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Regfin Insight

NOVEMBER 2025

SEBI UPDATES

1. **SEBI amends the SEBI (Mutual Funds) Regulations, 1996 and introduces revised incentives for Mutual Fund Distributors for onboarding new individual investors from B-30 cities and women investors**

SEBI *vide* notification dated October 31, 2025, has amended the SEBI (Mutual Funds) Regulations, 1996 ("**MF Regulations**").

The amendment has notified the following key changes:

- **Expansion of the definition of 'equity-related instruments'**
  The MF Regulations have been amended to include units of Real Estate Investment Trusts ("**ReITs**") within the definition of 'equity-related instruments'. Further, MF Regulations have been amended to provide that a Specialized Investment Fund ("**SIF**") under all its investment strategies can own up to 15% of the units of ReITs issued by a single issuer. The limit prescribed is inclusive of the existing 10% limit provided to the schemes of mutual funds.

  Further, SEBI *vide* circular dated November 28, 2025, has prescribed additional conditionalities for reclassification of ReITs as equity-related instruments. SEBI has provided that with effect from January 01, 2026, any investment made by mutual funds and SIFs in ReITs shall be considered as an investment in equity-related instruments, while investment in InvITs shall continue to be classified as hybrid instruments. SEBI has further clarified that existing investment in ReITs held by debt schemes of mutual funds and investment strategies of SIFs as on December 31, 2025, shall be grandfathered. However, AMCs are encouraged to make efforts to divest REITs from respective portfolios of debt schemes, considering the market conditions, liquidity and interest of investors. Lastly, any inclusion of ReITs in the equity indices shall be carried out only after a period of six months, i.e., July 1, 2026.

- **Amendment to determine the repurchase price of open-ended schemes**
  The amendment provides that for the purpose of repurchase by the mutual fund, the repurchase price of an open-ended scheme should not be lower than 97% of the NAV of the scheme, instead of 95% of the NAV of the scheme as was previously provided.

- **Revision of incentives for mutual fund distributors for onboarding new individual investors from B-30 cities and women investors**
  SEBI has removed Regulation 52(6A)(b) of the MF Regulations, wherein the mutual fund schemes were permitted to charge up to 0.30% of daily net assets as additional expenses for attracting inflows from B-30 cities. Instead, SEBI *vide* circular dated November 27, 2025, introduced a revised incentive structure for mutual fund distributors to improve financial inclusion by attracting new individual investors (with new PAN) from B-30 cities and new women individual investors (with new PAN) from both top 30 and B-30 cities. The AMC will pay additional commission to distributors for onboarding eligible new investors under the following structure:

Investment mode	**Commission structure**
Lump sum investment	1% of the amount of the first application subject to a maximum of ₹2,000, provided the investor remains invested for a minimum period of one year.
Systematic Investment Plan (SIP)	1% of the total investment made during the first year, subject to a maximum of ₹2,000.

The additional distribution commission shall be paid from the 2 basis points on daily net assets, mandated to be set apart annually by AMCs for investor education, awareness and financial inclusion initiatives, subject to adequate claw-back provisions and shall be in addition to the existing trail commission paid to the distributor from the scheme.

The payment of additional distribution commission is mandatory for all schemes of a mutual fund except for Exchange Traded Funds (ETFs), Fund of Funds (domestic) with more than 80% of Assets Under Management (AUM) invested in domestic funds and schemes having duration requirements of less than 1 year namely, overnight funds, liquid funds, short duration fund and low duration fund.

The amendment can be accessed *here*, the circular dated November 27, 2025 can be accessed *here* and the circular dated November 28, 2025 can be accessed *here*.

2. SEBI introduces the SEBI (Informal Guidance) Scheme, 2025

SEBI, on November 18, 2025, introduced the SEBI (Informal Guidance) Scheme, 2025 ("**IG Scheme 2025**"), which will substitute the SEBI (Informal Guidance) Scheme 2003 ("**IG Scheme 2003**"). The IG Scheme 2025 has come into effect from December 01, 2025, and the erstwhile scheme has ceased to operate.

The key features of the IG Scheme 2025 are as follows:

- **Expanding the applicability of the scheme**
  The IG Scheme 2025 states that the following persons, in addition to the persons specified in the IG Scheme 2003, can apply for seeking informal guidance: (i) persons appointed to manage the investments of a pooled investment vehicle registered or trustee of such pooled investment vehicle; (ii) recognised stock exchange or clearing corporation; and (iii) depository registered with SEBI.

- **Forms of seeking informal guidance**
  Informal guidance may be either in the form of no-action letters, where the requisite SEBI department indicates whether it will recommend any enforcement action if the applicant proceeds with the proposed transaction, or interpretive letters, where the department offers its interpretation of specific legal provisions as they apply to a proposed transaction or particular factual situation.

- **Fees under the IG Scheme**
  The fee payable by an applicant under the IG Scheme 2025 has been revised from INR 25,000 in the IG Scheme 2003 to INR 50,000. Further, if an application for informal guidance is rejected by SEBI, the fee paid by the applicant shall be refunded to the applicant after deducting a sum of INR 10,000 towards the processing fee.

- **Manner of seeking informal guidance**
  SEBI has prescribed a centralized email ID wherein the application may be filed in the format prescribed in the circular, accompanied by the application fees.

- **Timeline for disposal of applications**
  The applications must be disposed of by SEBI as early as possible but not later than 60 days from the date of receipt of the application. The time taken for the applicant to respond to the clarifications sought by SEBI shall be excluded while calculating the aforesaid timeline.

- **Exceptions:**
  SEBI may decline to respond to applications in several circumstances, including where the request is generic, incomplete, or based on hypothetical situations; where the applicant lacks a direct or proximate interest; or where the relevant legal provisions are not cited. It will also not respond if a substantially similar no-action or interpretive letter has already been issued, if the matter is under investigation or enforcement, if related issues are pending before a court or tribunal, or if broader policy considerations warrant withholding a response.

- **Confidentiality of applications**
  The IG Scheme 2025 has introduced provisions to enhance the confidentiality of applications received. Confidentiality of an application may be granted for up to 90 days if the applicant requests it with appropriate justification, during which time the response will not be made public. Even after this period, the applicant may seek redaction of specific private or commercially sensitive information, which SEBI may allow if satisfied with the grounds seeking confidentiality. If SEBI intends to deny confidentiality, the applicant will be informed and allowed to withdraw the application within 30 days, in which case no response will be issued, and the application will remain on record but not be made public. If the applicant does not withdraw, the application and SEBI's response will be made public, subject to any approved redactions.

- **Grandfathering of the IG Scheme 2003**
  Any applications received under the IG Scheme 2003 prior to December 01, 2025, but not processed till that date, will be processed under the erstwhile scheme.

The guidelines can be accessed *here*.

3. **SEBI amends the SEBI (Alternative Investment Funds) Regulations, 2012 to introduce 'Accredited Investors only fund'**

SEBI *vide* notification dated November 18, 2025, has notified an amendment to the SEBI (Alternative Investment Funds) Regulations, 2012 and has introduced provisions for 'Accredited Investors only fund'.

An Accredited Investors only fund means an AIF or scheme of the AIF in which each investor other than the investment manager, sponsor, employees or directors of the AIF or employees or directors of the manager, is an Accredited Investor. Provided that an AIF or a scheme of an AIF, launched prior to the notification of this amendment, may be permitted to convert to an Accredited Investors only fund, subject to the conditions prescribed by SEBI. It is further clarified that an Accredited Investors only fund shall include a Large Value Fund for Accredited Investors ("**LVF**").

The key changes brough about by the amendment are as follows:

- The minimum investment amount per investor for an LVF has been reduced from INR 70 crores to INR 25 crores.

- The requirement of at least 1 key personnel meeting the requisite NISM certification shall not apply to an Accredited Investors only fund.

- Accredited Investors will be excluded when computing the number of investors in a scheme of an AIF.

- The erstwhile regulations stated that an LVF may be permitted to extend its tenure up to 5 years, subject to the approval of two-thirds of the unit holders by value of their investment in the LVF. This requirement now applies to an Accredited Investors only fund, as per this amendment.

- The responsibilities and obligations of a trustee of an AIF shall, in case of an Accredited Investors only fund, be carried out by the manager of the Accredited Investors only fund.

The amendment can be accessed *here*.

4. **SEBI notifies the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Fourth Amendment) Regulations, 2025 and the SEBI (Depositories and Participants) (Third Amendment) Regulations, 2025**

SEBI *vide* notifications dated November 21, 2025, has amended the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 and the Securities and Exchange Board of India (Depositories and Participants) Regulations 2018.

The key changes introduced are as follows:

- Expansion of the scope of the governing board of stock exchanges, clearing corporations and depositories to include executive directors.

- The managing director of a stock exchange, clearing corporation or depository cannot hold any position concurrently in the subsidiary of a recognised stock exchange, clearing corporation, depository or in any other entity associated with a recognised stock exchange, clearing corporation or depository provided. However, the managing director may be appointed on the governing board of the subsidiary. It is further provided that the managing director may, with the prior approval of the governing board, be appointed to the following positions:

  - non-executive director on the board of a company registered under section 8 of the Companies Act, 2013;

  - non-executive director on the board of an unlisted government company not engaged in any commercial activity;

  - chairperson or member (non-executive capacity) of the governing board of an educational institution established by the Central Government, the State Government, a government company, or a statutory body; or

  - chairperson or member (non-executive capacity) of the governing board of a university established or incorporated by or under a Central Act or a State Act.

- Introduction of provisions governing the roles and responsibilities of the managing director, which include: (a) management of the whole affairs of the stock exchange, clearing corporation or depository; (b) ensure that the stock exchange, clearing corporation or depository complies with the provisions of all applicable acts, rules and regulations, circulars, guidelines or directions issued thereunder from time to time; (c) be responsible for the overall risk management of the recognised stock exchange or the recognised clearing corporation or depository; and (d) ensure that the recognised stock exchange or the recognised clearing corporation or depository has adequate infrastructure and systems in place for its efficient functioning at all points of time.

- Introduction of provisions with respect to the appointment of executive directors and it has been clarified that the stature of the executive directors shall be similar to that of the managing director.

- Every stock exchange, clearing corporation and depository shall appoint a Chief Technology Officer to oversee and manage technology-related system design, infrastructure, and operations.

- Every stock exchange, clearing corporation and depository shall appoint a Chief Information Security Officer to assess, identify, and mitigate cybersecurity risks associated with the functioning of recognised stock exchange or the recognised clearing corporation or recognised depositories and respond to cybersecurity incidents.

The amendments can be accessed *here* and *here*.

5. **SEBI notifies the SEBI (Investment Advisers) (Second Amendment) Regulations, 2025 and the SEBI (Research Analysts) (Second Amendment) Regulations, 2025**

SEBI *vide* notifications dated November 25, 2025, has amended the SEBI (Investment Advisers) Regulations, 2013 and the SEBI (Research Analysts) Regulations, 2014 so as to bring in key amendments to the regulatory regime governing Investment Advisers ("**IAs**") and Research Analysts ("**RAs**").

The key amendments that have taken place are:

- **Amendment to the minimum qualification required for IAs and RAs**
  The amendments have relaxed the minimum qualification criteria for application as an IA or RA or person associated with investment advice or research services. The erstwhile regulations required such persons to have a professional qualification, a graduate degree, a postgraduate degree, or a postgraduate diploma in finance, accountancy, business management, commerce, economics, capital markets, banking, insurance, actuarial science, or other financial services. This criterion has now been relaxed to a graduate degree or any equivalent educational qualification from a university or institution, and relevant certification from NISM.

- **Renewal of NISM certification**
  The amendments state that an IA or RA or principal officer of a non-individual IA/ RA shall obtain fresh NISM certification before the expiry of the validity of the existing certification or within 3 years from the date of expiry of the registration certificate.

- **Amendments to Form A**
  The amendments have made modifications to the Form A seeking registration as an IA or an RA in order to reflect changes introduced recently.

The amendments can be accessed *here* and *here*.

IFSCA UPDATES

6. IFSCA mandates AML/CFT Certification for Designated Directors and Principal Officers

IFSCA *vide* circular dated November 17, 2025, has made it mandatory for all Designated Directors and Principal Officers of Regulated Entities in the IFSC to obtain and continuously hold certification on Anti-Money Laundering and Counter-Terrorist Financing (AML/CFT). To facilitate this, a customised certification programme titled "*NISM-IFSCA-01: Certification Course on Anti-Money Laundering and Counter-Terrorist Financing in the IFSC*", jointly developed by NISM and the IFSCA Academy, has been launched on November 18, 2025. The circular also provides that all Designated Directors and Principal Officers of all REs shall complete the course within 4 months from its date of launch or from their date of appointment, as the case may be.

This circular can be accessed *here*.

7. Mandatory Display of Risk Disclosures for Global Access Clients under the IFSC Framework

IFSCA *vide* circular dated November 26, 2025, has mandated that all Global Access Providers (GAPs) and Introducing Brokers (IBs) must display key risk disclosures and disclaimers to clients at every login as required under Clause 39 of the circular "Regulatory Framework for Global Access in the IFSC". The circular provides the exact text of the disclosures in Annexure I, covering major risks such as market, currency, custody, liquidity, settlement, technology, cyber-attack, product suitability, legal, taxation, remittance, and geopolitical risks associated with trading in overseas markets. GAPs/IBs must ensure full system implementation of these login-level pop-ups by 31 December 2025.

This circular can be accessed *here*.

CONSULTATION PAPERS

8. **SEBI seeks public comments on the amendments to SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007 ("CAPSM Regulations").**

SEBI *vide* consultation paper dated November 06, 2025, has sought public comments to amend the CAPSM Regulations. The proposals are as follows:

- *Review/ Expansion of the definition of "Associated Persons"*: The term associated person has been expanded to include 'a regulated entity' apart from an intermediary and also includes any person 'intending to be engaged in' the securities market, whether 'directly or indirectly'. Some of the rationales put forth by SEBI include inclusion of new products, promotion of participation and employability of the new generation and expansion of coverage.

- *Manner of obtaining certificate*: SEBI has introduced long-term courses ranging from three months to more, in physical/hybrid and online mode, to add more value by imparting in-depth knowledge in comparison to passing the certification examination, which will serve as certifications while adding capacity building. Further, SEBI intends to offer long-term courses as an alternative to certifications, which shall give more options to participants.

- *Inclusion of electronic mode of participation for Continuing Professional Education (CPE) programs*: For the convenience of the participants and to ensure wider reach of the NISM courses, the CPE shall now be conducted in hybrid, online and physical mode.

- *Reviewing the exception criteria for manner of obtaining certificate*: The exemption provided by SEBI to persons above 50 years of age or persons with 10 years of experience in the securities market, from giving the CPE, is proposed to be removed due to misuse by certain persons. NISM may, however, allow individuals aged 50 years of age with relevant experience of 10 years certain exemptions in the mode of getting certified and can get certified by way of accumulating classroom credits by attending classes on subjects specified by NISM or by-passing the long-term course or programme as may be specified by NISM.

The consultation paper can be accessed *here*.

9. **SEBI seeks public comments on implementing the guidelines on pro-rata rights of investors of Alternative Investment Funds ("AIFs").**

SEBI *vide* consultation paper dated November 07, 2025, has issued draft clarifications and proposed operational modalities to ensure consistent implementation of pro-rata rights of investors in AIFs. The proposals are as follows:

a. *Drawdown Methodology*: For close-ended schemes, SEBI clarifies that pro-rata calculations may be based either on total commitment or undrawn commitment, and this choice must be clearly disclosed upfront in the PPM and remain unchanged throughout the scheme tenure.

b. *Conditions for Adoption*: If an AIF opts for drawdown based on commitment of investors to the scheme and if an investor does not participate in a particular investment due to an excuse/exclusion, the unutilised commitment of the investor to this extent, shall not be used for making subsequent investments. Further, drawdowns must also be managed in a manner that does not breach concentration limits.

c. *Alignment for existing schemes*: The existing AIFs utilising any other methodologies shall align prospectively with one of the two prescribed methods and such alignment shall not be construed to be a material change. In case, any investor opt-outs of the scheme post the issue of this circular, any consequence breach of provisions of AIF Regulations with respect to minimum investment requirement or limits based on corpus or investable funds, may not be considered as non-compliance in this regard.

d. *Pro rata rights in open ended schemes*: For Category III open-ended AIFs, NAV-based unit issuance/redemption shall continue, and distributions must be pro-rata to units held, but schemes investing primarily in unlisted securities will be required to follow the same pro-rata framework applicable to closed-ended funds.

e. *Applicability for existing schemes*: Distributions arising from investments made on or before December 13, 2024, will continue in accordance with the existing waterfall under fund documents for non-exempt schemes.

f. *Carried Interest*: Further, carried interest or similar profit-sharing paid by investors to the manager/sponsor is expressly excluded from pro-rata rules. To standardise the calculations, all investor commitments, domestic and foreign, must be denominated in INR in contribution agreements. The Standard Setting Forum for AIFs (SFA) may issue implementation standards in consultation with SEBI, and managers/KMPs shall maintain documentary evidence of compliance, while trustees/sponsors shall ensure that the Compliance Test Report reflects adherence.

The consultation paper can be accessed *here*.

10. **SEBI seeks public comments on amendments to SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 ("ICDR Regulations"), with the objective of enhancing ease of doing business and increasing the participation of retail investors in public issue.**

SEBI *vide* consultation paper dated November 13, 2025, has proposed amendments to the ICDR Regulations, 2018 to reduce compliance frictions for issuers and improve access to information for retail investors. The key proposals include:

a. *Review of the requirement of lock-in of shares at the time of IPO*: Presently, the pre-issue capital held by persons other than promoters is required to be locked in for a period of 6 months. However, the challenge faced by such non-promoter shareholders holding pledged shares prior to an IPO is that the depository system cannot impose lock-in on pledged securities. SEBI thus proposes an enabling framework under which pledged shares will remain "locked-in" for the balance lock-in period, irrespective of whether the pledge is active, invoked or released. In order to operationalize this, issuers shall amend their Articles of Association to expressly provide for lock-in applicability on pledged shares, notify all lenders/pledgees of the change, and disclose the same clearly in the Draft Red Herring Prospectus ("**DRHP**") and Red Herring Prospectus ("**RHP**"). Depositories shall introduce system-level controls to automatically apply the remaining lock-in and ensure seamless compliance. SEBI has also consulted select NBFCs providing loans against unlisted shares, who have indicated support.

b. *Review of the requirements of Abridged Prospectus*: The second proposal seeks to replace the existing "abridged prospectus" with a concise, standardized "Offer Document Summary" to ensure retail investors can easily access key information such as risks, financials, objects of the issue and material KPIs. The summary shall be filed along with the draft offer document and

made digitally accessible on the websites of the issuer, SEBI, stock exchanges and lead managers. This shift shall reduce documentation burden, improve clarity of disclosures and reduce dependence on informal market channels (such as grey-market pricing and social media) during IPO evaluation.

The consultation paper can be accessed *here*.

11. **SEBI seeks public comments on the disclosure of registered name and registration number by SEBI regulated entities and their agents on social media platforms.**

SEBI *vide* consultation paper dated November 28, 2025, held that fraudsters/unregistered persons have been perpetrating frauds in the securities market in various forms, including by way of misleading/ manipulative social media content. Thus, in order to ensure identification of content published by registered entities versus non-registered entities on social media platforms, SEBI has proposed that the registered entity or their agent shall specify the registered name and the registration number on the social media platform.

The consultation paper can be accessed *here*.

12. **IFSCA seeks public comments to amend IFSCA (Capital Market Intermediaries) Regulations, 2025 ("CMI Regulations").**

IFSCA *vide* consultation paper dated November 03, 2025, has proposed amendments to the CMI Regulations, based on industry representations and practical challenges observed since the notification of the regulations. The draft amendments primarily seek to ease compliance timelines and refine eligibility, net-worth, and registration requirements for capital market intermediaries ("**CMIs**").

A. *Eligibility Criteria for Principal Officer and Compliance Officer*: IFSCA received representations stating that, given the nascent stage of the IFSC ecosystem, the entities have been facing difficulties in appointing Principal Officer and Compliance Officer as per the requirements under the CMI Regulations. Thus, IFSCA has proposed to broaden the education eligibility by recognising postgraduate qualifications in fintech, science, technology, engineering and mathematics (STEM), and also while reducing the minimum experience requirement for graduates from 10 years to 5 years.

B. *CMIs with Multiple Registrations*: IFSCA has received multiple representations from custodians and distributors who are also registered as broker-dealers and clearing members that they be allowed to have a single principal officer. IFSCA, thus, to simplify governance for entities operating multiple regulated activities, proposes allowing CMIs registered as broker-dealers, clearing members, depository participants, custodians and registered distributors to appoint the same person as principal officer across all roles, subject to the mandatory appointment of a separate senior official as vertical head for distribution activities.

C. *Net Worth*: IFSCA has received queries on whether components such as base minimum capital, security deposits, interest-free deposits, and various margins maintained with stock exchanges and clearing corporations may be considered as liquid assets for the purpose of net worth computation. IFSCA has clarified that base minimum capital and interest-free deposits placed with stock exchanges and clearing corporations will not count as liquid assets for net-worth calculations, whereas margins deposited with clearing members and clearing corporations will be recognised as liquid assets.

D. *Minimum Net Worth for Custodians*: A minimum net-worth requirement of USD 1 million is proposed for custodians registered with IFSCA, which may be maintained at the parent-entity level in the case of branches, with the earmarked amount specifically allocated to the IFSC.

E. *Umbrella registration for CMIs*: To enhance ease of doing business, IFSCA proposes to introduce an umbrella registration framework enabling intermediaries to apply for multiple activities through a single registration process rather than separate applications.

The consultation paper can be accessed *here*.

13. **IFSCA seeks public comments on the introduction of IFSCA (Pension Fund) Regulations, 2025 for enabling the launch of pension schemes from IFSC.**

IFSCA *vide* consultation paper dated November 04, 2025, has proposed IFSCA (Pension Fund) Regulations, 2025.

The proposed regulations shall apply to all Pension Fund Managers ("**PFMs**") registered with the IFSCA for offering and managing voluntary pension schemes from IFSC, all voluntary pension schemes offered from IFSC targeting Non-Resident Indians (NRIs) and foreign citizens, all subscribers of such voluntary pension schemes and all other entities involved in the ecosystem of such voluntary pension schemes, including Custodians, Trustees and Annuity Service Providers.

The proposed regulations provide that the applicant or its parent or its associate shall have experience in managing a pension fund or a retail fund or an insurance business for a minimum of 10 years and a minimum net worth requirement of USD 1 million. The applicant shall also appoint a minimum of three employees who shall be responsible for the overall activities of the PFM, including but not limited to fund management, risk management, and compliance.

Further, the PFMs shall invest in equities (listed public equities and private equities), fixed income (Government Bonds, Corporate Bonds, Private Debt), real assets (Real Estate, Infrastructure), highly traded commodities, cash and short-term instruments for liquidity management and such other securities or financial products/ assets or instruments as may be specified by IFSCA.

The consultation paper can be accessed *here*.

14. **IFSCA seeks public comments on the regulatory framework for implementation services by investment advisers in IFSC.**

IFSCA *vide* consultation paper dated November 13, 2025, sought public comments on the provisions for implementation services provided by Investment Advisors.

The Regulation 34(12) and 34(13) of the CMI Regulations permit Investment Advisers registered with the IFSCA to provide implementation services subject to certain conditions. However, the operational framework and detailed procedures for providing such implementation services were not specified under the CMI Regulations or circulars issued thereunder.

The consultation paper provides that the implementation services :

a. For financial products listed on stock exchanges in foreign jurisdictions shall be through a Global Access Provider registered with IFSCA.

b. For investment products and/or securities other than financial products listed on stock exchanges in foreign jurisdictions, the investment adviser may enter into formal arrangements or agreements with platforms and/or asset management companies registered or regulated in foreign jurisdictions with any financial sector regulator.

However, the investment advisor shall ensure that such services are optional to the investor.

The consultation paper can be accessed *here*.

15. **IFSCA seeks public comments on the guidelines on Cyber Security and Cyber Resilience for the Market Infrastructure Institutions ("MIIs") in IFSC ("Cybersecurity Guidelines").**

IFSCA *vide* consultation paper dated November 25, 2025, has sought public comments on the proposed Cybersecurity Guidelines.

As per the Guidelines, the MIIs shall adopt a cyber security policy comprising of processes to identify, protect, detect, respond and recover. The Policy shall be reviewed periodically, and the Standing Committee on Technology (SCOT) of the MIIs shall review the implementation of the policy on a biannual basis. Further, the MIIs shall appoint a CISO who shall directly report to the MD/CEO.

Further, the MIIs shall have a Cyber Security Operation Center (C-SOC) that would be a 24x7x365 set-up manned by dedicated security analysts. The MIIs shall also engage only CERT-In empanelled Information Security (IS) auditor for conducting external audits, including cyber audits, to audit the implementation of all provisions mentioned in these guidelines.

The consultation paper can be accessed *here*.

ORDERS AND GUIDANCE

16. **SEBI penalizes Kreo Capital for lending activity reporting-related discrepancies under the Merchant Banker Regulations:**

SEBI, *vide* its order dated November 28, 2025, imposed a penalty of INR 2 lakh on Kreo Capital Private Limited, a SEBI-registered merchant banker, for various violations of the SEBI (Merchant Banker) Regulations, 1992.

An inspection of the company's activities over two financial years revealed failures to report lending activities in half-yearly reports required under Regulation 28(2) of the Merchant Banker Regulations. The company further failed to furnish details of changes in their Key Managerial Personnel to the regulator and wrongly showed an advisor as a KMP. Lastly, the company also offered lending solutions which were outside the purview of securities market products prior to the amendments to the Merchant Bankers framework, which allowed the same.

With respect to the nondisclosure of the leading activities, the company took a defence that the fees generated out of the same were not substantial, an argument which was rejected by SEBI, stating that the regulations require disclosure, irrespective of the amount of fees earned by the company as a merchant banker. With reference to the allegation regarding the non-updation of information regarding the key managerial personnel, the company took a plea that the same was an inadvertent error.

However, with respect to the allegation that the company was providing the lending solutions for instruments which were not regulated by SEBI, the Adjudicating Officer took a balanced approach and ruled that since the amendment in question (allowing lending solutions in instruments not falling under the purview of SEBI) was imminent and such amendment was to be given retrospective effect, the company was not penalized for the said allegation.

The order can be accessed *here*.

17. **SEBI punishes Reliance Securities for software-related deficiencies under the Stock Broker Regulations**

SEBI, *vide* its order dated November 26, 2025, imposed a penalty of INR 5 lakh on Reliance Securities Limited, a SEBI-registered Stock Broker, for various software and data-related deficiencies violative of the SEBI (Stock Brokers) Regulations, 1992.

An inspection of the company's Cyber security and Cyber Resilience framework for technical glitches over a year and a half revealed certain shortcomings. It failed to carry capacity planning for critical systems as well as peak load calculations, in violation of SEBI circulars and the Code of Conduct prescribing such requirements. It was also reprimanded for failing to set up an automated software testing environment and a traceability matrix between its functionalities, as required under the same circular. It also did not maintain logs for key parameters, in violation of the aforesaid Code of Conduct. There were further data-related incompetencies that attracted penalties under provisions such as Regulation 9(f) of the Stock Broker Regulations.

The order can be accessed *here*.

18. **SEBI fines Angel One for various non-compliances under the Stock Brokers Regulations**

SEBI, *vide* its order dated November 11, 2025, imposed a penalty of INR 3 lakh on Angel One Limited, a SEBI-registered Stock Broker, for various non-compliances with the SEBI (Stock Brokers) Regulations, 1992.

SEBI found that Angel One's terminals were being operated by persons other than the authorized person, violative of Regulations 9(f) and 26(xix) of the Stock Brokers Regulations. It was also found that these terminals were being operated from locations other than their registered addresses. The regulator also took issue with the company's segregation among authorized persons, failing to ensure that the impugned AP was not dealing with other APs. Lastly, the company was sanctioned for failing to ensure adequate supervision over its APs as required under Regulation 9(f) and Schedule II of the Stock Brokers Regulations. The regulator also considered alleged violations with respect to its AP dealing with other registered Stock Brokers and failures to update income/net-worth details of the impugned AP, but no penalty was imposed with respect to the same and SEBI held that since it could not have foreseen such dealings and promptly rectified such errors respectively.

The order can be accessed *here*.

19. **SAT partially modifies SEBI decisions barring an entity from acting as trustee for AIFs**

SAT, *vide* its order dated November 28, 2025, allowed an appeal in part against SEBI decisions barring Catalyst Trusteeship Limited from acting as a trustee of an alternative investment fund for one year as well as restraining the entity from associating with SEBI-registered intermediaries for a period of three months. The directive had already been stayed in the interim by the SAT in March 2024. Since Catalyst had complied with SEBI's prescribed directions by winding up the impugned fund as required, the tribunal found SEBI's decision to be excessive. Hence, the restriction against associating with intermediaries was completely set aside, and the bar on taking up new assignments as a trustee of an AIF was reduced to six months.

The order can be accessed *here*.

GLOBAL DEVELOPMENTS

20. **The European Union ("EU") Adopts Delegated Regulation on Liquidity Management Tools ("LMTs"):**

The European Commission on November 17, 2025, has adopted the delegated regulation on Regulatory Technical Standards ("**RTS**") for LMTs. This measure specifies the characteristics, activation, and deactivation mechanisms of these tools, which open-ended funds are required to select and include in their fund rules to manage liquidity risk effectively under the revised AIFMD and UCITS frameworks.

- **Redemption Gates**: The RTS has expanded the redemption gates for AIFs by stating that a fund's activation threshold can applied at the fund level based on net/gross redemption orders on a given dealing date or specified period, as a proportion of NAV, monetary value or liquid assets. Further, at the investor level, the same shall be based on individual investor holdings or a proportion of the NAV of the AIF. The RTS can also be a combination of the aforementioned two levels. However, UCITS funds are restricted to fund-level gates only.

- **Redemption Fees**: The RTS mandates that redemption fees must account for explicit transaction costs only. The implicit costs such as bid-ask spreads and market impact, are only required to be included where appropriate to the fund's specific investment strategy.

- **Redemption in Kind**: The provisions on redemptions in kind acknowledge that the transfer of assets to investors may be indirect via intermediaries.

- **Side Pockets**: The regulation clarifies that side pocket share classes shall be closed for subscriptions, redemptions and repurchases. Both the side pocket and the fund shall be managed in accordance with the fund's existing investment strategy and risk profile.

It will apply to new funds from April 16, 2026, and to existing funds from April 16, 2027.

The RTS Regulations can be accessed *here*.

21. **The Board of the International Organisation of Securities Commissions ("IOSCO") releases a report on pre-hedging:**

The increased scrutiny on private assets regulations by regulators across the globe, particularly in the European Union and United Kingdom, have intensified their focus on the growing private assets industry. Pre hedging is used by dealers to manage the risk of anticipated primary principal market offerings and secondary market transactions predominantly in wholesale markets. The IOSCO Paper makes recommendations in two parts with Part A relating to the use of pre-hedging and Part B relating to management of conduct risk from pre-hedging. The various recommendations are as follows:

- Dealers should undertake pre-hedging only for a risk management purpose associated with one or more anticipated client transactions.

- Dealers should undertake pre-hedging only with the intention of benefiting the client.

- Dealers should act fairly and honestly with clients when pre-hedging.

- Dealers should seek to minimize market impact and should maintain market integrity when pre-hedging.

- Dealers should document and implement appropriate policies, procedures and controls for pre-hedging.

- Dealers should provide clear disclosure to clients of the dealer's pre-hedging practices.

- Dealers should (i) seek to receive prior consent to pre-hedge from the client at the outset of the relationship, and (ii) give the client a clear process to modify or revoke that consent at any time with reasonable notice.

- Dealers should have appropriate compliance and supervisory arrangements that also cover pre-hedging, including: (i) supervisory systems and reviews and (ii) trade and communications monitoring and surveillance.

- Dealers should appropriately manage access to, and prohibit misuse of, confidential client information and adequately manage any conflict of interest, including those that may arise in relation to pre-hedging. Dealers should consider establishing, monitoring, and regularly reviewing appropriate physical and electronic information controls to align with changes to the dealer's business risk profile.

- Dealers should maintain adequate records, including for pre-hedging, to facilitate supervisory oversight, monitoring, and surveillance.

The IOSCO Final Report on Pre-Hedging dated November, 2025 can be accessed *here*.

22. The Financial Conduct Authority ("FCA") publishes a Statutory Instrument on T+1 settlement.

On November 20, 2025, the FCA published a draft Statutory Instrument ("**SI**") to revise the settlement cycle from T+2 days as provided under Regulation (EU) No 909/2014 of the European Parliament and of the Council of 23 July 2014 on improving securities settlement in the European Union and on central securities depositories and amending Directives 98/26/EC and 2014/65/EU and Regulation (EU) No 236/2012, to T+1 days.

The FCA shall ensure that the T+1 requirement is applied by trading venues and Central Security Depository ("**CSDs**") participants, while the Bank shall be responsible for ensuring it is applied by Central Counterparties and CSDs (including EUI). However, the SI maintains exceptions to this requirement for transactions which are negotiated privately and executed on a UK trading venue and transactions which are executed bilaterally and reported to a UK trading venue. It also maintains the exception for the first transaction where the transferable securities concerned are subject to initial recording in book-entry form. The SI also introduces an exemption for Securities Financing Transactions ("**SFTs**"), as recommended by the Accelerated Settlement Taskforce ("**ASTs**").

The FCA's draft SI and policy note can be accessed *here*.

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