Banking and Finance Newsletter

REGFIN INSIGHT

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CHAPTER I: RBI UPDATES

I. Reserve Bank of India (“RBI”) (Non-Fund Based Credit Facilities) Directions, 2025

RBI *vide* its notification dated August 06, 2025 has issued the Master Directions on Non-Fund Based Credit Facilities (“**NFB Master Directions**”), a consolidated guidelines on non-fund based (“**NFB**”) facilities such as guarantees, letters of credit, and co-acceptances of bills across all regulated entities of the RBI (“**REs**”). These NFB Master Directions will come into force from April 1, 2026, or from any earlier date as determined by the RE as per its internal policy.

1. The NFB Master Directions shall be applicable on:

(i) commercial banks (including regional rural banks and local area banks);

(ii) primary (urban) co-operative banks/ state co-operative banks/ central co-operative banks;

(iii) all India financial institutions; and

(iv) non-banking financial companies including housing finance companies in middle layer and above, only for the issuance of partial credit enhancement (“**PCE**”).

2. Guarantees and Co-acceptances

(i) **Guarantees**

An RE may issue a NFB facility only to customers with a funded credit facility, except in specific cases under Clause 7 of the NFB Master Directions (e.g., derivatives, PCE, counter-guarantees, etc.). REs cannot issue NFB facilities guaranteeing redemption or repayment of funds raised via deposits, bonds, or similar instruments, unless expressly allowed by RBI.
For electronic guarantees, REs must establish standard operating procedure to reduce manual intervention, ensure system integration and tech compatibility with e-guarantee platforms, and implement risk controls as per Annex 1 of the NFB Master Directions.

While the earlier regulatory framework permitted banks to issue guarantees in favour of other banks or financial institutions in respect of fund-based credit facilities extended by them, subject to prescribed safeguards, the NFB Master Directions now provide that the REs shall not issue guarantees which facilitate the extension of fund-based credit facilities by other REs to a common obligor, except where such facilities are backed by guarantees issued in connection with trade-related transactions. Notwithstanding the foregoing, REs are permitted to issue guarantees in favour of other REs in respect of non-fund-based facilities. In such cases, the guarantee shall be treated as an exposure on the underlying obligor for the purpose of capital adequacy, whereas the RE extending the credit facility shall record an exposure on the RE providing the counter-guarantee.

(ii) **Co-acceptances**

REs may co-accept only genuine trade bills, ensuring the goods are recorded in the borrower’s stock. They must maintain proper records for audit, showing customer-wise and total branch commitments. Co-acceptance of bills drawn by another RE, or where either party has received funding from any RE for the underlying transaction, is not permitted.

3. **Partial Credit Enhancement**

(i) Eligibility for providing PCE: Schedule commercial banks (excluding regional rural banks), all India financial institutions, non-banking financial companies (including housing finance companies) in the middle layer and above.

(ii) **Key Features of PCE Facility**

- PCE is a subordinated, irrevocable contingent line of credit, drawn only when there is a cash flow shortfall in servicing the bonds. It may be structured as a revolving facility at the discretion of the provider.
- The individual exposure limit for PCE by above-mentioned permitted REs has been raised to 50% of the bond issue size, while the aggregate exposure limit for all REs remains at 50% of the bond issue size.
- PCE must be irrevocable, issued at the time of bond issuance, and shall not be structured as a guarantee. Unlike the earlier framework, where only banks were restricted, all REs are now prohibited from investing in corporate bonds credit-enhanced by any other RE.
- The REs may offer PCE only in respect of bonds whose pre-enhanced rating are not lower than "BBB" minus as issued by accredited External Credit Assessment Institutions.
- To be eligible for PCE, corporate bonds shall be rated by a minimum of two ECAIs at all times.
- PCE shall be used solely for servicing the bond and not for any other purpose, including asset acquisition, project costs, operating expenses, or repayment to other creditors, regardless of their claim seniority relative to bondholders.

The NFB Master Directions can be accessed *here*.

II. RBI (Co-Lending Arrangements) Directions, 2025:

RBI *vide* its notification dated August 06, 2025, has issued Master Directions on Co-Lending Arrangements Notification ("**Co-Lending Directions**"), to provide a comprehensive regulatory framework for co-lending arrangements ("**CLA**") between regulated entities ("**REs**"). These Co-Lending Directions shall come into force from January 1, 2026, or from any earlier date as decided by the RE as per its internal policy.

The key highlights of Co-Lending Directions are as follows:

1. **Applicability**

These Co-Lending Directions apply to CLAs entered by following entities:

(i) commercial banks (excluding small finance banks, regional rural banks and local area banks);

(ii) all-India financial institutions;

(iii) non-banking financial companies including housing finance companies;

(iv) Any digital lending arrangement involving co-lending by the REs shall comply with both the RBI Digital Lending Directions, 2025 dated May 08, 2025 (“**MD-DLD**”) and the Co-Lending Directions.

These Directions shall not apply to loans sanctioned under multiple banking, consortium lending, or syndication.

2. **General Guidelines**

(i) Each RE in a CLA must retain at least 10% share of each individual loan on its books.

(ii) Credit policies of REs must include provisions on CLAs covering internal portfolio limits, target borrower segments, due diligence of partners, customer service, and grievance redressal.

(iii) CLA agreements must detail terms including borrower selection criteria, product lines, fees for lending services, segregation of responsibilities between partners, timelines for exchanging critical information, customer interface, and grievance redressal.

(iv) Loan agreements with borrowers must upfront disclose the division of roles (such as sourcing and servicing) between REs and identify a single point of customer interface; any changes require prior borrower notification.

(v) NBFCs must follow accounting standards for unrealized profits from CLAs; such profits will be deducted from CET 1 capital or net owned funds until loan maturity.

3. **Interest Rate and Other Fees / Charges**

(i) Interest rates and other fees charged to the borrower will follow the contractual agreement, complying with regulatory norms. The final interest rate to the borrower will be a blended rate, calculated as a weighted average of the rates charged by each RE based on their funding share and internal lending policies.

(ii) Any changes in interest rates by the REs must follow their credit policies and regulations, and the updated blended rate must be communicated to the borrower.

(iii) Additional fees or charges beyond the blended interest rate will be included in the annual percentage rate and disclosed in the key facts statement.

(iv) REs must define objective criteria for fees/charges in their credit policy, based on service type and loan amount, and these fees should not include credit enhancement or default loss guarantees unless explicitly permitted.

4. **Operational Arrangements**

   (i) Each partner RE must irrevocably book its share of loans originated by the other on a back-to-back basis without delay and the respective shares of the REs are reflected in the books of both REs without delay after disbursement by the originating RE to the borrower, within 15 days of disbursement.

   (ii) Originating RE transfers the loan share only to the agreed partner RE as per the ex-ante agreement as specified in key facts statement.

   (iii) If the transfer isn't completed in 15 days, the loan remains on the books of originating RE and can only be transferred under the Master Directions – Transfer of Loan Exposure, 2021.

   (iv) Each RE maintains separate borrower accounts for their loan shares and all transactions (disbursements, repayments) go through an escrow account, with clear appropriation rules between partners.

5. **Default Loss Guarantee ("DLG"):** Originating RE may provide a default loss guarantee up to 5% of outstanding loans under CLA. Provision of such default loss guarantee shall be governed mutatis mutandis in terms of the MD-DLD as amended from time to time.

6. **Asset Classification Norms:** REs shall apply a borrower-level asset classification for their respective exposures to a borrower under CLA, implying that if either of the REs classifies its exposure to a borrower under CLA as special mention account / non-performing assets on account of default in the CLA exposure, the same classification shall be applicable to the exposure of the other RE to the borrower under CLA. REs shall put in place a robust mechanism for sharing relevant information in this regard on a near-real time basis, and in any case latest by end of the next working day.

7. **Transfer of Loan Exposures:** Any subsequent transfer of loan exposures originated under CLA to third parties, or any inter-se transfer of such loan exposures between REs, shall be strictly in compliance with the provisions of the Master Directions – Transfer of Loan Exposure, 2021. Such transfers to a third party, however, can be done only with the mutual consent of both the originating and partner REs.

The Co-Lending Directions can be accessed *here*.

III. RBI permits Special Rupee Vostro Accounts opening without prior approval and enables investment in Government Securities by Person Resident Outside India

RBI *vide* its notification dated August 05, 2025, has announced that the Authorised Dealer (AD) Category - I banks can now open Special Rupee Vostro Accounts ("**SRVA**") of overseas correspondent banks without prior approval from the RBI. Further, RBI *vide* its notification dated August 12, 2025, has allowed persons resident outside India that maintain a SRVA for international trade settlement in Indian Rupees, to invest their rupee surplus in Central Government Securities, including Treasury Bills.

The notification for International Trade Settlement in Indian Rupees (INR) can be accessed *here*.

The notification for Investment in Government Securities by Persons Resident Outside India through

Special Rupee Vostro Account can be accessed here.

IV. RBI issues Reserve Bank of India (Know Your Customer (KYC)) (2nd Amendment) Directions, 2025

RBI *vide* its notification dated August 14, 2025 has issued Reserve Bank of India (Know Your Customer (KYC)) (2nd Amendment) Directions, 2025. This amendment is made to the previously issued Reserve Bank of India (Know Your Customer (KYC)) Directions, 2016 and has come into effect immediately. The amendments provide for:

(i) addition of a link to KYC FAQs on the RBI website;

(ii) ensuring no KYC application, including for persons with disabilities, is rejected without proper reasoning;

(iii) extending KYC requirements to occasional transactions of ₹50,000 or above and international money transfers;

(iv) recognition of aadhaar face authentication as valid authentication; and

(v) mandating that liveness checks should not exclude persons with special needs.

The Reserve Bank of India (Know Your Customer (KYC)) (2nd Amendment) Directions, 2025 can be accessed *here*.

V. RBI issues draft of Foreign Exchange Management (Guarantees) Regulations, 2025 for feedback.

RBI *vide* a press release dated August 14, 2025, released the Draft – Foreign Exchange Management (Guarantees) Regulations, 2025 ("**Draft FEMA Guarantees Regulations**") for public feedback.

Please see below some of the key highlights of the Draft FEMA Guarantees Regulations:

1. **Restriction on a person resident in India:** Save as otherwise provided under Foreign Exchange Management Act, 1992 ("FEMA Act") or rules or regulations or directions issued under the FEMA Act or special permission of the RBI, no person resident in India shall act as a surety or a principal debtor or a creditor for a guarantee where the underlying transaction between creditor and principal debtor, or the resultant transaction in case of invocation of the guarantee, is a current or capital account transaction under the FEMA Act.

2. **Exemption from Draft FEMA Guarantees Regulations:** These regulations shall not apply in the cases where:

   (i) A foreign branch of an Authorised Dealer ("**AD**") acting as a surety, principal debtor, or creditor in normal course of its banking business outside India, unless an Indian resident is involved.

   (ii) An AD is acting as a custodian bank issuing Irrevocable Payment Commitments for transactions involving a registered Foreign Portfolio Investor as the principal debtor, a

Stock Exchange/ Clearing Corporation of the Stock Exchange in India as the creditor, and the transaction complies with the Foreign Exchange Management (Non-debt Instruments) Rules, 2019.

3. **Permission to act as a surety or a principal debtor or a creditor:** A person resident in India may act as a surety, principal debtor, or creditor for a guarantee subject to the following conditions:

(i) The underlying transaction and the resultant transaction in case of invocation of the guarantee do not violate or contravene the FEMA Act or its related rules, regulations, or directions.

(ii) Where the Indian resident is the surety and the principal debtor is resident outside India, the resultant transaction upon invocation of guarantee, i.e., the lending by a person resident in India to a person resident outside India, must comply with the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018.

(iii) An AD shall not give a Letter of Comfort or a Letter of Undertaking, and an AD acting as surety shall also ensure compliance to regulatory guidelines issued by Department of Regulation, RBI.

4. **Reporting requirements:** Person resident in India must report guarantees as per these regulations through an AD to the RBI, in accordance with the prescribed formats. Further, a person resident in India must report the guarantee, including any change in amount and validity, invocation of guarantees, if any, within seven calendar days of the date of issuance/ aforementioned change/ invocation of such guarantee as per the prescribed formats. This applies to:

(i) Indian residents acting as surety;

(ii) Indian residents as principal debtors arranging a guarantee from a non-resident; and

(iii) Indian residents as creditors receiving a guarantee in their favour from a non-resident.

The Draft FEMA Guarantees Regulations can be accessed *here*.

CHAPTER II: SEBI UPDATES

I. The Securities Exchange Board of India ("SEBI") issues a circular for review of the framework for conversion of a private listed InvIT into a public InvIT ("InvITs Circular")

SEBI *vide* its circular bearing reference number SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/114 dated August 08, 2025, i.e., InvITs Circular, proposed to review chapter 14 of the master circular for infrastructure investment trusts ("**InvITs**") dated May 15, 2024 ("**InvITs Master Circular**"), which established a framework for conversion of a private listed InvIT into a public InvIT.

Outlined below are the recent modifications introduced in chapter 14 of the InvITs Master Circular, following receipt of suggestions from market participants and recommendations of the Hybrid Securities Advisory Committee.

1. Streamlining the requirements pertaining to minimum contribution from the sponsor(s) and sponsor group(s) in the public issue of units for conversion of a private listed InvIT into a public InvIT

(i) Paragraph 14.6. of the InvITs Master Circular shall be substituted with the following:

"14.6. Minimum unit holding for sponsor(s) and sponsor group(s)

14.6.1. The sponsor(s) and sponsor group(s) shall comply with the minimum unitholding requirement specified in Regulation 12(3) and 12(3A) of the InvIT Regulations, as applicable, at all times."

(ii) Paragraph 14.7 of the InvITs Master Circular shall be substituted with the following:

"14.7. Lock-in

14.7.1. The lock-in on units held by the sponsor(s) and sponsor group(s) to comply with the minimum unitholding requirement mentioned in paragraph 14.6.1 above shall be as specified in Regulation 12(5) of the InvIT Regulations."

2. Aligning the procedure and disclosure requirements for public offer of units to convert a private listed InvIT into a public InvIT with the procedure and disclosure requirements applicable for follow-on offer

(i) In paragraph 14.3.1 of the InvITs Master Circular, for the word "initial", the words "follow-on" shall be substituted.

(ii) Paragraph 14.5.1 of the InvITs Master Circular shall be substituted with the following:

"14.5.1. For such public issue, the InvIT shall comply with the requirements for follow-on offer prescribed under InvIT Regulations and the circulars issued thereunder including any amendments thereto."

(iii) In paragraph 14.8.1 of the InvITs Master Circular, for the word "initial offer", the words "**such public issue**" shall be substituted.

(iv) In paragraph 14.9.1. of the InvITs Master Circular, for the words "mandated in terms of Schedule III of", the words "**applicable for follow-on offer under**" shall be substituted.

(v) In paragraph 14.9.1. a) of the InvITs Master Circular, the words "as applicable for a follow-on offer" shall be inserted after the words "**Details of distributions made by the InvIT**".

The proposed changes shall become effective immediately.

The InvITs Circular can be accessed *here*.

II. SEBI consolidates the various circulars issued on debenture trustees ("DTs") into a master circular dated August 13, 2025 ("DT Master Circular")

SEBI *vide* the DT Master Circular, bearing reference number SEBI/HO/DDHS-PoD-1/P/CIR/2025/117, has consolidated various circulars issued from time to time on the DTs till August 13, 2025, to ensure effective regulation of the corporate bond market and to enable the stakeholders to have access to all the applicable circulars/ directions pertaining to the DTs at 1 (one) place.

The DTs are required to: (i) comply with the provisions contained in this DT Master Circular; and (ii) ensure that the necessary systems and infrastructure are in place for effective implementation of the DT Master Circular.

The DT Master Circular shall become effective from the date of its issuance (i.e., August 13, 2025).

Following the issuance of this DT Master Circular, the below listed circulars issued by SEBI, shall stand superseded:

Sr. No.	Date	Reference Number of Circular	Name of the Circular
1.	May 16, 2024	SEBI/HO/DDHS-PoD3/P/CIR/2024/46	Master Circular for DTs.
2.	January 28, 2025	SEBI/HO/DDHS/DDHS-PoD 3/P/CIR/2025/009	Format of Due Diligence Certificate to be given by the DTs.

The DT Master Circular can be accessed *here*.

III. SEBI extends the timeline for implementation of the circular on 'Margin Obligations to be given by way of pledge/re-pledge in the Depository System' dated June 03, 2025 ("SEBI Margin Pledge Circular")

SEBI *vide* its circular bearing reference number SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/118 dated August 18, 2025 ("**Extension Circular**") has extended the timeline for implementation of the SEBI Margin Pledge Circular to October 10, 2025, which was earlier proposed to become effective from September 01, 2025. Such extension was permitted following receipt of requests by SEBI from the depositories (i.e., CDSL and NSDL) requesting an extension to carry out system developments and ensure system readiness by undertaking end-to-end testing prior to implementation of the margin obligations.

The Extension Circular can be accessed *here*.

IV. SEBI issues technical clarification to the cyber-security and cyber resilience framework for SEBI-regulated entities ("REs")

SEBI *vide* its circular bearing reference number SEBI/HO/ITD-1/ITD_CSC_EXT/P/CIR/2025/119 dated August 28, 2025 ("**Clarification Circular**") has issued technical clarification on cyber-security and cyber resilience framework for the REs issued on August 20, 2024 ("**CSCRF**") and other clarifications and FAQs in that context, issued by SEBI from time to time.

The various stakeholders in relation to the Clarification Circular (namely, Stock Exchanges, Depositories, and the Bombay Stock Exchange) are directed to amend their relevant rules, notify their stakeholders about the Clarification Circular, and publish its relevant updates on their websites.

The Clarification Circular addresses technical clarifications in relation to the CSCRF, in 4 (four) major parts, which are highlighted as follows:

1. Part A: Principles for the REs under multiple regulators' purview

(i) Under the CSCRF, the REs are required to implement and comply with various standards and guidelines as prescribed in the CSCRF Circular.

(ii) Since the REs are also engaged in various business operations and regulated by multiple regulatory authorities, to ease their compliance requirements with respect to cybersecurity and cyber resilience in different regulatory frameworks as applicable, SEBI has clarified that the REs shall, during submission of CSCRF compliance, be required to demonstrate that they follow the ***principle of equivalence and/or exclusivity*** for the applicable controls.

(iii) Under the principles, the scope of the CSCRF shall be limited to only those systems, applications, infrastructure and processes that are exclusively used for SEBI-regulated activities. In cases where infrastructure, networks, technology stacks or security solutions are shared, such components shall be included in SEBI's audit or inspection scope if they are not already covered under the audit or inspection framework of the primary regulator.

(iv) Further, CSCRF controls that have an equivalent cybersecurity framework or guidelines issued by other primary regulators, shall be deemed compliant, provided that the REs are adhering to the respective frameworks or guidelines issued by their primary regulator.

2. Part B: Technical clarification in relation to the CSCRF

Sr. No.	CSCRF	Original Requirement	Clarification
1.	Critical Systems Definition	The REs shall classify their critical IT systems as provided under sub-paras (a) to (f) of para 2 ("***Critical Systems***").	With respect to para (f) of the Critical Systems, it shall now include ***any system on the same network segment as critical systems defined under paras (a) to (e) of the Critical Systems.***

2.	Zero-Trust Security Model (PR.AA.S4 & S5)	Access is denied by default and only granted after successful authentication.	REs shall implement strategies such as zero-trust networks, segmentation, no single point of failure, and high availability, which shall be approved by the IT Committee of the REs.
3.	Mobile App Security Guidelines (PR.AA.S16)	Security guidelines for mobile apps.	These guidelines are recommendatory, not mandatory.
4.	Cyber-Attack Communication (RS.CO.S2)	Press release for high-impact incidents informing all stakeholders; inform affected stakeholders only, in case of a low-impact cyber attack.	REs are now required to follow the Cyber Crisis Management Plan (CCMP).
5.	Security Solutions Deployment (DE.CM.S3)	Mandated compliance with BAS, CART, decoy, vulnerability management, etc, to enhance the cybersecurity posture of the REs.	Deployment of such solutions is recommended in consultation with the IT Committee, to assess and enhance the REs cybersecurity posture.
6.	Supply Chain Risk (GV.SC.S2)	Risk assessment of third-party vendors, using a cyber-supply chain risk assessment process.	The said cyber-supply chain risk assessment process may be done by the REs in consultation with the IT Committee.
7.	VAPT & Cyber Audit Reports (Sec 4.3-4.4)	Submission of detailed reports of VAPT and cyber audits.	Submission of only summary reports in the prescribed format specified in CSCRF, unless SEBI requests further details.
8.	Alignment with National Critical Information Infrastructure Protection Centre ("**NCIIPC**") guidelines (GV.PO)	REs are required to align their cybersecurity policy with the principles proposed by the NCIIPC.	This requirement is applicable only to REs identified as '**Critical Information Infrastructure**' by the NCIIPC.

9.	Market-SOC Onboarding (Box 11)	All REs to onboard Market-SOC.	Small/self-certified REs must onboard Market-SOC. However, if they have their own SOC, they may leverage their existing SOC and shall submit their SOC efficacy reports to SEBI, as mandated under CSCRF.
10.	Disaster Recovery (RC.RP.S2)	The REs must resume critical operations within 2 (two) hours from the occurrence of the disaster (i.e., recovery time objective ("**RTO**")) and ensure that no more than 15 (fifteen) minutes of data is lost from the recovery point objective ("**RPO**"). The recovery plan should be scenario-based and aligned with the RTO and RPO requirements.	The Res must align with the International Organisation of Securities Commissions ("**IOSCO**") guidelines. They must ensure that critical operations resume within 2 (two) hours of disruption, even in extreme scenarios, while exercising judgment to avoid escalating risks. They should also plan for cases where this 2 (two) hour RTO requirement may not be met, in consultation with their IT Committee. Additionally, the RPO for critical systems is set at 15 (fifteen) minutes.
11.	ISO 27001 Certification (PR.IP.S16)	Qualified REs are required to obtain ISO Certification and corresponding guidelines.	The proposed certification requirement is only recommendatory, and not mandatory.

SEBI directs the Stock Exchanges/Depositories to ensure confidentiality and integrity of the cyber audit reports by instituting adequate safeguards for the same.

3. Part C: Re-categorisation of portfolio managers and merchant bankers

3.1 SEBI has revised the classification thresholds for portfolio managers and merchant bankers, which are as follows:

(a) Criteria and thresholds for portfolio managers

Sr. No.	Criteria	Qualified REs	Mid-size REs	Small-size REs	Self-certification REs
1.	Assets Under Management (AUM)	N.A.	INR 10,000 crore and above.	More than INR 3,000 crore and less than INR 10,000 crore.	INR 3,000 crore and below.

(b) **Criteria and thresholds for merchant bankers**

Sr. No.	Criteria	Merchant bankers categorisation for CSCRF
1.	All active Merchant Bankers (i.e., who have undertaken any merchant banking activity during the relevant period)	Small size REs
2.	All inactive Merchant Bankers (i.e., those that have not undertaken any merchant banking activities in the relevant review period.	Exempt from CSCRF

4. **Part D: Cyber security audit policy guidelines from CERT-In.**

CERT-In's Cyber Security Audit Policy Guidelines provide a standard framework for the REs to ensure consistent and secure cyber audit practices, which they should follow to ensure a consistent, effective and secure approach to their cyber security audits.

The Clarification Circular can be accessed *here*.

V. SEBI has issued a draft circular seeking public comments on modifications in the conditions specified for the reduction in denomination of debt securities and non-convertible redeemable preference shares dated August 01, 2025 ("Draft Circular")

SEBI had earlier allowed issuance of debt securities and non-convertible redeemable preference shares at a reduced face value of INR 10,000 (Indian Rupees Ten Thousand only) *vide* circular no. SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2024/94 dated July 03, 2024 ("**Circular**"), subject to certain conditions, including that the securities were interest/dividend bearing. This effectively excluded zero coupon or zero dividend debt securities or non-convertible redeemable preference shares, which do not carry periodic payouts but are issued at a discount and redeemed at par.

Market participants highlighted that zero coupon structures provide compounded returns and are attractive to non-institutional investors seeking portfolio diversification. Recognizing this, SEBI now proposes via the Draft Circular to amend its earlier stipulation to allow issuers to bring out **both coupon-bearing and zero-coupon instruments** at the reduced face value of ₹10,000, provided they have a fixed maturity and no structured obligations.

Accordingly, Draft Circular proposes the following amendment to clause 3.2 of the Circular:

"1.3 The Issuer may issue debt security or non-convertible redeemable preference share on private placement basis at a face value of Rs. Ten Thousand,

(i) Subject to the following conditions:

a) The issuer shall appoint …..…….

b) Such debt security or non-convertible redeemable preference share shall be with a fixed maturity, without any structured obligations and shall either be (i) interest/ dividend bearing security paying coupon/ dividend at regular intervals or (ii) no interest/ dividend bearing security.

(ii) The following credit……."

Pursuant to the proposed amendment stated above, the issuer shall be eligible to issue debt security or non-convertible redeemable preference share at a reduced face value of INR 10,000 (Indian Rupees Ten Thousand only), which may be either interest/dividend bearing or zero interest/dividend bearing.

All other conditions under the Circular remain unchanged. The provisions of the Draft Circular will apply to privately placed debt securities and non-convertible redeemable preference shares intended to be listed from the date of issuance of this Draft Circular.

The relevant stakeholders shall submit their comments/suggestions latest by August 21, 2025.

The Draft Circular can be accessed *here*.

VI. SEBI has issued draft circular seeking public comments on revised norms for the appointment of an independent third-party reviewer/certifier for green debt security dated August 01, 2025 ("Draft Circular on Green Debt Securities")

SEBI had proposed *vide* the Draft Circular on Green Debt Securities to revise the framework for appointment of independent third party reviewers or certifiers in relation to green debt securities and to harmonize/align the requirements applicable to green bonds with a more detailed framework recently introduced for ESG debt securities (i.e. social bonds and sustainability bonds) under SEBI's circular dated June 05, 2025 bearing reference number SEBI/HO/DDHS/DDHS-POD-1/P/CIR/2025/84 ("**ESG Circular**").

SEBI has been gradually expanding India's sustainable finance framework:

1. In February 2023, SEBI, through its circular dated February 06, 2023 bearing reference number SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2023/023, introduced disclosure requirements for green debt securities including a general stipulation to appoint an independent third-party reviewer or certifier without prescribing detailed conditions.

2. Subsequently, *vide* amendment notification dated December 11, 2024, SEBI formally broadened the definition of sustainable finance to include social bonds, sustainability bonds, and sustainability-linked bonds, which together with green debt securities are collectively termed "**ESG debt securities**".

3. Thereafter, *vide* the ESG Circular, SEBI outlined disclosure norms for ESG debt securities (excluding green debt securities), incorporating comprehensive provisions regarding the appointment of independent third party reviewers specifically addressing aspects such as independence, conflict of interest, and governance standards.

The earlier circular for green debt securities, however, does not contain these detailed stipulations, which in turn left a regulatory asymmetry. Green bonds, though the earliest and most widely recognised form of ESG debt securities, operated under a comparatively lighter framework. SEBI now proposes to bring them on par with social and sustainability bonds, ensuring uniform standards across the ESG debt securities space.

The Draft Circular proposes insertion of following paragraph as "paragraph 5" in Chapter IX of the Master Circular for issue and listing of Non Convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper dated May 22, 2024 ("**NCS Master**

Circular") so that issuers of green debt securities must comply with the same requirements as those applicable to issuers of social and sustainability bonds and sustainability linked bonds:

"5. Independent third-party reviewer/ certifier:

5.1 The issuer shall appoint an independent third-party reviewer/ certifier, to ascertain that the issuance of green debt securities is in accordance with the definition specified under Regulation 2(1)(q) of the SEBI NCS Regulations including review/certification of the processes including project evaluation and selection criteria, project categories eligible for financing by green debt security, etc, in compliance with the following conditions:

a) The reviewer shall be independent of the issuer, its directors, senior management and key managerial personnel;

b) The reviewer shall be remunerated in a way that prevents any conflicts of interest; and

c) The reviewer shall have expertise in assessing ESG debt securities.

5.2 The scope of the review(s) conducted by the independent third-party reviewer/ certifier shall be specified in the offer document.

5.3 The independent third-party reviewer may take one or more of the following forms recommended by International Capital Market Association:

a) Second Party Opinion;

b) Verification including the cases where proceeds are to be utilised for the purpose of re-financing;

c) Certification;`

d) Scoring / Rating.

5.4 Apart from the entity(ies) eligible to be appointed by the Issuer in paragraph 5.1 above, an ESG rating provider registered with SEBI shall also be eligible to be appointed by the Issuer to act as a third-party reviewer for the purpose of this circular. Such ESG Rating Provider shall comply with the conditions specified in paragraph 5.1 above.

5.5 The issuer shall ensure that the details regarding the independent third party reviewer are adequately disclosed in the offer document."

The revised norms are to apply prospectively to all issuances of green debt securities once the Draft Circular takes effect.

The relevant stakeholders shall submit their comments/suggestions (along with the rationale) latest by August 21, 2025.

The Draft Circular on Green Debt Securities can be accessed *here*.

VII. SEBI issued a consultation paper on 'Amendments to provisions relating to related party transactions under SEBI (LODR) Regulations, 2015 and circulars thereunder' ("Consultation Paper on Related Party Transactions").

SEBI *vide* Consultation Paper on Related Party Transactions dated August 04, 2025 proposes amendments to the provisions relating to related party transactions (“**RPTs**”) under the SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015 (“**LODR**”) and related circulars. These proposals, developed on the recommendations of SEBI’s Advisory Committee on Listing Obligations and Disclosure (ACLOD), are aimed at easing compliance burdens while maintaining strong safeguards for minority shareholders.

The Consultation Paper on Related Party Transactions proposed the following changes, as mentioned below in detail:

1. **Scale-Based Threshold for determining material RPTs undertaken by listed entitie**s

Currently, under Regulation 23(1) of LODR, any RPT is considered material if its value exceeds INR 1000 Crore or 10% (ten per cent) of the listed company’s annual consolidated turnover (as per the last audit financial statements), whichever is lower. This uniform threshold applies to all listed entities, regardless of their size, and has faced criticism for being disproportionately burdensome, especially for companies with very large turnovers.

To address this concern, SEBI has proposed amending Regulation 23(1) by introducing a scale-based threshold system, where materiality thresholds vary based on predefined turnover brackets.

Scale-based Threshold	
Buckets of Annual Consolidated Turnover of Listed Entity	**Proposed Threshold**
Up to INR 20,000 Crore	10% of the annual consolidated turnover of the listed entity
Between INR 20,001 – 40,000 Crore	INR 2,000 Crore + 5% of annual consolidated turnover of the listed entity above INR 20,000 Crore
More than INR 40,000 Crore	INR 3,000 Crore + 2.5% of the annual consolidated turnover of the listed entity above INR 40,000 Crore Or INR 5,000 Crore, whichever is lower.

2. **Threshold for determining material RPTs undertaken by subsidiaries of a listed entity.**

The second proviso to Regulation 23(2) of the LODR states that any RPT involving a subsidiary of a listed company, where the listed company itself is not a party requires prior approval from the audit committee of the listed entity (“**Audit Committee**”) if the value of the transaction (alone or along with pervious transactions during the financial year) exceeds 10% (ten per cent) of the standalone turnover of the subsidiary, as per the last audit financial statements of the subsidiary.

However, in practice, there have been instances where subsidiary-level RPTs exceed the materiality threshold that mandates shareholder approval, yet bypass Audit Committee scrutiny/approval as they do not exceed 10% (ten percent) of the standalone turnover of the subsidiary.

To address the aforesaid issue and harmonise the approval process, a new proposal suggests that: If a subsidiary of a listed company enters into a related party transaction above ₹1 Crore, and the listed company itself is not directly involved/not a party, prior approval the Audit Committee of the listed company shall be required if the total value of such transaction (individually or combined with previous transactions in the same financial year) exceeds the lower of the following 2 (two) thresholds:

(i) 10% (ten per cent) of the subsidiary's annual standalone turnover, as per its latest audited financial statements.

However, if the subsidiary does not have audited financial statements for at least 1 (one) year, then 10% (ten percent) of the subsidiary's standalone net worth shall be taken into consideration, which shall be computed on a date not older than 3 (three) months prior to the date of seeking approval from the Audit Committee.

Furthermore, if the subsidiary has a negative net worth, it shall be substituted with an amount equal to the aggregate value of the subsidiary's paid-up share capital and securities premium, also computed on a date not older than 3 (three) months prior to the date of seeking approval of the Audit Committee provided the same is certified by a practicing chartered accountant.

(ii) Threshold for material RPT of listed entity as determined in accordance with Schedule XII under Regulation 23(1) of LODR.

3. Relaxation in the minimum information to be furnished to the Audit Committee and shareholders for the approval of related party transactions

In a circular dated June 26, 2025, SEBI introduced the Industry Standards for Minimum Information to be provided to the Audit Committee and shareholders for approval of RPTs, ("**RPT Industry Standards**"). However, these standards currently do not apply to transactions below INR 1,00,00,000 (Indian Rupees One Crore only), whether undertaken individually or together with previous transactions during a financial year (including those approved through ratification).

Industry representatives have pointed out that this INR 1,00,00,000 (Indian Rupees One Crore only) threshold is disproportionately low for listed companies having high turnover. In response and with an objective of facilitating ease of doing business, the Consultation Paper on Related Party Transactions proposes that if RPT(s) with a related party (undertaken individually or together with previous transactions during a financial year), including transactions approved by way of ratification, do not exceed 1% (one percent) of consolidated turnover of the listed entity (as per last audited financial statements) or INR 10,00,00,000 (Indian Rupees Ten Crore only), whichever is lower, the listed entities shall provide simplified disclosures, as detailed in the draft circular for "*Information* to be Provided to the Audit Committee and Shareholders for Approval of RPTs".

For transactions exceeding the 1% (one per cent) or INR 10,00,00,000 (Indian Rupees Ten Crore only) threshold, the full disclosure requirements under the existing RPT Industry Standards would continue to apply.

4. **Inclusion of provision in LODR with respect to the validity of omnibus approvals for RPTs granted by shareholders**

The Consultation Paper also proposes to codify the validity periods for shareholder omnibus approvals. The proposal seeks to amend Regulation 23(4) of the LODR to provide that the omnibus approvals granted in an annual general meeting ("**AGM**") shall be valid up to the date of the next AGM but not exceeding beyond 15 (fifteen) months. While in the case of omnibus approvals obtained in a general meeting (other than AGMs), the validity of such omnibus approvals shall not exceed 1 (one) year.

5. **Clarifications pertaining to the applicability of RPT provisions**

Through the Consultation Paper on Related Party Transactions, SEBI has sought to clarify the applicability of certain provisions relating to RPTs under LODR:

Firstly, retail purchases made by directors or employees of a listed company or its subsidiary will not be treated as RPTs, as long as such purchases are made on uniform terms applicable to all employees and directors and do not establish a business relationship. To reinforce this, SEBI proposes amending proviso (e) to Regulation 2(1)(zc) of LODR to explicitly extend this exemption to directors, key managerial personnel (KMPs), and their relatives of both the listed entity and its subsidiaries.

Secondly, clause (b) of Regulation 23(5) of LODR currently exempts transactions between a holding company and its wholly owned subsidiary from the applicability of sub-regulations (2), (3), and (4) of Regulation 23 of LODR. In response to industry queries on whether this exemption applies to both listed and unlisted holding companies, SEBI now proposes to insert a formal explanation in the LODR clarifying that the term "holding company" refers specifically to a listed holding company, and shall be deemed to have always referred to, a listed holding company.

The Consultation Paper on Related Party Transactions can be accessed *here*.

VIII. SEBI issued a consultation paper on 'Review of Regulatory Framework for Registrars to an Issue and Share Transfer Agent' ("RTA Consultation Paper") and an addendum to the RTA Consultation Paper ("Addendum").

SEBI *vide* its RTA Consultation Paper dated August 07, 2025, and the Addendum thereto, dated August 11, 2025, proposes to introduce certain amendments/modifications to the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993, as amended from time to time ("**RTA Regulations**") in line with the changes in the regulatory landscape in India and solicits comments/views/suggestions from the public in regard thereto.

1. **Introduction of activity-based regulations for Registrars to an Issue and Share Transfer Agents ("RTAs")**

(i) The registrations of the RTAs shall continue to be granted by SEBI. Any services provided by the RTAs to listed companies will fall under SEBI's regulatory purview; however, services provided by the RTAs to unlisted companies (following the increased focus on dematerialization of securities across the spectrum) shall be overseen by the Ministry of Corporate Affairs ("**MCA**"), which shall be responsible for handling investor complaints pertaining to such unlisted securities.

(ii) SEBI shall remain the authority for handling investor complaints pertaining to services availed by listed companies from the RTAs.

(iii) With respect to those RTAs that intend to offer services to both listed and unlisted companies, they may provide services to unlisted companies through special business units ("**SBUs**") created in that regard. These SBUs shall be governed by the MCA.

(iv) The RTAs shall ensure that the activities of the SBUs (i.e., providing services to unlisted companies) are segregated from the activities related to listed companies, and an arms-length relationship between the activities is duly maintained. The net-worth criteria of the relevant RTA shall be assessed after excluding the accounts of the SBUs.

(v) The timeline allocated to existing RTAs for setting up the SBUs is 18 (eighteen) months from the effective date of these RTA Regulations.

(vi) RTAs serving mutual fund folios and alternative investment funds shall continue to remain within the regulatory domain of SEBI.

2. Revisiting the need for categorization of RTAs

(i) The erstwhile distinction between Category-I RTAs (being, entities that carried on the activities of both a registrar to an issue and a share transfer agent) and Category-II RTAs (being, entities that carried on the activities of either a registrar to an issue or a share transfer agent only), has undergone a significant change with the increasing dematerialization of securities and a restriction on transfer of physical securities effective April 01, 2019. Share transfer agents now mainly handle investor service requests, such as dividend payments and resolution of investor's complaints etc.- functions equally carried out by a registrar to an issue. Resultantly, the services previously provided by Category-II RTAs can now be provided by Category-I RTAs, thereby blurring the distinction between the activities performed by the distinct categories of the RTAs.

(ii) In light of changes in the nature of services performed by the RTAs over the years and towards ensuring: (i) improvement in the investor experience; and (ii) rendering quality service to listed companies, SEBI proposes replacing the distinct categories of RTAs with a single uniform category, namely, "Registrar & Transfer Agent". Accordingly, the definition of a RTA under the RTA Regulations is proposed to be modified, to refer to, "an entity appointed by a body corporate or any person or group of persons, for acting as an intermediary in initial public offers, follow-on public offers, open offers, buy backs, delisting offers, takeovers etc. and to carry out the activities as specified by SEBI, stock exchanges or depositories from time to time, maintain the records of holders of securities issued by such body corporate and/or deal with all matters connected with the transaction of its securities."

(iii) SEBI also proposes to modify the requirement of maintenance of a minimum net-worth for all RTAs to be INR 50,00,000 (Indian Rupees Fifty Lakh only), as against the existing requirement of a minimum net-worth of INR 50,00,000 (Indian Rupees Fifty Lakh only) for Category-I RTAs and INR 25,00,000 (Indian Rupees Twenty-Five Lakh only) for Category-II RTAs.

(iv) However, as proposed in the Addendum, the existing Category-II RTAs, shall have the option till the expiry of the existing fee block, to either: (i) carry on the activities of the Category-II RTAs till the expiry of the fee block; or (ii) perform full-fledged RTA activities (including the services to be performed by Category-I RTAs) under the new framework, by paying the differential amount of fees on a pro-rata basis, after complying with the requisite conditions.

3. Inclusion of securities premium in the computation of the net-worth of the RTAs

(i) The definition of 'free reserves' in the Companies Act, 2013 ("Companies Act") refers to reserves which are available for distribution as dividend whereas securities premium are not available for distribution of dividend and hence, the definition of net-worth of RTAs under Section 7(2) of the RTA Regulations (being, the value of paid-up capital and free reserves as disclosed in their books of accounts), inadvertently, excluded securities premium from the RTAs net worth calculations. Thus, there presently exists a discrepancy in the interpretation of Section 7(2) of the RTA Regulations and Section 2(43) of the Companies Act.

(ii) To resolve this discrepancy, SEBI proposes to include securities premium as appearing in the books of the RTAs in the computation of the net-worth of the RTAs, since as hereinbefore mentioned, the securities premium was earlier excluded from the computation of the net-worth of the RTAs.

4. Introduction of Institutional Mechanism for RTAs

Due to the absence of any institutional mechanism for detection and/or prevention of fraud currently in place, in the RTAs, SEBI proposes the introduction of the following:

(i) Specific responsibility is accorded to the CEO, MD or such equivalent personnel of the RTA, to put in place, an adequate and effective system of internal controls to ensure compliance with fraud prevention provisions and the board of directors or head(s) of the RTA's shall be responsible for compliance with such provisions. The compliance officer shall be responsible for monitoring the internal controls and the audit committee for reviewing such internal controls.

(ii) (a) Robust surveillance systems and internal control procedures (suited to the nature and size of the RTA's business and operations) to detect potential fraud by the various stakeholders of the RTA; and (b) KYC surveillance systems to verify and record the true identity of the security holders.

(iii) A properly documented escalation process to keep the board of the RTA and the senior management informed of any potential fraud or suspicious activities.

(iv) A well-documented whistleblower policy whereby a confidential channel is made available for employees and other stakeholders of the RTA to raise concerns about suspected fraudulent, unfair or unethical practices, violation of regulatory or legal requirements or governance weaknesses without fear of punishment or unfair treatment, and all whistleblowers shall be afforded adequate protection under the policy. Such complaints can be addressed to the audit committee or an analogous body (for complaints against management including the board of directors) or the compliance officer (for other matters), as may be determined by the RTA.

The relevant stakeholders shall submit their comments/suggestions (along with the rationale) latest by August 28, 2025, following which SEBI shall determine if any of the proposed amendments/modifications are to be adopted and updated in the RTA Regulations, accordingly.

The RTA Consultation Paper can be accessed *here*.

IX. SEBI issued a consultation paper proposing introduction of a draft circular on 'Ease of doing investment- smooth transmission of securities from nominee to legal heir' ("Transmission of Securities Draft Circular")

SEBI *vide* its consultation paper dated August 12, 2025, has proposed the introduction of the Transmission of Securities Draft Circular, seeking comments/suggestions/recommendations from the public. SEBI intends to introduce a standard reason code viz. '***TLH***' (i.e., Transmission to Legal Heirs) to be used by the reporting entities while reporting the transmission of securities from nominees to legal heirs, to the Central Board of Direct Taxes (CBDT) in order to enable proper application of the provisions of the Income Tax Act, 1961 ("**Income Tax Act**").

The Transmission Securities Draft Circular acknowledges the possibility that the nominee (who acts as a trustee of the securities of the original security holder) may get assessed for tax upon transmission of such securities to the legal heir, in spite of clause (iii) of Section 47 of the Income Tax Act, which does not consider such transmission as a '***transfer***'. Payment of capital gains tax by the nominee would not be appropriate since the ultimate owner of such securities is the legal heir, and not the nominee. Resultantly, to streamline the process of transmission of securities from the nominee to the legal heir and towards resolving the abovementioned taxation issue, SEBI has proposed the introduction of the standard reason code stated hereinabove.

It is clarified that the procedural requirements for transmission of securities to the legal heir shall continue as provided under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Master Circular for Registrars to an Issue and Share Transfer Agents dated June 23, 2025 (as updated from time to time).

The relevant stakeholders shall submit their comments/suggestions (along with the rationale) latest by September 02, 2025, following which SEBI shall determine if any amendments are required to be made in the Transmission of Securities Draft Circular.

The Transmission of Securities Draft Circular can be accessed *here*.

X. SEBI issued a consultation paper on 'Amendment to the definition of Strategic Investor' ("Consultation Paper on Strategic Investor").

SEBI *vide* its Consultation Paper on Strategic Investor dated August 01, 2025, proposes amendments to the definition of 'Strategic Investor' under the SEBI (Real Estate Investment Trusts) Regulations, 2014 ("**REIT Regulations**") and the SEBI (Infrastructure Investment Trusts) Regulations, 2014 ("**InvIT Regulations**"). The move is intended to align the treatment of strategic investors with the broader concept/framework of Qualified Institutional Buyers ("**QIBs**") as outlined under the SEBI (Issue of

Capital and Disclosure Requirements) Regulations, 2018 ("**ICDR Regulations**"), thereby widening the investor base for REITs and InvITs, thus enhancing access to capital and fostering a more business friendly environment.

Under the current REIT Regulations and InvIT Regulations, the definition of strategic investor is quite narrow and limited to a small group namely infrastructure finance companies that are registered with Reserve Bank of India ("**RBI**") as Non-Banking Financial Companies ("**NBFCs**"), scheduled commercial banks, multilateral and bilateral development finance institutions, systemically important NBFCs recognized by RBI, foreign portfolio investors ("**FPIs**"), insurance companies, and mutual funds. These strategic investors are required to subscribe to at least 5% (five percent) and up to 25% (twenty five percent) of the total offer size, with units locked in for 180 (one hundred and eighty) days post-listing. Their prior commitment, formalised through a subscription agreement with the manager of REIT/ investment manager of InvIT, is disclosed in the offer document and serves to instil confidence among other investors.

However, this narrow definition excludes several classes of institutional investors such as public financial institutions, provident funds, pension funds, and insurance funds etc., who are natural long-term investors in REITs and InvITs given their mandate to allocate capital to stable, income-generating assets. These investors are eligible to invest as QIBs under the ICDR Regulations, but cannot do so under the strategic investor category, thereby limiting the pool of capital that REITs and InvITs can attract under this preferential regime.

In the aforesaid regard, SEBI now proposes to expand the definition of strategic investor to include all entities that qualify as QIBs under the ICDR Regulations, with one important caveat being that FPIs who are individuals, corporate bodies, or family offices will continue to be excluded, consistent with their treatment under ICDR.

In view of the above the amended definition of strategic investor in the REIT Regulations and InvIT Regulations would read as under:

"*'strategic investor' means, –*

a. an infrastructure finance company registered with the Reserve Bank of India as a Non-Banking Financial Company;

b. a Scheduled Commercial Bank;

c. a multilateral and/or bilateral development financial institution;

d. systemically important Non-Banking Financial Companies registered with Reserve Bank of India;

e. a foreign portfolio investor other than individuals, corporate bodies and family offices;

f. an insurance company registered with the Insurance Regulatory and Development Authority of India;

g. a mutual fund; and

h. a qualified institutional buyer as defined under Regulation 2(1)(ss) of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018

who invest, either jointly or severally, not less than five per cent. of the total offer size of the REIT/InvIT or such amount as may be specified by the Board from time to time, subject to the compliance with the applicable provisions, if any, of the Foreign Exchange Management Act, 1999 and the rules or regulations or guidelines made thereunder;"

The amended definition would therefore explicitly bring within scope public financial institutions, state industrial development corporations, provident and pension funds with a minimum corpus of INR 25,00,00,000/- (Indian Rupees Twenty-Five Crore only), the National Investment Fund, and insurance funds managed by government agencies and the armed forces, among others.

The intent is twofold. First, to widen the base of credible long-term investors who can provide anchor support in public issuances of REIT and InvIT units; and second, to align the treatment of REITs and InvITs with other capital market products that already rely on the ICDR definition of QIBs.

The relevant stakeholders/public are invited to submit their comments/suggestions latest by August 22, 2025.

The Consultation Paper on Strategic Investor can be accessed *here*.

CHAPTER III: MCA UPDATES

I. The Ministry of Corporate Affairs ("MCA") has issued Companies (Indian Accounting Standards) Second Amendment Rules, 2025

MCA has notified the Companies (Indian Accounting Standards) Second Amendment Rules, 2025 on 13th August 2025 in consultation with the National Financial Reporting Authority. The changes update the Companies (Indian Accounting Standards) Rules, 2015 and will largely apply from 1st April 2025, with certain covenant-related provisions effective from 1st April 2026.

The amendments are aimed at keeping Indian standards in line with global practices and international developments, while responding to emerging issues in financing and global taxation reforms. A major area of focus is the classification of liabilities as current or non-current, particularly in relation to loan covenants and rollover rights. The new framework clarifies that classification depends on rights available at the reporting date, not on management intent or subsequent events. Entities will also need to provide enhanced disclosures where debt classification depends on compliance with covenants.

A second key development is the requirement to disclose details of supplier finance arrangements (reverse factoring/supply chain financing). Companies must now provide information on terms, liability amounts, and repayment timelines, improving transparency around cash flow management and liquidity risks.

On the tax front, the amendments bring in provisions to address the Organisation for Economic Co-operation and Development Pillar Two global minimum tax regime. While deferred tax accounting will not apply, companies must disclose both qualitative and quantitative information on their potential exposure. This will be relevant for multinational groups and entities operating in multiple tax jurisdictions.

Other changes include technical corrections across Ind AS (e.g., revenue recognition references, financial instrument disclosures) and alignment with international standards, while tailoring provisions to the Indian context.

Overall, the amendments signal a shift towards greater transparency in debt classification, supplier finance disclosures, liquidity risk reporting, and international tax compliance. Companies should prepare for enhanced disclosure requirements and review their financing arrangements and tax structures in anticipation of these changes to ensure compliance from FY 2025–26 onwards.

The MCA Notification can be accessed *here*.

CHAPTER IV: E-GAZETTE UPDATES

I. The Department of Parliamentary Affairs and Legislation Secretariat, Goa, has introduced the Indian Stamp (Goa Amendment) Bill, 2025

The Indian Stamp Act (Goa Amendment) Bill, 2025 (Goa Bill No. 38 of 2025) ("**Amendment Bill**"), notified on 05 August 2025, introduces significant reforms to reduce the stamp duty burden on mortgagors when mortgaging property without delivery of possession, and encourages the registration of family trust deeds by providing concessional rates for family members. The Amendment Bill amends the Indian Stamp Act, 1899 ("**Act**") as applicable to the State of Goa and received the Governor's recommendation on 05 August 2025. The Amendment Bill is currently in the draft stage and has not yet been introduced in the Legislative Assembly of the State of Goa, but it is proposed to come into force immediately upon enactment.
Please see below the key changes introduced under the Amendment Bill:

1. Article 39 of Schedule I-A - Revision of Stamp Duty on Mortgage Deeds:

(i) Article 39 (a) of Schedule I-A has been amended to state that, irrespective of whether possession of the property is delivered or not, the stamp duty payable on the execution of a mortgage deed shall be a fixed sum of INR 1000 (Indian Rupees One Thousand Rupees Only).

(ii) Article 39 (c) Schedule I-A has been amended to state that, where a mortgage is executed as collateral, auxiliary, additional or substituted security, or by way of further assurances, and the principal security has been duly stamped, the stamp duty payable shall be a fixed sum of INR 500 (Indian Rupees Five Hundred Rupees Only).

2. Article 64 of Schedule I-A - Amendment of Stamp Duty on Trusts:

Article 64 (ii) has been introduced by the Amendment Bill, wherein if the beneficiary of the trust is the father, mother, brother, sister, spouse, daughter, son, grandson, granddaughter, brother-in-law, or sister-in-law of the author of the trust, the stamp duty shall be payable at a rate of INR 5000 (Indian Rupees Five Thousand Only).

The Amendment Bill can be accessed *here*.

CHAPTER V: IBBI UPDATES

I. The Insolvency and Bankruptcy Board of India ("IBBI") has released a discussion paper on 'Measures to enhance integrity of Corporate Insolvency Resolution Process ("CIRP")'.

IBBI has *vide* notification dated August 6, 2025 ("**CIRP Notification**"), released a discussion paper proposing regulatory amendments to strengthen the transparency, accountability, and efficiency of the CIRP.

Key regulatory proposals under the discussion paper are:

1. **Recording of committee of creditors' ("CoC") deliberation on resolution applicant's ("RA") eligibility under Section 29A of the Insolvency and Bankruptcy Code, 2016 ("IBC")**

   Currently, while resolution professional ("**RP**") and RA must comply provisions regarding Section 29A of IBC, there is no explicit requirement under IBBI (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 ("**CIRP Regulations**") to formally record CoC's deliberations on RA's eligibility in the minutes of the meeting, including the review of due diligence report of RP, RA's affidavit and other relevant information in the resolution plan.

2. **Enhanced disclosures in resolution plans regarding section 32A of the Code**

   Section 32A of the IBC provides immunity to the corporate debtor and its property for offences committed prior to commencement of the CIRP if the resolution plan ensures a change in management to an eligible party. However, complex, multilayered ownership structures often obscure the true beneficial owners, making it challenging to implement Section 32A of the IBC. To address this, IBBI proposes that every resolution plan shall include a statement of beneficial ownership, covering details of the natural persons who ultimately owns or control the RA, together with the shareholding structure and jurisdiction of intermediaries and an affidavit stating eligibility for Section 32A of the Code benefits.

3. **Invitation and submission of resolution plan(s) through electronic platform**

   The IBBI proposes implementing an electronic platform recognised by board for inviting and submitting resolution plans. This move is intended to promote procedural fairness, confidentiality, and efficiency by using technology to reduce the information asymmetry and enhance transparency.

   The aim of these proposals is to enhance transparency, strengthen institutional safeguards, improve procedural clarity, and harmonise key processes under CIRP and liquidation.

The CIRP Notification can be accessed *here*.

II. IBBI has released a discussion paper on 'Review of limit on number of assignments being handled by Insolvency Professionals ("IPs")'.

IBBI has *vide* notification dated August 12, 2025 ("**IP Notification**"), released a discussion paper to address concerns about the delays in insolvency and liquidation processes and the concentration of assignments being handled few IPs.

Key highlights from the paper are:

1. IBC aims to provide a time-bound resolution framework prioritizing value maximization and efficient turnaround of distressed debtors, timely discharge of responsibilities by IPs is critical to this objective.

2. Currently, Paragraph 22 of Schedule 1 of the IBBI (Insolvency Professionals) Regulations, 2016 ("**IP Regulation**") limits IPs to a maximum number of 10 (ten) concurrent assignments as RP in CIRP, of which not more than 3 (three) are to have claims of over INR 1000,00,00,000 (Indian Rupees One Thousand Crore Only) each. It was introduced in July 2021 to avoid overstretching and provide quality.

3. There is however, no similar limit to the number of assignments undertaken by IPs as Interim Resolution Professionals ("**IRP**"), Liquidators or RP in proceedings involving Personal Guarantors to Corporate Debtors ("**PG to CD**"). This resulted in some IPs simultaneously handling a significantly higher number of assignments, sometimes up to 25 (twenty-five), causing concerns over resolution quality, fairness in assignment distribution, and barriers for new professionals.

4. IBBI formed an expert committee, which suggested that the current limit of 10 (ten) assignments undertaken as RP may also be expanded to include assignments undertaken as IRP and Liquidator to enhance allocation, efficiency and avoid too much work being concentrated on a few.

5. IBBI proposes deleting Paragraph 22 of Schedule 1 of the IP Regulations and introduce a new specific regulation 7B under the IP Regulations. This regulation limits the total number of assignments undertaken by IP, whether as IRP, RP, or Liquidator, to 10 (ten) at any time, with maximum 3 (three) assignments having admitted claims exceeding INR 1000,00,00,000 (Indian Rupees One Thousand Crore Only).

6. IPs already handling 10 (ten) or more such assignments at the time of implementation will not be eligible to undertake new assignments until their ongoing assignments fall below the threshold.

7. The limit does not include assignments related to PG to CD or undertaken by Insolvency Professional Entities (IPE).

The aim of these proposals is to enhance accountability, promote caseload management, maintain professional standards, and uphold the time-bound objectives of the Code.

The IP Notification can be accessed *here*.

III. IBBI has introduced The Insolvency and Bankruptcy Code (Amendment) Bill, 2025 ("Amendment Bill") in Lok Sabha.

IBBI has *vide* notification dated August 12, 2025, introduced the Amendment Bill in Lok Sabha. It proposes significant new provisions and procedural innovations to the current insolvency regime by going beyond amendments that introduce new structures and safeguards to insolvency resolution in India.

Key propositions under the Amendment Bill are:

1. Preliminary and defining amendments

(i) Clarification of security interest: Only rights which have been established through mutual agreement/arrangement between parties are included, and not statutory liens like tax dues are excluded. This prevents automated claims of revenue authorities to have a security interest.

(ii) Introduction of a broader 'service provider' regime under the IBBI to cover IPs, IPAs, Information Utilities ("IU"), and additional entities notified by the government.

(iii) Introduction of definition of the terms "avoidance transaction" and "fraudulent/wrongful trading".

2. Mandatory Admission and Timelines on proof of default

Adjudicating Authorities ("**AA**") must accept insolvency applications when they receive sufficient evidence to prove default, without any discretionary reasons to refuse other than a procedural non-conformity, or disciplinary action against the proposed RP. The AA must either accept or reject within 14 (fourteen) days and note reasons in the event of a delay.

3. Withdrawal of Insolvency Applications

Withdrawal of the application at the time of admission shall be permissible only after the constitution of the CoC, with the approval of 90% (ninety percent) of the CoC, and shall thereafter be resolved within 30 (thirty) days. Accordingly, withdrawal of the application shall not be susceptible to frivolous or manipulative practices

4. Two- Stage Approval of resolution plans and dissenting creditors payouts

(i) The approval process for resolution plans is divided into two:
- implementation of the business management plan; and
- approval of distribution to creditors,

each to be approved by the AA within 30 (thirty) days, expediting plan implementation and clarity on distribution. After approval, the corporate debtor enjoys a "clean slate," extinguishing old claims except those expressly continued.

(ii) Resolution plans must pay dissenting financial creditors at least the liquidation value or their plan entitlement, whichever is lower, protecting minority creditor interests and preventing holdouts.

5. Moratorium and CIRP liquidation Reforms

Moratorium protections shall extend through liquidation. In exceptional circumstances, liquidation may be converted once into a CIRP for up to 120 (one hundred and twenty) days, subject to approval by 66% (sixty-six percent) of the CoC.

Moratorium protections now explicitly bar the enforcement of subrogation rights by sureties/guarantors against the corporate debtor during CIRP.

6. **Increased role of CoC in the liquidation and liquidation deadlines**

(i) The CoC will now supervise the liquidation process more actively, including decisions on replacing liquidators and fraud investigations, with voting thresholds to strengthen creditor control.

(ii) Liquidation must conclude within 180 (one hundred eighty) days, with a single extension of 90 (ninety) days, speeding up closure and value realization certainty. Claims during liquidation will use the CIRP claim list without fresh invitations.

7. **IRP Independence and Guarantor Asset Transfer**

(i) Corporate debtors are barred from nominating the IRP, enhancing impartiality and transparency in the insolvency process.

(ii) Provisions allow transfer of assets of personal or corporate guarantors to insolvency estates during resolution processes with CoC approvals, broadening asset bases and improving recoveries.

8. **Enhanced Insolvency Process Harmonisation and Creditor Controls**

(i) Standard procedures are coordinated with pre-packaged insolvency procedures to standardize definitions, timelines, applicability of moratorium, plan approvals, and withdrawal procedures to streamline operation.

(ii) The Secured Creditors shall be required to communicate their decision within 14 (fourteen) days of commencement of liquidation as to whether they wish to realise assets not liquidated; in cases of a joint collateral, at least 66% (sixty six percent) CoC approval is required, which will lead to a coordinated, quick realisation of assets.

9. **Extended Look-Back Period for Avoidance Proceedings**

(i) The look-back period for scrutinizing suspicious transactions (preferential, undervalued, fraudulent) now starts from the date of filing the insolvency application, not just from admission, enhancing recovery scope.

(ii) Both the RPs and creditors can initiate avoidance actions, with reduced protection for related-party asset transfers, aiming to curb asset dilution.

10. **Creditor-Initiated Insolvency Resolution Process**

A new Chapter IV-A to the IBC introduces an out-of-court insolvency initiation mechanism led by creditors meeting specified thresholds and criteria to expedite genuine business failure resolutions with minimal judicial intervention, to be completed within 150 (one hundred fifty) days (with a single 45 (forty five) day extension).

11. **Group Insolvency Framework**

A new Chapter VA is introduced with respect to a group insolvency regime allowing coordinated proceedings when multiple related corporate entities in a group face insolvency. The objective of this is to reduce the value destruction and maximize recoveries by (i) allowing joint creditor-professional coordination, forming group creditor committees, and allowing common benches; (ii) empowering binding arrangements between group entities and creditors in order to align procedural arrangements and (iii) provision of centralized information sharing, harmonization of asset management and custom cost distribution across group cases.

12. Digital and Cross-Broder Insolvency Framework

(i) An electronic portal is proposed for all insolvency and bankruptcy procedures, promising enhanced transparency, efficiency, and real-time process management for all participants.

(ii) Establishes a structured legal foundation for cooperation between Indian and foreign insolvency proceedings based on UNCITRAL Model Law principles to enhance recovery of overseas assets and investor confidence.

13. Other key amendments under the Amendment Bill are:

(i) Liquidators are now explicitly empowered to file applications for fraudulent or wrongful trading during liquidation, extending their role beyond the CIRP.

(ii) Protective provisions under Sections 96 and 124 of the IBC will not apply if insolvency or bankruptcy proceedings of a personal guarantor to a corporate debtor are initiated by creditor or debtor.

(iii) RP's period to review an application extended to 21 (twenty one) days, and the report produced must be shared with both the debtor and creditor.

(iv) If no repayment plan is submitted within 21 (twenty one) days of claims submission, the insolvency process is mandatorily terminated without extension. For personal guarantor cases, a creditor meeting for the repayment plan is mandatory.

(v) Following termination of the insolvency resolution process, a bankruptcy application can be filed by creditor or debtor.

(vi) New provision introduces "transactions defrauding creditors" for individuals and partnerships, mirroring corporate legislation Section 49 of the IBC to protect creditors.

(vii) Government dues priority in bankruptcy for individuals aligns with the corporate insolvency framework, instituting a 2 (two) year higher priority cap and removing advantages if secured.

(viii) Strict new penalties for frivolous or vexatious proceedings are introduced, with fines running from Rs.1,00,000 lakh (Indian Rupees One Lakh only) to Rs. 2,00,00,000 crore (Indian Rupees Two Crore only) per instance.

(ix) Operational creditors must submit financial information to an IU before filing under Section 9 of the IBC and debtors must authenticate or dispute within prescribed time as silence shall be considered deemed authentication.

(x) IBBI can issue show cause notices to service providers on prima facie grounds for disciplinary action.

(xi) Authorizes AA to impose proportional penalties on persons for contraventions upon applications by IBBI, Government, or authorized persons, with caps and procedural safeguards.

The Amendment Bill can be accessed *here*.

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