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Regfin Insight

JULY 2025

SEBI UPDATES

1. **SEBI provides a Special Window for Re-lodgement of Transfer Requests of Physical Shares**

   SEBI *vide* circular dated July 02, 2025 opened a special window for re-lodgement of transfer deeds for transfer of physical requests from July 07, 2025 till January 06, 2026, i.e., a period of 6 months.

   SEBI had earlier discontinued the transfer of securities in the physical mode from April 01, 2019. Subsequently, SEBI had allowed time till March 31, 2021 for re-lodgement of transfer deeds which were lodged prior to April 01, 2019 and rejected/returned due to deficiency in the documents. However, in light of representations from various stakeholders, SEBI has now allowed a period of 6 months for re-lodgement of transfer deeds which were lodged prior to the deadline of April 01, 2019 and rejected/returned/not attended to due to deficiency in the documents/process/or otherwise.

   The circular can be accessed *here*.

2. **Standard Setting Forum ("SFA") issues operating guidelines on framework for Category I and II Alternative Investment Funds to create encumbrance on their holding of equity of investee companies.**

   The SFA *vide* operational guidelines dated July 17, 2025, has issued implementation standards to be adopted by Cat I and II AIFs for creating encumbrance on their holding of equity in the investee company. Such encumbrance could be created on the equity of investee company, which is engaged in the business of development, operation or management of projects in any of the infrastructure sub-sectors listed in the Harmonised Master List ("**HML**") of Infrastructure issued by the Central Government.

   As per the guidelines, the AIF shall verify the eligibility of the sector/sub-sector of the investee company in the Harmonised Master List as issued by the Central Government, from time to time. Further, the AIF shall ensure the eligibility by collecting necessary information and ensuring that either an RBI-regulated lender has categorised the loan extended / proposed to be extended to the investee company of AIF, towards the sector as covered under the HML or the investee company has obtained clarification from Central Government on its business being covered under the HML.

   Further, the AIF shall have clearly laid out policies prescribing the manner in which the borrowing shall be utilised by the investee company and compliance with the RBI master direction. Further, the AIF shall enter into an agreement / contract with the lender where it shall be clearly laid out that in case of default by the borrower investee company, the AIF, schemes of an AIF, or its investors are not subject to any liability over and above the equity of the borrower investee company encumbered by the AIF.

   The guidelines can be accessed *here*.

3. **SEBI issues Frequently Asked Questions ("FAQs") related to regulatory provisions for research analysts**

   SEBI *vide* its notification dated July 23, 2025 issued FAQs related to regulatory provisions for research analysts to capture the updated regulatory provisions in light of various amendments and circulars issued by SEBI since the issuance of the previous FAQs. SEBI has also clarified that to ensure ease of compliance, persons associated with research services shall be required to obtain the relevant certification from NISM as specified by SEBI within one year from the date of the issuance of FAQs. Further, the requirement of consent by signature on the terms and conditions, including the most important terms and conditions, shall not be mandatory for the clients who are institutional investors or qualified institutional buyers; however, the same shall be required to be disclosed.

The FAQs can be accessed *here*.

4. **SEBI issues guidelines to monitor the minimum threshold under the Specialised Investment Fund ("SIF").**

SEBI *vide* circular dated July 29, 2025, introduced the guidelines for Asset Management Companies ("**AMCs**") to monitor the compliance with minimum threshold for SIFs.

Under the SIF framework, the AMC are required to ensure that the investor's total investment value across all the investment strategies does not fall below INR 10 lakhs, on account of any redemption, transfer, etc. SEBI has now provided manner in which the minimum threshold shall be monitored in case of active breach of the minimum threshold, i.e., fall in the value of the total investment below INR 10 lakhs of an investor across schemes on account of transactions (i.e. redemption, transfer, sale etc initiated by the investor). Under such circumstance, the units of the investor shall be frozen for debit and a notice of 30 calendar days shall be provided to the investor to rebalance the portfolio. In case the investor rebalances the portfolio within 30 calendar days, the units of the SIF shall be unfrozen and no further action shall be taken. In case the investor fails to rebalance the portfolio within the notice period, the frozen units shall be redeemed by the AMC at the applicable NAV of the next immediate business day after the 30th calendar days of the notice period.

The circular can be accessed *here*.

5. **SEBI issues circular to ensure compliance with Rights of Persons with Disabilities Act, 2016 and rules made thereunder**

SEBI *vide* its circular dated July 31, 2025 mandated all regulated entities ("REs") to ensure compliance with the Rights of Persons with Disabilities Act, 2016 and rules made thereunder.

SEBI has mandated that REs must make their digital platforms accessible to persons with disabilities (PwDs). Further, REs are required to note following key deadlines for compliance with respect to digital platforms:

Timeline	Actionable
August 30, 2025 [i.e. one month from the date of the circular]	Intermediaries must submit a list of digital platforms provided for investors and submit a compliance/action taken report relating to clauses of the circular.
August 15, 2025 [i.e. 45 days from the date of the circular]	Appointment of IAAP certified accessibility professionals as Auditor
October 30, 2025 [i.e. 3 months from the date of the circular]	Conduct of Accessibility Audit for the digital platforms.
January 31, 2026 [i.e. 6 months from the date of the circular]	Remediation of findings from the audit and ensuring compliance with the circular.
April 30, 2026 [i.e. 30 days from the end of the financial year]	Annual compliance reporting to be done with the compliance of the circular

The policy adopted by the Intermediary has to be approved by Managing Director / Managing Partner. A senior officer has to be appointed as a nodal officer for digital accessibility compliance who shall serve as a contact point for SEBI for any matter relating to digital accessibility.
Grievance redressal mechanism needs to be put in place duly ensuring that channels such as email, helpline and web forms are in a user friendly form and escalations to senior officers. Importantly, REs must provide alternative methods for registration and KYC for PwDs, such as human-assisted or voice-enabled KYC, and cannot auto-reject applications without human oversight. SEBI has also mandated internal training on inclusive design and assistive technologies.

The circular can be accessed *here* and is effective from the date of the circular.

OTHER REGULATORY UPDATES

6. **RBI issues guidelines for investment in Alternative Investment Funds ("AIF") by REs.**

RBI *vide* directions dated July 29, 2025, have issued directions for investment in AIF by REs of RBI which include Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks), Primary (Urban) Co-operative Banks/ State Co-operative Banks/ Central Co-operative Banks, All-India Financial Institutions and Non-Banking Financial Companies (including Housing Finance Companies).

Under the directions, the REs shall ensure that their individual contribution shall not be more than 10% of the corpus of the AIF and the collective contribution of all the REs shall not be more than 20% of the corpus of a scheme of AIF. Further, in case the RE invests more than 5% in the corpus of a scheme which makes downstream investments into a debtor company of the RE, then such an RE shall make 100% provision to the extent of its proportionate investment in the debtor company through the AIF Scheme, subject to a maximum of the direct loan and/ or investment exposure of the RE to the debtor company. However, such provision shall not be required to be made if such investment is through equity instruments, including compulsorily convertible preference shares and compulsorily convertible debentures. Further, if a RE's contribution is in the form of subordinated units, then it shall deduct the entire investment from its capital funds, proportionately from both Tier-1 and Tier-2 capital (wherever applicable).

The directions can be accessed *here*.

7. **IFSCA notifies IFSCA (TechFin and Ancillary Services) Regulations, 2025.**

IFSCA *vide* notification dated July 08, 2025, has introduced the IFSCA (TechFin and Ancillary Services) Regulations, 2025 ('**TAS Regulations**') for providing a regulatory framework for TechFins and Ancillary Services Providers. TechFin services refer to technology solutions or services provided, directly or indirectly, to aid, help or assist in making arrangements for carrying on any of the financial services enumerated in Section 3(1)(e) of the IFSCA Act, 2019.

The key takeaways from the Regulations are as follows:

(a) ***Legal form:*** The applicant providing TechFin and Ancillary Services can be incorporated as a company or limited liability partnership in the IFSC, or a branch of a company or of a limited liability partnership incorporated outside the IFSC.

(b) ***Personnel requirements:*** The TechFin and Ancillary Service Provider shall appoint a principal officer or designate one of its existing officers as a principal officer, who shall be responsible for its overall activities. They should also appoint/ designate a compliance officer. These personnels should be full-time employees of TechFin and Ancillary Service Provider and shall be based out of the IFSC.

(c) ***Permitted ancillary activities:*** First Schedule of the TAS Regulations, provides list of permitted ancillary activities which interalia includes actuarial services, asset management support services, fund administration services, marketing support services, risk management services, secretarial services, family office support service etc .

(d) ***Permitted TechFin activities:*** Second Schedule of the TAS Regulations provides the list of activities which interalia includes accelerators, big data & analytics, cloud computing services, automation and robotic process automation, technology solution aiding trade finance, supporting digital banking, IT related development etc.

(e) ***Services not permitted*** by TechFins and Ancillary Services Providers are as follows:

- Core activities which are not permitted to be outsourced by an entity regulated by any financial sector regulators of home jurisdictions;
- Activities which are regulated under any regulations or framework issued by IFSCA;
- Facility management services which inter-alia includes building maintenance, security services, housekeeping services, civil, mechanical, electrical and plumbing maintenance services or any other related manpower outsourced services;
- Transport and logistic services, construction-related services, and management of physical assets; and
- Any other services which, in the opinion of the IFSCA, do not constitute making arrangements for carrying on any of the financial services enumerated in Section 3(1)(e) of the IFSCA Act.

The notification can be accessed *here*.

8. **IFSCA notifies provisions for third-party fund management services**

IFSCA *vide* notification dated July 24, 2025 amended IFSCA (Fund Management) Regulations, 2025 ("FM Regulations") and introduced the framework for third-party fund management services.

The amendment, which is a significant measure to diversify the fund management opportunities in IFSC and attract global funds that are seeking to evaluate the opportunity before proceeding to set up their own set up has been covered in detail in the IC RegFin blog which can be accessed *here.*

9. **IFSCA issues guidelines for ascertaining KMP Eligibility under Regulation 7 of the FM Regulations.**

The IFSCA has issued guidelines dated July 25, 2025, in relation to ascertaining KMP Eligibility under Regulation 7 of the FM Regulations. The guidelines state that with respect to estimating whether the experience of a potential KMP falls under the purview of activity related to the securities market or financial products, IFSCA has listed down intermediaries registered with SEBI and IFSCA and has stated that experience in such intermediaries is crucial for calculating the requisite experience. The other guidelines issued in respect of the same are as follows:

(a) Individuals outsourced by Funds / Fund Managers from consultancy firms, in roles related to fund management, may be considered, provided documentation supports the depth and relevance of their engagement.
(b) Individuals engaged in managing corporate treasury funds, or Family Offices not registered with any Financial Sector Regulator or similar activities may be considered.
(c) Individuals engaged in trading/ managing their own funds and not registered with any financial sector regulator will not be considered.
(d) Experience of individuals working with BPOs/KPOs or outsourcing firms would be considered as consulting firm experience, which would cumulatively be subject to a maximum of 2 years as provided under the FM Regulations.
(e) For Compliance Officer eligibility under Regulation 7(5)(b) of the IFSCA FM Regulations that considers experience in compliance or risk management in a listed company or an entity regulated by a financial sector, only the experience related to securities market / financial regulatory compliance will be considered.

The guidelines can be accessed *here*.

CONSULTATION PAPERS

10. **SEBI seeks public comments on the regulatory framework on permissible business activities for asset management companies under Regulation 24 of the SEBI (Mutual Fund) Regulations, 1996.**

SEBI *vide* consultation paper dated July 07, 2025, sought public comments on the amendments to be made to Regulation 24 of the SEBI (Mutual Funds) Regulations, 1996 ("**MF Regulations**"). Presently, the Regulation 24of the MF Regulations restricts the Asset Management Company ("**AMC**") from acting as a trustee to any mutual fund and allows the AMC to only undertake (i) management and advisory services to only broad based funds basis certain conditions; (ii) portfolio management ("**PMS**") and advisory services subject to compliance with certain conditions.

The consultation paper proposes the following changes:

(a) **Proposal to include additional business activities**: The AMC shall, through its subsidiary, act as a point of presence for pension funds under the PFRDA framework and shall also be allowed to act as a global distributor to funds managed and/or advised by AMC or its subsidiary. However, such activities shall be adequately ring-fenced, regulated and in compliance with proviso 1 of Regulation 24(b), including bank and securities account segregation, avoidance of conflict of interest, meeting of capital adequacy requirement for each activity, and a separate fund manager for each fund, along with proper Chinese walls among the key personnel.

(b) **Proposal to allow AMCs to provide management and advisory services to non-broad-based funds**: With respect to providing management and advisory services, four issues were identified:

(i) *Charging of differential fees*: With respect to charging of differential fee, SEBI has proposed two alternative approaches, i.e., either to have a cap and a floor on fees to be charged by the AMC in line with the maximum TER prescribed for mutual fund activities or to impose an upper limit on the maximum permissible difference between fees from similar MF schemes and pooled non-broad based funds.

Additionally, to avoid preferential treatment, no performance fee shall be charged to non-broad based funds. Further, AMC may be required to have a written policy that specifies reasons for any fee differential between its non-broad-based funds and comparable MF schemes. Moreover, Unitholder Protection Committee (UHPC) may be required to periodically review fee differentials for justifications and ensure compliance with the cap/floor price if Approach 1 is applicable. UHPC findings may be placed with the AMC board, trustee company board and SEBI. The resource allocation shall also be reviewed by UPHC on a periodic basis. The key personnel involved in investment decision-making, back-office operations or fund management, including fund managers for non-broad-based funds, may be required to be segregated. The fund manager may be common if the investment objective and asset allocation are the same and the portfolio is replicated to a minimum of 70%. The AMC shall also have a policy on trade allocation. However, the top management functionaries and the compliance officer maybe common.

(ii) *Risk of contra trades:* The provisions of the SEBI (Prohibition of Insider Trading) Regulations, 2015 and the restriction of 6 months from taking a contrary position shall act as a deterrent.

(iii) *Risk of conflicted transactions:* The principle of fair and equitable treatment shall be followed and the AMCs to put in place a written policy that clearly defines the roles and responsibilities of various teams involved in fund management, order placement, execution etc., use an automated Order Management System with clear order instructions to employees placing order on behalf of AMCs etc., maybe extended. Further, AMC is required to currently have institutional mechanisms for identifying and deterring market abuse and such practices will govern both activities.

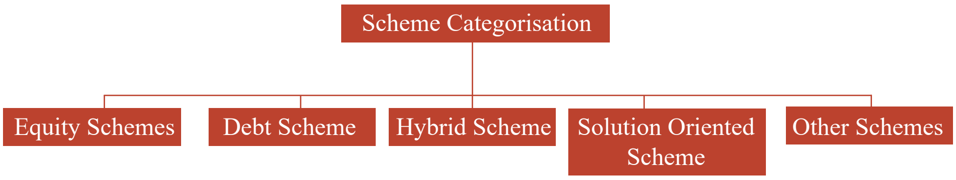
(iv) *Inter business transfer of assets on unfavourable terms:* The AMCs shall not be allowed to transfer securities between the portfolios of the two funds.

(c) **Issue of Resource Sharing for PMS**: It is proposed that either the AMC shall provide the service through a subsidiary of the AMC by taking a specific PMS license to avoid sharing of information or personnel or to provide the service through a PMS unit of AMC with proper Chinese walls and segregated KMPs in place. Further, the Principal Officer of the PMS shall directly report board of the AMC to avoid any sharing of information.

The Consultation Paper can be accessed *here*.

11. SEBI seeks public comments on Categorization and Rationalization of Mutual Fund Schemes.

SEBI *vide* consultation paper dated July 18, 2025 has sought public comments on the proposal to revamp of the categorization and rationalisation of mutual fund schemes. The consultation paper categorises the schemes into following categories:



(a) In order to bring uniformity to the names of the schemes and to remain "true to label", the schemes shall be named according to its category. Accordingly, basis the characteristics, the equity schemes are divided into **11 types**, debt schemes are divided into **17 types**, hybrid schemes are divided into **8 types**, solution-oriented schemes are divided into **6 types** and hybrid schemes are divided into **3 types**.

(b) Further, a mutual fund can offer value and contra funds, subject to the condition that not more than 50% of the scheme portfolio shall overlap. Further, such overlap condition shall be monitored at the time of NFO deployment and on semi-annual basis, thereafter. The Asset Management Company ("**AMC**") shall rebalance the portfolio within 30 business days and an additional extension of 30 business days maybe obtained from the Investment Committee with reasons recorded in writing. If the deviation extends beyond the period, an exit option shall be provided to the investors.

(c) Further, SEBI has proposed a life cycle fund of fund wherein the solution oriented fund of fund ("**FoF**") shall follow a structured investment approach by allocating assets across equity funds, hybrid funds, and debt funds in a predefined sequence. The allocation pattern would be aligned with the tenure of the FoF, gradually shifting from higher-risk to lower-risk assets over time, in accordance with the investor's evolving risk profile and investment horizon.

(d) Additionally, SEBI proposes to allow the launch of an additional scheme in the same category only if the existing scheme has completed over five years and has an AUM exceeding INR 50,000 crore. The additional scheme shall have similar investment objectives, strategies, asset allocation, and features, and a separate Scheme Information Document shall be issued for such a scheme. Upon launch, the existing scheme shall cease accepting subscriptions, and the AMC may appoint a separate fund manager for the additional scheme. The additional scheme shall follow the same disclosure norms, including performance and expense ratio, which shall be capped at the TER disclosed by the existing scheme at the time of NFO. The scheme shall also adopt similar nomenclature to maintain clarity and avoid investor confusion. Furthermore, the AMC may merge the existing scheme with the additional scheme if a significant drop in AUM renders it unviable, but no more than two schemes in the same category should exist at any time.

The Consultation Paper can be accessed *here*.

12. **IFSCA seeks public comments on the proposed modification to the IFSCA (Anti Money Laundering, Counter-Terrorist Financing And Know Your Customer) Guidelines, 2022.**

IFSCA vide its consultation paper dated July 10, 2025 has sought public comments on the introduction of Video Based Customer Identification Process ("V-CIP") for Indian Nationals. The addition is to address the issue of onboarding Non-Resident Indians ("NRIs") into the IFSCA, as the present framework restricts connections from IP addresses outside India or spoofed IP addresses. This restriction, while aligned with security and compliance objectives, has posed a significant challenge for IFSC entities in onboarding NRIs.

In order to overcome the challenge, IFSCA has now proposed certain changes, the key provisions of which are provided herein:

(a) The V-CIP may be utilised for onboarding new customers and for undertaking periodic updation of KYC for eligible customers.

(b) The Regulated Entity undertaking V-CIP shall ensure that it adheres to the minimum baseline cyber security and cyber resilience framework, as specified and amended from time to time, and the technology infrastructure is housed in its own premises or its financial group and the V-CIP originates from a secured network domain.

(c) Further, the technology outsourcing shall be compliant with standards, in case of use of the cloud deployment model, the ownership of data shall rest with the Regulated Entity or its financial group. The data, including the video recordings, shall be transferred to the server/cloud server (owned or leased) immediately after the V-CIP process.

(d) Additionally, the V-CIP platform shall meet the encryption standards, prevent connections from spoofed IP addresses, shall contain live GPS coordinates along with a date-time stamp, shall have components of face liveness/ spoof detection and shall be regularly updated. The V-CIP infrastructure shall undergo necessary tests such as Vulnerability Assessment, Penetration Testing and a Security Audit to ensure its robustness and end-to-end encryption capabilities.

(e) The V-CIP application software and relevant APIs / web services shall also undergo appropriate testing of functional, performance and maintenance strength before being used in live environment.

The Consultation Paper further provides the process of undertaking the V-CIP and the manner of record management. Further, the 'NRI Customers' for the consultation paper shall include customers from the United States of America, Japan, South Korea, the United Kingdom (excluding British Overseas Territories), France, Germany, Canada, UAE and Singapore.

The Consultation Paper can be accessed *here*.

13. **IFSCA seeks public comments on the master circular for Capital Market Intermediaries in IFSC.**

IFSCA *vide* its Consultation Paper dated July 11, 2025, has sought comments on the proposal to issue Master Circular consolidating all regulatory requirements for certain capital market intermediaries in the GIFT IFSC.

The draft Master Circulars would apply to seven categories of intermediaries operating in the IFSC, namely: Credit Rating Agencies, Debenture Trustees, Distributors, ESG Ratings and Data Product Providers, Investment Advisers, Investment Bankers, and Research Entities.

The key compliance requirements and provisions include:

(a) **Registration Process (Single Window System):** All applications for IFSC intermediary registration shall be made through IFSCA's Single Window IT System ("SWITS"). This unified online portal uses a Common Application Form to streamline submissions and integrate various approvals including SEZ approvals, GST registration, and No-Objection Certificates from other regulators.

(b) **Fee Payment Structure:** Applicants are required to pay a prescribed application fee at the time of filing, followed by a registration fee upon receiving in-principle approval. All fees are set by IFSCA's fee schedule and can be paid online (in USD or INR equivalent) via the SWITS platform. The failure to remit the fees within the stipulated timeframe will result in the application being rejected or deemed withdrawn. Notably, fees already paid are generally non-refundable even if final registration is not granted. The registered intermediaries shall also pay annual fees as per the IFSCA fee circular.

(c) **Principal Officer and Compliance Officer:** Each Applicant shall mandatorily have a principal and compliance officer based out of the GIFT City office.

(d) Further, apart from the individual guidelines for each activity, the consultation paper proposes compliance with "*Registration on FIU-IND FINGate 2.0 portal for compliance with International Financial Services Centres Authority (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022*" issued on February 25, 2025 for AML-KYC compliances; "*Complaint Handling and Grievance Redressal by Regulated Entities in the IFSC*" dated December 02, 2024 for compliant handling compliances and "*Guidelines on Cyber Security and Cyber Resilience for Regulated Entities in IFSCs*" dated March 10, 2025 for cybersecurity compliances.

The Consultation Paper can be accessed *here*.

ORDERS

14. **SEBI issues Interim Order in the matter of Index manipulation by Jane Street Group.**

SEBI, *vide* interim order dated July 3, 2025, barred U.S.-based trading firm Jane Street and its related entities from accessing the Indian securities market, citing manipulation of the Bank Nifty index through large derivative positions.

SEBI in its order alleged that Jane Street artificially influenced the index by aggressively buying stocks in the cash and futures segments during the morning session, while simultaneously building short positions in index options, and later reversing these trades to book profits, thereby misleading the market and harming retail investors. The regulator impounded INR 48.4 billion as unlawful gains from this strategy and directed Jane Street to deposit the same in an escrow account. While the firm was allowed to unwind existing positions in a phased, non-disruptive manner, it was prohibited from taking new positions unless it discontinued the manipulative strategy. This restriction would continue until the completion of its investigation and the passing of a final order.

This order can be accessed *here*.

15. **SEBI issues Adjudication Order in the matter of India Asset Growth Fund – II.**

SEBI, *vide* adjudication order dated July 3, 2025, imposed a penalty of INR 12 lakh on India Asset Growth Fund-II and an additional INR 12 lakh jointly and severally on its manager, Essel Finance Advisors and Managers LLP, along with its CEO Vishnu Prakash Rathore, AVP (Legal) Arpan Sarkar, and Assistant Manager Jaykishan Kikani, for multiple violations of the SEBI (AIF) Regulations, 2012.

Following an inspection, SEBI found lapses including failure to call full committed capital, breach of 25% investible funds cap in a single investee (Samruddhi Realty), improper valuation of NCDs, non-registration with FIU-IND, and non-disclosure of the investor charter. Additional violations included delays in PPM audit submission, non-inclusion of key terms, and delay in appointing a benchmarking agency and thereby delay in providing necessary information to the said agency. Holding the fund and key management responsible, SEBI emphasised that strict compliance is critical for investor protection, market integrity, and global investor confidence.

This order can be accessed *here*.

17. **Supreme Court clarifies of nature of an Adjudication Order under Section 15-I with respect to Section 28A of SEBI Act, 1992.**

The Supreme Court *vide* its order dated July 15, 2025 has clarified on the nature of the Adjudication Order issued under Section 15-I of the SEBI Act, 1992.

The matter pertains to an examination conducted by SEBI in the scrip of Brijlaxmi Leasing and Finance Limited with respect to alleged violations of the then SEBI (Prohibition of Insider Trading) Regulations, 1992 ("**PIT Regulations, 1992**"). Upon investigation, show cause notices were issued to the Appellants and subsequently vide an Adjudication Order dated August 28, 2014 ("**AO Order**") penalties were levied on the Appellants. The said AO Order was challenged before the Securities Appellate Tribunal and subsequently, the Supreme Court, but the AO Order was upheld before both the appellate bodies.

Subsequently, the Recovery Officer of SEBI issued demand notices to the Appellants demanding them to pay the penalties imposed vide the AO Order along with interest @12% p.a. from August 28, 2014 to May 13, 2022. However, the Appellants failed to comply with the demand for payment issued by the Recovery Officer. Upon such failure, the Recovery Officer issued attachment notices to attach the bank accounts and demat accounts of the Appellant. The Appellant preferred appeals before the Appellate Tribunal, which were dismissed, and hence the Appellants appealed to the Supreme Court.

The main contentions of the Appellant were as follows:

(a) There was no mention of levy of interest upon failure of the Appellants to remit the penalty in the AO Order and hence no interest on non-payment of penalty could be levied.

(b) That the AO Order was subsequently challenged before the Appellate Tribunal and the Supreme Court and as the provisions of the Income Tax Act, 1961 (referred to in Section 28A) includes a phrase "*with necessary modifications*", the interest if any ought to paid from the date of the order of Supreme Court i.e. May 13, 2022 and not earlier.

(c) That in order to levy interest under Section 28A of SEBI Act, 1992, the Recovery Officer of SEBI has to issue demand notices which were issued only after the order of Supreme Court on May 13, 2022 and hence no interest for the period between August 28, 2014 to May 13, 2022 could be levied.

The Supreme Court rejected the above arguments of the Appellants and held that:

(a) Interest due to non-payment of penalty becomes chargeable automatically after lapse of 45 days provided by SEBI to a noticee to pay the penalty. Hence, SEBI need not issue a recovery notice/demand order under Section 28A for the purpose of levy of interest.

(b) Even if levy of interest due to non-payment is not mentioned in the AO Order, the interest will be payable because AO Orders themselves constitutes enforceable demands against the noticee.

(c) Interest charged by SEBI over non-payment of penalties after 45 days is not penal and is to be considered to be compensatory in nature for the opportunity cost incurred by the public exchequer.

This order can be accessed *here*.

17. **Bombay High Court quashes Arbitral Award issued by Arbitrators appointed by ODR Institutions.**

The Bombay High Court *vide* its order dated July 09, 2025 quashed the Arbitral Award issued by the Arbitrator appointed by ODR Institutions.

In Radiance Galore v/s Yes Bank Limited, Radiance Galore challenged an Arbitral Award vide a petition under Section 34 of the Arbitration and Conciliation Act, 1996 ("Arbitration Act, 1996"). The High Court, entertaining the petition, quashed the Arbitral Award, observing that Section 11 of the Arbitration Act, 1996, sufficiently provides the manner in which an arbitrator has to be appointed. Because Section 11 provides that the arbitrator would be appointed by the parties to the dispute or should be appointed by a Court, the same cannot be done by an ODR Institution which was appointed by Yes Bank, even when the institution was independent.

The High Court while quashing the Arbitral Award observed that while the ODR Institution might be independent and was engaged to appoint the Arbitrator and conduct the proceedings, the process for appointment Arbitrator by the ODR Institutions was not clear and randomized selection of Arbitrator goes against the two explicit methods of appointment known to law, namely, by consent of parties or by direction from a Court allowing an Applicant under Section 11 of the Arbitration Act, 1996.

This order can be accessed *here*.

18. **Delhi High Court ruling our necessity of naming investors in the Trust Deed for considering Category III AIF as 'Determinate Trust'.**

The Delhi High Court in the matter of Equity Intelligence AIF Trust vs. CBDT & Anr. (W.P.(C) 9972/2024, decided on 29.07.2025), held that :

- The clarification issued under Circular 13/2014 and Explanation 1 to Section 164 of the ITA mandate necessary mentioning of the name of investors or their beneficial interest in the original trust deed, while the SEBI (AIF) Regulations prohibit the same. A harmonious reading of both the relevant provisions of SEBI (AIF) Regulations and Section 12 of the SEBI Act invokes doctrine of impossibility as to how a Category III AIF entity would specify the names of investors in the original Trust Deed at the time of registration. Further, upholding Circular 13/2014 and Explanation 1 to Section 164 would lead to an incongruous conclusion.

- With respect to Explanation 1 to Section 164 of the ITA, the Karnataka High Court has already held in the case of *India Advantage Fund-VII*, that once the benefits are to be shared in the proportion to the investments made, any person with reasonable prudence would reach to the conclusion that the shares are determinable.

- The Board of Advance Rulings ('**BAR**') has incorrectly overlooked the rulings of the Madras and Karnataka High Courts and failed to reject para 6 of the CBDT Circular No.13/2014 as contrary to the well settled principles of law (para 6 states that the said Circular would be inoperative in jurisdictions of High Courts which have taken contrary decisions on this issue). The Delhi High Court observed that an issue of law which has been settled by a Constitutional Court and not challenged by higher Constitutional Court would be binding on all Revenue authorities and cannot be implemented state / area specific.

- The CBDT Circular No.13/2014 is directed to be read down in line with the above-mentioned principles.

The above ruling is a positive outcome, bringing necessary clarity in the judicial interpretation of 'determinate' and 'indeterminate' trust, especially in the context of Cat III AIFs.

GLOBAL DEVELOPMENTS

19. **U.S. Court of Appeals strikes down the Rule on Consolidated Audit Trail (CAT) previously issued by the SEC.**

The US Court of Appeals for the Eleventh Circuit has through its recent ruling, struck down the 2023 rule issued by the Securities and Exchange Commission ("**SEC**") in the matter of American Securities Association, Citadel Securities LLC v. U.S. SEC.

The matter pertains to a 2023 Funding Order issued by the SEC (stemming from the SEC's previously approved 2015 plan), wherein the SEC proposed the set-up of CAT by self-regulatory organizations and broker-dealer members, in order to gather and maintain certain information about stock trades which would indirectly create a repository of investor and transaction data meant to give U.S. regulators, overarching visibility into securities market operation. In the 2015 plan, the SEC had approved a bifurcated interim funding model wherein both self-regulatory organisations (such as NASDAQ Stock Market, New York Stock Exchange etc.) and broker-dealer members such as Citadel would bear the CAT costs. However, the 2015 plan left many funding decision details to be determined at a later date and this included the mentioning of the percentage of costs of CAT which would be borne by self-regulatory organisations and broker-dealer members. Subsequently in the 2023 plan, the SEC replaced the bifurcated funding model with an 'Executed Shared Model' wherein self-regulatory organisations would have the option to pass their CAT fees onto their members in full, which would mean that broker-dealers and their customers may have to effectively bear 100% of the CAT allocation if so decided by the concerned self-regulatory organization.

In its examination, the Court of Appeals has ruled that the SEC lacked in offering adequate justifications for changing the funding model vis a vis the 2015 and 2023 plan and the shift of model to effectively allow self-regulatory organisations to pass through 100% of their CAT costs, is a major CAT policy change and is unreasonable, therefore violating standards specified in the Administrative Procedure Act. Further, examining the correct remedy appropriate for this matter, the Court of Appeals said that a 'vacatur' is appropriate with a short stay to afford the SEC the option to conduct suitable economic analysis, which was amiss in the 2023 Funding Order. The Court of Appeals vacated the 2023 Funding Orders and remanded the matter to the SEC for further proceedings.

The ruling can be accessed *here*.