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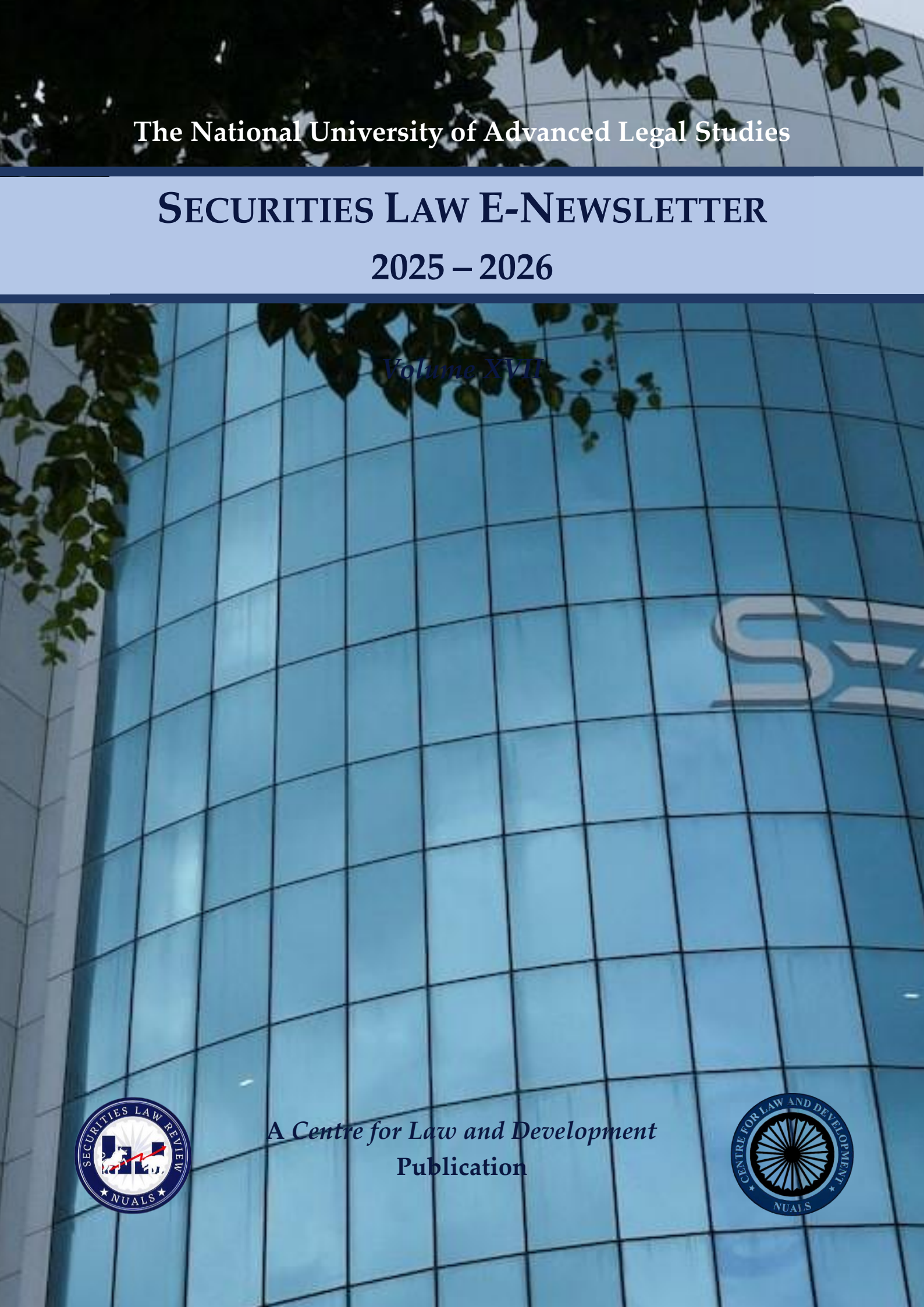

A *Centre for Law and Development* Publication

ABOUT US

NUALS Securities Law Review is a leading publication platform dedicated to the analysis and research of various aspects of Capital Markets and Securities law. Led by the Centre for Law & Development at the National University of Advanced Legal Studies (NUALS), our platform offers a unique blend of resources to cater to the growing demand for knowledge and insights in the field of securities and capital markets.

At NUALS Securities Law Review, our team is committed to keeping our readers updated on the latest developments in the securities and capital markets in India and around the world. Our editors and contributors work tirelessly to bring you the most relevant and insightful content on a range of topics, including securities regulations, corporate governance, financial reporting, and investor protection, among others.

Our platform offers a range of resources to cater to the diverse needs of our readers. Our peer-reviewed academic journal strives to be a leading publication in the field of securities and capital markets law, providing rigorous analysis and in-depth research on current issues and trends. Our blog is a more informal space where we offer our readers short and engaging articles on topics of interest. Our e-newsletter, which has been operational for a decade now, provides a quick summary of the latest developments in the securities and capital markets, making it an essential resource for busy professionals and students.

At NUALS Securities Law Review, we believe in the power of knowledge and the need for continuous learning. We strive to create a vibrant community of academics, practitioners, policymakers, and students who can engage in meaningful discussions and debates on regulatory issues and their impact on the securities and capital markets. We encourage our readers to contribute to our platform and share their insights and experiences with our community.

NOTE FROM THE EDITOR-IN-CHIEF

Dear readers,

I am excited to showcase the latest edition of the annual newsletter of the NUALS Securities Law Review.

During one of our Editorial Board meetings, a member posed a question about the relevance of the Review's newsletter, especially since it is an annual compilation of developments and is unable to keep up with the transient nature of securities legislation in India. That question hung over my neck as a dooming fog every time the publication of this same reading extended.

Yet, I am content with the purpose of this publication as I write this very note. I realized that the newsletter is not to be mistaken for a collated list of SEBI notifications. It serves as a set of digital annals for a long-term, prudent market observer. It aims to answer the question, *"What has it been like for the regulatory authorities and the market participants?"* rather than *"What is/was it like for the regulatory authorities and the market participants?"*

Nevertheless, the next question looms again: why is it important that we record these changes if they are likely to be obsolete by the time they reach the cursor of a scroller? This is because we hope that a reading of the collection of newsletters available on our site will help you track developments in securities law over a longer period of time. The attempt here is to play the long game and present the readers with an archive not just of data or information, but wisdom collected over the course of decades. And thus, allowing an assessment of past trends stored in these time capsules to hopefully help predict future market graphs.

I am extremely grateful for the insightful contributions of the Review's advisor and prodigious alumnus, Mr. Thomas George, who has played an invaluable role in ameliorating your reading of this piece. I am indebted to another remarkable alumnus, Mr Varun Nair, who went above and beyond to facilitate the interview for the sake of this humble publication.

I also extend my thanks to our Faculty Coordinator, Dr Balakrishnan K., who kept his door open to provide unconditional support. My heartfelt gratitude to the editorial board and my fellow Deputy Editors-in-Chief for presenting this compact reading of the notable changes over the past year, focusing on regulations, case law, and market behaviour.

With warmth and appreciation,

Sudarsana Sunil

Editor-in-Chief

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TABLE OF ABBREVIATIONS

ABBREVIATION	FULL FORM
AI	Artificial Intelligence
AIF	Alternative Investment Fund
AMC	Asset Management Company
ESOP	Employee Stock Option Plan
ESPS	Employee Stock Purchase Scheme
FATF	Financial Action Task Force
FPI	Foreign Portfolio Investor
GDR	Global Depository Receipt
HVDLE	High Value Debt List Entity
InvIT	Infrastructure Investment Trust
IPO	Initial Public Offering
IT Act	Income Tax Act
KYC	Know Your Customer
LODR	Listing Obligations and Disclosure Requirements
LOF	Letter Of Offer
MF	Mutual Fund
ML	Machine Learning
NBFC	Non-Banking Financial Company
NFO	New Fund Offer
PIT	Prohibition of Insider Trading
PSU	Public Sector Undertaking
SAR	Stock Appreciation Right
SAT	Securities Appellate Tribunal
SCORES	SEBI Complaints Redress System
SEBI	Securities and Exchange Board of India

SECC	Stock Exchanges and Clearing Corporations
SIF	Specialized Investment Fund
SPDE	Special Purpose Distinct Entity
SR	Superior Rights
SSE	Social Stock Exchange
TER	Total Expense Ratio
UPSI	Unpublished Price Sensitive Information
VAT	Vital Communications Limited
VWAP	Volume Weighted Average Price

Q&A WITH MR. THOMAS GEORGE

Mr. Thomas George
Partner, Capital Markets, Khaitan & Co.

An alumnus of the National University of Advanced Legal Studies, Thomas George is a Partner in the Capital Markets Practice Group in the Bengaluru office. Thomas specialises in the capital market space including initial public offerings, follow-on public offerings, rights issues, qualified institutions placements, American depository receipts issuances, institutional placement programmes, offer for sale through stock exchange mechanism and offshore bond offerings.

Question 1: The ICDR (Second Amendment) now mandates dematerialization of holdings for a wide range of stakeholders, including promoters and QIBs, before filing a draft offer document. What are the key practical challenges in ensuring all these parties are compliant with this requirement within the tight timelines of a transaction, and what happens if a selling shareholder fails to dematerialize their shares in time?

The amendment largely formalises what has already been the market norm that shares offered in an IPO must be in dematerialised form. The key change is that compliance is now required at the DRHP stage, rather than being addressed closer to launch of the IPO.

This is also consistent with the broader direction under the Companies Act, 2013, which now requires allotment and transfer of shares to be undertaken only in dematerialised form, including for private companies. Physical share certificates and transfer deeds are, for all practical purposes, a thing of the past.

In that sense, the amendment is a step in the right direction. While it adds to the pre-DRHP filing compliance burden and requires companies to verify demat readiness early, it brings greater clarity and process discipline to the IPO timeline.

If a shareholder has not dematerialised its shares before DRHP filing, it cannot participate as a selling shareholder in the IPO.

Question 2: Several recent amendments, such as the expansion of UPSI under the PIT Regulations and enhanced QIP disclosures under the ICDR, seem to emphasize disclosure over substantive prohibition. Is SEBI consciously pivoting towards a "market-discipline" model where transparency, rather than prescriptive rules, is the primary tool for investor protection? How should issuers adapt their disclosure philosophy in response?

First, in the insider trading framework, UPSI was always meant to be a broad concept. It was never limited only to a fixed list of events and was always wide enough to cover any information that could affect the share price. What the recent changes seem to do is bring more clarity around that idea and reduce the subjectivity involved in deciding what counts as UPSI. In that sense, the focus is less on expanding the concept and more on making compliance more consistent and easier to apply in practice.

Second, in the capital raising framework, the changes to the QIP disclosure framework are aimed at streamlining disclosures for sophisticated institutional investors. The idea is to make the disclosure framework more focused, relevant and efficient, rather than require unnecessary or repetitive disclosure.

When viewed in this background, these amendments are beneficial to issuers and are aligned with the regulator's broader ease of doing business approach, which has been a clear area of focus for some time now.

Question 3: How are law firms internally approaching the use of AI tools in capital markets work, particularly given that SEBI itself is likely using AI to scrutinize filings more intensely?

Most law firms are adopting AI but carefully and cautiously. At this point, AI is useful as an assistive tool for tasks such as document comparison, precedent searches, diligence management and consistency checks across large drafting sets. But it is not a substitute for legal judgment.

Use of AI by regulators does not really change how issuers or intermediaries approach due diligence or offer document preparation. The need for thorough diligence, careful verification and ownership of the offer document remains exactly the same. The framework does not become lighter or stricter simply because technology may be used on the review side.

Whether used by the regulator, merchant bankers, lawyers or other intermediaries, AI tools at this stage remain largely assistive. Core functions such as legal analysis, materiality assessment, judgment calls and final verification must continue to remain human-led.

Question 4: The LODR amendments now require shareholder approval for director/manager appointments within three months or the next general meeting, and impose stricter conditions for re-appointing individuals previously rejected by shareholders. In practice, how is this changing the dynamics between boards and shareholders for contentious or delayed appointments?

These amendments should be seen in the context of growing shareholder activism and increasing investor interest in board appointments. They reinforce the idea of shareholder supremacy in appointments to the board of a listed company.

That said, they do not necessarily change the basic dynamic between boards and shareholders. Their real purpose is to bring more transparency and discipline to the appointment process, while helping shareholders exercise their existing rights in a more effective way.

In practical terms, boards and nomination committees now need to be more mindful of shareholder sentiment from the outset, especially in relation to contentious appointments.

Question 5: With the recent amendment to the SEBI (Merchant Bankers) Regulations, 1992, and the subsequent clarification issued by the SEBI on 02 January 2026, merchant bankers are prohibited from outsourcing due diligence activities and preparation of offer-related documents to third parties. Further, existing arrangements are to be closed on or before 03 April 2026, per the clarification. There has been speculation that this would adversely affect law firm capital markets teams. Do you think the amendment has any bearing on the workflow in capital markets teams, or is the real regulatory intent lost on such observers?

The view that this amendment adversely affects law firms is not correct. The amendment is really about ensuring that merchant bankers do not outsource or dilute their core regulatory responsibilities, especially in relation to due diligence and offer document preparation and claim ownership of the process.

Seen in that light, it does not really change the role of law firms in capital markets transactions. Law firms will continue to advise, support with legal diligence, assist on drafting and help structure the overall process. What the amendment makes clear is that the merchant banker cannot treat these core functions as something to be externally handed off.

So the real regulatory intent is not to cut down the role of legal counsel, but to reinforce and emphasise that the merchant banker must itself own and stand behind its regulated responsibilities.

KEY REGULATORY UPDATES

1. SEBI (Buy-back of Securities) (Second Amendment) Regulations, 2024

This amendment to the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018 enhances clarity, disclosure standards, and procedural certainty in buy-back transactions. It introduces a uniform "whichever is lower" standard for entitlement calculations, ensuring consistency across methods. Promoter and promoter group shareholding is excluded from entitlement computation where they expressly decline participation, aligning calculations with actual intent.

The amendment replaces the "record date" with the date of public announcement for certain requirements, thereby standardising timelines. It also mandates enhanced disclosures regarding outstanding obligations such as convertible warrants, employee stock options, and preference shares, along with their potential impact on the buy-back.

Additionally, companies must disclose entitlement ratios for small shareholders and provide direct web links for verification on registrar platforms. Corresponding updates to Schedules II, III, and IV incorporate these requirements, strengthening transparency, investor awareness, and overall integrity in buy-back processes.

2. SEBI (Issue and Listing of Non-Convertible Securities) Amendment Regulations, 2025

The SEBI (Issue and Listing of Non-Convertible Securities) Amendment Regulations, 2025 aim to simplify corporate bond issuance and enhance investor protection. The amendment revises disclosure formats for debt securities to align with international norms, ensuring transparency in financial and ESG-related risks. It introduces a unified electronic interface connecting issuers, depositories, and exchanges for smoother listing procedures. SEBI now mandates stricter eligibility norms for issuers with prior defaults, improving credit discipline. Enhanced responsibilities for debenture trustees, including asset cover verification and prompt event-based disclosures, further strengthen market oversight. These measures collectively support the deepening of India's bond market, promoting efficient capital access while protecting investors in line with global regulatory standards.

3. SEBI (Investment Advisers) Amendment Regulations, 2025

This amendment enhances accountability and investor protection under the SEBI (Investment Advisers) Regulations, 2013. It broadens the definition of "investment advice" to include digital and automated advisory models, ensuring uniform

compliance across offline and online services. The changes mandate pre-engagement disclosures on risk profiling, fee structures, and conflicts of interest. By reinforcing the separation between advisory and distribution roles, SEBI reaffirms the fiduciary duty of advisers. Higher net worth requirements for non-individual advisers bolster financial stability and professionalism. The amendment reflects SEBI's effort to modernize oversight amid the rise of fintech and robo-advisory services, curbing mis-selling and aligning investor advisory practices with global conduct standards.

4. SEBI (Investor Charter) (Amendment) Regulations, 2025

SEBI has issued omnibus amendments to seventeen regulations mandating compliance with the Investor Charter across all market intermediaries. New provisions were inserted in regulations governing Stock Brokers (regulation 18DA), Merchant Bankers (regulation 28D), Registrars to an Issue and Share Transfer Agents (regulation 15D), Debenture Trustees (regulation 14C), Bankers to an Issue (regulation 16C), Mutual Funds (sub-regulation 30 of regulation 25), Custodians (regulation 20A), KYC Registration Agencies (clause q of regulation 15), Alternative Investment Funds (sub-regulation 23 of regulation 20), Investment Advisers (sub-regulation 15 of regulation 15), Research Analysts (sub-regulation 9 of regulation 24), Real Estate Investment Trusts (sub-regulation 31 of regulation 10), Infrastructure Investment Trusts (sub-regulation 29 of regulation 10), Depositories and Participants (regulation 40A), Foreign Portfolio Investors (regulation 31A), Portfolio Managers (sub-regulation 12 of regulation 23), and Vault Managers (regulation 16C). Each regulation now mandates that respective intermediaries shall ensure compliance with the Investor Charter as specified by SEBI from time to time. These uniform amendments standardise investor protection across all SEBI-registered intermediaries, clearly defining rights, responsibilities, and grievance redressal mechanisms for investors.

5. SEBI (Prohibition of Insider Trading) (Third Amendment) Regulations, 2024

The Securities and Exchange Board of India (Prohibition of Insider Trading) (Third Amendment) Regulations, 2024, notified on 4 December 2024, introduce significant changes to the SEBI (PIT) Regulations, 2015 with the aim of broadening the scope of "connected persons" and "insiders" and strengthening enforcement against insider trading.

The definition of a connected person has been expanded to include any individual associated with a company in the preceding six months in any capacity, whether direct or indirect, that provides or is reasonably expected to provide access to unpublished price sensitive information (UPSI). This includes professional, contractual, fiduciary, employment, and even frequent communication relationships, regardless of permanence.

The amendment also widens deemed connected persons by removing the qualifier "immediate" and adding new

categories such as partners, employees of firms, and persons sharing a household. Further, an insider is clarified as anyone in possession of or with access to UPSI, irrespective of how obtained, subject to rebuttal through statutory defences.

6. SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2025

The Securities and Exchange Board of India (Prohibition of Insider Trading) (Amendment) Regulations, 2025, notified on 11 March 2025, further amend the SEBI (PIT) Regulations, 2015 to expand and clarify the scope of unpublished price sensitive information (UPSI) while rationalising compliance requirements. The amendments come into force 90 days from publication.

The definition of UPSI under Regulation 2(1)(n) has been substantially widened to include additional events such as non-routine contract awards or terminations, changes in key managerial personnel, resignation of auditors, credit rating changes, proposed fund-raising, and agreements affecting control or management. It also covers frauds, defaults, arrests, insolvency proceedings under the Insolvency and Bankruptcy Code, forensic audits, regulatory or judicial actions, and guarantees outside the ordinary course of business. Explanations align key terms with the SEBI (LODR) Regulations, 2015.

Compliance has been eased by allowing external UPSI to be recorded within two days and removing mandatory trading window closure in such cases.

7. SEBI (Issue of Capital and Distribution) (Amendment) Regulations, 2025

The amendment brings key changes for both IPOs and Rights Issues. For IPOs, Outstanding Stock Appreciation Rights (SARs) fully exercised for equity shares before filing of red herring prospectus are exempt under Regulation 5(2). The lock-in relaxation for ESOPs under Regulation 17 has been extended to equity shares allotted to employees under SAR plans, as well as Bonus issuances against ESOP/ESPS/SARs allotments. Proposed Pre-IPO placements must be reported to stock exchanges within 24 hours. Regulation 281A provides dissenting shareholders a post-listing exit.

SARs must be considered for Minimum Promoters' Contribution. "Capital expenditure" to be considered for such contribution now includes loans taken for the purpose of capital expenditure. Amendments have been made to disclosures, confidential filing requirements and timelines for DHRP filing advertisements.

Chapter III now applies to all Rights Issues regardless of size. Varied filings for different types of rights issues are no longer required. Merchant bankers need not be appointed, however, appointing a monitoring agency is mandatory, irrespective of issue size. Renunciation of rights for promoter/promoter group members has been expanded. Changes to provisions regarding Draft Letter of Offer and Letter of Offer (LOF check), allotments, disclosure requirements and timelines for issue have been affected.

8. SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2025

Regulation 2(1)(ss) was amended to include accredited investors under AIF Regulations for investments in Angel Funds as qualified institutional buyers. Regulations 7(1)(c) and 230(1)(d) now mandate dematerialisation of specified securities held by promoters, promoter group, selling shareholders, directors, key managerial personnel, senior management, qualified institutional buyers, employees, SR equity shareholders, and entities regulated by Financial Sector Regulators before filing draft offer documents. Regulations 15(1) and 237(1) were expanded to permit alternative investment funds, foreign venture capital investors, scheduled commercial banks, public financial institutions, insurance companies, and non-individual public shareholders holding at least 5% post-issue capital to acquire shares in lieu of professional services. Regulation 292A concerning SSE was amended to broaden definitions of Charitable Trusts and Social Impact Assessment Organisations. Regulation 292F limits 'Not for Profit Organisations' fundraising period through Social Stock Exchange to two years, requiring at least one listed project thereafter. Schedule VII was comprehensively revised to enhance Qualified Institutional Placement disclosure requirements, including restructured risk factors, detailed capitalisation statements, financial information summaries, and materiality thresholds for litigation disclosure based on turnover, net worth, or profit/loss percentages.

9. SEBI (Foreign Portfolio Investors) Amendment Regulations, 2025

The amendment to the SEBI (Foreign Portfolio Investors) Regulations, 2019 strengthens the compliance environment for cross-border investments. SEBI introduces enhanced beneficial ownership reporting and tighter KYC standards aligned with FATF norms. Registration is simplified for FPIs from low-risk jurisdictions, while onboarding timelines are shortened via interoperable systems shared with depositories. The amendment also reinforces group identification measures to prevent circumvention of investment caps. These steps increase transparency and support SEBI's broader agenda to attract foreign participation without compromising integrity. By improving operational efficiency and investor accountability, SEBI positions India's capital markets as both globally competitive and prudently regulated.

10. SEBI (Alternative Investment Funds) (Fifth Amendment) Regulations, 2024

The SEBI (AIF) Regulations, 2012, have been amended vide notification dated November 18, 2024. The amendment modified Regulation 19B(2) by inserting a reference to Sub-regulation (21) of Regulation 20, thereby extending compliance requirements to newly introduced investor rights provisions. Two new sub-regulations were inserted after Regulation 20. Sub-regulation (21) establishes that investors in an AIF scheme shall have rights pro rata to their commitment in each investment and in the

distribution of proceeds from such investments, except as specified by SEBI. A proviso addresses non-pro-rata rights issued prior to this amendment, requiring compliance with SEBI specifications. Sub-regulation (22) mandates pari-passu rights for all investors in aspects not covered under sub-regulation (21). The first proviso permits differential rights to select investors without affecting the interests of other investors, as specified by SEBI. The second proviso exempts Large Value Funds for Accredited Investors from this pari-passu requirement. The third proviso addresses differential rights already issued before this amendment that fall outside the scope of the first proviso, requiring treatment in accordance with SEBI specifications. These amendments standardise investor rights across AIF schemes, ensuring equitable treatment while providing flexibility for accredited investor funds and addressing existing non-compliant arrangements.

11. <u>SEBI (Alternative Investment Funds) (Amendment) Regulations, 2025</u>

The SEBI (AIF) Regulations, 2012 have been amended vide notification dated May 21, 2025. The amendment substituted clause (a) of regulation 17 to modify investment parameters for Category II Alternative Investment Funds. The revised provision mandates that Category II AIFs shall invest in investee companies or in units of Category I or other Category II AIFs as disclosed in the Placement Memorandum. A new explanation was added to clarify that Category II AIFs shall invest primarily in unlisted securities and/or listed debt securities, including securitised debt instruments, which are rated 'A' or below by a SEBI-registered credit rating agency. Such investments may be made directly or through investment in units of other Alternative Investment Funds, in the manner as may be specified by SEBI. This amendment provides greater clarity on permissible investment avenues for Category II AIFs, while emphasising a focus on unlisted securities and lower-rated debt instruments. This aligns investment strategies with the risk-return profile and investment mandate typically associated with Category II Alternative Investment Funds. The regulation aims to ensure appropriate risk classification and investor protection through clearer investment guidelines.

12. <u>SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2025</u>

The amendment redefined "Co-investment" in regulation 2(1)(fa) and introduced "Co-investment scheme" and "Shelf placement memorandum" as new definitions. New Regulation 17A establishes comprehensive conditions for co-investment by Category I and II AIFs, mandating investments through registered co-investment schemes or Co-Investment Portfolio Managers. Shelf placement memoranda must be filed through merchant bankers, accompanied by prescribed fees. Each co-investment scheme invests in only one investee company, with participation restricted to accredited investors, and co-investment terms not more favourable than those of an AIF. The Angel Fund provisions, under regulations 19A to 19G, were substantially revised. Angel funds shall raise funds only

from accredited investors without minimum investment requirements. Placement memorandums must be filed during registration with SEBI, providing comments through merchant bankers. Angel funds must onboard at least five accredited investors before the first close. Investment range is ₹10 lakhs to ₹25 crores per investee company, requiring a contribution from at least two accredited investors. Managers must disclose all investment opportunities to angel investors, follow defined allocation methodologies, and obtain investor approval before accepting contributions. Angel investors have pro-rata rights based on their contributions to specific investments.

13. SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2024

This amendment by the Securities and Exchange Board of India strengthens governance and transparency in employee equity incentive schemes while introducing greater operational flexibility. It mandates enhanced disclosures relating to ESOP pool valuation, vesting conditions, and exercise timelines, with particular relevance for startups and listed entities.

The framework also permits digital maintenance of records and electronic submission of periodic audit certificates, streamlining compliance processes. Importantly, companies are now allowed to extend equity-based benefits to employees of group subsidiaries, thereby improving inclusivity and strengthening retention strategies across corporate groups.

Further, the amendment clarifies timelines for grant, vesting, exercise, and lapse of options, reducing ambiguity and promoting regulatory certainty. By balancing flexibility with stricter disclosure and compliance requirements, SEBI aims to ensure that employee ownership schemes operate in a transparent, accountable manner while remaining aligned with evolving corporate structures and investor expectations within the securities market ecosystem.

14. SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2025

This notification introduces amendments to the Listing Obligations and Disclosure Requirements Regulations for high-value debt listed entities and modifies disclosure requirements. The regulation 3(2) revises the terms in the Business and Responsibility and Sustainability Report. It changes "assurance" to "assessment or assurance of the specified parameters." Regulation 15(1A) raises the threshold from ₹ 500 Crore to ₹ 1,000 Crore for outstanding non-convertible debt securities, with a six-month compliance window upon triggering this threshold. It states that HVDLEs with listed specified securities must comply with Regulations 15 to 27. Regulation 17A extends directorship calculations to include both equity-listed entities and HVDLEs cumulatively, with a 6-month implementation period. SME Exchange entities with paid-up equity capital

exceeding ₹ 10 crore or net worth exceeding ₹ 25 crore become subject to Regulation 23, with similar materiality thresholds for related party transactions set at ₹ 50 crore or 10% of consolidated turnover. It establishes governance provisions, ones that include board composition, audit committee, nomination and remuneration committee, stakeholder relationship committee, risk management frameworks, whistle-blower policies and oversight of unlisted material subsidiaries. These provisions take effect from 1st April, 2025.

15. SEBI (Listing Obligations and Disclosure Requirements) (Second Amendment) Regulations, 2025

This notification introduces the second amendment to the Listing Obligations and Disclosure Requirements Regulations, which strengthens disclosure frameworks for securitised debt instruments and special purpose distinct entities (SPDEs). Regulation 13(2) permits SCORES registration at the trustee level for all special-purpose distinct entities, without requiring entity-level registration. Schedule III, Part D, has now been expanded to include two new disclosure clauses, effective immediately. Clause 10 mandates annual disclosure by the SPDE or its trustee to stock exchanges of outstanding litigations and material developments involving the originator, servicer, or other transaction parties that could prejudice investor interests. Clause 11 requires annual disclosure of defaults in connection with servicing obligations undertaken by the servicer. These provisions reflect SEBI's focus on strengthening governance in structured debt markets through targeted enhancements to disclosure.

16. SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2025

This notification introduces the third amendment to the Listing Obligations and Disclosure Requirements Regulations that addresses dematerialisation requirements, social stock exchange frameworks, and annual reporting timelines. Regulation 39(2A) mandates that securities issued for schemes of arrangement, subdivision, split, or consolidation must be issued only in dematerialised form and that listed entities are required to open separate demat accounts for investors who lack existing accounts. Regulation 91C(1) modifies annual disclosure requirements for non-profit organisations registered on social stock exchanges. Financial aspect disclosures are due by 31st October of each year or before the income tax return filing date under the Income Tax Act, 1961, whichever is later. Non-financial aspect disclosures must be submitted within sixty days of the financial year-end. Regulation 91E changes the term "Firm" to "Organisation" and introduces materiality thresholds for annual impact reports, requiring coverage of at least 67% of program expenditure. The sub-regulation (2A) allows social enterprises that are registered without fundraising to submit self-certified impact reports, providing a maximum 2-year grace period from registration without mandatory fundraising, as long as at least one listed project exists thereafter. Schedule VII provisos relating to transmission and transfer procedures have been omitted,

simplifying documentation frameworks for these security transactions.

17. SEBI (Mutual Funds) (Third Amendment) Regulations, 2024

The Securities and Exchange Board of India (SEBI) has notified the Securities and Exchange Board of India (Mutual Funds) (Third Amendment) Regulations, 2024, to modernise regulatory frameworks within the mutual fund ecosystem. A central feature of the amendment is the creation of Specialized Investment Funds (SIFs). These are aimed at sophisticated capital and designed primarily for accredited investors. SIFs may have various structures, such as open-ended or closed-ended, and interval schemes. Investment across permitted asset classes is permitted without the sectoral limits applicable to standard mutual funds. Non-accredited investors may participate only if they meet a minimum investment threshold.

A major focus of the amendment is Mutual Funds Lite (MF Lite), which establishes a simplified regulatory regime for low-complexity schemes. It prescribes tailored eligibility criteria for sponsors and Asset Management Companies (AMC). It essentially enables reduced compliance reporting and flexible portfolio management limits within defined thresholds, while maintaining SEBI oversight. MF Lite encourages innovation and broader participation by reducing procedural burdens and enabling faster market entry, particularly for smaller AMCs. At the same time, it ensures transparency and investor protection.

18. SEBI (Mutual Funds) (Amendment) Regulations, 2025

The Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2025, was introduced to refine the SEBI (Mutual Funds) Regulations, 1996 and enhance operational discipline across mutual fund schemes. A key provision under Regulation 25(16B) mandates that Asset Management Companies (AMCs) invest a portion of the remuneration of designated employees into the schemes they manage. This "skin in the game" requirement ensures that underperformance directly affects invested remuneration and thereby protects investors. Regulation 25(30) tests liquidity resilience by introducing mandatory stress testing for schemes with higher liquidity or market risks. Regulation 35(5) obliges AMCs to deploy New Fund Offer (NFO) proceeds within specified timelines so as to reduce cash drag and ensure timely market exposure for investors. Lastly, Regulation 52(4A) empowers SEBI to hold direct oversight over the structure of distributor commissions in such a manner that all intermediary fees are contained within the Total Expense Ratio (TER).

19. Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2025

The Securities Contracts (Regulation) (SECC), 2018, inserted new regulation 39B in Chapter VI, establishing a responsibility framework for AI/ML tools by recognised stock exchanges and clearing corporations. The regulation mandates

that stock exchanges and clearing corporations using AI/ML tools, whether designed internally or procured from third-party technology service providers, irrespective of scale and scenario of adoption for conducting business and servicing clients or constituents, shall be solely responsible for:

(a) privacy, security, and integrity of investors' and stakeholders' data, including data maintained in fiduciary capacity throughout all processes involved;

(b) output arising from usage of such tools and techniques they rely upon or deal with; and

(c) compliance with applicable laws in force.

"Artificial intelligence and machine learning tools and techniques" are defined as any application, software program, executable system, or combination thereof offered to investors/stakeholders or used internally to facilitate trading and settlement, carry out activities including compliance requirements, portrayed as products offered to the public or used for compliance, management, or other business purposes. This regulation establishes clear accountability for the adoption of AI/ML in market infrastructure institutions.

20. SEBI (Infrastructure Investment Trusts) (Third Amendment) Regulations, 2024

The Securities and Exchange Board of India (Infrastructure Investment Trusts) (Third Amendment) Regulations, 2024, published on September 27, 2024, introduced several reforms aimed at enhancing accessibility, governance, and operational efficiency in InvITs, with certain provisions coming into force after sixty days. A key change was the reduction of the trading lot size for InvIT units to ₹25 lakhs on designated stock exchanges, thereby broadening investor participation. The amendment also rationalised distribution requirements by mandating that publicly offered InvITs declare distributions at least twice every financial year, while privately placed InvITs must do so at least once annually, with all distributions required to be completed within five working days from the record date. Significant reforms were introduced in relation to unitholder meetings, including a shift in voting thresholds from votes cast "against" to a percentage of total votes cast, prescribing a simple majority exceeding fifty per cent for ordinary resolutions and sixty per cent of total votes for special resolutions. The regulations also permit shorter notice periods subject to ninety-five per cent unitholder approval and mandate the provision of video conferencing and remote e-voting facilities for all meetings. Further, investment managers and trustees are required to ensure robust record-keeping systems, including adequate data storage, backup infrastructure, business continuity planning, and disaster recovery mechanisms for electronic records.

21. SEBI (Infrastructure Investment Trusts) (Amendment) Regulations, 2025

The Securities and Exchange Board of India (Infrastructure Investment Trusts) (Amendment) Regulations, 2025, published on April 1, 2025, with certain provisions becoming effective after one hundred and eighty days, introduced important changes relating to governance, investment scope, and compliance mechanisms. The regulations require that vacancies in the position of independent directors in investment managers be filled either by the date of expiry in cases of term completion or within three months in all other situations. A comprehensive framework outlining the roles and responsibilities of trustees was introduced through the insertion of a new Schedule X, which details obligations relating to asset oversight, regulatory compliance, managerial supervision, due diligence, ethical conduct, and conflict management. Trustees are also permitted to engage external consultants for a period of up to eighteen months to facilitate compliance, with these provisions taking effect after one hundred and eighty days. The amendment further refines lock-in transfer rules by allowing transfer of locked-in units held by sponsors only among sponsor group entities, while preserving the lock-in period and introducing specific provisions for sponsor transitions and conversion to self-sponsored investment managers. The scope of permissible investments was expanded by removing liquid mutual funds from the earlier list and including unlisted equity shares in wholly owned project management companies, certain liquid mutual fund schemes with a credit risk value of at least twelve classified as Class A-I, and interest rate derivatives for hedging purposes. Additionally, borrowing requirements were modified by replacing the earlier credit rating condition with an issuer credit rating requirement for the InvIT and revising the method for calculating distribution track record.

22. SEBI (Infrastructure Investment Trusts) (Third Amendment) Regulations, 2025

The Securities and Exchange Board of India (Infrastructure Investment Trusts) (Third Amendment) Regulations, 2025, published on September 2, 2025, introduced clarificatory and investor-friendly changes concerning definitions, investment thresholds, reporting timelines, and valuation norms. The amendment clarified the definition of "public" by expressly excluding related parties of the InvIT, as well as sponsors, sponsor groups, investment managers, and project managers, while including qualified institutional buyers participating in offers within the ambit of "public." It also aligned quarterly reporting timelines by replacing the fixed requirement of thirty days from the end of each quarter with timelines specified by the Board for submission of quarterly financial results across relevant provisions. The regulations significantly reduced the minimum investment threshold for privately placed InvITs from ₹1 crore to ₹25 lakhs per investor and removed the earlier requirement of a minimum ₹25 crore investment for InvITs investing predominantly in completed and revenue-generating assets. In terms of cash flow management, the amendment permits

holding companies with negative net distributable cash flow to offset such deficits against cash flows from underlying special purpose vehicles, subject to appropriate disclosure to unitholders. The valuation framework was also streamlined by requiring annual full valuations to be submitted along with annual financial results, half-yearly valuations for publicly offered InvITs to be submitted with second-quarter results, and introducing a new requirement for quarterly valuations in cases where leverage exceeds forty-nine per cent, with such reports to be submitted alongside quarterly results for the June, September, and December quarters, thereby ensuring consistency in reporting timelines.

23. SEBI (Delisting of Equity Shares) (Amendment) Regulations, 2025

The Securities and Exchange Board of India (Delisting of Equity Shares) (Amendment) Regulations, 2025, notified on 1 September 2025, introduce a specialised framework for delisting of Public Sector Undertakings (PSUs) by inserting Part F into the SEBI (Delisting of Equity Shares) Regulations, 2021. These provisions apply to PSU delisting offers where the initial public announcement has not yet been made and exclude banks, NBFCs, and insurance companies, while retaining the general delisting framework subject to modifications.

Delisting is permitted where the acquirer, along with other PSUs, holds at least 90 percent of the total equity share capital and shareholders approve the proposal through a special resolution with full disclosures. The process must follow the fixed price method, with the floor price determined as the highest of the 52-week VWAP, the highest price paid in the preceding 26 weeks, or a valuation by two independent registered valuers, and the final price set at a minimum 15 percent premium.

Post-delisting safeguards require that unpaid dues to public shareholders be transferred to a designated stock exchange account and subsequently to investor protection funds, ensuring continued investor protection.

24. SEBI (Share Based Employee Benefits and Sweat Equity) Amendment Regulations, 2025

This amendment refines governance and transparency in employee equity incentive schemes. SEBI mandates detailed disclosures on ESOP pool valuation, vesting conditions, and exercise timelines, particularly for startups and listed firms. The framework now allows digital record maintenance and electronic submission of periodic audit certificates. Companies may extend equity-based benefits to employees of group subsidiaries, expanding inclusivity and retention mechanisms. The regulation clarifies operational timelines for grant, exercise, and lapse of options, promoting compliance clarity. By harmonizing flexibility with governance, SEBI ensures that employee ownership programs remain transparent, accountable, and aligned with evolving corporate structures and investor expectations.

CASE LAW UPDATES

1. Jaykishor Chaturvedi v. Securities and Exchange Board of India, (2025) 258 Comp Cas 261 (SC)

The Supreme Court of India ("Court"), in Jaykishor Chaturvedi v. SEBI, has sent the current legal position regarding the commencement of interest on penalties for securities violations. The appellants, who served as promoter-directors of M/s. Brijlaxmi Leasing and Finance Ltd., were penalised in August 2014 for breaching insider trading regulations. Although the Supreme Court affirmed these penalties in 2019, the appellants delayed payment until 2023. In 2022, the Securities and Exchange Board of India ("SEBI") issued demand notices for the principal amounts along with 12 percent annual interest from the date of the original 2014 orders, leading to the attachment of bank and demat accounts after the appellants failed to comply.

The dispute involved Section 28A of the SEBI Act, 1992, which was introduced in July 2013 to provide a mechanism for recovering penalties. This section incorporates specific recovery provisions from the Income-tax Act, 1961 ("IT Act"), including Section 220. The appellants argued that interest should only accrue 30 days after the 2022 demand notice, citing Section 156 of the Income-tax Act. Explanation 4 to Section 28A, which clarifies that interest starts when an amount becomes payable, was introduced in 2019 and could not apply retrospectively to a 2014 order. The Court rejected these arguments, finding that adjudication amounts to a crystallisation of liability. It held that the original adjudication order itself serves as a notice of demand, rendering any additional demand notice redundant for the purposes of triggering interest. The Court clarified that while the IT Act requires a Section 156 notice, that specific provision was not incorporated into the SEBI Act. Therefore, the 45-day compliance period set in the 2014 orders acted as the statutory trigger for the status of a deemed defaulter.

A noteworthy part of the judgment was the characterisation of interest as compensatory rather than penal, for its primary purpose is to compensate the public exchequer for the deprivation of the use of funds and the time value of money. The Court ruled that the 2019 Explanation was merely clarificatory of existing legal positions and did not impose a new substantive burden. The Court also clarified the distinction between legislation by incorporation and legislation by reference, noting that when a statute is incorporated, it becomes an integral and independent part of the subsequent Act. Because Section 28A specifically refers to Sections 220 to 227 of the Income-tax Act, the Court treated these provisions as having been absorbed into the SEBI framework. This established that the

liability to pay interest is automatic once the prescribed payment window expires. Consequently, all appeals were dismissed with a direction to pay the interest within 15 days.

2. SEBI v. Ram Kishori Gupta, (2025) 255 Comp Cas 761 (SC)

In this case, the Supreme Court of India was called upon to examine whether the principle of res judicata applies to proceedings initiated by SEBI. The dispute traces its origins to alleged misleading advertisements issued by Vital Communications Limited ("VCL") concerning buyback of shares, bonus issue, and preferential allotment. SEBI issued a show-cause notice in 2005, culminating in an order in 2008 imposing penalties upon VCL, its directors and promoters. Upon appeal by VCL, the Securities Appellate Tribunal ("SAT") set aside this order in 2008, remanding the matter for fresh adjudication, on the grounds that SEBI had failed to adequately address the issues. Parallelly, Ram Kishori Gupta and her husband, who suffered losses due to their investment in VCL, pursued claims before multiple fora, including consumer fora, SEBI, and SAT, seeking compensation. SAT, in its order dated 30 April 2013, rejected their claim, holding that SEBI lacked statutory authority to grant compensation under Section 11(2). A subsequent review order merely permitted SEBI to consider the issue if VCL was found to be guilty, without issuing any mandate for disgorgement.

Pursuant to the remand, SEBI passed a second order on 31 July 2014 under Sections 11 and 11B of the SEBI Act, debarring VCL and related entities from the securities market and freezing preferentially allotted shares, but refrained from ordering disgorgement or compensation. Aggrieved by this, the investors appealed before the Tribunal. This resulted in a Whole-Time Member of SEBI directing SEBI to initiate disgorgement proceedings against VCL and others.

Despite the earlier SEBI Order having attained finality, SEBI initiated fresh proceedings in 2018, culminating in a disgorgement order directing VCL and others to disgorge alleged unlawful gains, failing which they would face further debarment. Appeals followed. This culminated in SAT setting aside the disgorgement order on the ground of res judicata, holding that the issues had already been conclusively decided earlier. This led to the appeal before the Supreme Court.

The Supreme Court affirmed that res judicata is a principle of public policy applicable to proceedings before SEBI. The Court clarified that Section 15U(1) of the SEBI Act only exempts SAT from the procedural rigours of the Code of Civil Procedure, 1908, and does not exclude the application of substantive doctrines such as res judicata to SEBI proceedings. The Court observed that SEBI possessed the power to order disgorgement at the stage of the Second SEBI Order in 2014, but chose not to exercise it. Having allowed that order to attain finality, SEBI could not reopen the same cause of action four years later. Such reopening, the Court held, would defeat legal certainty and erode finality. Accordingly, the Court set aside the proceedings following the Second SEBI Order and upheld SAT's decision setting aside

the disgorgement order. The judgment establishes that SEBI, notwithstanding its wide regulatory mandate, is bound by res judicata once its orders attain finality.

3. V. Shankar v. Securities and Exchange Board of India, Appeal No. 283 of 2022 (SAT Mumbai)

This landmark decision from SAT, Mumbai, examines the legal limits of a Company Secretary's responsibility when a company issues misleading financial disclosures in the context of a buyback. SEBI imposed a penalty of Rs. 10 lakh on Mr. V. Shankar, Company Secretary of Deccan Chronicle Holdings Ltd, alleging that he signed the public announcement dated 6 May 2011 for a buyback without adequate free reserves. According to SEBI, this act, in addition to his authentication of financial statements under Section 215 of the Companies Act, 1956, amounted to a failure of due diligence and misled investors. The alleged violations included Section 12A of the SEBI Act, Regulations 3 and 4 of the PFUTP Regulations, and Sections 68 and 77A of the Companies Act. The Securities Appellate Tribunal set aside the penalty and allowed the appeal.

The Tribunal first noted that the gravamen of the misconduct lay in the systematic understatement of loans and interest in the company's financial statements across multiple financial years. On SEBI's own findings, this manipulation was carried out by the company and its directors, who were privy to the relevant transactions. There was no finding, either in the show cause notice or the impugned order, that the Company Secretary had knowledge of, or involvement in, this accounting arrangement.

Second, the Tribunal clarified the scope of a Company Secretary's statutory role. Authentication of accounts under Section 215 of the Companies Act is performed on behalf of the Board of Directors. It does not impose a duty to independently verify or re-examine audited financial statements that have already been certified by statutory auditors and approved by the Board. The Adjudicating Officer's expectation that the appellant should have verified whether all assets and liabilities were correctly reflected was found to have no legal foundation.

Third, the Tribunal placed significant reliance on the wording of the public announcement itself. The announcement expressly stated that the Board of Directors accepted responsibility for the information contained therein. While the Company Secretary was a signatory, the document made it clear that responsibility for disclosures rested with the Board.

Fourth, although the Supreme Court clarified that a compliance officer under Regulation 19(3) of the Buyback Regulations is responsible not only for investor grievance redressal but also for ensuring regulatory compliance, the Tribunal emphasised that liability must still be tied to a specific statutory breach. SEBI failed to identify which precise obligation the appellant violated or how his conduct fell within the definition of an "officer in default" under the Companies Act.

The Tribunal reiterated a settled principle of law: where penal consequences are contemplated, allegations must be clear, specific, and supported by statutory duties. Liability cannot be imposed on presumptions or on an expectation that a Company Secretary should perform functions reserved for directors or auditors. The ruling thus draws an important boundary that while Company Secretaries play a vital role in compliance, responsibility for financial misstatements lies with those who control and approve the accounts, namely the company and its directors.

4. Viresh Joshi v. Securities and Exchange Board of India, Appeal No. 77 of 2024 (SAT Mumbai)

The Securities and Exchange Board of India, in an investigation concerning alleged front-running trades, examined transactions routed through multiple intermediaries and found that a large client had placed orders via 25 trading members. The appellant, who served as the chief dealer of Axis Mutual Fund, was identified as one of the entities executing trades in various securities on behalf of this client. Pending investigation, SEBI restrained the appellant from accessing the securities market and impounded approximately ₹30.55 crore. Upon request, the appellant was granted inspection of documents and provided with a soft copy of the inspection material; however, the appellant contended that certain annexures promised during inspection were not subsequently furnished.

The appellant argued that the alleged front-running activities were carried out by Mr. Sumit Desai, who had introduced Mr. Prijesh Kureshi and was involved in executing trades for the large client. It was further contended that SEBI had relied on multiple documents that were not disclosed, thereby violating principles of natural justice. In response, SEBI maintained that all relied-upon materials had been provided, including a compact disk containing the inspection report along with annexures.

The core issue concerned whether the appellant had been supplied with all fourteen categories of documents sought, including device data, digital evidence, statements, call records, and internal documents collected during the investigation. The tribunal held that communications involving the appellant had been disclosed subject to protection of third-party privacy. It directed that certain digital evidence, particularly items relating to device data and search records, be furnished if not already provided, especially where forming part of data collection records. Materials originating from or supplied by the appellant were also required to be disclosed. Importantly, the tribunal rejected SEBI's contention that only relied-upon documents need be shared, holding that even unrelied material may influence findings and must be disclosed. Accordingly, additional documents were directed to be furnished to ensure procedural fairness and transparency.

5. Arun Panchariya v. Securities and Exchange Board of India, Appeal No. 21 of 2023 (SAT Mumbai)

The case concerns a Global Depository Receipt ("GDR") issuance by Winsome Textile Industries Ltd., which raised USD 9.99 million on March 31, 2011. Pan Asia Advisors Ltd., managed by Arun Panchariya, acted as the Lead Manager. Prior to the issuance, the company authorised EURAM Bank to use the GDR proceeds as security in connection with a loan. GDR Vintage subsequently obtained a loan of USD 9.99 million from EURAM Bank under a loan agreement dated March 23, 2011. On the same day, a pledge agreement was executed whereby the company pledged its GDR proceeds as security for the loan availed by Vintage. Notably, this pledge was created even before the GDRs were issued, effectively securing the bank's exposure against the loan used to subscribe to the GDRs.

The appellant was debarred from accessing the securities market for three years, directed to disgorge ₹1.11 crore with interest, and imposed with a penalty of ₹67 crore by the Securities and Exchange Board of India. The appellant challenged these directions, arguing that they were unsustainable in law and lacked proper rationale, particularly since the company had received the GDR proceeds. SEBI, however, contended that the penalty reflected the appellant's involvement across multiple similar cases.

The key issues before the tribunal were whether Arun Panchariya had committed fraud and whether the penalty imposed by SEBI was proportionate and reasonable. The tribunal held that the alleged fraudulent scheme had two distinct stages, and that entities involved in the second stage were not necessarily involved in the first. It concluded that the appellant could be held liable only for the first stage, namely the arrangement where GDR proceeds were used as security to obtain a loan that was then utilised to subscribe to the same GDRs.

On the question of penalty, the tribunal found the disgorgement order unsustainable and the ₹67 crore penalty disproportionate. It noted that in comparable cases involving higher GDR amounts, SEBI had imposed significantly lower penalties. Given that the appellant was not involved in the second stage of the fraud, the tribunal held that such a high penalty was unjustified. Consequently, the directions for disgorgement and the monetary penalty were set aside.