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# Banking and Finance Newsletter

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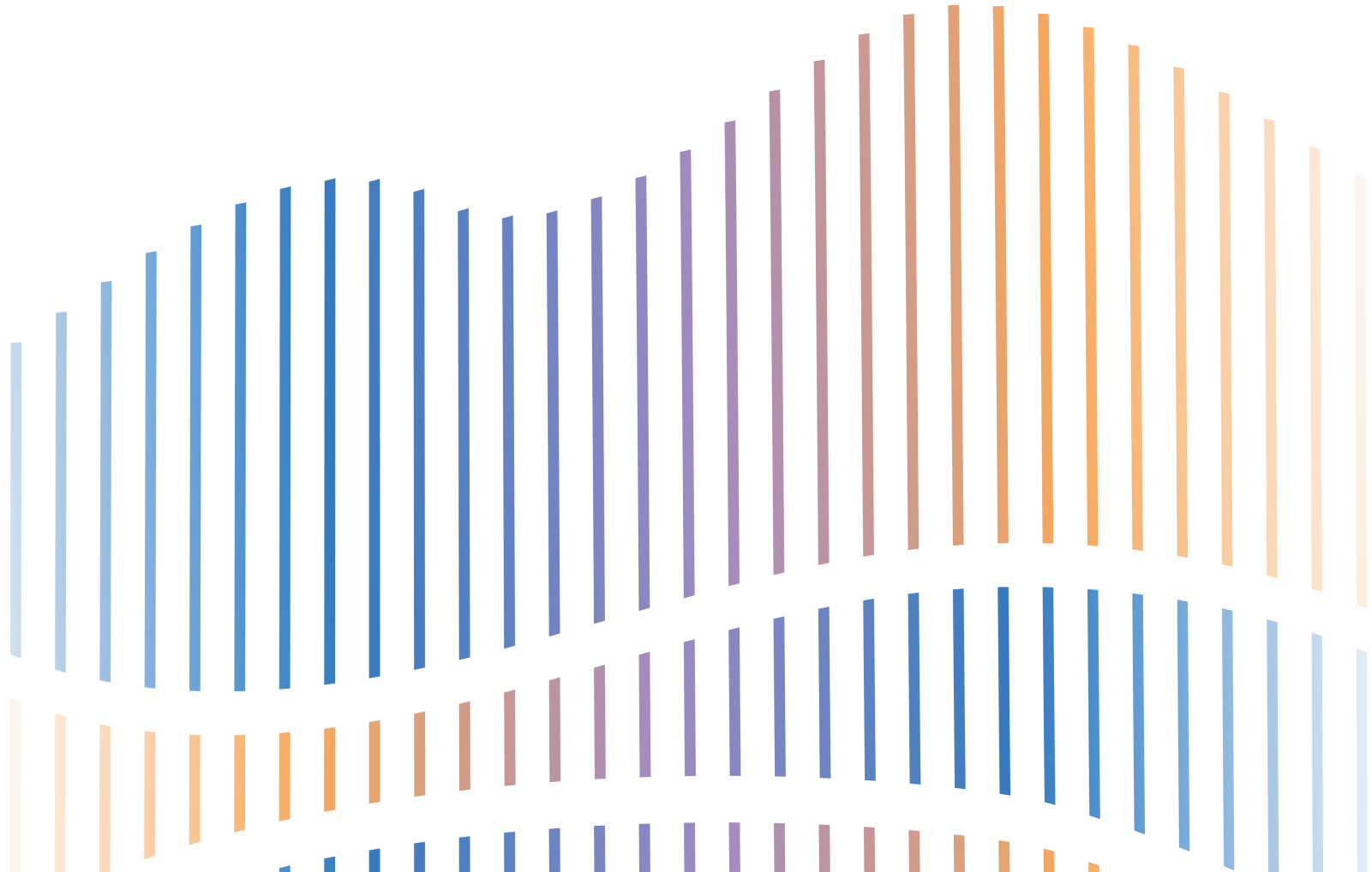

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# CHAPTER I: RBI UPDATES

## I. The Reserve Bank of India ("RBI") (Regulation of Payment Aggregators) Directions, 2025

The RBI *vide* its notification dated September 15, 2025 has issued the Master Direction on Regulation of Payment Aggregators ("**PA Master Directions**") providing a framework to govern different categories of payment aggregators ("**PA**").

### 1. The PA Master Directions shall be applicable on:

(i) banks and non-bank entities undertaking the business of a PA; and
(ii) all authorised dealer banks and scheduled commercial banks engaged with entities undertaking the business of a PA.

### 2. Types of PAs

(i) PA – Physical ("**PA-P**"): PAs that facilitates transactions where both payment device and payment instrument are physically in proximity while making the transaction.
(ii) PA – Cross Border ("**PA-CB**"): PAs that facilitates aggregation of cross-border payments for a current account transaction not prohibited under Foreign Exchange Management Act, 1999.
(iii) PA – Online ("**PA-O**"): PAs that facilitates transactions where both payment device and payment instrument are not in proximity while making the transaction.

### 3. Key Requirements for PAs

#### (i) Authorisation and Capital Requirement

- Non-bank entities need authorisation from the RBI in order to operate as a PA. However, a bank does not require authorisation to carry out PA business.
- A PA having a certificate of authorisation ("**COA**") and already carrying out business as a PA-P shall intimate the RBI to receive a revised COA. Further, a PA desirous of commencing business in another PA category is also required to intimate RBI at least 30 (thirty) days prior to commencing such new business.
- An entity whose application for issuance of COA for PA-O or PA–CB is under consideration with RBI, shall intimate RBI and apply for authorisation for its existing PA-P business (if any) through the online portal by December 31, 2025. In case, the entity fails to apply for the above-mentioned authorisation for its PA-P business within the prescribed timeline, then such PAs shall wind up its PA-P business by February 28, 2026.
- An entity seeking authorisation to commence or carry on PA business is required to have a minimum net worth of INR 15,00,00,000 (Indian Rupees Fifteen Crore only) at the time of tendering application for authorisation. However, the PAs shall attain a minimum net worth of INR 25,00,00,000 (Indian Rupees Twenty-Five Crore only) by the end of third financial year of grant of authorisation.
- An entity seeking PA authorisation shall submit a certificate from their statutory auditor evidencing the compliance with the applicable net-worth requirement while submitting the application for authorisation. A newly incorporated non-bank entity which may not have an audited statement of financial accounts shall submit a certificate from their statutory auditor regarding current net worth along with a provisional balance sheet as of recent date.

**(ii) Dispute Resolution Mechanism and Security**

PAs shall:

- have a dispute resolution mechanism to handle payment related disputes in transactions facilitated by it;
- appoint an officer responsible for responding to issues raised by its merchants along with an escalation matrix for grievance redressal;
- disclose comprehensive information regarding its merchant policies, privacy policy and other terms and conditions on its website and/or its mobile application;
- put in place a board approved information security policy to ensure safety and security of the payment systems operated by it and implement security measures in accordance with the said policy to mitigate identified as well as emerging risks.

**(iii) Due Diligence and Merchant Onboarding**

- PAs are required to conduct customer due diligence on their merchants in accordance with the PA Master Directions.
- In case a PA contracts with another PA that onboards the merchant, the latter is responsible for carrying out due diligence of the merchant.
- PAs shall ensure that a marketplace onboarded by it does not accept payments for a seller not onboarded onto the marketplace's platform.

**(iv) Escrow Accounts**

- Domestic PAs must maintain their escrow account with a scheduled commercial bank and PA-CBs must maintain their escrow account with an AD Bank.
- Pre-funding of the escrow account is permitted only for domestic PAs, and not for PA-CBs.
- Withdrawal of pre-funded amounts by the PA is not permitted.
- Inter-escrow transfer of funds is permitted for domestic PAs with an auditor's certificate, but not for PA-CBs.
- All PAs are required to maintain a day end balance in the escrow account equivalent to the amount realized in the escrow account towards funds payable to the merchants but not settled to them.
- While domestic PAs continue to be permitted to avail interest on the core portion maintained in the escrow account, no interest shall be payable on the balances maintained in the escrow account of a PA-CB.
- In case there is a need to shift the escrow account from one bank to another, the same shall be done in a time-bound manner without impacting the payment cycle to merchants.

**(v) Other Important Provisions**

- Business Restrictions: A PA shall not:
  - A. carry out a marketplace business;
  - B. charge any fees other than the price of goods / service / investment amount, unless it is distinctly displayed to the payee prior to the transaction;
  - C. use ATM PINs as a factor for authentication for card-not-present transactions;

D. place limits on transaction amount for a particular payment mode. Further, a PA-CB shall not:
   i. merge the funds for outward and inward transactions under any circumstance;
   ii. purchase foreign currency from, or sell it to, any entity other than an authorised dealer.

- Governance and Reporting: The promoters and directors of a PA will have to satisfy as fit and proper as more specifically specified in the PA Master Directions. Authorized PAs are required to submit various reports to the RBI, including monthly transaction statistics, quarterly escrow account audit certificates, and annual audited reports on net worth.

The PA Master Directions can be accessed *here*.

## II. RBI allows Standalone Primary Dealers to participate in Non-deliverable Rupee Derivative Markets

The RBI *vide* its notification dated September 22, 2025 has permitted Standalone Primary Dealers (SPDs), authorised as Authorised Dealer Category–III (AD Cat-III), to participate in non-deliverable derivative contracts (NDDCs) involving the Rupee.

The Master Direction – Risk Management and Inter-Bank Dealings has been accordingly updated to reflect this expanded eligibility.

The notification can be accessed *here*.

## III. RBI issues Reserve Bank of India (Authentication mechanisms for digital payment transactions) Directions, 2025

The RBI *vide* its notification dated September 25, 2025 has issued the Reserve Bank of India (Authentication mechanisms for digital payment transactions) Directions, 2025 ("**Digital Payment Authentication Directions**"), establishing extensive guidelines for authentication mechanisms in digital payment transactions across all payment system providers and participants. These Digital Payment Authentication Directions shall come into force from April 01, 2026, unless indicated otherwise for any specific provision.

The key highlights of Digital Payment Authentication Directions are as follows:

### 1. Applicability

The Digital Payment Authentication Directions shall be applicable on:

(i) all payment system providers and payment system participants – both banks and non-banks entities; and
(ii) all domestic digital payment transactions, other than expressly exempted.

### 2. Principles of authentication

The following are the principles for authenticating digital payments:

(i) **Minimum two factors of authentication:** All digital payment transactions must be authenticated by at least two distinct factors of authentication, unless exempted. These factor of authentication can be "something the user has", "something the user knows", or "something the user is" and may comprise, inter alia, password, SMS based OTP, passphrase, PIN, card hardware, fingerprint, software token, or any other form of biometrics;

(ii) **Dynamic factor:** In case of all digital payments, except card present transactions, one of the two authentication factors must be dynamic. It implies that the proof of possession of the factor must be unique to that specific transaction; and

(iii) **Robustness:** The authentication process must be strong, ensuring that when one factor is compromised, the reliability of the other is not affected.

**3. Cross-border transactions**

These Digital Payment Authentication Directions are not applicable to cross-border digital payment transactions. However, on or before October 1, 2026, card issuers must have a mechanism in place to validate non-recurring, cross-border card not present transactions, in case a request for authentication is made by an overseas merchant or overseas acquirer. Further, card issuers are required to register their Bank Identification Numbers (BIN) with card networks and develop a risk-based system to manage all cross-border card not present transactions by October 1, 2026.

**4. Other key highlights**

(i) **Interoperability:** The system providers and system participants are mandated to provide authentication or tokenization services, which are accessible to all applications / token requestors functioning within a given operating environment.

(ii) **Risk based approach:** Issuers can evaluate high risk transactions, using parameters such as location, user behavior, and historical data, then based on the risk they can apply additional steps beyond the minimum authentication. They can also use DigiLocker to send notifications and confirmations for high-risk transactions.

(iii) **Issuer's responsibility:** The issuer is responsible for ensuring the authentication mechanism is robust and reliable. If a customer suffers a loss from a transaction that did not follow these directions, the issuer must provide full compensation without demur. Issuer shall also ensure the compliance of Digital Personal Data Protection Act, 2023.

(iv) **Exemptions:** The transactions where two factor authentication will not be applied are small-value contactless card transactions, recurring transactions (other than the first) under the e-mandate framework, certain prepaid instruments, NETC transactions, small value digital payments in offline mode, travel booking involving global distribution system / IATA through commercial / corporate cards.

The Digital Payment Authentication Directions can be accessed *here*.

## IV. RBI issues Reserve Bank of India (Settlement of Claims in respect of Deceased Customers of Banks) Directions, 2025

The RBI *vide* its notification dated September 26, 2025 has issued the Reserve Bank of India (Settlement of Claims in respect of Deceased Customers of Banks) Directions, 2025 ("**Settlement Claims of Deceased Customers Directions**"), which provides a harmonized framework to standardize the documentation for settlement of claims in respect of deceased customers' deposit accounts, safe deposit lockers and articles in safe custody of a deceased customer and to minimize the difficulties faced by the nominees, survivors and legal heirs. These Settlement Claims of Deceased Customers Directions shall be implemented as expeditiously as possible but not later than March 31, 2026.

The key highlights of Settlement Claims of Deceased Customers Directions are as follows:

### 1. Applicability

The Settlement Claims of Deceased Customers Directions shall be applicable on all commercial banks and co-operative banks but are not applicable in case of Government savings schemes administered by banks such as Senior Citizen Savings Scheme (SCSS), Public Provident Fund (PPF), etc. Settlement of claims in such cases shall be as per the provisions of the respective schemes.

### 2. Claims for accounts with nomination or survivorship clause

In case a deposit account has a nominee or a survivorship clause, the bank can dispose the claim by remitting the nominee(s) or survivor(s). In such cases, the bank must not demand to see any legal documents such as a Succession Certificate, Letter of Administration, or Probate of Will, etc. or seek any bond of indemnity/ surety from the nominee(s)/ survivor(s)/ third-party. However, the bank needs to make sure that he or she establishes the identity of the claimant and the death of the account holder. Further, the claimant needs to submit a claim form, the death certificate of the deceased, and an Officially Valid Document (OVD) for their own identity and address.

### 3. Claims for accounts without nomination or survivorship clause

(i) The banks should follow the simplified procedure on claims within the threshold limit for accounts without a nominee or survivorship clause. The threshold limit is INR 5 lakh in case of a co-operative bank and INR 15 lakh in case of any other bank or such higher limit as may be fixed by the bank including a co-operative bank.

(ii) For claims up to the threshold limit, the bank has no right to demand a third-party surety bond and the bank may settle the claim by obtaining the following documents from the claimant(s):

- a claim form;
- death certificate of the deceased depositor;
- an OVD of the claimant;
- a bond of indemnity signed by the claimant;
- a letter of disclaimer/ no objection from non-claimant legal heirs, if applicable; and
- a legal heir certificate or a declaration regarding the legal heir(s) of the deceased depositor(s) from an independent person who is known to the family of the deceased, is not party to the claim and is acceptable to the bank.

(iii) For claims above the threshold limit, the bank shall settle the claim based on:

- succession certificate, a claim form, death certificate of the deceased depositor, an OVD of the claimant; or
- legal heir certificate issued by a competent authority; or
- an affidavit sworn before a Notary Public/ Judge/ Judicial Magistrate regarding the legal heir(s) of the deceased depositor, by an independent person who is well known to the family of the deceased, is not a party to the claim and is acceptable to the bank along with a claim form, death certificate of the deceased depositor, an OVD of the claimant, a bond of indemnity signed by the claimant, a letter of disclaimer/ no objection from non-claimant legal heirs, if applicable.
  The bank may also call for a bond of surety from third-party individuals (which may include non-claimant legal heir(s)) who are acceptable to the bank and good for the claim amount.

**4. Claims for safe deposit lockers and articles in safe custody by deceased customer**

The Settlement Claims of Deceased Customers Directions lay down the procedure for settlement of claims relating to safe deposit lockers and articles in safe custody of deceased customers. Where a nominee or survivor exists, the bank must grant them access to the locker or safe custody articles upon submission of prescribed documents i.e. claim form, death certificate of the safe deposit locker hirer, and OVD of the claimant, after verifying their identity and ensuring no court order restrains access. Access is given as a trustee for the legal heirs, not as an absolute owner. An inventory of the contents must be prepared in the presence of the nominee/survivor, two independent witnesses, and bank officials, following which the contents are handed over against acknowledgment. The bank cannot insist on production of legal documents like succession certificate, letter of administration, probate of will, etc., or indemnities unless there is a discrepancy in nomination.

In cases without nomination or survivorship clause, banks must follow a simplified procedure where there is no dispute among legal heirs i.e. requiring documents such as a claim form, death certificate of the safe deposit locker hirer, OVD of the claimant, legal heir certificate issued by a competent authority or an affidavit sworn before a Notary Public/ Judge/ Judicial Magistrate regarding the legal heir(s) of the deceased depositor, by an independent person who is well known to the family of the deceased, is not a party to the claim and is acceptable to the bank.

**5. Timelines and Compensation**

(i) For deposit accounts, a claim in respect of deposit accounts of a deceased customer must be settled within 15 (fifteen) calendar days of the bank receiving all the required documents from the customers.

(ii) For safe deposit locker and articles in safe custody, the bank shall, within 15 (fifteen) calendar days of receipt of all the required documents, process the claim and communicate with the claimant for fixing the date for making inventory of the locker/ articles in safe custody.

(iii) Banks must settle deposit-related claims within the above stated timeframe. If delayed due to the bank, compensation shall be paid as interest at bank rate plus 4 % per annum on the settlement amount due for the delay period. For claims related to safe deposit locker articles in safe custody, banks must pay INR 5,000/- per day of delay beyond the stipulated timeline.

The Settlement Claims of Deceased Customers Directions can be accessed *here*.

## V. RBI issues Reserve Bank of India (Lending against Gold and Silver Collateral) - (1st Amendment) Directions, 2025

The RBI *vide* its notification dated September 29, 2025, has issued Reserve Bank of India (Lending against Gold and Silver Collateral) - (1st Amendment) Directions, 2025 ("**RBI LGSC Amendment Directions**"). This amendment has been made to the previously issued Reserve Bank of India (Lending against Gold and Silver Collateral)- Directions, 2025 ("**RBI LGSC Master Directions**") and shall come into force from the date of adoption of RBI LGSC Master Directions, as provided under paragraph 4 of RBI LGSC Master Directions. For a lender that has already adopted RBI LGSC Master Directions, the amendment shall be effective from October 1, 2025.

The RBI LGSC Amendment Directions modify paragraph 12 of the RBI LGSC Master Directions as under:

*"A lender shall not grant any advance or loan:*

*i. for purchase of gold in any form including primary gold, ornaments, jewelry, or coins, or for purchase of financial assets backed by gold, e.g., units of Exchange-traded funds (ETFs) or units of Mutual Funds; and*

*ii. against primary gold or silver or financial assets backed by primary gold or silver.*

*Provided that a Scheduled Commercial Bank or a Tier 3 or 4 UCB may extend need-based working capital finance to borrowers who use gold or silver as a raw material or as an input in their manufacturing or industrial processing activity, where such gold or silver can also be accepted as security. A bank extending such finance shall ensure that borrowers do not acquire or hold gold for investment or speculative purposes".*

Prior to the amendment, paragraph 12 of the RBI LGSC Master Directions read as follows:

*"A lender shall not grant any advance or loan against primary gold or silver or financial assets backed by primary gold or silver e.g., units of Exchange-traded funds (ETFs) or units of Mutual Funds".*

The RBI LGSC Amendment Directions can be accessed *here*.

## VI. RBI issues Reserve Bank of India (Interest Rate on Advances) (Amendment Directions), 2025

The RBI vide its notification dated September 29, 2025, has issued Reserve Bank of India (Interest Rate on Advances)- (Amendment Directions), 2025 ("**RBI IRA Amendment Directions**"). This amendment has been made to the previously issued Reserve Bank of India (Interest Rate on Advances) Directions, 2016 ("**RBI IRA Master Directions**"), Master Circular on Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans dated August 18, 2023 ("**Circular**") and FAQs on the circular on 'Reset of Floating Interest Rate on Equated Monthly Instalments (EMI) based Personal Loans issued on January 10, 2025 ("**FAQs**") and shall come into force from October 01, 2025.

The RBI IRA Amendment Directions modify the RBI IRA Master Directions, Circular and the FAQs as under:

**1. RBI IRA Master Directions**

In Chapter – IV of RBI IRA Master Directions, the following proviso shall be inserted after sub-paragraph 8 (e):

*"Provided that, the other spread components may be reduced by banks for a loan category earlier than three years for customer retention, on justifiable grounds, in a non-discriminatory manner, and in terms of the bank's policy".*

**2. Circular**

The RBI IRA Amendment Directions modify paragraph 2 (ii) of the Circular as follows:

*"At the time of reset of interest rates, REs may, at its option, provide a choice to the borrowers to switch over to a fixed rate as per their Board approved policy. The policy, inter alia, may also specify the number of times a borrower will be allowed to switch during the tenor of the loan".*

Prior to the amendment, paragraph 2 (ii) of the Circular read as follows:

*"At the time of reset of interest rates, REs shall, provide the option to the borrowers to switch over to a fixed rate as per their Board approved policy. The policy, inter alia, may also specify the number of times a borrower will be allowed to switch during the tenor of the loan".*

**3. FAQs**

The RBI IRA Amendment Directions modify answer (b) to FAQ no 3 as follows:

*"Switch to fixed interest rate for the remaining portion of the loan, where such an option is provided by the RE".*

Prior to the amendment, answer (b) to FAQ no 3 read as follows:

*"Switch to fixed interest rate for the remaining portion of the loan".*

Further, FAQ Nos 4 and 5 have been deleted.

The RBI IRA Amendment Directions can be accessed *here*.

## VII. RBI issues Reserve Bank of India (Basel III Capital Regulations - Perpetual Debt Instruments (PDI) in Additional Tier 1 Capital – Eligible Limit for Instruments Denominated in Foreign Currency/Rupee Denominated Bonds Overseas) Directions, 2025

The RBI *vide* its notification dated September 29, 2025, has issued the Reserve Bank of India (Basel III Capital Regulations - Perpetual Debt Instruments (PDI) in Additional Tier 1 Capital – Eligible Limit for Instruments Denominated in Foreign Currency/Rupee Denominated Bonds Overseas) Directions, 2025 ("**RBI Basel III Capital Regulations Directions**") addressed to: (i) all Scheduled Commercial Banks; (ii) all Small Finance Banks; and (iii) all Payments Bank, superseding the earlier circular on Basel III Capital Regulations - Perpetual Debt Instruments (PDI) in Additional Tier 1 Capital – Eligible Limit for

Instruments Denominated in Foreign Currency/Rupee Denominated Bonds Overseas dated October 04, 2021 ("Circular"). The RBI Basel III Capital Regulations Directions shall come into force from October 1, 2025.

Under the revised framework, Perpetual Debt Instruments (PDIs) issued in foreign currency or as rupee-denominated bonds overseas shall be eligible for inclusion in Additional Tier 1 (AT1) capital up to a maximum of 1.5 % of Risk Weighted Assets (RWAs) as per the latest available financial statements (audited or subjected to limited review).

The revised RBI Basel III Capital Regulations Directions have been issued in exercise of powers conferred under Section 35A of the Banking Regulation Act, 1949, replacing the existing limits under the Circular. Consequently, the earlier Circular stands repealed.

The RBI Basel III Capital Regulations Directions for all Scheduled Commercial Banks can be accessed *here*.

The RBI Basel III Capital Regulations Directions for all Small Finance Banks can be accessed *here*.

The RBI Basel III Capital Regulations Directions for all Payments Bank can be accessed *here*.

## VIII. RBI issues Foreign Exchange Management (Debt Instruments) (Fourth Amendment) Regulations, 2025

The RBI, *vide* its notification dated September 29, 2025, has issued Foreign Exchange Management (Debt Instruments) (Fourth Amendment) Regulations, 2025 ("**FEMA Debt Instruments Fourth Amendment Regulations**"). This amendment has been made to the previously issued Foreign Exchange Management (Debt Instruments) Regulations, 2025 ("**FEMA Debt Instruments Regulations**"). The FEMA Debt Instruments Fourth Amendment Regulations shall come into force from the date of their publication in the Official Gazette i.e. September 30, 2025.

The FEMA Debt Instruments Fourth Amendment Regulations modify the FEMA Debt Instruments Regulations as under:

1. Sub-paragraph E of Schedule 1 of the FEMA Debt Instruments Regulations has been modified as follows:

   ***"E. Permission to persons resident outside India maintaining rupee account in terms of regulation 7(1) of Foreign Exchange Management (Deposit) Regulations, 2016***

   *Persons resident outside India that maintain a rupee account in terms of regulation 7(1) of Foreign Exchange Management (Deposit) Regulations, 2016 may purchase or sell dated Government Securities/treasury bills and nonconvertible debentures/bonds and commercial papers issued by an Indian company, as per terms and conditions specified by the Reserve Bank."*

   Prior to the amendment, sub-paragraph E of Schedule 1 of the FEMA Debt Instruments Regulations read as follows:

   ***"E. Permission to persons resident outside India maintaining rupee account in terms of regulation 7(1) of Foreign Exchange Management (Deposit) Regulations, 2016***

*Persons resident outside India that maintain a rupee account in terms of regulation 7(1) of Foreign Exchange Management (Deposit) Regulations, 2016 may purchase or sell dated Government Securities/treasury bills, as per terms and conditions specified by the Reserve Bank."*

2. Clause 4A in Paragraph 2 of Schedule 1 of the FEMA Debt Instruments Regulations has been modified as follows:

*"(4A) The amount of consideration paid by persons resident outside India for their purchases in terms of sub-paragraph (E) of paragraph 1 of this Schedule shall be out of funds held in their rupee account maintained in terms of regulation 7(1) of Foreign Exchange Management (Deposit) Regulations, 2016."*

Prior to the amendment, Clause 4A in Paragraph 2 of Schedule 1 of the FEMA Debt Instruments Regulations read as follows:

*"(4A) The amount of consideration for purchase of dated Government Securities/treasury bills by persons resident outside India in terms of sub-paragraph (E) of paragraph 1 of this Schedule shall be paid out of funds held in their rupee account maintained in terms of regulation 7(1) of Foreign Exchange Management (Deposit) Regulations, 2016".*

The FEMA Debt Instruments Fourth Amendment Regulations can be accessed *here*.

## IX. RBI issues draft Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Amendment Directions, 2025 ("Draft SBR Amendment Directions").

The RBI *vide* its press release has proposed to amend certain provisions of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023 ("**RBI SBR Directions**") relating to the applicable risk weights for infrastructure exposures of NBFCs.

The Draft SBR Amendment Directions modifies the following provisions of RBI SBR Directions as under:

**In Chapter II – 'Definitions'**, a sub-subparagraph 5.1.14 (A) shall be inserted after sub-paragraph 5.1.14 as given below:

*"5.1.14 (A) Infrastructure projects that meet all the following criteria shall be classified as high-quality infrastructure projects:*

*a. The infrastructure project has completed at least one year of satisfactory operations post achievement of the date of completion of commercial operations.*

*b. The exposure is classified as 'standard' in the books of the lender.*

*c. The obligor's revenue depends on one main counterparty, which shall be a Central Government or a Public Sector Entity, and the contractual provisions provide for certainty regarding payments from the counterparty, for eg. availability-based revenues or take-or-pay provisions.*

*d. The contractual provisions provide for a high degree of protection for creditors, such as escrow of cash flows; legal first claim of the lender over all movable and immovable assets; and protection of interest of the creditors in case of early termination.*

*e. The obligor has sufficient internal or external financial arrangements to cover*

*current and future working capital and other funding requirements of the project as per the assessment of the lender.*

*f. The obligor is restricted from acting to the detriment of the creditors, eg. being restricted from issuing additional debt against the cashflows and assets of the project without consent of the existing creditors."*

**In Chapter IX – Prudential Regulations under Section III,** Sr. no. 2 (e) of the Table under **paragraph 84** shall stand deleted and substituted as under:

| Sr. No. | Weighted risk assets - On-balance Sheet items | Percentage Weight |
|---|---|---|
| *(e) (i)* | *Loans to 'High-quality infrastructure projects' as defined in sub-subparagraph 5.1.14 (A) and where the obligor has repaid at least 10 percent of the sanctioned amount* | *50* |
| *(e) (ii)* | *Loans to 'High-quality infrastructure projects' as defined in sub-subparagraph 5.1.14 (A) and where the obligor has repaid at least 5 percent but less than 10 percent of the sanctioned amount*<br>*Note: In the event the projects that qualify as High - quality infrastructure projects subsequently fail to meet these conditions, they shall be subject to risk weights prescribed under Sr. no.3(e) or (g), as applicable, of this table.* | *75* |

The Draft SBR Amendment Directions shall come into force from **April 1, 2026**, or from an earlier date when adopted by a NBFC in entirety.

The Draft SBR Amendment Directions can be accessed *here.*

## X. RBI permits investments in corporate debt securities through 'Special Rupee Vostro' account.

The RBI *vide* A.P. (DIR Series) Circular No. 13 dated October 03, 2025 and A.P. (DIR Series) Circular No. 14 dated October 03, 2025, now permits the investment of surplus balances in the 'Special Rupee Vostro Accounts' maintained by persons resident outside India, in non-convertible debentures/bonds and commercial papers issued by an Indian company ("**Corporate Debt Securities**") in addition to investments in government treasury bills, government securities, etc.

Pursuant to the same, relevant amendments to the 'Master Direction – Reserve Bank of India (**Non-resident Investment in Debt Instruments**) Directions, 2025' ("Non-resident Investment Directions"), have been introduced to capture said permissibility of investments into Corporate Debt Securities by non-residents through 'Special Rupee Vostro Accounts'. Further, the Non-resident Investment Directions highlight that the investment limits and stipulations specified for investments made by foreign portfolio investors under the 'General Route' shall extend to such investments made through 'Special Rupee Vostro Accounts', save and except the minimum residual maturity requirement and issue-wise limits.

The Non-resident Investment Directions can be accessed *here.*

## XI. RBI amends Foreign Exchange Management (Borrowing and Lending) Regulations, 2018.

The RBI amends the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 to permit authorised dealer banks to lend in Indian Rupees to a person resident outside India being a resident in Bhutan, Nepal or Sri Lanka, including a bank in these jurisdictions, for cross border trade transactions.

The said amendment can be accessed *here.*

## XII. The RBI has notified Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) (Seventh Amendment) Regulations, 2025

The RBI *vide* its notification dated October 06, 2025 ("**Seventh Amendment**") has introduced the following amendments to the Foreign Exchange Management (Foreign Currency Accounts by a person resident in India) Regulations, 2015:

**1. Inclusion of definition of International Financial Services Centre (IFSC):**

Under regulation 2 (Definitions), clause (iii-a) has been introduced to define IFSC as having the same meaning assigned to it in clause (g) of Section 3 of the International Financial Services Centres Authority Act, 2019.

**2. Revision in provisions for exporters' foreign currency accounts:**

In regulation 5 (Opening, holding and maintaining a Foreign Currency Account outside India) sub regulation (CA) has been substituted to allow a person resident in India, being an exporter, to may open, hold and maintain a Foreign Currency Account with a bank outside India for:

(i) Realization of full export value and advance remittances towards received by the exporter towards the export of goods or services.
(ii) Utilization of such funds for imports into India or repatriation within:
- Three months, in case of accounts maintained with banks in an IFSC;
- Next month, in case of all other jurisdictions;

from the date of receipt of the funds after adjusting for forward commitments and subject to compliance with realization and repatriation requirements under the Foreign Exchange Management (Export of Goods and Services) Regulations, 2015, as amended from time to time.

**3. Clarification regarding location of accounts:**

There has been an explanation added for clarifying that foreign currency accounts permitted to be opened "outside India/abroad" may also be opened in an IFSC.

The above-mentioned Seventh Amendment can be accessed *here.*

## XIII. RBI carries out consolidation of regulations.

The RBI *vide* press release dated October 10, 2025 ("**Consolidation Press Release**"), has announced the consolidation of the existing regulatory instructions issued up to October 09, 2025 into 238 (two

hundred and thirty-eight) master directions/guidelines and has therein proposed to repeal 9345 (nine thousand three hundred and forty-five) circulars (including master circulars and master directions). However, circulars/instructions issued on areas such as scheduling of banks, changes in names of banks etc., have been retained as standalone circulars and aggregated for ease of reference.

The said consolidation has been undertaken with a view to optimise regulatory framework, reduce regulatory burden and compliance cost, and has been done on an 'as-is' basis with only select editorial interventions to update terminologies or to remove ambiguities in the existing language i.e., there has been no review of instructions.

The Consolidation Press Release can be accessed *here.*

The drafts of the 238 (two hundred and thirty-eight) consolidated master directions/ guidelines can be accessed *here.*

The list of standalone circulars can be accessed *here.*

The list of circulars proposed to be repealed can be accessed *here.*

## XIV. RBI issues draft Reserve Bank of India (Scheduled Commercial Banks & All India Financial Institutions - Asset Classification, Provisioning and Income Recognition) Directions, 2025

RBI *vide* its press release has proposed to issue the Reserve Bank of India (Scheduled Commercial Banks & All India Financial Institutions - Asset Classification, Provisioning and Income Recognition) Directions, 2025 ("**RBI (SCB & AFI) Directions**") to further strengthen credit risk management practices, promote greater comparability across financial institutions, and align regulatory norms with internationally accepted regulatory and accounting standards.

The key elements of the proposed RBI (SCB & AFI) Directions include:

(i) introduction of staging criteria for asset classification under Expected Credit Loss approach, while retaining the extant norms for Non-performing Asset (NPA) classification;

(ii) specification of suitably calibrated prudential floors for broad exposure classes, separately under Stage-1, Stage-2 and Stage-3; and

(iii) alignment of the income recognition norms based on Effective Interest Rate method; (iv) broad principles on model risk management for implementing ECL models.

The said press release can be accessed *here.*

## XV. RBI issues draft Foreign Exchange Management (Establishment in India of a branch or office) Regulations, 2025

RBI *vide* a press release dated October 03, 2025 has put out the draft regulations on establishment of a branch or office in India ("**Draft Regulations on Establishment of a Branch**"). The comments of the public are invited till October 24, 2025.

The key highlights of Draft Regulations on Establishment of a Branch are as follows:

### 1. Prohibition against opening a branch or office in India

(i) No entity incorporated outside India ("**EROI**") shall, without the general or specific permission of the Reserve Bank of India, establish in India a branch or office by whatever name called, except as otherwise provided under the FEMA Act and rules or regulations made thereunder.

(ii) An EROI whose activities fall within the ambit of any financial sector regulator in India shall obtain prior permission from the concerned financial sector regulator before establishing a branch or office in India.

(iii) A branch or office whose activities are governed by the provisions of the Special Economic Zones Act, 2005 or the Foreign Contribution (Regulation) Act, 2010 shall obtain requisite permission under the respective enactments.

(iv) EROIs engaged in activities related to legal consultancy shall not be permitted to establish a branch or office under these Draft Regulations on Establishment of a Branch.

(v) No branch or office established in India under these Draft Regulations on Establishment of a Branch shall undertake any activity that is prohibited or falls under the approval route as per the FDI Policy, unless specifically permitted under these Draft Regulations on Establishment of a Branch.

(vi) No office other than a project office ("**PO**") shall undertake any commercial activity.

**2. Opening a branch or office in India**

(i) EROI may establish a branch or office in India in accordance with these Regulations and the provisions of the Companies Act, 2013.

(ii) Application Process

- The EROI shall submit an application in Form FNC (Annex A) to an Authorised Dealer ("**AD**") bank, which may grant approval in accordance with the Regulations.
- Upon approval and opening of an account, the AD bank (referred to as the designated bank) shall report the establishment of the branch or office to the RBI.
- Based on the information provided, the RBI shall allot a Unique Identification Number (UIN) to the branch or office.

(iii) Prior approval of the Government of India is mandatory in the following cases:

- The EROI is resident in Pakistan.
- The EROI is resident in Afghanistan, Bangladesh, China, Hong Kong, Macau, or Sri Lanka and proposes to establish a branch or office in Jammu & Kashmir, Ladakh, the North-East region, or Andaman & Nicobar Islands.
- The EROI is a Non-Profit Organisation or is owned or controlled by a foreign government.
- The EROI's principal business is in the Defence, Telecom, Private Security, or Information and Broadcasting sectors, or in any sector where FDI is prohibited or under the approval route as per the current FDI Policy.

Where an application falls within the aforementioned, the AD bank shall forward it to

the RBI, which will decide after consulting the Government of India. In such cases, the UIN shall be conveyed to the AD bank along with the approval.

(iv) An EROI may apply to the designated bank for conversion of its existing office into a branch. The designated bank may grant approval after confirming compliance mentioned herein.

(v) Any change in the name of an existing branch or office established under these Regulations must be reported to the RBI through the designated bank.

**3. Opening and maintaining bank accounts**

(i) EROI that establish a branch or office (including PO) under these Regulations may open non-interest-bearing INR current account(s) with an AD bank, which becomes the designated bank for such operations.

(ii) POs may also open non-interest-bearing foreign currency account(s) for project-related transactions in India.

(iii) Where a PO executes multiple projects, the designated bank must ensure separate books of accounts are maintained for each project.

(iv) All financial transactions must relate solely to the permitted activities of the branch or office.

(v) Branches and POs may avail fund-based and non-fund-based facilities in line with RBI guidelines. The designated bank may allow term deposits up to six months, provided they are from temporary surplus funds.

(vi) An EROI may change its designated bank with the written consent of both AD banks, subject to confirmation of compliance and satisfactory account conduct. The acquiring AD bank must inform the RBI of such change.

**4. Additional place of business**

A branch or office established in India may establish additional place of business in India under intimation to its designated bank.

**5. Registration with State Police Authorities**

An EROI resident in Pakistan, Bangladesh, Sri Lanka, Afghanistan, Iran, China, Hong Kong or Macau opening a branch or office (including a PO) shall register with the police authority of the State Government concerned. Intimation on setting up of such offices and opening of bank accounts by such ‘entities’ shall be sent by the designated banks to the Ministry of Home Affairs, Internal Security Division-I, Government of India, New Delhi.

**6. Closure of Branch or Office**

(i) EROI that has established a branch or office (including a PO) may close the same upon intimation to its designated bank, subject to compliance with all applicable laws, including tax-related requirements.

(ii) Where a branch or office (including a PO) fails to submit the Annual Activity Certificate for three consecutive years, it becomes liable for closure.

**7. Remittances by branch or office of winding up proceeds**

(i) A branch or office established under these Regulations may remit funds to its overseas Head Office during its operations in India, subject to compliance with FEMA guidelines and applicable tax laws. Such remittances shall be permitted by the designated AD bank upon submission of a Chartered Accountant's certificate certifying the amount and its computation.

(ii) Upon closure of its branch or office, an EROI may remit winding-up proceeds to its overseas Head Office, subject to compliance with applicable laws, including tax regulations. The designated bank shall verify such requests prior to remittance, based on a certificate from an auditor or Chartered Accountant.

The Draft Regulations on Establishment of a Branch can be accessed *here.*

## CHAPTER II: SEBI UPDATES

### I. The Securities and Exchange Board of India ("SEBI") on September 08, 2025, notified the SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2025 ("Third Amendment to LODR").

SEBI, *vide* the Third Amendment to LODR, bearing reference number F.No. SEBI/LAD-NRO/GN/2025/261 has notified the following amendments, which seek to further strengthen transparency, accountability, and governance norms applicable to listed entities as well as entities registered on the Social Stock Exchange. These amendments become effective on the date of their publication in the official gazette:

1. in regulation 39, after sub-regulation (2), the following new sub-regulation shall be inserted, namely,

   *"(2A) The listed entity shall issue securities pursuant to any Scheme of Arrangement or any sub-division, split or consolidation of securities only in the dematerialised form:*

   *Provided that the listed entity shall open a separate demat account for such securities of investors not having a demat account."*

2. in regulation 91C, the existing sub-regulation (1), shall be substituted with the following sub regulation, namely,

   *"91C. (1) A Not-for-Profit Organization registered on the Social Stock Exchange(s), including a Not-for-Profit Organization whose designated securities are listed on the Social Stock Exchange(s), shall be required to make annual disclosures to the Social Stock Exchange(s) on*

   *i) financial aspects, as may be specified by the Board, by October 31st of each year or before the due date of filing of income tax return as prescribed under the provisions of the Income-tax Act, 1961, whichever is later, or within such other period as may be specified by the Board; and*
   *ii) non-financial aspects, as may be specified by the Board, within a period of 60 days from the end of the financial year or within such other period as may be specified by the Board."*

3. in regulation 91E,

   *A. in sub-regulation (2),*

   *i) the word "Firm" shall be substituted with the word "Organization";*
   *ii) the symbol "." appearing after the words and symbols "Social Impact Assessor(s)", shall be substituted with the symbols and words "for listed project(s) and shall be self-certified for non-listed project(s):";*
   *iii) `after sub-regulation (2), the following proviso shall be inserted, namely, - "Provided that the annual impact report shall cover at least 67% of the program expenditure in the previous financial year.";*

   *B. after sub-regulation (2), the following new sub-regulation shall be inserted, namely,*

   *"(2A) A Social Enterprise which is only registered on a Social Stock Exchange without raising funds shall submit a self-certified annual impact report:*

*Provided that a Not-for-Profit Organization that is registered on a Social Stock Exchange shall be permitted not to raise funds through it for a maximum period of two years from the date of registration or such duration as may be specified by the Board:*

*Provided further that upon expiry of the period of two years from the date of registration, the Not-for-Profit Organization shall have at least one listed project failing which it shall cease to be registered."*

4. in Schedule VII, in clause B,

*A. in sub-clause (1), the proviso shall be omitted; and*
*B. in sub-clause (2), the proviso shall be omitted.*

The Third Amendment to LODR can be accessed *here*.

## II. SEBI issued a circular dated September 19, 2025, on ease of doing investment- smooth transmission of securities from nominee to legal heir ("Circular on Transmission of Securities from Nominee to Legal Heir").

SEBI, *vide* its Circular on Transmission of Securities from Nominee to Legal Heir bearing reference number SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/130 has streamlined the process of appointing a nominee who shall act as the trustee of the securities of the original security holder, and shall also be responsible for transferring the said securities to the legal heir as per the succession plan.

Under the existing procedure, upon transferring the securities to the proposed legal heirs, the nominee could be assessed for capital gains tax, which is otherwise exempted under clause (iii) of Section 47 of the Income Tax Act, 1961 ("**Income Tax Act**"), since such a transmission does not constitute a 'transfer' under the Income Tax Act. Though the nominee can claim refund of such tax, the refund process is overall inconvenient to the nominee.

Resultantly, it is recommended by the Central Board of Direct Taxes ("**CBDT**") that a standard reason code viz. 'TLH' (i.e., Transmission to Legal Heirs) shall be used by the reporting entities while reporting the transmission of such securities from a nominee to the legal heirs, to the CBDT, to enable proper application of the provisions of the Income Tax Act.

The procedural requirements for transmission of securities to legal heirs will remain governed by the existing SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and the Master Circular for Registrars and Share Transfer Agents dated June 23, 2025, as updated from time to time.

The Circular on Transmission of Securities from Nominee to Legal Heir can be accessed *here*.

## III. SEBI issued a circular dated September 25, 2025 on compliance guidelines relating to the Digital Accessibility Circular (defined below) previously issued by SEBI ("Circular on Compliance Guidelines").

Earlier, *vide* its circular dated July 31, 2025, bearing reference number SEBI/HO/ITD-1/ITD_VIAP/P/CIR/2025/11 on *'Rights of Persons with Disabilities Act, 2016 and rules made thereunder- mandatory compliance by all the Regulated Entities'* ("**Digital Accessibility Circular**"), SEBI had proposed the introduction of compliance guidelines.

In relation to the above, SEBI *vide* its Circular on Compliance Guidelines bearing reference number **SEBI/HO/ITD-1/ITD_VIAP/P/CIR/2025/131**, has now introduced the compliance guidelines under the Digital Accessibility Circular.

The Circular on Compliance Guidelines enlists the compliance requirements to be satisfied by all regulated entities, and which are required to be submitted directly to SEBI.

It includes details of the following:

(i) summary of compliance requirements to be submitted by regulated entities;
(ii) mechanism of submission of compliance by the regulated entities;
(iii) formats for compliance submissions by the regulated entities; and
(iv) a list of regulated entities that are required to submit the aforementioned submissions directly to SEBI.

The Circular on Compliance Guidelines can be accessed *here*.

## IV. SEBI, on September 01, 2025, notified SEBI (Infrastructure Investment Trusts) (Third Amendment) Regulations, 2025 ("Third Amendment to InvITs")

SEBI, *vide* the Third Amendment to InvITs, bearing reference number F.No. SEBI/LAD-NRO/GN/2025/259 has notified the following amendments, which aim to refine the regulatory framework governing Infrastructure Investment Trusts ("**InvITs**"), with a focus on enhancing disclosure standards, easing investment thresholds, and aligning compliance timelines with financial reporting. These amendments become effective on the date of their publication in the official gazette:

1. In regulation 2, in sub-regulation (1), clause (zq) shall be substituted with the following, namely,

*"(zq) "public" means any person other than:*

*(i) the related party of the InvIT, its sponsor, investment manager or project manager; or*
*(ii) `any other person as may be specified by the Board: Provided that a person specified above, who is also a qualified institutional buyer in an offer, shall be considered as "public" for the purpose of these regulations: Provided further that the sponsor, sponsor group, investment manager and project manager of the InvIT shall not be considered as "public" for the purpose of these regulations."*

2. In regulation 10, in sub-regulation (18),

*"(a) in clause (a), after the words "status of development of under-construction projects, within", the words "thirty days of end of such quarter" shall be substituted with the words "such time as may be specified by the Board for submission of quarterly financial results";*

*(b) in clause (b),*

*(i) the words "as required under these regulations" shall be omitted;*
*(ii) after the words "from the valuer", the symbol ";" shall be substituted with the symbol ":";*

*(c) after clause (b), following proviso shall be inserted, namely, –*

*"Provided that the valuation reports specified under sub-regulation (4), sub-regulation (5), and sub regulation (5A) of regulation 21 of these regulations shall be submitted to the trustee simultaneously at*

*the time of submission of such reports to the stock exchange(s) under regulation 21.";*

3. In regulation 10, sub-regulation (24)

*"after the words "at least once every quarter within", the words "thirty days of end of every quarter" shall be substituted with the words "such time as may be specified by the Board for submission of quarterly financial results";"*

4. In regulation 14

*"(a) after sub-regulation (1A),*

*(i) the first proviso shall be omitted;*
*(ii) in the second proviso, after the word "provided" and before the words "that any listed InvIT which has", the word "further" shall be omitted;*

*(b) in sub-regulation (2),*

*(i) in clause (c), after the words "from any investor of rupees", the words "one crore" shall be substituted with the words "twenty five lakhs";*
*(ii) after clause (c), the words and symbols "Notwithstanding the above, if such an privately placed InvIT invests or proposes to invest not less than eighty per cent of the value of the InvIT assets, in completed and revenue generating assets, the minimum investment from an investor shall be rupees twenty five crore;" shall be omitted;"*

5. In regulation 18, in sub-regulation (6), in clause (ba),

*"(a) in sub-clause (i), after the words "shall be distributed to the InvIT", the word and symbol "; and" shall be substituted with the symbol ":";*

*(b) after sub-clause (i), the following proviso shall be inserted, namely, –*

*"Provided that if the net distributable cash flow generated by the holdco on its own is negative; the holdco may adjust it against the cash flows received from its underlying SPVs provided that it makes appropriate disclosures in this regard to the unitholders in such form and manner as may be specified by the Board.";*

6. In regulation 21,

*"(a) after sub-regulation (4), the proviso shall be substituted with the following, namely, –*

*"Provided that such full valuation shall be conducted as at the end of the financial year ending March 31st and the valuation report shall be submitted by the investment manager to the designated stock exchange(s) along with the annual financial results.";*

*(b) in sub-regulation (5),*

*(i) after the words "conducted by the valuer" and before the words "the half-year ending September", the word "for" shall be substituted with the words "as at the end of";*
*(ii) the words "prepared within one month from the date of end of such half year" shall be substituted with the words "submitted by the investment manager to the designated stock exchange(s) along with the quarterly financial results for the quarter ending September 30th.";*

*(c) after sub-regulation (5), the proviso shall be omitted.*

*(d) after sub-regulation (5) and before sub-regulation (6), the following shall be inserted as sub-regulation (5A), namely, –*

*"(5A) If the consolidated borrowings and deferred payments of an InvIT, in terms of regulation 20 of these regulations, exceeds forty nine per cent.; a quarterly valuation of the assets of InvIT shall be conducted by the valuer as at the end of the quarters ending June, September and December for incorporating any key changes from the previous quarter and such quarterly valuation report shall be submitted by the investment manager to the designated stock exchange(s) along with the quarterly financial results of the corresponding quarter:*

*Provided that InvIT shall not be required to submit the quarterly valuation report for the quarter ending on September 30th if such InvIT has submitted half yearly valuation in terms of sub-regulation (5) of this regulation as at the end of half year ending September 30th.";*

*(e) in sub-regulation (6), after the words "from the receipt of such valuation reports", the symbol "." shall be substituted with ":";*

*(f) after sub-regulation (6), the following proviso shall be inserted, namely, –*

*"Provided that the valuation reports specified under sub-regulation (4), sub-regulation (5), and sub-regulation (5A) of this regulation shall be submitted within the timelines as specified in these sub-regulations.";*

7. In regulation 23,

*"(a) in sub-regulation (4),*

*(i) after the words "The investment manager of" and before the words "shall submit a half-yearly report", the words "publicly offered InvIT" shall be inserted;*

*(ii) after the words "to the designated stock exchange", the words and symbol "within forty five days from the end of half year ending September 30th:" shall be substituted with the words and symbol "along with the quarterly financial results for the quarter ending September 30th.";*

*(b) after regulation (4), the proviso shall be omitted;*

*(c) after sub-regulation (4) and before sub-regulation (5), the following shall be inserted as sub-regulation (4A), namely, –*

*"(4A) The investment manager of an InvIT shall submit a quarterly report to the designated stock exchange(s) along with the quarterly financial statements for the quarters ending June, September and December if the consolidated borrowings and deferred payments of such InvIT, in terms of regulation 20, is above forty nine per cent."*

The Third Amendment to InvITs can be accessed *here*.

## V. SEBI on September 01, 2025, notified SEBI (Real Estate Investment Trusts) (Second Amendment) Regulations, 2025 ("Second Amendment to REITs")

SEBI, *vide* the Second Amendment to REITs, bearing reference number No. SEBI/LAD-NRO/GN/2025/258 has notified the following amendments, which refine the compliance and disclosure framework for Real Estate Investment Trusts ("**REITs**"), aiming to enhance transparency, provide flexibility in cash flow management, and align reporting timelines with financial disclosures. These amendments become effective on the date of their publication in the official gazette:

1. In regulation 2, in sub-regulation (1), clause (ze) shall be substituted with the following, namely,

*"(ze) "public" means any person other than:*

*(i) the related party of the REIT, its sponsor, or manager; or*
*(ii) any other person as may be specified by the Board:*

*Provided that a person specified above, who is also a qualified institutional buyer in an offer, shall be considered as "public" for the purpose of these regulations:*

*Provided further that the sponsor, sponsor group and manager of the REIT shall not be considered as "public" for the purpose of these regulations."*

2. In Regulation 10, sub-regulation (18),

*"(a) in clause (a), after the words "status of development of under-construction properties, within", the words "thirty days of end of such quarter" shall be substituted with the words "such time as may be specified by the Board for submission of quarterly financial results";*

*(b) in clause (b),*

*(i) the words "as required under these regulations" shall be omitted;*
*(ii) after the words "from the valuer", the symbol ";" shall be substituted with the symbol ":";*

*(c) after clause (b), following proviso shall be inserted, namely, –*

*"Provided that the valuation reports specified under sub-regulation (4) and sub-regulation (5) of regulation 21 of these regulations shall be submitted to the trustee simultaneously at the time of submission of such reports to the stock exchange(s) under regulation 21.";"*

3. In regulation 14,

(a) after sub-regulation (2A),

*"(i) the first proviso shall be omitted;*
*(ii) in the second proviso, after the word "provided" and before the words "that any listed REIT which has", the word "further" shall be omitted;"*

4. In regulation 18, in sub-regulation (16), in clause (aa).

*"(a) in sub-clause (i), after the words "shall be distributed to the REIT", the word and symbol "; and" shall be substituted with the symbol ":";*

*(b) after sub-clause (i), the following proviso shall be inserted, namely, – "Provided that if the net distributable cash flow generated by the holdco on its own is negative; the holdco may adjust it against the cash flows received from its underlying SPVs provided that it makes appropriate disclosures in this regard to the unitholders in such form and manner as may be specified by the Board.";"*

*5. In regulation 21*

*"(a) after sub-regulation (4), the proviso shall be substituted with the following, namely, –*

*"Provided that such full valuation shall be conducted as at the end of the financial year ending March 31st and the valuation report shall be submitted by the manager to the designated stock exchange(s) along with the annual financial results.";*

*(b) in sub-regulation (5),*

*"(i) after the words "conducted by the valuer" and before the words "the half-year ending September", the word "for" shall be substituted with the words "as at the end of";*
*(ii) the words "prepared within forty five days from the date of end of such half year" shall be substituted with the words "submitted by the manager to the designated stock exchange(s) along with the quarterly financial results for the quarter ending September 30th.;"*

*(c) in sub-regulation (6),*

*"(i) after the words "receipt of such valuation reports", the symbol "." shall be substituted with the symbol ":";*
*(ii) after the words "to the designated stock exchange" and before the words "within fifteen days from", the words "and unit holders" may be omitted;"*

*(d) after sub-regulation (6), the following proviso shall be inserted, namely, –*

*"Provided that the valuation reports specified in sub-regulation (4) and sub-regulation (5) of regulation 21 shall be submitted within the timelines as specified in these sub-regulations.";*

*(e) in sub-regulation (11), after the words "same to the trustee" and before the words "the Designated Stock Exchange", the word and symbol ", investor" may be omitted."*

The Second Amendment to REITs can be accessed *here*.

## VI. SEBI issued a circular on 'Streamlining the process for surrender of Know Your Client (KYC) Registration Agency (KRA) registration' dated September 05, 2025 ("KRA Circular")

SEBI *vide* the KRA Circular bearing reference no. SEBI/HO/MIRSD/PODFATF/P/CIR/2025/123, notified a streamlined procedure for surrendering of Know Your Customer ("**KYC**") Registration Agency ("**KRA**") registration. The circular lays down a comprehensive framework to ensure an orderly and investor-friendly winding down of KRA operations, whether voluntary or involuntary, without compromising the integrity of KYC records or continuity of services.

Under the existing framework, Regulation 13 of the SEBI (KRA) Regulation, 2011 ("**KRA Regulations**") permits a KRA holding a certificate of registration ("**KRA Certificate**") to apply to SEBI for surrender of such KRA Certificate. The application must demonstrate to SEBI's satisfaction, among other things:

(i) The arrangements made by KRA for the maintenance and preservation of records and other documents required to be maintained under the KRA Regulation;
(ii) transfer of client's records;
(iii) the arrangements to ensure continuity of client services;
(iv) redressal of investor grievances; and
(v) status of any defaults or pending action, if any.

The key provisions of KRA Circular are mentioned below:

**1. Streamlining of the surrendering procedure**

Recognizing the need for a clearer and uniform process, SEBI has now streamlined the requirements for both voluntary surrender (as a result of strategic/business decision) and involuntary surrender (due to financial distress or regulatory action including suspension or cancellation of SEBI registration).

**2. Critical operations and services of KRAs:**

A KRAs' core functions including registration, modification, and portability of KYC records across intermediaries, are classified as critical operations.

A KRA surrendering its KRA Certificate of registration ("**Transferor KRA**") must ensure seamless transfer of all KYC records including updates and audit trails, to a continuing SEBI registered KRA ("**Transferee KRA**").

**3. Standard Operating Procedure ("SOP")**

Every KRA is required to put in place a Standard Operating Procedure ("**SOP**"), approved by its board, for handling voluntary/involuntary surrendering of KRA Certificate. The SOP must detail the modalities for record transfer, data protection, settlement of obligations, and continuity of investor services. SEBI has also prescribed a **Model SOP (Annexure A)** for uniformity.

The SOP shall comprehensively set out the process by which critical operations and services of the Transferor KRA will be transferred to the Transferee KRA, ensuring continuity and protection of KYC data of investors and registered intermediaries, settlement of contractual and statutory obligations, and prevention of any disruption in the securities market.

The SOP must detail the modalities for record transfer, data protection, settlement of obligations, and continuity of investor services with due consideration to both interoperable and non-interoperable scenarios. SEBI has also prescribed a model SOP provided as Annexure A to the KRA Circular.

**4. Oversight Committe**

A KRA surrendering the KRA Certificate shall establish an oversight committee responsible for supervising the winding down process including transfer of KYC data, ensuring uninterrupted investor services, and overseeing compliance with the SOP.

**5. Compliance**

KRAs shall remain fully compliant with the SEBI Act, 1992, relevant regulations, rules, and guidelines issued periodically. Additionally, applicable frameworks such as the Prevention of

Money Laundering Rules and the Insolvency and Bankruptcy Code shall also be duly adhered to.

Further, the KRA Regulation, along with all circulars and guidelines issued thereunder from time to time, shall continue to govern the KRA throughout the winding down of its critical operations and services.

**6. Applicability and Review**

KRA shall upload the SOP on their websites within 90 (ninety) days from the date of the KRA Circular. Further, the SOP shall be reviewed periodically as and when circumstances warrant or at least once every 5 (five) years.

The KRA Circular can be accessed *here*.

## VII. SEBI issued a consultation paper on 'Review of Framework to address the 'technical glitches' in Stock Brokers' Electronic Trading Systems' on September 22, 2025 ("Draft Circular")

SEBI, had previously *vide* circular No. SEBI/HO/MIRSD/TPD-1/P/CIR/2022/160 dated November 25, 2022 laid down a comprehensive framework to address technical glitches in stock brokers' electronic trading systems followed by detailed guidelines in this regard on December 16, 2022.

In response to the multiple representations received by SEBI from stakeholders, including brokers and industry forums, highlighting challenges in compliance, definitional ambiguities, and the burden on smaller brokers with limited technology infrastructure with respect to the aforesaid framework and guidelines, SEBI has now vide the Draft Circular proposed a revised framework to deal with technical glitches in the electronic trading systems of stock brokers. The move is aimed at balancing investor protection with the ease of compliance for intermediaries.

The key proposals in the Draft Circular are mentioned below:

1. **Refined definition of technical glitch:** A "technical glitch" will cover malfunctions in a broker's electronic systems including hardware, software, networks, or outsourced technology that disrupts trading or risk management for five minutes or more. However, issues beyond brokers' control (e.g., global cloud outages, MIIs' disruptions, or payment gateway failures) and non-trading functions (e.g., back-office, KYC processing, charts/reports) will not qualify as glitches requiring reporting.

2. **Applicability limited to larger brokers:** The revised framework will apply only to brokers providing internet-based trading (IBT) or securities trading through wireless technology (STWT) platforms with more than 10,000 registered clients as on March 31 of the previous financial year. This exclusion removes nearly 457 small brokers from the compliance net, easing their operational burden.

3. **Reporting and client communication:**

   (i) Stock brokers must inform stock exchanges and clients of technical glitch within 2 (two) hours of its occurrence;
   (ii) Stock brokers must promptly notify clients of any technical glitch through their website and other channels such as SMS, email, or app notifications;
   (iii) Preliminary incident reports must be filed by the stock brokers with the stock exchange

within T+1 day of the incident (T being the date of the incident) and a root cause analysis (RCA) in the format prescribed by stock exchanges within 14 (fourteen) days from the date of the incident;

(iv) All submissions are to be made by the stock brokers through the 'Samuhik Prativedan Manch', a common reporting platform; and

(v) All technical glitches, whether reported by brokers or identified by stock exchanges, will be reviewed by the exchanges for appropriate action.

4. **Capacity planning and software testing:** Brokers must conduct capacity planning for servers, networks, and applications, and exchanges will set benchmarks/issue detailed guidelines for capacity planning, peak load monitoring. Software updates and changes must undergo rigorous testing and change management before deployment.

5. **Monitoring and business continuity:** Stock exchanges will continue to independently monitor brokers' systems through the Logging and Monitoring Mechanism (LAMA). Enhanced norms for Business Continuity Planning (BCP) and Disaster Recovery Sites (DRS) have been proposed, including setting up DR sites in different seismic zones, defining recovery objectives, and mandatory inclusion of BCP-DR in system audits.

6. **Rationalized financial disincentives:** SEBI has proposed revisiting the financial penalty structure, with exemptions for minor glitches or disruptions where alternate trading channels remain functional.

The relevant stakeholders/public are invited to submit their comments/suggestions latest by October 12, 2025.

The Consultation Paper on the Draft Circular can be accessed *here*.

## VIII. SEBI issues 'Master Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper'.

1. SEBI vide circular dated October 15, 2025, has re-issued the 'Master Circular for issue and listing of Non-convertible Securities, Securitised Debt Instruments, Security Receipts, Municipal Debt Securities and Commercial Paper' ("**ILNCS Master Circular**").

2. The ILNCS Master Circular consolidates the applicable circulars and directions issued by SEBI in relation to the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 ("**ILNCS Regulations**"). The same has been updated to reflect amendments introduced through SEBI circulars issued up to June 30, 2025.

The ILNCS Master Circular can be accessed *here.*

## CHAPTER III: IBBI UPDATES

### I. The Insolvency and Bankruptcy Board of India ("IBBI") notified the IBBI (Insolvency Resolution Process for Corporate Persons) (Sixth Amendment) Regulations, 2025 effective from October 14, 2025 ("Sixth Amendment Regulations")

IBBI *vide* the Sixth Amendment Regulations has brought about the following amendments to the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) Regulations, 2016 ("**Principal Regulations**"):

1. The regulation 39C ("Assessment of sale as a going concern") of the Principal Regulations stands omitted; and

2. In regulation 39 D ("Fee of liquidator"),
   (i) in clause (a), after the words, number and mark "Companies Act, 2013;", the word "and" shall be inserted; and
   (ii) clause (b) shall be omitted

3. In the Principal Regulations, in Form H ("Compliance Certificate"), in paragraph 15, point b shall be omitted.

The Sixth Amendment Regulations can be accessed *here.*

## CHAPTER IV: MCA UPDATES

### I. The Ministry of Corporate Affairs ("MCA") on October 01, 2025, introduced some amendments to the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016.

MCA vide its notification dated October 01, 2025 bearing notification number GSR No. 733(E) has introduced certain rules to amend the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("**IEPF Amendment Rules 2025**") which has come into effect from October 06, 2025.

Under the IEPF Amendment Rules 2025, the erstwhile Form No. IEPF – 5 (Application to the Authority for claiming unpaid amounts and shares out of Investor Education and Protection Fund) has been substituted by a new Form No. IEPF-5.

The IEPF Amendment Rules 2025 can be accessed *here.*

## CHAPTER V: IFSCA UPDATES

### I. The International Financial Services Centres Authority ("IFSCA") notifies Bye-laws, Rules and Regulations for the Foreign Currency Settlement System (FCSS).

IFSCA *vide* its circular dated October 3, 2025, has notified the Bye-laws, Rules, and Regulations ("**BRR**") governing the operations of **the Foreign Currency Settlement System** ("**FCSS**") in the International Financial Services Centre ("**IFSC**").

The key highlights of the notification are as follows:

**1. Authorization to CCIL IFSC Limited (CIL)**

IFSCA has authorised CCIL IFSC Limited ("CIL") under Section 7 of the Payment and Settlement Systems Act, 2007 and Regulation 6 of the IFSCA (Payment and Settlement Systems) Regulations, 2024, read with Sections 12 and 13 of the IFSCA Act, 2019, to operate a payment system for settlement of transactions in foreign currency to be known as the FCSS in GIFT IFSC.

**2. Notification of Bye-laws, Rules, and Regulations (BRR)**

These BRR prepared by CIL shall serve as the regulations, guidelines and instructions governing the operation, membership, and settlement processes of the FCSS.

This is an important milestone in stabilizing the settlement infrastructure for GIFT IFSC, improving the efficiency of cross-border financial transactions, enhancing transparency, and lowering settlement risk for the IFSC while simultaneously enhancing the IFSC convergence with best standards of global financial market infrastructure. The IFSC's sustained commitment to financial institutions within the international financial market ecosystem that operate out of GIFT IFSC within the area will continue.

The above- mentioned notification can be accessed *here.*

### II. IFSCA issues circular on Foreign Currency Settlement System – Instructions for International Financial Services Centre ("IFSC") Banking Units.

IFSCA *vide* its circular dated October 7, 2025, ("**FCSS Circular**") has launched the Foreign Currency Settlement System ("**FCSS**") to facilitate efficient settlement of foreign currency transactions among IFSC Banking Units.

The key highlights of the FCSS Circular are as follows-

**1. Authorization and Operation:**

(i) IFSCA has authorised CCIL IFSC Limited ("**CIL**") under Section 7 of the Payment and Settlement Systems Act, 2007 and Regulation 6 of the IFSCA (Payment and Settlement Systems) Regulations, 2024, read with Sections 12 and 13 of the IFSCA Act, 2019, to operate a dedicated payment system for the settlement of foreign currency transactions within the International Financial Services Centre (IFSC).

(ii) Standard Chartered Bank, International Banking Unit (SCB) has been appointed as the Settlement Bank for FCSS operations.

**2. Regulatory Framework:**

The Byelaws, Rules and Regulations ("**BRR**") prepared by CIL have been as the regulatory framework governing FCSS operations.

**3. Salient Features of FCSS:**

(i) The FCSS shall facilitate the settlement of transactions undertaken in foreign currencies.
(ii) The system will initially support settlements in United States Dollar (USD).
(iii) Transactions among FCSS participants shall follow a gross settlement procedure to ensure accuracy and finality.
(iv) The FCSS shall operate from 08:00 hours IST to 20:00 hours IST on all business days.
(v) The system is ISO 20022 compatible, ensuring global interoperability and standardised messaging formats.

**4. Membership and Access:**

(i) International Banking Units ("**IBUs**") are eligible to become members of the FCSS, subject to meeting the access criteria prescribed in the BRR.
(ii) Eligible IBUs shall apply to CIL for membership in accordance with the procedures detailed in the BRR.
(iii) Upon admission, members are required to comply with the BRR and any additional instructions issued by the IFSCA from time to time.

In conclusion, the IFSCA authorisation of CIL to operate the Foreign Currency Settlement System represents a strategic advancement in India's financial market infrastructure. By ensuring a regulated, secure, and transparent mechanism for foreign currency settlements, the move strengthens IFSC's role as a competitive international financial centre. The operationalisation of the FCSS is likely to enhance liquidity, attract global participants, and further integrate India into the global financial ecosystem

The above-mentioned FCSS Circular can be accessed *here.*

## III. IFSCA issues a circular on Governing Board of the Market Infrastructure Institutions:

IFSCA vide circular no. IFSCA/CMD-DMIIT/PID-MII/2025-26/001 dated October 13, 2025, has issued a comprehensive framework on the Governing Board of the Market Infrastructure Institutions ("**MIIs Circular**"). Please see below some key provisions of the MIIs Circular:

**1. Composition of the Governing Board:**

(i) The Governing Board ("**Governing Body**") of a Market Infrastructure Institutions ("**MIIs**") shall consist of directors possessing expertise in capital markets, finance and accountancy, legal and regulatory practice, technology, risk management, or administration.

(ii) Atleast 1 (one) Public Interest Director ("**PID**") must have requisite qualifications and experience in each of the following areas:
- Capital Markets;
- Finance and Accountancy;
- Legal and Regulatory Practice; and
- Technology.

(iii) MIIs may also appoint directors with qualifications in other specialized areas relevant to their operations.

**2. Appointment Process for PIDs:**

(i) The Nomination and Remuneration Committee ("**NRC**") shall identify and shortlist a minimum of 2 (two) eligible candidates for each PID vacancy after obtaining their written consent.
(ii) The Governing Board shall independently assess the suitability of candidates and forward shortlisted names to IFSCA for approval, at least 2 (two) months prior to such vacancy falling due.
(iii) If IFSCA is not satisfied with the recommendations, it may direct the MIIs to propose alternate names or may itself nominate a PID.
(iv) The MIIs are required to submit additional information and documents (as detailed in Annexure-1 of the MIIs Circular) for the selected candidate.
(v) The appointment of PIDs does not require shareholder approval.

**3. Reappointment of PIDs:**

(i) Applications for reappointment must be submitted to IFSCA at least 2 (two) months prior to the expiry of the existing term.
(ii) Reappointment shall be based on:
- Diversity of experience across domains;
- Performance review conducted by the NRC; and
- Participation in board and committee meetings.

(iii) An existing PID may continue to hold office for a maximum period of 3 (three months) after expiry of term or until a new PID is appointed, whichever is earlier.

**4. Performance Review of PIDs:**

(i) MIIs are required to adopt a performance review policy for PIDs, approved by the Governing Board.
(ii) The policy shall define evaluation criteria and methodology, covering:
- Prior responsibilities as a PID;
- Domain expertise;
- Mix of skillsets on the Board; and
- Personal attributes and general competencies.

(iii) Reviews must be conducted objectively to ensure effectiveness of independent oversight.

**5. Knowledge Upgradation and Training:**

(i) MIIs, in collaboration with reputed institutions, shall organize annual training programmes for PIDs in areas such as capital markets, technology, risk management, and regulatory responsibilities.
(ii) Adequate capacity-building initiatives shall be provided every year to all PIDs.

The MIIs Circular can be accessed *here.*

## IV. IFSCA amends the International Financial Services Centres Authority (Listing) Regulations, 2024:

The IFSCA *vide* a notification dated October 14, 2025 with reference number IFSCA/GN/2024/006 ("**Amendment Notification**") has amended the International Financial Services Centres Authority (Listing) Regulations, 2024 ("**Listing Regulations**"). The Listing Regulations provide for the regulatory framework for listing of specified securities, debt securities, depository receipts and other permitted financial products on the recognised stock exchanges in the International Financial Services Centres in India.

Please see below the key highlights pursuant to the Amendment Notification:

1. **Regulation 16(8) (Disclosures in Offer Document):** The requirement that the financial information included in the offer document must not be older than 135 (one hundred thirty five) days has been revised to 180 (one hundred eighty) days.

2. **Regulation 25(2) (Allotment):** The timeline for completion of allotment of specified securities, along with related payments and refunds, has been extended from 5 (five) working days to 8 (eight) working days from the date of issue closure.

3. **Regulation 52(3) (Application and Allotment):** Similar to Regulation 25(2) (Allotment), the period within which the issuer and lead manager(s) must ensure allotment of specified securities and completion of payments and refunds has been extended from 5 (five) working days to 8 (eight) working days from the date of issue closure.

4. **Regulations 96(2) and Regulation 107(2) (Financial Statements):** These provisions have been amended to require listed entities to disclose their financial statements for the first half of the financial year to the recognised stock exchange(s) immediately upon board approval, and in any case, no later than 45 (forty-five) days from the end of the half year. Previously, listed entities were required to disclose financial statements for each of the first 3 (three) quarters of the financial year within 45 (forty-five) days of the end of each quarter.

The Amendment Notification can be accessed *here.*

## V. IFSCA opens public consultation on amendment to IFSCA Banking Handbook: COB Directions on restrictions by the Authority on the activity of providing credit

IFSCA, *vide* circular dated October 16, 2025, has opened public consultation to gather feedback on the amendment to substitute Para 4(ii)(b) and 4(ii)(d) of Module 16 of IFSCA Banking Handbook.

1. Under Para 4(ii)(b), of Module 16 of IFSCA Banking Handbook:-

   "IBUs while granting loans to a Director of the Banking company (parent bank) of which it is a branch or to any related party of such Director ("**Related Parties**") shall:

   (i) establish and implement a policy on loans to related parties

   (ii) ensure that such loans granted is conducted free of conflicts of interest.

   (iii) ensure that terms and conditions of such loans are not more favourable than other loans granted the IBU under similar circumstances.

(iv) prevent any person who may, or whose family member may, benefit directly or indirectly, from such loan, from being part of the approval process for such loan.

(v) ensure that thresholds, if any, on such exposures set by home regulator of the IBU are adhered to.

(vi) ensure that audits are conducted periodically, but not exceeding than a gap of six months, to ensure such loans granted are consistent with the IBU's policy on loans to related parties as well as the directions of the Authority. if any, on such loans.

(vii) ensure that IBU intimates the Department of Banking Supervision of the Authority about the grant of loans to related parties within 15 working days of the date of the transaction."

2. Para 4(ii)(d) of module 16 of IFSCA Banking handbook:

"(d) Restrictions on Credit to Companies for Buy-back of their Securities: IBUs may provide loans to companies for buy-back of their securities provided use of such loans for buy back of securities is permitted under the applicable law in the jurisdiction where such company is incorporated."

The aforesaid amendment can be accessed *here.*

## VI. IFSCA issues Consultation Paper on Master Circular for Stock Exchanges and Clearing Corporations in IFSC

IFSCA has issued a Consultation Paper seeking public and stakeholder comments on the draft Master Circular for Stock Exchanges and Clearing Corporations operating in the IFSC ("**Master Circular**"). This initiative aims to streamline and consolidate the various circulars and guidelines issued by SEBI and IFSCA over the years, thereby providing a unified regulatory framework for Market Infrastructure Institutions ("**MIIs**") in the IFSC. The Master Circular has been prepared under the MII Regulations, as amended by the IFSCA (Market Infrastructure Institutions) (Amendment) Regulations, 2024 ("**Amended MII Regulations**"), which collectively lay down the supervisory and operational framework for MIIs in the IFSC.

The proposed Master Circular comprehensively covers the regulatory, operational, technological, and governance aspects of Stock Exchanges and Clearing Corporations functioning in the IFSC. It is structured across seven chapters, including:

### 1. Recognition Process

(i) It specifies the process for application and renewal of recognition for MIIs.
(ii) It links the fee payment process to the latest IFSCA Fee Circulars (April 2025).
(iii) Recognition validity may be permanent or for a specified period, subject to renewal before expiry.

### 2. Trading Framework

(i) Codifies rules on negotiated large trades, circuit breakers, price bands, margin trading, and liquidity enhancement schemes.
(ii) Defines standards for market makers, proprietary trading, client code modification, and

transaction charges.

(iii) Emphasizes transparency, fair access, and market integrity.

**3. Technology and Trading Infrastructure**

(i) Introduces comprehensive provisions on Internet-Based Trading (IBT), Direct Market Access (DMA), Sponsored Access (SA), and algorithmic trading.

(ii) Mandates periodic system audits, mock trading, and approval for new or modified trading software.

(iii) Stipulates norms on business continuity and disaster recovery (BCP-DR), cyber resilience, and co-location facilities.

**4. Settlement Framework**

(i) Provides detailed guidance on settlement procedures, auction and close-out processes, handling holidays, and the Settlement Guarantee Fund (SGF).

(ii) Reinforces risk management and investor protection mechanisms to ensure market integrity.

**5. Product and Risk Management**

Defines the framework for derivative contracts, trading hours, and surveillance standards. Introduces uniform norms for risk monitoring and disclosures across MIIs.

**6. Governance and Administration**

(i) Prescribes governance norms for MIIs, including the appointment process for Public Interest Directors (PIDs) and constitution of statutory committees.

(ii) Lays down standards for code of conduct and ethics for directors and key managerial personnel.

**7. Reporting and Compliance**

(i) Requires MIIs to submit periodic reports including Monthly Development Reports and compliance status updates to the IFSCA.

(ii) Ensures enhanced regulatory oversight and accountability.

The Master Circular intends to supersede all earlier SEBI and IFSCA circulars and guidelines issued prior to October 1, 2020, applicable to Stock Exchanges and Clearing Corporations in the IFSC. However, actions already taken, applications pending, or decisions made under the superseded circulars will continue to be valid and deemed to have been made under the corresponding provisions of the new Master Circular.

The said Master Circular is being issued under the powers conferred by Sections 12 and 13 of the International Financial Services Centres Authority Act, 2019, read with Regulation 72 of the MII Regulations, 2021. Upon finalization, it will come into effect from the date of issuance and will serve as the comprehensive reference document governing all regulatory aspects of Stock Exchanges and Clearing Corporations in the IFSC.

The Master Circular can be accessed *here.*

## VII. IFSCA issues Consultation Paper on Regulatory Framework for Dematerialization of Securities by Entities in the International Financial Services Center ("IFSC") Jurisdiction

IFSCA has released a consultation paper seeking public comments on the proposed framework mandating dematerialisation of all securities by entities operating within GIFT-IFSC. Under the draft circular, IFSC entities must obtain International Securities Identification Numbers ("**ISINs**") from an IFSCA-registered depository instead of domestic depositories. Currently, certain IFSC entities continue to obtain ISINs and hold their securities through domestic Indian depositories, even though they are established within the IFSC jurisdiction.

Regulation 44 of IFSCA (Market Infrastructure Institutions) Regulations, 2021 ("**MII Regulations**") provides that all securities and other permitted financial productions in IFSC shall be eligible to be held in dematerialized form with a depository registered with the IFSCA.

**Key Proposals:**

The consultation paper attaches a draft circular on "**Dematerialisation of Securities by Entities in IFSC Jurisdiction**," outlining the following key provisions:

1. Entities in IFSC must obtain ISINs from a depository registered with IFSCA, not from domestic depositories;

2. Existing IFSC entities that have dematerialised securities with domestic depositories must migrate such holdings to an IFSC depository by March 31, 2026; and

3. While ISIN issuance must move to an IFSC depository, issuers may continue to use International Central Securities Depositories ("ICSDs") for listing and issuance as permitted under the IFSCA (Listing) Regulations, 2024.

The said draft circular further provides for certain key responsibilities of the IFSC depositories that depositories in IFSC will ensure a seamless transition of securities from domestic to IFSC depositories, investor communication, and file a compliance report to IFSCA by April 30, 2026confirming completion of migration by all IFSC entities

This shift aims to eliminate dependence on domestic depositories and promote a unified regulatory framework within the IFSC ecosystem.

The above-mentioned consultation paper can be accessed *here.*

## VIII. IFSCA amends 'IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022'.

IFSCA *vide* circular dated October 31, 2025 ("**AMLCFT Circular**") has amended the 'International Financial Services Centres Authority (Anti-Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022' ("**AMLCFT Guidelines**"), originally notified on October 28, 2022, to incorporate changes to reinforce customer identification standards via Video-based Customer Identification Process ("**V-CIP**") implemented by regulated entities to onboard new customers, as well as to update their KYC records.

The AMLCFT Circular introduced the following amendments:

1. **Expanded Definition of V-CIP Execution:** The AMLCFT Circular accommodates V-CIP being carried out by not just the officials of the regulated entity, but also by financial group entities that are incorporated in India and regulated by a financial regulator or registered by a KYC Registration Agency.

2. **Strengthened Infrastructure Requirements:** V-CIP technology must comply with updated cybersecurity and resilience frameworks namely "Guidelines on Cyber Security and Cyber Resilience for Regulated Entities in IFSCs" dated March 10, 2025 (as amended from time to time), ensuring secure data hosting within regulated entities or their supervised financial groups. Cloud data ownership strictly remains with the regulated entity or its financial group.

3. **Robust Technical Specifications:** V-CIP systems must prevent spoofing, use end-to-end encryption, and include anti-deep fake and AI-based liveness detection. Live GPS geo-tagging and tamper-proof time stamps on recordings are mandatory.

4. **Record and Data Management:** Secure storage of V-CIP video data with proper audit trails is required. Concurrent audits will ensure adherence and integrity of the onboarding process.

5. **Onboarding of NRIs:** For Non-Resident Indian customers classified as low-risk, V-CIP is permitted only if residents of selected countries (including the USA, UK, EU members, Japan, Singapore, UAE, Australia, etc.). IP addresses and bank account proofs must correlate with the NRI's declared jurisdiction.

6. **Operational Safeguards for NRI Accounts:** Accounts opened through V-CIP for Non-Resident Indian start in debit freeze mode and are activated only upon verification of initial credit from a valid bank account.

This regulatory update, issued under IFSCA statutory powers, comes after consultation with market participants and aims to enhance anti-money laundering controls while facilitating secure digital customer onboarding.

The AMLCFT Circular can be accessed *here.*


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