admonished APSEZ, APL, AEL, and key officials including Gautam Adani, Rajesh Adani, and CFO Jugeshinder Singh, directing them to enhance internal controls, ensure robust RPT governance, and adhere strictly to the amended disclosure regime going forward.

Read More:

Final Order with respect of Adicorp Enterprises Pvt. Ltd.

Final Order with respect to Milestone Tradelinks Pvt. Ltd. and Rehvar Infrastructure Pvt. Ltd.

13. Order in the matter of Seacoast Shipping Services Limited - WTM – 24.09.2025

SEBI passed a final order against Seacoast Shipping Services Limited (SSSL), its promoters, and directors for fabricating accounts, diverting funds, and governance lapses during FY 2020–21 to FY 2023–24. Investigation revealed that ~61% of revenue and 60% of expenses in FY 2020–21 involved circular transactions with a related party, Seacoast Shipping and Marine Services (HUF), indicating fictitious revenue.

Promoters' claims that fund transfers occurred under duress due to ransom threats were rejected for lack of evidence. SEBI held SSSL and key promoters Manish and Sameer Shah guilty of misrepresentation, fraudulent preferential allotments, and misuse of rights issue proceeds, violating Sections 12A of the SEBI Act, PFUTP Regulations 3 & 4, and LODR provisions.

SEBI barred SSSL from capital raising for 5 years, Manish and Sameer Shah from the market for 5 years, and other directors for 1 year, imposing penalties aggregating ₹1.5 crore and directing fund reversal and audit committee reconstitution.

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14. Order in the matter of Sigma Solve Limited – AO - 25.09.2025

SEBI adjudicated against Sigma Solve Limited (SSL) and its merchant banker, Beeline Broking Limited, for lapses in disclosure and due diligence related to SSL's IPO on NSE Emerge. SSL had reallocated ₹31.57 lakh from Public Issue Expenses to General Corporate Purpose, raising utilisation under that head to 30.6%, above the 25% limit in the prospectus. It also delayed filing its deviation statement by 20 days and failed to disclose variations in its Director's Report.

Though SEBI accepted that the variation arose post-listing due to surplus funds and involved no misstatement, it held SSL accountable for inadequate disclosure under Regulations 32(1) and 32(4) of LODR. Beeline Broking was found to have insufficiently examined the "Acquisition and Other Strategic Initiatives" object and failed to update IPO records, breaching Regulation 245(3) of ICDR and the Merchant Banker Code. SEBI imposed penalties of ₹2 lakh on SSL and ₹1 lakh on Beeline Broking under Section 15HB.

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15. Adjudication Order in the matter of insider trading activity of certain entities in the scrip of Ms. Swan Energy Limited - 30.09.2025

SEBI passed an adjudication order against Mr. Rahul Sharma, a designated person of Swan Energy Limited (SEL), for violations under the SEBI (PIT) Regulations, 2015. Investigation showed Sharma executed trades and contra trades in SEL's shares between September–November 2023, earning ₹30.25 lakh, without pre-clearance and failing to disclose trades exceeding ₹10 lakh.

Though Sharma had disgorged profits to SEBI's IPEF pursuant to internal proceedings, SEBI held that company-level action does not preclude statutory enforcement and ignorance cannot excuse non-compliance. Accepting that contra trade profits were already disgorged under Clause 10 of Schedule B, SEBI did not levy a separate penalty.

However, it found violations of Regulations 9(1) (pre-clearance) and 7(2)(a) (disclosure) of the PIT Regulations, imposing ₹1 lakh each under Sections 15HB and 15A(b) of the SEBI Act, payable within 45 days, and reaffirmed that PIT compliance is strict and intent-independent.

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Regulatory Updates

IFSCA

1. IFSCA Notifies Fee Structure for Third-Party Fund Management Services - 08.09.2025

IFSCA has prescribed a comprehensive fee framework for Fund Management Entities (FMEs) offering Third-Party Fund Management (TPFM) Services under the IFSCA (Fund Management) Regulations, 2025. Registered FMEs (Retail and Non-Retail) must pay an application fee of USD 2,500 at the time of seeking authorisation, followed by an authorisation fee of USD 7,500 payable prior to approval.

In addition, authorised FMEs will incur a conditional recurring fee of USD 2,000 per TPFM annually, beginning the financial year after execution of the service contract. This is in addition to the flat recurring fee of USD 2,000 applicable to all FMEs under IFSCA's April 8, 2025 circular. Further, activity-based fees and other regulatory charges will continue to be governed by the April 8, 2025 Circular on Fee Structure for IFSC Entities.

Read More

2. IFSCA Issues Draft FinTech Sandbox Framework for Public Feedback – 19.09.2025

IFSCA has released a draft FinTech Sandbox Framework inviting comments and suggestions from stakeholders by October 10, 2025. The proposed framework establishes a dedicated regulatory architecture for FinTech Sandbox Entities (FSEs) seeking limited-use authorisation to develop and/or test innovative financial products, services, or technology solutions within IFSCs.

The framework covers multiple sandbox options, including Regulatory Sandbox, Innovation Sandbox, Inter-Operable Regulatory Sandbox (IoRS), and Overseas Regulatory Referral Mechanism, and is open to both domestic and foreign FinTechs. Eligible applicants must propose innovative technology use cases, demonstrate clear benefits to users, and operate within defined boundary conditions such as duration, transaction limits, and user type.

The draft also specifies the two-stage application process, evaluation criteria, and regulatory relaxations available to participants, aiming to foster a controlled, time-bound environment for responsible innovation in financial services at IFSCs.

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3. IFSCA Amends Eligibility Criteria for Bullion Trading Members – 22.09.2025

IFSCA has amended the Operating Guidelines on Bullion Exchange, Bullion Clearing Corporation, Bullion Depository and Vault Manager (originally issued on August 25, 2021) to relax the eligibility criteria for Bullion Trading Members.

Earlier, trading members were required to have at least one employee with a minimum of three years' experience and sound knowledge of the precious metals industry. Under the revised framework, the requirement now mandates at least one employee possessing not less than two years of experience in dealing in securities, foreign exchange, or precious metals.

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RBI

1. RBI Establishes Regulatory Review Mechanism – 17.09.2025

RBI has introduced a Regulatory Review Mechanism to ensure that all regulations issued by the Bank undergo a comprehensive and systematic internal review every five to seven years. For this purpose, the RBI has constituted a Regulatory Review Cell (RRC) within the Department of Regulation, effective October 01, 2025, which will conduct phased reviews of existing regulations.

To strengthen stakeholder engagement and leverage external expertise, the RBI has also established an independent Advisory Group on Regulation (AGR) comprising industry experts, including representatives from major banks, financial institutions, and former regulators. The AGR will provide structured industry feedback to the RRC and may co-opt additional experts as required.

The AGR will have an initial tenure of three years, extendable by two years, and will play a key role in institutionalising regulatory evaluation and continuous improvement.

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2. RBI issues Directions on Framework on Authentication Mechanisms for Digital Payment Transactions – 25.09.2025

RBI issued the Authentication Mechanisms for Digital Payment Transactions Directions, 2025, following public consultation on earlier draft guidelines. The framework, effective from April 1, 2026, aims to strengthen security in digital payments while promoting innovation and interoperability.

Key provisions include encouraging the adoption of new authentication technologies without discontinuing SMS-based OTP, allowing issuers to apply additional risk-based checks beyond the mandatory two-factor authentication, and ensuring open access to technology. The directions also clearly define the responsibilities of issuers and mandate card issuers to validate an Additional Factor of Authentication (AFA) in non-recurring cross-border Card Not Present (CNP) transactions whenever requested by overseas merchants or acquirers. Together, these measures seek to balance fraud prevention, technological advancement, and investor confidence in India's digital payment ecosystem

Read More

3. RBI Issues Directions on Authentication Mechanisms for Digital Payment Transactions – 25.09.2025

RBI has issued the Authentication Mechanisms for Digital Payment Transactions Directions, 2025, to strengthen security and standardise authentication across digital payments. The Directions encourage introduction of new authentication factors leveraging technological advancements, without discontinuing SMS-based OTPs. Issuers are permitted to adopt additional risk-based checks beyond the minimum two-factor authentication, depending on the fraud risk perception of each transaction.

They also promote interoperability, define the responsibilities of issuers, and mandate validation of Additional Factor of Authentication (AFA) in non-recurring cross-border Card-Not-Present (CNP) transactions, whenever requested by the overseas merchant or acquirer. These Directions aim to ensure a robust, adaptive, and risk-sensitive authentication framework and must be fully implemented by April 1, 2026, unless otherwise specified.

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4. RBI Constitutes Payments Regulatory Board – 30.09.2025

RBI has formally constituted the Payments Regulatory Board (PRB) under Section 3(2) of the Payment and Settlement Systems Act, 2007 (PSS Act, 2007). This follows the amendments to Section 3 of the Act introduced via the Finance Act, 2017, which came into effect on May 9, 2025, through a Gazette Notification issued by the Department of Financial Services (DFS) on May 6, 2025.

With the notification, the erstwhile Board for Regulation and Supervision of Payment and Settlement Systems (BPSS), a committee of the RBI's Central Board, has been replaced by the Payments Regulatory Board (PRB).

The PRB comprises the Governor of RBI (Chairperson), Deputy Governor and Executive Director in charge of Payment and Settlement Systems, Secretary, DFS, Secretary, Ministry of Electronics and Information Technology, and Smt. Aruna Sundararajan, IAS (Retd.) as members. In addition, the Principal Legal Adviser of RBI shall be a permanent invitee to the meetings of the Board under Regulation 3(2) of the Payments Regulatory Board Regulations, 2025.

Read More

PFRDA

1. PFRDA Issues Revised Guidelines on Price Discovery Process for CRA Charges – 15.09.2025

PFRDA has issued revised guidelines on the price discovery process for charges levied by Central Recordkeeping Agencies (CRAs) under Regulation 22 of the CRA Regulations, 2015, tightening the fee framework across sectors.

The circular prescribes upper caps on service charges for Government, Private, and APY/NPS-Lite sectors. For the Government Sector, the annual maintenance charge is capped at ₹100 per account, and PRAN opening charges at ₹18 (e-PRAN) and ₹40 (physical).

For the Private Sector, charges follow a slab-based AMC structure ranging from ₹100 to ₹500 based on corpus size.

CRAs may reduce charges through negotiation but cannot go below the immediately preceding slab's upper cap. They must also display the charge structure on their websites and mobile apps. The revised framework, effective October 1, 2025, supersedes the earlier circular dated June 15, 2020, ensuring greater transparency, uniformity, and regulatory oversight in CRA pricing.

Read More

2. PFRDA Introduces Multiple Scheme Framework (MSF) for Non-Government Sector Subscribers under NPS – 16.09.2025

PFRDA has introduced the Multiple Scheme Framework (MSF) under Section 20(2) of the PFRDA Act, 2013 for Non-Government Sector (NGS) subscribers of the National Pension System (NPS), effective October 01, 2025.

The framework allows subscribers, uniquely identified through PAN, to manage multiple schemes under a single PRAN, offering diversified investment choices and greater alignment with individual retirement goals. Pension Funds (PFs) may design persona-based schemes (e.g., for self-employed or digital economy workers) with moderate and high-risk variants, permitting 100% equity allocation in the latter.

Charges are capped at 0.30% of AUM annually, with an additional 0.10% incentive for PFs achieving over 80% new enrolments, available for three years or until 50 lakh subscribers.

The MSF introduces enhanced transparency, scheme benchmarking, and standardised documentation, while retaining existing exit and withdrawal provisions under the PFRDA (Exits and Withdrawals) Regulations.

Read More

3. PFRDA Issues Consultation Paper on Enhancing the National Pension System – 30.09.2025

PFRDA has released a Consultation Paper proposing the introduction of three new pension schemes under the National Pension System (NPS), aimed at offering flexible, assured, and predictable retirement income options.

The proposals include:

1. **Pension Scheme 1** – A non-assured scheme combining a Step-up Systematic Withdrawal Plan (SWP) and annuity, allowing subscribers to define their "Desired Pension."
2. **Pension Scheme 2** – An assured pension scheme providing a fixed Target Pension with periodic inflation adjustments based on CPI-IW, incorporating Liability-Driven Investments (LDI) for stability.
3. **Pension Scheme 3** – An innovative "Pension Credits" framework offering assured pension payouts of ₹100 per credit per month, aligned with goal-based investing and potential secondary market tradability.

These proposals aim to transition NPS from a purely Defined Contribution system to an ambition-based and assured-benefit model, strengthening pension adequacy, predictability, and subscriber engagement. Stakeholders are invited to submit comments by October 31, 2025.

Read More

SEBI

1. SEBI Issues Framework for Intraday Position Limits in Index Options – 01.09.2025

SEBI has introduced a new framework for intraday monitoring of positions in equity index options, following its February 2025 consultation paper on enhancing trading convenience and risk monitoring. The move addresses concerns around large intraday exposures, especially on expiry days, which can increase market volatility and pose systemic risks.

Under the revised framework, each entity's intraday net position (measured on a Future Equivalent/Delta basis) will be capped at ₹5,000 crore, while the intraday gross position (on both long and short sides) will be capped at ₹10,000 crore. These limits aim to maintain orderly trading while allowing active participation by liquidity providers and market makers.

Stock exchanges will conduct at least four random checks during the trading day, including one between 2:45 p.m. and 3:30 p.m., when market activity typically peaks. Entities breaching the prescribed limits will face closer scrutiny, including review of trading patterns, rationale for positions, and potential surveillance measures. On expiry days, breaches will attract penalties or additional surveillance deposits.

Entities may take additional exposure backed by securities or cash equivalents, as permitted. The circular takes effect from October 1, 2025, while the penalty provisions apply from December 6, 2025.

<u>Read More</u>

2. SEBI (Portfolio Managers) (Amendment) Regulations, 2025 – 03.09.2025

SEBI has amended the Portfolio Managers Regulations, 2020 to streamline compliance and disclosure requirements for portfolio managers.

Under the amended framework, Regulation 22(3) now mandates that before entering into an agreement with a client, a portfolio manager must provide a Disclosure Document in the format specified by SEBI, along with a Form C certificate (as per Schedule I). This enhances transparency and investor awareness prior to onboarding.

Additionally, Regulation 20(xi) has been revised to update reference to Schedule IV, aligning procedural requirements with the latest regulatory framework. The amendment also removes Schedule V, eliminating outdated provisions and simplifying documentation. These changes are aimed at ensuring uniform disclosure practices, improving regulatory clarity, and strengthening investor protection in portfolio management services by mandating standardized pre-contract disclosures and compliance certifications.

<u>Read More</u>

3. SEBI (Delisting of Equity Shares) (Amendment) Regulations, 2025 – 03.09.2025

SEBI has introduced a dedicated framework for the delisting of Public Sector Undertakings (PSUs) (excluding banks, NBFCs, and insurance companies) through the insertion of Part F (Regulation 38B) in the Delisting Regulations, 2021.

Under the new provisions, PSUs can now be delisted using a fixed price mechanism, subject to certain safeguards. The acquirer's shareholding (along with other PSUs) must reach 90% of total issued shares, and shareholder approval via special resolution is mandatory. The floor price will be determined based on (i) 52-week VWAP, (ii) 26-week highest acquisition price, and (iii) joint valuation by two independent valuers, with a minimum 15% premium over the derived price.

For voluntary strike-offs post-delisting, unclaimed proceeds must be held with the designated stock exchange for seven years, after which they will be transferred to the Investor Education and Protection Fund (IEPF) or SEBI's Investor Protection and Education Fund.

To operationalise this, SEBI has also amended the IPEF Regulations, 2009 (Read Here), adding Reg. 4(1)(la) to include these unclaimed delisting proceeds as a new funding source, ensuring proper utilisation for investor education, awareness, and restitution.

Read More

4. SEBI (LODR) (Third Amendment) Regulations, 2025 – 08.09.2025

SEBI has notified the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2025, introducing key changes to enhance transparency, investor protection, and social impact reporting under the LODR framework.

For listed entities, the amendment mandates that all securities issued pursuant to Schemes of Arrangement, sub-divisions, splits, or consolidations must be in dematerialised form. Where investors do not have demat accounts, the company must open separate demat accounts to facilitate such issuances, thereby reinforcing market integrity and ease of settlement.

For entities registered on the Social Stock Exchange (SSE), including Not-for-Profit Organizations (NPOs), SEBI has strengthened disclosure obligations. NPOs must make annual financial disclosures by October 31 (or before the income-tax filing deadline) and non-financial disclosures within 60 days of financial year-end.

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Further, NPOs must include impact reporting covering at least 67% of programme expenditure in their annual impact report. Those registered on SSEs but yet to raise funds must file self-certified annual impact reports and are required to list at least one project within two years of registration, failing which registration will lapse.

Read More

5. SEBI (Share Based Employee Benefits and Sweat Equity) (Amendment) Regulations, 2025– 08.09.2025

SEBI has amended the Share Based Employee Benefits and Sweat Equity Regulations, 2021, introducing a key clarification on eligibility of employees identified as promoters during the IPO process.

Under the new Regulation 9A, an employee who is classified as a "promoter" or part of the "promoter group" in the draft offer document filed with SEBI for an initial public offering (IPO) will be permitted to continue holding or exercising any employee stock options (ESOPs), stock appreciation rights (SARs), or other benefits granted at least one year prior to the filing of the draft offer document. Such holdings and exercises must, however, be in accordance with the scheme's terms and subject to compliance with applicable laws and SEBI regulations.

This amendment addresses a long-pending ambiguity, especially for founders of new-age companies, who often receive ESOPs in lieu of cash compensation and are later classified as promoters at the time of listing.

By setting a one-year cooling-off condition, SEBI balances regulatory safeguards against misuse with continuity of long-term founder incentives, aligning compensation structures with IPO safeguards.

Read More

6. SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2025 – 09.09.2025

SEBI has introduced extensive amendments to the ICDR Regulations, 2018, aimed at enhancing transparency, compliance, and investor protection in public issuances.
A key reform mandates that all specified securities held by promoters, directors, KMPs, QIBs, employees, SR shareholders, and regulated entities must be in dematerialized form prior to filing the draft offer document, reducing settlement risk and ensuring traceability.

SEBI has expanded the scope of entities permitted to participate in in-kind contributions or offers for sale under court or NCLT-approved schemes, now including AIFs, FVCIs, scheduled banks, PFIs, insurance companies, and certain large public shareholders.

Further, QIP placement documents must now include capitalisation statements, detailed financial summaries, business and industry descriptions, and litigation disclosures, ensuring comprehensive investor information.
The framework for Social Stock Exchanges (SSEs) is also strengthened, recognizing new forms of not-for-profit entities (like charitable societies and registered trusts), tightening impact assessment norms, and mandating at least one listed project within two years of SSE registration.

Read More

7. SEBI Introduces Co-Investment Framework under AIF Regulations – 09.09.2025

SEBI has amended the AIF Regulations, 2012 to introduce a new framework enabling Category I and II AIFs to offer co-investment opportunities to accredited investors through a Co-Investment Vehicle (CIV) Scheme within the AIF structure. This regulatory reform complements the existing co-investment route available under the SEBI (Portfolio Managers) Regulations, 2020, offering fund managers flexibility in structuring investments.

Under the framework, each CIV scheme will have separate bank and demat accounts, with ring-fenced assets, and must be launched through a shelf placement memorandum detailing key terms, governance, and regulatory oversight. Investor participation in co-investments is capped at three times their AIF contribution, except for government entities, DFIs, and sovereign wealth funds. CIV schemes cannot borrow, leverage, or invest in other AIF units, and must adhere to industry implementation standards set by the Standard Setting Forum for AIFs (SFA). Managers must ensure compliance is recorded in the AIF's Compliance Test Report.

SEBI has set the stage for more detailed fund documents and nuanced negotiations. The PMS route continues to operate in parallel, offering flexibility even as the co-investment landscape evolves into a more structured, transparent, and mature regime.

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8. Key Decisions from SEBI's 211th Board Meeting – 15.09.2025

The SEBI Board approved multiple measures to enhance ease of doing business, investor participation, and regulatory clarity across securities laws.

1. **SCRR Amendments:** Revised Minimum Public Offer (MPO) and Minimum Public Shareholding (MPS) timelines for large issuers, enabling phased compliance—up to 10 years for entities with post-issue market cap above ₹1 lakh crore.
2. **ICDR Amendments:** Merged anchor allotment categories, expanded investor limits, and reserved 40% of anchor portion for domestic MFs, life insurers, and pension funds.
3. **LODR Amendments:** Introduced scale-based RPT thresholds, rationalised audit committee approvals, simplified small-RPT disclosures, and clarified definitions (e.g., "listed holding company").
4. **AIF Reforms:** Introduced AI-only schemes, reduced LVF threshold to ₹25 crore, and offered accreditation-linked flexibilities.
5. **FPI Framework**: Launched SWAGAT-FI for trusted foreign investors; allowed retail IFSC schemes as FPIs and harmonised sponsor contribution limits.
6. **RTA Regulations:** Repeal the 1993 regime and introduce SEBI (RTA) Regulations, 2025, implementing activity-based regulation limited to listed entities, a unified RTA definition, revised net-worth and fee structure, inclusion of securities premium, and a mandatory institutional mechanism for fraud prevention and oversight.

Read More

9. SEBI Revises Framework for Social Stock Exchange (SSE) – 19.09.2025

SEBI has revised the Framework on Social Stock Exchange (SSE), aligning it with the recent amendments to the ICDR and LODR Regulations. The circular introduces clarity on registration, disclosure, and impact reporting requirements for Not-for-Profit Organizations (NPOs) and Social Enterprises (SEs).

For registration, eligible entities must hold a valid certificate for at least 12 months and be registered as a charitable trust, society, or Section 8 company, with recognition under relevant state or central laws. For annual disclosures, NPOs must now furnish general, governance, and financial details within 60 days of year-end and financial disclosures by October 31 or before the ITR due date, whichever is later.

Further, SEs that have raised funds through SSE must file an Annual Impact Report (AIR) by the same timeline, covering at least 67% of programme expenditure and duly assessed by Social Impact Assessors. The provisions of this circular have come into effect immediately.

Read More

10. SEBI amends Securities and Exchange Board of India (Custodian) Regulations, 1996 – 23.09.2025

SEBI introduced a series of targeted updates to modernize custodial oversight in India's securities market. The definition of "custodian" was expanded to include entities managing digital assets and tokenized securities, reflecting SEBI's growing engagement with fintech.

Registration norms were revised, raising net worth thresholds and mandating deeper disclosures for custodians with foreign affiliations. Cybersecurity compliance was strengthened through mandatory adherence to SEBI's Cybersecurity and Cyber Resilience Framework (CSCRF) and approved cloud protocols. The amendment also introduced stricter KYC and client review requirements, especially for institutional and foreign portfolio investors, and encouraged integration with SEBI's Inter-Operable Regulatory Sandbox (IoRS). Governance reforms now require annual third-party audits and board-level oversight of compliance and risk management. Enforcement provisions were sharpened, with a revised penalty structure and expedited mechanisms for addressing systemic risks or investor harm.

Read More

11. SEBI Issues Compliance Guidelines on Digital Accessibility for Persons with Disabilities – 25.09.2025

SEBI has issued Compliance Guidelines on Digital Accessibility pursuant to its earlier circular dated July 31, 2025, mandating all Regulated Entities (REs) to ensure compliance with the Rights of Persons with Disabilities Act, 2016 and the rules made thereunder. The guidelines outline a phased implementation plan to make all digital platforms accessible to persons with disabilities.

Under the framework, REs are required to submit a list of their digital platforms by September 30, 2025, appoint IAAP-certified accessibility auditors by December 14, 2025, and conduct an initial accessibility audit by April 30, 2026. Post-remediation, a final accessibility audit must be completed and submitted by July 31, 2026. Thereafter, REs must undertake annual accessibility audits for all digital platforms and submit the audit report to SEBI by April 30 each year, starting from FY 2026-27.

Read More

12. Consultation Papers:

A. SEBI Consultation Paper on Review of Framework to Address 'Technical Glitches' in Stock Brokers' Electronic Trading Systems – 22.09.2025: SEBI has proposed revisions to the framework on technical glitches in stock brokers' electronic trading systems to enhance ease of compliance. Key proposals include narrowing the definition of technical glitches, exempting smaller brokers (with fewer than 10,000 clients), simplifying reporting timelines, and introducing a common reporting platform. The revised framework also rationalises financial disincentives, strengthens capacity planning, software testing, and business continuity, while excluding issues beyond brokers' control. Read More

B. SEBI Consultation Paper on Reporting of Value of Units of AIFs to Depositories – 19.09.2025: SEBI has proposed that AIFs/RTAs upload NAVs of all AIF units (ISIN-wise) in the depository system within 15 days of valuation. The move aims to enhance transparency and leverage depository infrastructure. For existing schemes, the latest NAV must be uploaded within 45 days of the circular's issuance. Depositories shall build requisite infrastructure, amend Bye-laws/ Regulations, and ensure data reflection. Compliance must be captured in the Compliance Test Report, and the framework will apply with immediate effect. Read More

International Updates

1. Nasdaq's Proposal to Facilitate Trading of Tokenized Securities – US (SEC) - 08.09.2025

Nasdaq has submitted a filing to the U.S. Securities and Exchange Commission (SEC) to enable the trading of tokenized securities on the Nasdaq Stock Market. The proposal seeks to integrate blockchain and tokenization within existing market infrastructure, ensuring tokenized securities trade as regular securities while safeguarding investor rights and systemic stability. By leveraging blockchain's potential for reduced friction, faster settlements, and automated processes, Nasdaq aims to modernize capital markets without compromising resiliency, security, or governance. This marks an early step in responsibly bridging digital and traditional asset markets, grounded in investor-first principles.

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