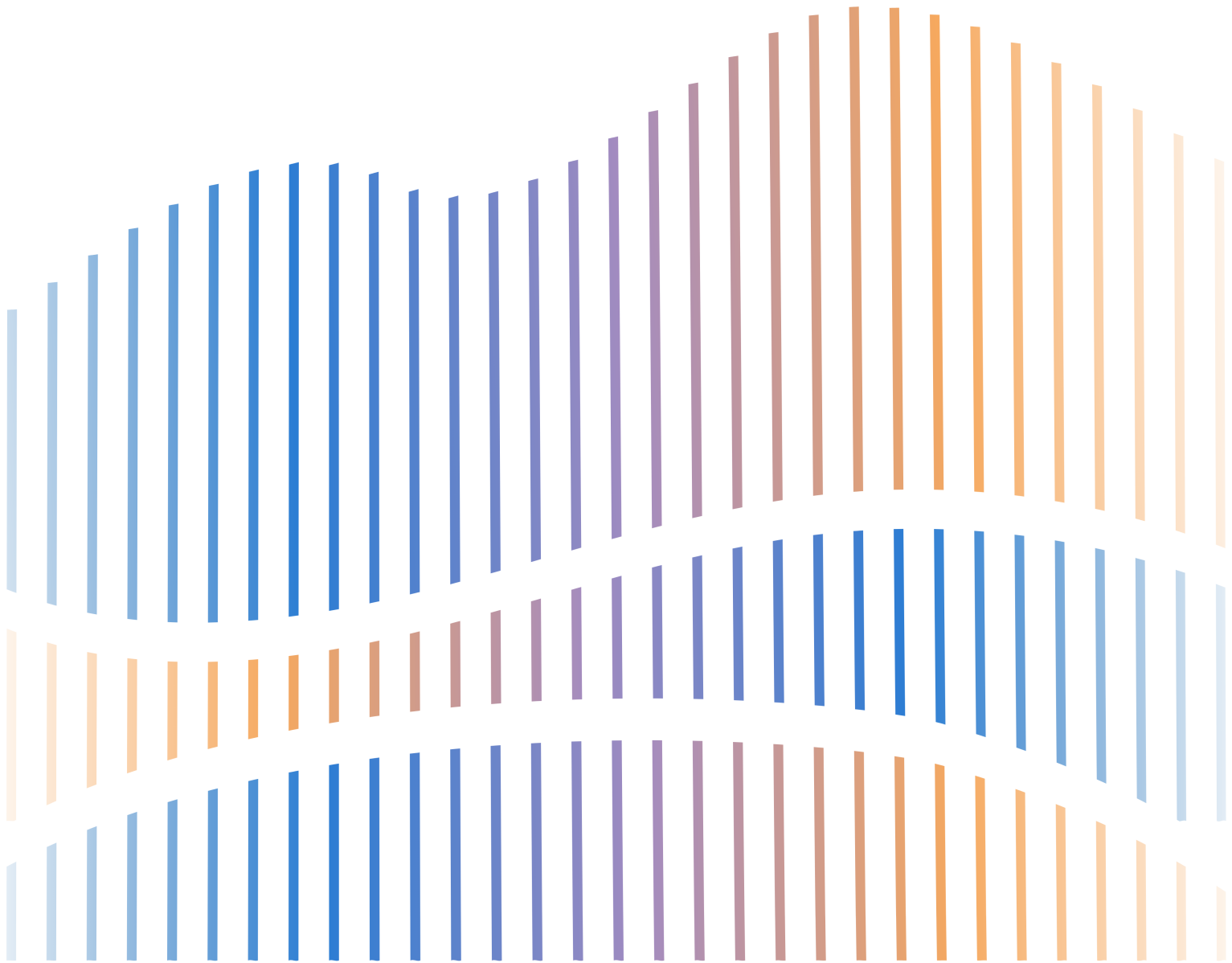


Laws & Regs

What's Buzzing

REGFIN INSIGHT

MARCH 2025



SEBI UPDATES

1. SEBI amends the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations"):

SEBI *vide* notification dated March 03, 2025, has amended the ICDR Regulations to enhance transparency and ensure better governance norms. The key amendments are as follows:

- **Issuance of pre-issue and price band advertisement**

Regulation 43(1) of the ICDR Regulations have been amended to state that issuers must now publish pre-issue and price band advertisements in the same newspapers used for public announcements, after filing the red herring prospectus (in case of a book-built issue) or prospectus (in case of fixed price issue) with the RoC. Further, Regulation 29 (4) has been substituted to state that the floor price or the price band must be announced at least two working days before the issue in the pre-issue and price band advertisements in the same newspapers used for public announcements.

- **Reporting transactions of promoters and promoter group and other pre-IPO transactions**

Issuers are required to report transactions in securities by the promoters and the promoter group between the date of filing the draft offer document and the date of closure of the issue to the stock exchange within 24 hours of such transactions. This now includes reporting any proposed pre-IPO placement disclosed in the draft offer document, which may be executed in part or in entirety.

- **Filing of the draft letter of offer and the letter of offer**

The words 'draft offer document and offer document' stand revised to draft letter of offer and letter of offer respectively. Issuers are required to submit the draft letter of offer to the stock exchange along with certain other documents, including but not limited to PAN number, bank account number, and passport number/CIN of its promoters. Further, the issuer is also required to file the letter of offer with the stock exchange/designated stock exchange.

- **Allotment to Specific Investors**

A Specific Investor will mean any investor who is eligible to participate in rights issue of the issuer; and (i) whose name has been disclosed by the issuer in terms of - name of the Specific Investor(s)

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(i.e. renounces), name of the promoter(s)/promoter group (i.e. renouncer) and number of rights entitlements renounced, where the promoter(s)/promoter group is renouncing their rights; or (ii) whose name has been disclosed by the issuer in terms of name of the Specific Investor/where the issuer intends to allot any under subscribed portion of rights issue in terms of clause (d) of sub-regulation (2) of regulation 90 of the ICDR Regulations.

Further, the application will have to be made on the 1st day of issue opening before 11 A.M. The issuer will also have to disclose to the stock exchange if the Specific Investor has made the application for dissemination on the first day of issue opening by 11:30 A.M. or not. Further, withdrawal of applications for Specific Investors will not be permitted.

- **Post-listing exit opportunity for dissenting shareholders**

Regulation 281A states that the promoters or shareholders in control of an issuer shall provide an exit offer to dissenting shareholders in case of a change in objects or variation in the terms of the contract related to objects referred to in the offer document. Further, the exit offer shall not apply where there are neither any identifiable promoters nor any shareholders in control of the issuer.

Considering the amendment, SEBI has further, *vide* its circular dated March 11, 2025, revised the timelines for completion of the various activities involved in the rights issue process from the date of the board of directors of the issuer approving the rights issue till the date of closure of the rights issue, including flexibility for allotment to Specific Investors.

The amendment can be accessed [here](#) and the circular can be accessed [here](#).

2. SEBI amends the SEBI (Prohibition of Insider Trading) Regulations, 2015 (“PIT Regulations”)

SEBI vide notification dated March 11, 2025, has amended PIT Regulations to modify and broaden the definition of Unpublished Price Sensitive Information (“**UPSI**”) *inter alia* to include award or termination of order/contracts not in the normal course of business, change in key

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managerial personnel, other than due to superannuation or end of term, and resignation of a Statutory Auditor or Secretarial Auditor.

The amendment further included the following situations specifically within the definition of UPSI:

- Change in ratings (other than ESG ratings),
- Fundraising activities proposed to be undertaken,
- Agreements which may impact the management or control of the company,
- Fraud or defaults by the company, its promoter, director, key managerial personnel, or subsidiary or arrest of key managerial personnel, promoter or director of the company, whether occurred within India or abroad,
- Resolution plan/ restructuring or one-time settlement in relation to loans/borrowings from banks/financial institutions,
- Admission of winding-up petition filed by any party /creditors and admission of application by the NCLT filed by the corporate applicant or financial creditors for initiation of corporate insolvency resolution process against the company as a corporate debtor,
- Approval of resolution plan or rejection thereof under the Insolvency and Bankruptcy Code, 2016,
- Initiation of forensic audit,
- Action initiated or orders passed within India or abroad, by any regulatory, statutory, enforcement authority or judicial body against the company or its directors, key managerial personnel, promoter or subsidiary, in relation to the company,
- Outcome of any litigation or dispute which may have an impact on the company,

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- Giving of guarantees or indemnity or becoming a surety, for any third party, by the company not in the normal course of business,
- Granting, withdrawal, surrender, cancellation or suspension of key licenses or regulatory approvals.

The amendment also now provides that the external information shall be stored in a structured digital database within 2 days of receipt. Further, the requirement for closure of the trading window has been relaxed for UPSI not emanating within the organization.

The notification can be accessed [here](#).

3. SEBI issues circular on use of DigiLocker as a digital public infrastructure for reducing unclaimed assets

SEBI vide circular dated March 19, 2025, has identified DigiLocker as a digital public infrastructure aimed at minimizing the unidentified Unclaimed Assets (“UA”) in the Indian securities market. In the circular, SEBI noted various measures undertaken by it to reduce UA and the potential of DigiLocker, a digital document wallet provided by the Government of India, to further reduce the same.

The circular mandates all AMCs and their RTAs, and recognized Depositories to register with DigiLocker as an ‘*Issuer*’ to enable users/ investors, at their option, to fetch various reports and statements in relation to their investment in the securities market.

The circular further lays down a mechanism wherein DigiLocker can automatically update the status of its users upon their demise through the register of deaths of the Registrar General and Census Commissioner or verified information available with the KRA systems, as KRAs are tasked with sharing demise notifications securely with DigiLocker. Additionally, an automatic notification system for nominees will alert them of the user’s demise, allowing them to access essential financial information and facilitate the transmission of assets.

The measures outlined in the circular became effective from April 1, 2025, and relevant entities have been instructed to take necessary actions for implementation and report their progress to SEBI.

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The circular can be accessed [here](#).

4. SEBI changes the minimum application size for Zero Coupon Zero Principal Instruments

SEBI *vide* its circular dated March 19, 2025, has amended the existing framework of Social Stock Exchange (SSE) to encourage greater participation in SSE and has revised the minimum application size for subscribing to Zero Coupon Zero Principal Instruments from INR 10,000/- to INR 1,000/-

The circular can be accessed [here](#).

5. SEBI amends the SEBI (Intermediaries) Regulations, 2008 (“Intermediaries Regulations”)

SEBI *vide* notification dated March 20, 2025²⁰²⁵, has amended Intermediaries Regulations to include a new Chapter IIIC on “Verification of Past Risk and Return Metrics”.

The amendment, which is applicable to investment advisers, research analysts and also providers empanelled with a recognised stock exchange, specifies that the said persons shall be permitted to make claim of returns or performance in the form of risk and return metrics which has been verified by a credit rating agency recognized by SEBI to perform activities of Past Risk and Return Verification Agency. The amendment also provides that in case of non-compliance, SEBI may take action under Chapter V of the SEBI (Intermediaries) Regulations.

The notification can be accessed [here](#).

6. SEBI introduces Online Filing System for reports filed under Regulation 10(7) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (“Takeover Regulations”)

SEBI *vide* circular dated March 20, 2025, has introduced an online filing system for reports to be filed under Regulation 10(7) of the Takeover Regulations with an aim to facilitate easier submission and processing of these reports.

Regulation 10(7) provides that an acquirer is required to submit a report along with supporting documents and a non-refundable fee to SEBI in

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respect of any acquisition of or increase in voting rights pursuant to certain exemptions. These reports were being submitted via email to SEBI. However, the new system will allow these filings through the SEBI Intermediary Portal (SI Portal).

SEBI has provided that in the initial phase, only reports pertaining to exemptions under Regulation 10(1)(a)(i) and Regulation 10(1)(a)(ii) of the Takeover Regulations will be enabled for online filing. Further, both email and online submissions will be accepted until May 14, 2025, after which only the online mode will be allowed. SEBI has also clarified that fee payments for these reports must also be made through the SI Portal, and payments via the previous SEBI payment link will be discontinued for these reports.

The circular can be accessed [here](#).

7. SEBI issues an advisory to SEBI-registered intermediaries with respect to uploading advertisements on social media platforms

SEBI *vide* press release dated March 21, 2025, has issued an advisory to SEBI registered intermediaries with respect to uploading advertisements on Social Media Platforms (“**SMPs**”) to increase transparency and protect the interest of investors in the securities market, curb fraudulent activities and strengthen SEBI’s conduct of registered intermediaries.

The Advisory, issued in consultation with the Social Media Platform Providers (“**SMPP**”), has directed that all SEBI-registered intermediaries uploading/publishing advertisements on SMP shall be required to register on such SMPs using their email IDs and mobile numbers as registered on the SEBI SI Portal. Thereafter, the SMPPs shall undertake advertiser verification and permission to upload/publish advertisements on such SMPPs.

Additionally, SEBI-registered intermediaries are advised to update their contact details in the intermediary database on the SEBI SI Portal by April 30, 2025.

The press release can be accessed [here](#).

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8. SEBI extended the effective date for applicability of Industry Standards on “*Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction*”

SEBI vide circular dated March 21, 2025 has announced an extension of the effective date for the applicability of the Industry Standards on “Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction” as specified in its Circular dated February 14, 2025 from April 01, 2025 to July 1, 2025 based on the feedback from stakeholders requesting for more time for compliance.

The circular can be accessed [here](#).

9. SEBI circular on “*Alignment of interest of the Designated Employees of the Asset Management Company (“AMC”) with the interest of the unitholders*”

SEBI, pursuant to amendments to the SEBI (Mutual Funds) Regulations, 1996 dated February 14, 2025, and March 4, 2025, vide circular dated March 21, 2025, has provided modalities with respect to the regulatory framework regarding the alignment of interest between the Designated Employees of the AMC and the unitholders of mutual funds to facilitate ease of doing business.

The circular prescribes a minimum slab-wise percentage of the salary/perks/bonus/non-cash compensation (gross annual CTC) net of income tax and any statutory contributions (i.e. PF and NPS) of the Designated Employees of the AMCs that shall be mandatorily invested in units of mutual fund schemes in which they have a role/oversight.

The circular also provides that for Designated Employees managing liquid fund schemes, up to 75% of the minimum investment amount required to be invested in liquid fund schemes may be invested in schemes managed by the AMC with higher risk as compared to liquid fund schemes. This shall be applicable for Designated Employees associated only with the liquid fund scheme and also for Designated Employees associated with other schemes in addition to the liquid fund scheme, only with respect to the quantum required to be invested in liquid fund schemes.

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Further, in case a Designated Employee retired due to superannuation, such units will be released from the lock-in and the Designated Employee will be free to redeem the units, except for the units in closed-ended schemes, where the units shall remain locked in till the tenure of the scheme is over. However, on resignation or retirement of the Designated Employee from the AMC before attaining the age of superannuation, the lock-in period for the investments made shall be reduced to 1 year from the end of the employment or completion date of 3 year lock-in period, whichever is earlier, except for the units in close-ended schemes, where the units shall remain locked in till the tenure of the scheme is over.

Furthermore, every scheme shall disclose the 'compensation, in aggregate, mandatorily invested in units for the Designated Employees' under the provisions of this Master Circular on the website of the Stock Exchanges. The disclosure shall be at a quarterly aggregate level showing the total investment across all relevant employees in a specific scheme. The disclosure shall be made within 15 calendar days from the end of each quarter.

The circular can be accessed [here](#).

10. SEBI Board Meeting dated March 24, 2025.

SEBI held its 209th Board Meeting on March 24, 2025, where several key regulatory decisions were made. A summary of the major decisions made is hereinbelow:

- ***Increase in AUM threshold for additional disclosure for Foreign Portfolio Investors ("FPIs"):*** SEBI has decided to revise the threshold for FPIs from INR 25,000 crore to INR 50,000 crore equity asset under management in Indian equity markets wherein they had to disclose granular details of all entities holding any ownership, economic interest, or control in an FPI, on a full look through basis, without any threshold. SEBI has also clarified that existing regulations regarding FPIs holding more than 50% of their equity AUM in a single corporate group shall remain unchanged, ensuring compliance with Minimum Public Shareholding and Takeover Regulations norms.

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- ***Advance Fee to be charged by Investment Advisors (“IAs”) and Research Analysts (“RAs”):***
SEBI has decided to allow IAs and RAs to collect advance fees for up to one year, from two quarters and one quarter, respectively. SEBI also clarified that fee-related provisions such as limits, payment modes, and refund rules apply only to individual and Hindu Undivided Family (HUF) clients, while in the case of non-individual clients, accredited investors, and in the case of institutional investors seeking recommendation of a proxy adviser, fee-related terms and conditions shall be governed through bilaterally negotiated contractual terms.
- ***Provisions pertaining to Public Interest Directors (“PID”) and Key Management Personnel (“KMPs”) for Market Infrastructure Institutions (“MII”):*** SEBI approved changes to the appointment of PIDs and KMPs in MIIs. The existing process of appointing PIDs without shareholder approval is to continue, but in case an MII decides not to reappoint a PID after the first term, it must provide its rationale to SEBI. Further, the cooling-off period for PIDs moving between competing MIIs was reviewed, and it has been decided to allow MIIs to prescribe a minimum cooling-off period while removing SEBI’s mandatory cooling-off requirement for PIDs. Furthermore, the appointment, reappointment, and termination of critical KMPs of Vertical 1 and 2, including Compliance Officer, Chief Risk Officer, Chief Technology Officer and Chief Information Security Officer, shall require approval of the Governing Board of the MII.
- ***Review of provisions and constitution of High-Level Committee (“HLC”) for conflict of interest, disclosures and related matters:*** SEBI announced the formation of an HLC to review provisions related to conflict of interest, disclosures and related matters concerning SEBI Board Members and officials and enhance transparency, accountability, and ethical conduct within SEBI. The HLC will include experts from regulatory bodies, government, private sector and academia, and will provide recommendations within 3 months.

The minutes of the Board Meeting can be accessed [here](#).

SEBI UPDATES**11. SEBI provides extension towards adoption and implementation of Cybersecurity and Cyber Resilience Framework (“CSCRF”) for SEBI Regulated Entities (“REs”)**

SEBI *vide* circular dated March 28, 2025, has extended the timeline for compliance with CSCRF by 3 months, i.e., till June 30, 2025, to all REs, except Market Infrastructure Institutions, KYC Registration Agencies, and Qualified Registrars to an Issue and Share Transfer Agents.

The circular can be accessed [here](#).

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12. The International Financial Services Centre Authority (“IFSCA”) issued guidelines on Cyber Security and Cyber Resilience for REs in IFSC

IFSCA *vide* circular dated March 10, 2025, has issued guidelines on cybersecurity and cyber resilience for REs in IFSC. The guidelines provide a comprehensive and risk-based cybersecurity framework that encompasses several essential elements designed to safeguard organizations against cyber threats.

The key components of the guidelines are categorized into the following:

- **Governance**

- The REs should constitute an *Oversight Body*, which may include one or more of the following: (i) governing board, (ii) senior management personnel, or (iii) committees involving senior management personnel for the purpose of technology or cyber risk management.
- The REs shall ensure that their Governing Board and the senior management possess sufficient expertise and knowledge to effectively understand and manage cyber risk.
- The REs shall appoint a Chief Information Security Officer (“**CISO**”) or alternatively designate senior employee/management personnel to assess, identify and reduce cyber security risks; respond to incidents, establish appropriate standards and controls; and direct the establishment and implementation of processes and procedures as approved by the Oversight Body of the RE.

- **Cybersecurity and cyber resilience framework**

- The REs shall formulate the cybersecurity and cyber resilience framework to maintain the confidentiality, integrity and availability of their IT assets.

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- The REs shall formulate an Information Security (“IS”) Policy as part of their cyber security and cyber resilience framework with the following basic principles: (i) identification and classification of IT assets, (ii) protection, (iii) access control, (iv) physical security, (v) Vulnerability Assessment and Penetration Testing (“VAPT”), (vi) Recovery, (vii) Incident Management and (viii) Audit trail.
- **Third-party risk management**
 - The REs shall adopt a collaborative security approach with their third-party vendors/external partners, by clearly outlining shared expectations for data security, incident reporting and adherence to relevant security standards. Further, they shall adopt a risk-based approach for periodic review of third-party vendors or external partners and identify the third-party service providers on which it is dependent for its core operations or to whom it has granted access to critical systems.
- **Communication and Awareness**
 - The REs shall provide regular training to their employees on topics pertaining to cybersecurity, including but not limited to phishing awareness, social engineering, password hygiene and incident reporting procedures. They shall also establish clear and accessible channels for employees to report suspicious activity, vulnerabilities, and potential cyber incidents.
- **Audit**
 - The aim of an audit is to provide an independent assurance of the effectiveness of RE’s measures to its Governing Board and the senior management. The auditor engaged by an RE shall not have any conflict of interest with the RE. The audit shall be conducted annually and a report in this regard shall be submitted to IFSCA by the REs within 90 days from the end of the financial year. The REs shall submit the audit report to the corresponding IFSCA Department/ Division in charge of the supervision of the RE.

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Exemptions are provided to the following categories of REs with respect to the applicability of this circular for a period of 3 years from the date of issuance of the guidelines:

- The REs operating in the form of a branch of a regulated Indian or foreign entity.
- The REs providing services to their group entities only, e.g., Global In-House Centres (GICs).
- The REs that have fewer than 10 employees.
- Foreign universities set up in IFSCs.

The circular can be accessed [here](#).

13. IFSCA Board Meeting dated March 26, 2025.

IFSCA held its 23rd Board Meeting on March 26, 2025, where several key regulatory decisions were made. A summary of the major decisions made is hereinbelow:

- Promulgation of IFSCA (Capital Market Intermediaries) Regulations, 2025 ("**CMI Regulations**"), to replace the IFSCA (Capital Market Intermediaries) Regulations, 2021. The new regulations shall revise rules on registration, regulation and supervision of capital market intermediaries in IFSC, which include:
 - i. **Category of Intermediaries:** It is proposed to introduce a new category of intermediary called 'Research Entity' and removal of 'Account Aggregator' category, along with the inclusion of 'Distributors' and 'ESG Ratings and Data Products Providers' ("**ERDPP**"), which were previously outlined in circulars.
 - ii. **Qualification and Experience Requirements for Principal Officers and Compliance Officers:** It is proposed to provide specific qualifications and experience requirements for the Principal Officer and Compliance Officer across all intermediary categories. Entities holding multiple registrations must designate separate Principal Officers for each activity, though shared officers are permitted initially for broker-dealers, clearing

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members, depository participants and entities registered as Credit Rating Agencies (“**CRA**”) RA and ERDPP. Similarly, the same Compliance Officer can serve multiple activities initially, which may be reviewed later depending upon the size, scale and complexity of the business.

- iii. **Revision in Net-Worth Requirements:** The net worth requirements are proposed to be revised, stipulating specific liquid assets for broker-dealers, clearing members, and investment bankers while rationalizing net worth requirements for the intermediaries. The minimum net worth requirement under the regulation shall be separate and in addition to the other activities within or outside of the IFSC. Further, for entities operating as a branch, the minimum net worth requirements maintained at the parent level in the home jurisdiction shall be earmarked for its branch in the IFSC.
- iv. **Submission of Annual Compliance Audit:** Additionally, intermediaries shall be required to file annual compliance audits with IFSCA by September 30 each year.
- IFSCA also approved the IFSCA (KYC Registration Agency) Regulations, 2025 (“**KRA Regulations**”) to regulate KYC Registration Agencies (“**KRA**”) in IFSC. KRA Regulations shall outline eligibility, registration, qualification, and obligations for KRAs and regulated entities in IFSC, and the code of conduct to be followed by KRAs. The KRA Regulations will also establish a mandatory requirement for all IFSCA-regulated entities to upload client KYC records with the KRA, with exemptions for certain regulated entities as determined by IFSCA. This framework aims to improve the client onboarding process and streamline customer due diligence for regulated entities, enhancing operational efficiency.
- IFSCA approved the transition to the IFSCA (Fund Management) Regulations, 2025 (“**FME Regulations**”). The IFSCA approved a one-time opportunity for extending the validity of expired private placement memorandum, subject to specific conditions. Additionally, it clarified the requirements for filing updated private placement memorandums in response to regulatory changes.

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The press release of the IFSCA Board Meeting can be accessed [here](#).

CONSULTATION PAPERS

14. SEBI seeks public comments on facilitation to SEBI-registered Stockbrokers to undertake securities market-related activities in GIFT-IFSC under a Separate Business Unit (“SBU”).

SEBI released a consultation paper on March 21, 2025, and has invited public comments on the proposal to facilitate SEBI-registered stockbrokers in conducting securities market activities in GIFT City under a Separate Business Unit (“**SBU**”).

Presently, stockbrokers are required to obtain a No Objection Certificate (NOC) from SEBI to set up subsidiaries or joint ventures in GIFT-IFSC. Further, an arm’s-length relationship is required to be maintained between its primary activities and those undertaken by its subsidiaries/joint ventures in GIFT-IFSC.

However, it has now been proposed to simplify this process by allowing stockbrokers to float SBUs in GIFT-IFSC without prior SEBI approval. The key safeguards shall include the requirement for the SBU to ringfence and segregate its operations from the stockbroker's operations in the Indian securities market, maintaining separate accounts and net worth, and ensuring that the SBU is engaged in providing securities market-related activities only in GIFT-IFSC. Existing subsidiaries/ joint ventures of Indian stockbrokers established after obtaining SEBI approval may dismantle the existing subsidiaries/ joint ventures and transition into SBUs. Further, the SBUs shall fall under the regulatory authority and framework at GIFT IFSC, the grievance redressal mechanism and the investor protection fund of the Indian stock exchange shall not be available to the investors availing services from the SBU.

The consultation paper can be accessed [here](#).

SERIES: DIGITAL PERSONAL DATA PROTECTION ACT, 2023**CHAPTER 5 - Data Processor****Understanding the role of Data Processor in the Financial Sector under the DPDP Act**

In the previous chapters of this series, we have explored the rights, functions, and obligations of both the data principal and the data fiduciary, emphasizing the applicability of the data protection framework in the financial services sector. In this chapter, we will focus on the third limb of the data protection framework, i.e., the data processor, as outlined under the Digital Personal Data Protection Act, 2023 (“**DPDP Act**”).

“**Data processor**” means any person who processes personal data on behalf of a Data Fiduciary. [*Section 2(k) of DPDP Act*].

“**Person**” includes-

- (i) an individual;
- (ii) a Hindu undivided family;
- (iii) a company;
- (iv) a firm;
- (v) an association of persons or a body of individuals, whether incorporated or not;
- (vi) the State; and
- (vii) every artificial juristic person, not falling within any of the preceding sub-clauses. [*Section 2(s) of DPDP Act*].

“**Processing**” in relation to personal data, means a wholly or partly automated operation or set of operations performed on digital personal data, and includes operations such as collection, recording, organisation, structuring, storage, adaptation, retrieval, use, alignment or combination, indexing, sharing, disclosure by transmission, dissemination or otherwise making available, restriction, erasure or destruction. [*Section 2(x) of DPDP Act*].

From the perusal of the above we understand that any Person engaged by the financial intermediaries and institutions including, but not limited to, investment managers, portfolio managers and asset management

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companies (considered as data fiduciaries) for Processing of personal data, shall be considered as Data Processor, since these service providers collect and process the personal data of unitholders (investors who hold units in funds managed by such intermediaries) or investors for undertaking various regulatory and operational purposes on behalf of the data fiduciaries.

It is pertinent to note that the scope of Processing under the DPDP Act is very extensive and service providers such as auditors, lawyers and accountants may be classified as data processors irrespective of the level of processing undertaken by them.

Compliance Obligations of Data Processors

Even though the DPDP Act does not explicitly impose obligations on Data Processors, Data Processors shall adhere to the instructions provided by the data fiduciaries and undertake Processing of personal data in compliance with the DPDP Act, since the data fiduciaries are responsible for the compliance and acts undertaken by the Data Processor on their behalf. Under the DPDP Act, Section 8(2) mandates data fiduciaries to engage Data Processors by entering into a valid contract. Hence, the Data Processors shall be bound by the contractual terms of the agreement entered into with the data fiduciaries.

Moreover, the Draft Digital Personal Data Protection Rules, 2025 (“**Draft Rules**”) *inter alia* states that an agreement between a data fiduciary and a Data Processor shall include provisions pertaining to the reasonable security safeguards as laid down in Rule 6 of the Draft Rules.

Cross-Border Data Processing

The DPDP Act does not restrict the cross-border transfer of personal data for Processing. However, the Central Government may, by notification, restrict the transfer of personal data for Processing to certain countries or territories. Further, the Draft Rules state that such transfer shall be subject to requirements as may be specified by the Central Government in respect

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of making such data available to any foreign state or to any Person under the control of or any agency of such foreign state.

Having said the above, it is pertinent to note that the data fiduciaries and Data Processors regulated by sector-specific regulatory bodies such as the Reserve Bank of India and the Securities and Exchange Board of India shall adhere to the data localisation requirements as specified by such regulators.

Furthermore, as per the Draft Rules, significant data fiduciaries, as notified by the Central Government based on the factors specified under the DPDP Act, shall undertake additional measures to ensure that personal data sets as specified by the Central Government is processed with the restriction that both the personal data and the traffic data pertaining to its flow are not transferred outside the territory of India.

Conclusion

In conclusion, the role of Data Processors in the financial sector under the DPDP Act is critical to ensuring compliance with data protection regulations while facilitating the smooth Processing of personal data. Financial institutions, such as investment managers, portfolio managers, and asset management companies, must ensure that their Data Processors adhere to the legal obligations outlined in the DPDP Act, along with sector-specific regulations set by the Securities and Exchange Board of India.

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