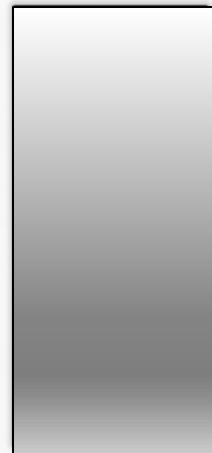


LEGALITE ADVISORS

**IMPORTANT LEGAL UPDATES FOR FEBRUARY,
2025**



Ministry of Corporate Affairs

- ❑ **Notification No.** G.S.R. 131(E) (“**Notification**”)
- ❑ **Notification Date.** February 12, 2025
- ❑ **Notification Effective Date.** February 12, 2025
- ❑ **Notification Subject.** The Companies (Prospectus and Allotment of Securities) Amendment Rules, 2025 (“**Amendment Rules**”).
- ❑ **Analysis.**
 - ✓ Pursuant to the Amendment Rules, the deadline for complying with the provisions of the notification issued by the Ministry of Corporate Affairs dated October 27, 2023, in relation to the ‘Issue of securities in dematerialised form by private companies’ has been extended to June 30, 2025 (which was earlier September 30, 2024), for all the private companies other than producer companies, which are not small companies under the provisions of the Companies Act, 2013. The effect so given pursuant to this Notification is retrospective in nature.
 - ✓ A detailed analysis of the Notification has been captured in our previous update, which can be accessed here <[LA Update | The Companies \(Prospectus and Allotment of Securities\) Amendment Rules, 2025](#)>
- ❑ **Link of the Notification.** [The Companies \(Prospectus and Allotment of Securities\) Amendment Rules, 2025](#)

Insolvency & Bankruptcy Code

- ❑ **Circular No.** IBBI/LIQ/82/2025 (“**Circular**”)
- ❑ **Circular Date.** February 11, 2025
- ❑ **Circular Effective Date.** February 11, 2025
- ❑ **Circular Subject.** Intimation to the IBBI (*defined hereunder*) on the appointment of insolvency professional under various processes under the Insolvency and Bankruptcy Code, 2016 (the “**Code**”).
- ❑ **Background.**
 - ✓ The Insolvency Professional (“**IPs**”) who function in various capacity are required to intimate the Insolvency and Bankruptcy Board of India (“**IBBI**”) on appointment under various processes under the Code. Presently, IPs are required to add their assignments on the IBBI portal for appointment as - Interim Resolution Professionals (“**IRP**”) or Resolution Professionals under the Corporate Insolvency Resolution Process (“**CIRP**”) and Liquidators in liquidation and voluntary liquidation processes. Once the assignment is approved the IPs are required to report public announcements, EOIs, auction notices, and various forms which are made available for submission to IBBI.

Insolvency & Bankruptcy Code (Contd...)

- ✓ The above mentioned reporting requirements by IPs are not applicable if they are appointed in the below capacities:
 - a. Resolution Professionals (“**RP**”) under Insolvency Resolution of Personal Guarantors;
 - b. Bankruptcy Trustee under the Bankruptcy Process of Personal Guarantors; and
 - c. Administrator under Insolvency and Liquidation Proceedings of Financial Service Providers.
- ✓ The Circular aims to streamline the present reporting process and ensure the records are maintained properly. The IBBI intends to refine the Assignment Module. The directives provided in the Circular aims to formalizes the practice of reporting requirements of the IPs with respect to their assignments upon appointment, to reduce compliance burdens and minimize delays.
- ✓ As per the Circular the IPs are required to mandatorily add assignments on the IBBI’s electronic portal upon their appointment in the following processes and capacities:
 - a. IRP under the CIRP;
 - b. RP under the CIRP;
 - c. Liquidator under the Liquidation Process;
 - d. Liquidator under the Voluntary Liquidation Process;
 - e. RP under Insolvency Resolution for Personal Guarantors;
 - f. Bankruptcy Trustee under the Bankruptcy Process for Personal Guarantors; and
 - g. Administrator under Insolvency and Liquidation Proceedings of Financial Service Providers.

Insolvency & Bankruptcy Code (Contd...)

- ✓ The IBBI shall allot a unique username and password to the IPs and the IPs are required to add the assignment within the timelines mentioned below on the portal for approval:
 - a. **New Assignments.** All cases commencing on or after the date of this Circular, assignment to be added on the portal within 3 (three) days of appointment;
 - b. **Ongoing Cases.** *(i.e. cases prior to the date of the Circular)*: For cases where the assignment have not been added on the portal, the IPs to add the same on or before February 28, 2025;
 - c. **Closed Cases.** For cases which have not been added on the portal by the IPs on or before March 31, 2025. If the closed case is related to Personal Guarantors, the assignments shall be added on or before April 30, 2025.
- ✓ Once the IPs receive the approval of the Board, the IPs are required to proceed with subsequent compliances, including reporting requirements as applicable under different processes outlined in the Code.

❑ **Link to the Circular.** [Intimation to the IBBI on the appointment of insolvency professional](#)

Insolvency & Bankruptcy Code (Contd...)

- ❑ **Notification No.** F.No. IBBI/2024-25/GN/REG122 (“**Notification**”)
- ❑ **Notification Date.** February 03, 2025
- ❑ **Notification Effective Date.** February 04, 2025
- ❑ **Notification Subject.** Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Amendment) Regulations, 2025 (“**Amendment Regulations**”).
- ❑ **Key highlights of the Notification.**

The following amendments have been introduced vide these Amendment Regulations:

SI No.	Principal Regulations	Amendment Regulations	Impact
1	NA	<p>In the Principal Regulations after Regulation 4D, Regulation 4E has been inserted.</p> <p>As per Regulation 4E, upon obtaining the approval of committee by means of securing</p>	<p>Seeks to give immediate relief to the allottees of an apartment/building etc under a real estate project, especially when the allottee has performed its part. This ensures that the allottee does not have to wait endlessly for a satisfactory resolution.</p>

Insolvency & Bankruptcy Code (Contd...)

SI No.	Principal Regulations	Amendment Regulations	Impact
		60% (sixty percent) of the total vote and performing his part under the agreement, upon receipt of request of the allottee the resolution professional shall hand over the possession of the plot, apartment, or building or any instruments agreed to be transferred under the real estate project. The Resolution Professional is also required to facilitate registration of the plot, apartment, or building or any instruments along with transfer.	
2	NA	In the Principal Regulations after Regulation 16B, Regulation 16C and Regulation 16D has been inserted.	Provides for appointment of facilitator for a sub-class of committee of creditor in case the number in the committee is significantly large to ensure ease of administration.

Insolvency & Bankruptcy Code (Contd...)

SI No.	Principal Regulations	Amendment Regulations	Impact
		<p>As per Regulation 16C, the Insolvency Professional or resolution professional is required to appoint a facilitator for a sub-class within the creditors in a class, if number of creditors in a class exceeds one thousand as per the directions of the committee¹.</p> <p>The appointment of the facilitator(s) shall be subject to the conditions mentioned in Regulation 16C. The Committee shall have the power to replace the facilitator on the recommendation of a majority of the members of the sub-class.</p>	

¹ "committee" means a committee of creditors established under section 21 of the Insolvency and Bankruptcy Code, 2016.

Insolvency & Bankruptcy Code (Contd...)

SI No.	Principal Regulations	Amendment Regulations	Impact
		Regulation 16D, further provides for the roles and responsibilities of the facilitator(s).	
3	NA	<p>In the Principal Regulations in Regulation 18, sub-regulation (3) has been inserted which provides as under:</p> <ul style="list-style-type: none"> ✓ if the corporate debtor has any real estate project, the resolution professional upon receiving directions from the committee shall invite the 'competent authority' (as defined in section 2(p) of the Real Estate (Regulation and Development) Act, 2016 (16 of 2016)² 	Provides invitation to a competent authority to ensure that valuable inputs are received from such authority for execution of real estate projects with the corporate debtor is involved in any real estate project.

² means the local authority or any authority created or established under any law for the time being in force by the appropriate Government which exercises authority over land under its jurisdiction, and has powers to give permission for development of such immovable property.

Insolvency & Bankruptcy Code (Contd...)

SI No.	Principal Regulations	Amendment Regulations	Impact
		✓ The competent authority is empowered to provide inputs on matters associated with the development of such projects without voting rights.	
4	NA	<p>In the Principal Regulations after Regulation 30B, Regulation 30C has been inserted which states that for corporate debtor having any real estate project, the resolution professional shall:</p> <p>a) Prepare a report providing detailed status of development rights and permissions which are required for development of such projects;</p>	<p>Presentation of such a report brings about necessary clarity on the implementation of the real estate projects and both, the committee of creditors and the Adjudicating Authority can be apprised of the pertinent roadblocks in execution of the relevant projects.</p>

Insolvency & Bankruptcy Code (Contd...)

SI No.	Principal Regulations	Amendment Regulations	Impact
		<p>b) The report shall be submitted to the committee for its comments;</p> <p>c) Upon receipt of the comments from the committee, the report shall be submitted to the Adjudicating Authority, on or before the 60th day from the insolvency commencement date.</p>	
5	NA	Under Regulation 31 of the Principal Regulations after the clause (ab), a clause (ac) shall be inserted whereby fees payable to facilitator shall form part of the 'insolvency resolution process costs'.	Explanatory and clarificatory in nature.

Insolvency & Bankruptcy Code (Contd...)

SI No.	Principal Regulations	Amendment Regulations	Impact
6	NA	<p>In the Principal Regulation 36A(4) relating to invitation of expression of interest (“Eol”), the amendment now warrants that the status of registration of the corporate debtor as a micro, small, or medium enterprise in accordance with the Micro, Small and Medium Enterprises Development Act, 2006 to be disclosed in the application for Eol.</p> <p>Where the corporate debtor has any real estate project, the committee, for an association or group of allottees in such real estate project, representing not less than 10% or 100 creditors out of the total number of creditors in a class, whichever is lower, may relax the following:</p>	Provides for disclosure and relaxations in certain cases.

Insolvency & Bankruptcy Code (Contd...)

SI No.	Principal Regulations	Amendment Regulations	Impact
		<ul style="list-style-type: none"> ✓ eligibility criteria for submission of expression of interest for prospective resolution applicants; and ✓ conditions regarding the refundable deposit. 	
7	NA	In the Principal Regulation 36B(4A) a proviso has been inserted which states that if the corporate debtor has any real estate project, the committee has the power to relax the requirement to provide for performance security for an association or group of allottees representing not less than ten per cent. or one hundred creditors out of the total number	Same intent as provided in the immediately preceding provision.

Insolvency & Bankruptcy Code (Contd...)

SI No.	Principal Regulations	Amendment Regulations	Impact
		of creditors in a class, whichever is lower.	
8	As per Regulation 38(4) of the Principal Regulations, the Committee was empowered to may or may not consider the requirement of a monitoring committee for the purpose of implementation of the resolution plan.	<p>Regulation 38(4) and 38(5) has been substituted.</p> <p>As per Amendment Regulations, Regulation 38(4) makes it mandatory for the committee to consider setting up a monitoring committee for monitoring and supervising the implementation of the resolution plan.</p> <p>The members of the monitoring committee may consist of:</p>	Setting up of the monitoring committee will lead to efficacious implementation of the resolution plan as it will lead to an objective method of implementing the plan by a select group of persons who would in turn provide the timely reports to the Adjudicating Authority.

Insolvency & Bankruptcy Code (Contd...)

SI No.	Principal Regulations	Amendment Regulations	Impact
	As per Regulation 38(5) of the Principal Regulations, if the Committee considers that appointment of monitoring committee is required, the constitution of the same with the resolution professional or propose another insolvency professional, or any other person as its members can be decided at the time of approving the resolution plan.	<p>a) resolution professional; or b) any other insolvency professional; or c) any other person, including representatives of the committee and representatives of resolution applicant(s).</p> <p>If the resolution professional is proposed to be part of the monitoring committee, the fees payable to him on monthly basis shall not exceed the monthly fee received by him during the corporate insolvency resolution process.</p>	

Insolvency & Bankruptcy Code (Contd...)

SI No.	Principal Regulations	Amendment Regulations	Impact				
		Further, the monitoring committee is required to submit its report to the Adjudicating Authority on quarterly basis providing the status of implementation of resolution plan.					
9	NA	<div>In the principal regulations, in Schedule-I, in Form G, after row number 16, the following row shall be inserted:</div> <table><tr><th>Sr. No.</th><th>Relevant Particulars</th></tr><tr><td>17.</td><td>Details of the corporate debtor's registration status as MSME.</td></tr></table>	Sr. No.	Relevant Particulars	17.	Details of the corporate debtor's registration status as MSME.	Consequent to changes listed in serial no. 5 above.
Sr. No.	Relevant Particulars						
17.	Details of the corporate debtor's registration status as MSME.						

❑ **Link of the Notification.** [IBBI Insolvency resolution Process for Corporate Debtors Amendment Regulations](#)

Securities Laws

- ❑ **Circular No.** SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/28 (“**Circular**”)
- ❑ **Circular Date.** February 28, 2025
- ❑ **Circular Effective Date.** April 01, 2025
- ❑ **Circular Subject.** Industry Standards on Key Performance Indicators (“**KPIs**”) Disclosures in the draft Offer Document and Offer Document (collectively “**Documents**”).
- ❑ **Analysis.**
 - ✓ In order to facilitate uniform approach in identification and disclosure practices of KPIs, the Industry Standards Forum (ISF) which comprises of representatives from ASSOCHAM, CII and FICCI (collectively referred to as “**Industry Associations**”), under the aegis of the stock exchanges has formulated industry standards (“**IS**”) in consultation with the Securities and Exchange Board of India (“**SEBI**”) for effective implementation of the requirement to disclose KPIs in the Documents as per the provisions of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“**ICDR Regulations**”).
 - ✓ Industry Associations and the stock exchanges shall ensure that the industry standards are available on their website and the issuer companies and merchant bankers shall ensure that they comply with the provisions of ICDR Regulations on disclosure of KPIs in the Documents by adhering to the industry standards.

Securities Laws (Contd...)

- ✓ Detailed analysis of the application of the IS shall be circulated in due course.
- ❑ **Link to the Circular.** SEBI | Industry Standards on Key Performance Indicators (“KPIs”) Disclosures in the draft Offer Document and Offer Document
- ❑ **Link to the IS.** Industry Standards on KPIs (Pls click on “KPI Standard.pdf” upon accessing the above link)

Securities Laws (Contd...)

- ❑ **Circular No.** SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/25 (“**Circular**”)
- ❑ **Circular Date.** February 25, 2025
- ❑ **Circular Effective Date.** February 25, 2025
- ❑ **Circular Subject.** Industry Standards on Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**SEBI LODR Regulations**”).
- ❑ **Analysis.**
 - ✓ Since the introduction of Regulation 30 in the SEBI LODR Regulations, there have been many amendments thereto by the Securities and Exchange Board of India (“**SEBI**”) for the purpose of rationalizing the disclosures to be made by the listed entities and in-turn ensuring utmost transparency, promptness and inclusivity. However, it has been often observed that the application of Regulation 30 of the SEBI LODR Regulations has resulted into diverse views and interpretations and SEBI may have also received representations, queries and clarifications from time to time regarding the application of Regulation 30.
 - ✓ In view of the above gaps and to maintain uniformity in the application of Regulation 30 and effective implementation thereof, the Industry Standards Forum (ISF) which comprises of representatives from ASSOCHAM, CII and FICCI (collectively referred to as “**Industry Associations**”), under the aegis of the stock exchanges has formulated industry standards “**IS**”

Securities Laws (Contd...)

in consultation with the SEBI.

- ✓ In view of the above gaps and to maintain uniformity in the application of Regulation 30 and effective implementation thereof, the Industry Standards Forum (ISF) which comprises of representatives from ASSOCHAM, CII and FICCI (collectively referred to as “**Industry Associations**”), under the aegis of the stock exchanges has formulated industry standards “**IS**” in consultation with the SEBI.
- ✓ The application of the IS is mandatory for the listed entities while complying with Regulation 30.
- ✓ Detailed analysis of the application of the IS shall be circulated in due course.
- **Link to the Circular.** [SEBI | Industry Standards on Regulation 30 of SEBI \(Listing Obligations and Disclosure Requirements\) Regulations, 2015](#)
- **Link to the IS.** [Industry Standards under Regulation 30](#) (Pls click on “ISF Reg 30 Note.pdf” upon accessing the above link)

Securities Laws (Contd...)

❑ Consultation Paper

❑ **Release Date.** February 21, 2025

❑ **Consultation Paper Subject.** Consultation paper on expanding definition of Qualified Institutional Buyers (“**QIB**”) under the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“**ICDR Regulations**”), to include Accredited Investors (“**AIs**”) for the limited purpose of investments in Angel Funds (“**AFs**”).

❑ Background.

The Securities and Exchange Board of India (“**SEBI**”) issued a consultation paper on ‘Review of regulatory framework for Angel Funds in AIF Regulations’ dated November 13, 2024 (“**First Consultation Paper**”), with an intent to eliminate the gaps in the regulatory framework for AFs which *inter alia* suggested offering investment opportunities to wide range of investors having commensurate risk appetite to invest in the AFs, thereby ensuring more flexibility and ease of operations in the AFs (*as defined under the SEBI (Alternative Investment Funds) Regulations, 2012*). Considering the investment by the start-ups has been growing in India, and the same being a risky investment, the First Consultation Paper was issued to ensure that the AFs are able to raise the funds from the discerning investors.

Securities Laws (Contd...)

□ Proposal and Rationale.

As per section 42 of the Companies Act, 2013 (“**Act**”), a private placement shall be made only to a select group of persons who have been identified by the board of directors of the company, whose number shall not exceed 50 (Fifty) at a time and 200 (Two Hundred) in a financial year, excluding the QIB and employees of the company being offered securities under a scheme of employees stock option in terms of provisions of clause (b) of sub-section (1) of section 62. Considering the AIs who invest in AFs do not classify under the definition of QIBs (*as defined under the ICDR Regulations*), this Consultation Paper seeks to expand the definition of QIBs to include AIs for the limited purpose of scaling up the investments in the AFs by the AIs, who are more independent, having the necessary awareness and risk appetite, and are aligned with the regulatory compliances.

□ Implications.

- ✓ If SEBI approves the aforesaid Consultation Paper, the AFs will no longer have a limit on the number of AIs that they can onboard, thereby allowing them to operate on a larger scale. However, the cap of 200 (Two Hundred) investors per AFs in a financial year may be retained.
- ✓ Also, the expansion of the definition of QIB to include AIs, will enable the AFs to attract a larger group of AIs, thereby increasing the availability of funds for start-ups.
- ✓ The aforesaid will also ensure consonance with the provisions of section 42 of the Act.

Securities Laws (Contd...)

❑ **Submission of Public Comments.**

Accordingly, SEBI has invited suggestion from the public on the matter mentioned above from the various stakeholders along with rationale and submit the same not later than **March 14, 2025**, as per the instructions provided in the Consultation Paper.

❑ **Link of the Consultation Paper.** SEBI | Consultation paper on expanding definition of Qualified Institutional Buyers under SEBI (ICDR) Regulations, 2018, to include Accredited Investors for the limited purpose of investments in Angel Funds

Securities Laws (Contd...)

- ❑ **Circular No.** SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/18 (“**Circular**”)
- ❑ **Circular Date.** February 14, 2025
- ❑ **Circular Effective Date.** April 01, 2025
- ❑ **Circular Subject.** Industry Standards on ‘Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction’.
- ❑ **Background and Analysis.**
 - ✓ The provisions relating to related party and related party transactions in the SEBI LODR Regulations, have always been one of the most talked about provisions and the Securities and Exchange Board of India (“**SEBI**”) has always endeavored to ensure that there is a tight grip maintained in the operations of the listed entities in respect of the related party transactions to eliminate bias and promote transparency, fairness and maximum stakeholder engagement in the approval of such transactions.
 - ✓ As per the provisions of Regulation 23(2), (3) and (4) of the SEBI LODR Regulations, the listed entities are required to take approval for the material related party transactions (“**RPTs**”) from the audit committee and the shareholders, by placing the minimum information before them as provided in Part A and B of Section III-B of the SEBI Master Circular dated November 11, 2024 (“**Master Circular**”).

Securities Laws (Contd...)

- ✓ Continued representations, queries, clarifications and engagement with stakeholders has prompted SEBI to bring about certain industry standards (“**IS**”) for minimum information to be provided to the audit committee and shareholders of the listed entities while seeking necessary approvals, to promote harmonious reading of the disclosures to be provided to the necessary approving bodies as above in a listed entity across industry.
- ✓ In view of the above, the Industry Standards Forum (ISF) which comprises of representatives from ASSOCHAM, CII and FICCI (collectively referred to as “**Industry Associations**”), under the aegis of the stock exchanges has formulated IS in consultation with the SEBI for minimum information to be provided for review of the audit committee and shareholders for approval of RPTs under the LODR Regulations with a view to facilitate uniform approach and assist listed entities in complying with the aforesaid requirements.
- ✓ Consequent to the aforesaid introduction of the IS for minimum information, Section III-B of the Master Circular has been modified as under to draw a reference to the IS.

SI No.	Erstwhile Provisions	Amended Provisions
1.	Para 4 under Part A provided for the list of information required to be placed before the audit committee with respect to the RPTs for which approval was being sought.	As per the Circular, Para 4 under Part A has been substituted whereby the information to be placed before the audit committee with respect to the RPTs for which approval was being sought shall be in accordance with the IS.

Securities Laws (Contd...)

SI No.	Erstwhile Provisions	Amended Provisions
2.	Para 6 under Part B provided for the list of information required to be given as a part of the explanatory statement to the notice of the shareholders' meeting with respect to the RPTs for which approval was being sought.	As per the Circular, Para 6 under Part B has been substituted whereby the information given as a part of the explanatory statement to the notice of the shareholders' meeting with respect to the RPTs for which approval was being sought shall be in accordance with the IS in addition to the requirements under the Companies Act, 2013.

✓ Detailed analysis of the application of the IS shall be circulated in due course.

❑ **Link to the Circular.** [SEBI | Industry Standards on “Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction](#)

❑ **Link to the IS.** [Industry Standards on minimum information for RPT](#)

Securities Laws (Contd...)

- ❑ **Circular No.** SEBI/HO/AFD/PoD-1/P/CIR/2025/17 (“**Circular**”)
- ❑ **Circular Date.** February 14, 2025
- ❑ **Circular Effective Date.** February 14, 2025
- ❑ **Circular Subject.** Relaxation in timelines for holding AIFs’ investments in dematerialised form.
- ❑ **Background.**

The master circular for Alternative Investment Funds (“**AIFs**”) dated May 07, 2024 (“**Master Circular**”), issued by the Securities and Exchange Board of India (“**SEBI**”), which was previously altered to the extent of the provisions for holding of investment(s) made by AIF in dematerialised form, is now *vide* this Circular, being modified to include the relaxation in the timelines for the holding of the investments in dematerialised form.

- ❑ **Analysis.**

The timelines provided in Para 21 of the Master Circular has been modified as follows:

- ✓ The timeline for mandatorily holding investments by an AIF in dematerialised form has been extended from October 01, 2024 to July 01, 2025.

Securities Laws (Contd...)

- ✓ The investments made by an AIF prior to July 01, 2025 are exempted from the requirement of being mandatorily held in dematerialised form, except in the following cases where the timeline has been extended to October 31, 2025:
 - i. Investee company of the AIF has been mandated under the applicable law to facilitate dematerialisation of its securities; and
 - ii. The AIF, on its own, or along with other SEBI registered intermediaries/entities which are mandated to hold their investments in dematerialised form, exercises control over the investee company (*where the definition of 'control' is to be construed with reference to Regulation 2(1)(f) of the SEBI (Alternative Investment Funds) Regulations, 2012*).
- ✓ **Absolute non-requirement of holding investments in dematerialised form:** The requirement for the holding of the investments in dematerialised form shall not be applicable to:
 - i. Scheme of an AIF whose tenure (not including permissible extension of tenure) ends on or before October 31, 2025 (*which was previously January 31, 2025*);
 - ii. Scheme of an AIF which is already in the extended tenure as on February 14, 2025, being the effective date of this Circular (*which was previously January 12, 2024*).

Securities Laws (Contd...)

- ✓ The trustee/sponsor of the AIF shall ensure that the 'Compliance Test Report' prepared by the manager of the AIF in terms of Para 15.2 of Chapter 15 of the Master Circular, includes a statement to that effect that the AIF is in compliance with the provisions of this Circular.
- **Link to the Circular.** [SEBI | Relaxation in timelines for holding AIFs' investments in dematerialised form](#)

Securities Laws (Contd...)

❑ Consultation Paper

❑ **Release Date.** February 07, 2025

❑ **Consultation Paper Subject.** Trading Window closure period under Clause 4 of Schedule B read with Regulation 9 of SEBI (Prohibition of Insider Trading) Regulations, 2015 (“**PIT Regulations**”) – Extension of automated implementation of trading window closure to Immediate Relatives of Designated Persons.

❑ Background.

- ✓ The Securities and Exchange Board of India (“**SEBI**”) vide the ‘August 05, 2022 Circular’ (“**Circular 1**”), had laid down a framework i.e. ‘*Framework for restricting trading by Designated Persons (“DPs”) by freezing PAN at security level*’ (“**Framework**”) wherein the PAN of the Designated Persons (“**DPs**”) of the listed companies that were part of benchmark indices i.e. NIFTY 50 and SENSEX were frozen by the stock exchanges and depositories, for preventing the DPs to trade in the securities during closure of the trading window of the said listed companies on account of declaration of financial results.
- ✓ Subsequently, SEBI, vide the ‘July 19, 2023 Circular’, extended the aforesaid Framework for the DPs of all the listed companies in a phased manner.

Securities Laws (Contd...)

- ✓ Circular 1 and July 19, 2023 Circular were rescinded and superseded *vide* Section 3.4.2 of the 'Master Circular dated September 23, 2024' (**Master Circular**).
- ✓ The aforesaid Framework was proved to be effective as it led to elimination of the inadvertent trading during trading window closure period and also reduced the compliance requirements of the listed companies.

❑ Proposal and Rationale.

SEBI in line with clause 4(1) of schedule B read with regulation 9 of PIT Regulations which *interalia* restricts the DPs and their immediate relatives to trade in the securities during trading window closure, proposes to extend the said Framework to the immediate relatives (*as defined under regulation 2(1)(f) of the PIT Regulations*) of the DPs for ease of doing business and to ensure effective compliance and timely disclosures by the listed companies.

❑ Submission of Public Comments.

- ✓ Accordingly, SEBI has invited suggestion from the public on the matter mentioned above from the various stakeholders along with rationale and submit the same not later than **February 28, 2025**, as per the instructions provided in the Consultation Paper.
- ✓ Process for implementation of the system is provided in the flow chart forming part of the Consultation Paper.

Securities Laws (Contd...)

- ❑ **Link of the Consultation Paper.** SEBI | Consultation Paper on Draft Circular on Extension of automated implementation of trading window closure to Immediate Relatives of Designated Persons

Securities Laws (Contd...)

❑ Consultation Paper

❑ **Release Date.** February 07, 2025

❑ **Consultation Paper Subject.** Consultation paper on aspects relating to secretarial compliance report, appointment of auditors and related party transactions of a listed entity.

❑ Analysis.

The Securities and Exchange Board of India (“**SEBI**”) in view of the recommendations of the Advisory Committee on Listing Obligations and Disclosures (ACLOD) and subsequent internal discussions, has released the Consultation Paper for seeking views from the public on the following:

- A. To strengthen the secretarial compliance report of a listed entity.
- B. To specify eligibility criteria for appointment of statutory auditor of a listed entity.
- C. Disclosures to the audit committee, board of directors and shareholders at the time of appointment/re-appointment of statutory auditor and secretarial auditor of a listed entity.
- D. Facilitating ease of implementation with respect to approval of Related Party Transactions (“**RPT**”) undertaken by subsidiaries of a listed entity.
- E. Clarifications pertaining to applicability of RPT provisions.

Securities Laws (Contd...)

□ Proposal and Rationale.

A. To strengthen the secretarial compliance report of a listed entity.

- ✓ It is proposed to revise the existing format of Annual Secretarial Compliance Report (“**ASCR**”) to align with the regulatory developments. This will ensure and enhance the scrutiny by the Practicing Company Secretary (PCS) carried out annually, under the applicable laws including securities law which in turn will strengthen the overall compliance reporting of the listed entity.
- ✓ The revised format of ASCR is provided in Annexure 1, and the details of the proposed amendments in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR Regulations**”) and the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (“**SBEBS Regulations**”) along with rationale is provided in Annexure 2, forming part of the Consultation Paper.

B. To specify eligibility criteria for appointment of statutory auditor of a listed entity.

- ✓ As the statutory auditor plays a crucial role in ensuring the veracity of the financial statements of the listed entity, it is pertinent that the audit committee and in its absence the board of directors of the listed entity ensures that the qualifications and experience statutory auditors (individual / firm) proposed to be appointed in the listed entity are commensurate with the size and requirements of the listed entity.

Securities Laws (Contd...)

- ✓ The details of the proposed amendment in the LODR Regulations by insertion of suitable provisions in Schedule II, Part C on 'Role of the Audit Committee and Review of information by Audit Committee' is provided in Annexure 3 forming part of the Consultation Paper.
- C. Disclosures to the audit committee, board of directors and shareholders at the time of appointment/re-appointment of statutory auditor and secretarial auditor of a listed entity.
 - ✓ While there is no prescribed format or minimum information required to be stated in the explanatory statement annexed to the notice of annual general meeting being sent to the shareholders, it is proposed to amend Regulation 36(5) of the LODR Regulations which *inter alia* speaks about the 'Documents & Information to shareholders'.
 - ✓ The details of the proposed amendments to Regulation 36(5) of the LODR Regulations are provided in Annexure 3 forming part of the Consultation Paper, and the format for disclosure of minimum information to the audit committee and / or board of directors, shareholders of the listed entity at the time of considering appointment / re-appointment of the statutory or secretarial auditors of the listed entity, is provided in Annexure 4 forming part of the Consultation Paper.
- D. Facilitating ease of implementation with respect to approval of Related Party Transactions ("RPT") undertaken by subsidiaries of a listed entity.
 - ✓ It is proposed to revise the existing Regulation 23(2) of the LODR Regulations which speaks about the 'Related party transactions', to insert *inter alia* a monetary threshold in

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addition to the existing percentage-based threshold for approval of RPTs by the audit committee of the listed holding entity for the subsidiaries, thereby harmonizing with the materiality threshold under Regulation 23(1) of LODR.

Following monetary thresholds have been proposed where there is a financial track record and where there is no financial track record of the entities, in addition to existing based percentage based thresholds for a subsidiary of a listed entity:

- INR 1,000 crore may be specified for subsidiaries of listed entities listed on main board; and
- monetary threshold of INR 50 crore may be specified for subsidiaries of SME listed entities.

It is further prescribed that the audit committee of the listed entity may approve lower of the 2 thresholds, i.e. the monetary and percentage based thresholds for approving RPTs.

It has been clarified that the subsidiary of the listed entity shall deem to not have a financial track record if it does not have published financial statements for at least one year.

It has been also clarified that in case of subsidiaries which do not have a financial track record (as explained above), the percentage threshold shall be 10% of the standalone networth of the subsidiary instead of 10% of the standalone turnover of the subsidiary which is the existing percentage threshold for an entity having financial track record.

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Lastly, it has been clarified that where the net worth of the subsidiary is negative, the percentage threshold needs to be computed as a sum of the share capital and securities premium of the subsidiary.

- ✓ The details of the proposed amendments in Regulation 23(2) of the LODR Regulations is provided in Annexure 3, forming part of the Consultation Paper.

E. Clarifications pertaining to applicability of RPT provisions:

- ✓ The Regulation 2(1)(zc) of the LODR Regulations ('related party transaction') has to be read in conjunction with Regulation 2(1)(zb) of the LODR Regulations ('related party').
- ✓ Further, it is proposed to insert the word 'listed' in reference to holding company in clause (b) under Regulation 23(5) of the LODR Regulations, thereby providing exemption from the approval of RPTs, when the transaction is between the listed holding company and its wholly owned subsidiary provided that accounts of the wholly owned subsidiary are consolidated with such listed holding company and placed before the shareholders at the general meeting for approval.
- ✓ The details of the proposed amendments in Regulations 2(1)(zc) and 23(5) of the LODR Regulations is provided in Annexure 3, forming part of the Consultation Paper.

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❑ Submission of Public Comments.

Accordingly, SEBI has invited suggestion from the public on the matter mentioned above from the various stakeholders along with rationale and submit the same not later than February 28, 2025, as per the instructions provided in the Consultation Paper. Further, It has been decided to extend the timeline for submission of comments to **March 7, 2025** vide the <[Announcement](#)>.

❑ Link of the Consultation Paper. SEBI | Consultation Paper on aspects relating to Secretarial Compliance Report, Appointment of Auditors and Related Party Transactions of a Listed Entity

Reserve Bank of India

- ❑ **Notification No.** FEMA 14(R)(1)/2025-RB (“**Notification**”)
- ❑ **Notification Date.** February 10, 2025
- ❑ **Notification Effective Date.** February 04, 2025
- ❑ **Notification Subject.** Foreign Exchange Management (Manner of Receipt and Payment) (Amendment) Regulations, 2025 (“**Amendment Regulations**”).
- ❑ **Analysis.**
 - ✓ The Reserve Bank of India (“**RBI**”) *vide* the Notification has amended the Regulation 3(2)(I)(a)(ii) of Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023 (“**Principal Regulations**”) pertaining to the manner of receipt and payment in foreign exchange transactions, particularly in relation to the Asian Clearing Union (ACU) other than Nepal and Bhutan. By the introduction of Amendment Regulations, it is clarified that receipts and payments between residents of participant countries in the ACU mechanism shall continue through the ACU system or as directed by the RBI and for all other transactions, receipt and payment may be made in a manner as specified in the Principal Regulations.

Reserve Bank of India (Contd...)

- ✓ Whereas, prior to the Amendment Regulations, the Principal Regulations provided that the payments to and from countries which are not part of the ACU (other than Nepal and Bhutan) were to be made in Indian Rupees or any foreign currency. Additionally, the receipts and payments were also allowed, as per the provisions of the Foreign Trade Policy framed by the Central Government.
- ✓ The Amendment Regulations aims to streamline payment processes for the aforesaid transactions and ensure consistency with the RBI's guidelines, while continuing to allow payments in Indian Rupees or foreign currency for other international transactions.

❑ **Link of the Notification.** FEMA (Manner of Receipt and Payment) (Amendment) Regulations, 2025

Thank You



There is no wealth like knowledge and no poverty like ignorance - Buddha