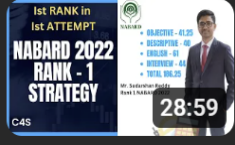


SEBI SPRINT OCTOBER 2025



SEBI SPRINT

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 IRDAI TOPPERS TALK 2024 - "Appetite for ... Aniruddha Anil Belkar - IRDA 2024 Topper was working in RBI as assistant but with his... 13:14		Story of Aniruddha Anil Belkar from RBI to IRDAI Manager
 IRDA 2024 Topper Mindset: Motivation & ... HIMAKESH RAGHU RAM B is IRDA Topper of 2024. He is presently working in General... 15:40		Story of Raghu Ram B from GIC to IRDAI Manager

“Many paths, many struggles, but one fire — the quest for appetite. At Clarity, we help to turn that fire into success.”

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1. Relief for Investment and Research Advisers on Performance Data Disclosure

Context

SEBI has granted **interim relief** to **Investment Advisers (IAs)** and **Research Analysts (RAs)**, allowing them to share past performance data with clients until the **Past Risk and Return Verification Agency (PaRRVA)** becomes operational.

Investment Advisers (IAs)

- Registered with SEBI under **SEBI (Investment Advisers) Regulations, 2013**
- Provide personalized financial advice tailored to client goals, risk appetite, and investment horizon
- Must disclose conflicts of interest and follow a **fee-only advisory model**
- Eligibility: Relevant qualifications and **NISM-Series-X-A & B** certification

Research Analysts (RAs)

- Governed by **SEBI (Research Analysts) Regulations, 2014**
- Analyze securities, sectors, or instruments and publish independent research reports
- Must maintain transparency, data integrity, and conflict-free recommendations
- Eligibility: Relevant qualifications and **NISM certification**

Interim Permission Before PaRRVA Launch

- IAs/RAs can share **verified past performance** on a **one-to-one basis** only
- Verification must be by a **Chartered Accountant (CA)** or **Chartered Management Accountant (CMA)**
- Public dissemination (websites, social media, advertisements) is **not allowed**

PaRRVA (Past Risk and Return Verification Agency)

- Approved by SEBI in April 2025
- Will standardize and verify risk-return metrics prospectively
- Enhances transparency, trust, and curbs misleading performance claims

SEBI's Conditional Relief

- Advisers must **register with PaRRVA within three months** of its launch
- Non-registration bars sharing of performance data
- Shared data must carry a **disclaimer** that it is verified by CA/CMA and not by PaRRVA
- After PaRRVA is operational, only **PaRRVA-verified data** can be used for client communication or advertising

2. SEBI Tightens Rules for Non-Benchmark Indices

Context

SEBI has introduced norms for **derivative products** on **non-benchmark indices** like **BankNifty**, **FinNifty**, and **Bankex** to prevent concentration risk and reduce chances of index manipulation.

Objective

- Ensure no single stock dominates an index used for derivatives
- Create **fair, diversified, and less manipulable indices**
- Follows concerns from the **Jane Street case**, involving alleged manipulation of index constituents for derivative trading profits

Applicability

- Non-benchmark indices with existing or planned derivative contracts
- **Benchmark indices** (Nifty, Sensex) are **not covered**

Structural Norms for Non-Benchmark Indices

- **Minimum Constituents:** 14 stocks
- **Top Stock Cap:** Largest stock $\leq 20\%$ weight
- **Top Three Cap:** Combined weight of top three $\leq 45\%$

- Ensures diversification and reduces manipulation risks

Implementation Timeline

- **Bankex (BSE) & FinNifty (NSE):** Compliance by **31 Dec 2025**
- **BankNifty (NSE):** Glide path extended to **31 Mar 2026** for orderly rebalancing
- Transition to be executed in **multiple tranches** to gradually meet prudential norms

3. SEBI to Review 'Fit and Proper Person' Rule

Context

SEBI informed the Bombay High Court that it will review a provision in its 'fit and proper person' criteria that automatically disqualifies KMPs and directors of market intermediaries upon filing of a chargesheet. The review follows 2023 petitions by firms such as Motilal Oswal Financial Services and Anand Rathi, challenging the rule as unconstitutional.

About the Rule

- Applies to individuals associated with SEBI-regulated intermediaries (brokers, mutual funds, investment advisers, rating agencies).
- Aims to ensure integrity, competence, and sound reputation in market governance.

Background

- Introduced in 2004; later included in SEBI (Intermediaries) Regulations, 2008.
- November 2021 amendment replaced case-by-case assessment with automatic, trigger-based disqualifications.
- Clause 6, Schedule II deems any person named in a chargesheet or accused of an economic offence as "not fit and proper".

Issue

- Automatic disqualification without conviction raises concerns over fairness, due process, and presumption of innocence.

4. SEBI Reviewing Stock Lending and Borrowing Mechanism (SLBM)

Context

SEBI is reviewing the Stock Lending and Borrowing Mechanism (SLBM) to improve its effectiveness and boost market participation, as short-selling through SLBM remains limited in India.

What is SLBM?

SLBM allows investors to temporarily lend or borrow securities, mainly to facilitate short selling, hedging, and market-making.

How SLBM Works

- **Lender:** Shareholders (mutual funds, insurers, retail investors) lend shares for a fee.
- **Borrower:** Traders or institutions borrow shares to short-sell or meet delivery needs.
- **Tenure:** Lending is for a fixed, pre-agreed period.
- **Collateral:** Borrower provides cash or securities as collateral.
- **Settlement:** Shares are returned at maturity; lender receives collateral and lending fee.

Purpose and Benefits

- Enables short selling and better price discovery.
- Supports hedging strategies for institutions.
- Generates additional income for long-term investors.
- Enhances market liquidity and depth.

5. SEBI's Relaxation of Minimum Public Shareholding (MPS)

Context

SEBI has eased Minimum Public Shareholding (MPS) norms for large companies at the time of listing, allowing lower initial public participation.

Key Changes

- **IPO Requirement:** Large companies can list with as little as 2.5% public shareholding.
- **Timeline:** Companies have 10 years to achieve the standard 25% MPS, instead of meeting it at listing.
- **Target Companies:** Large issuers with wealthy promoters, substantial pre-IPO private equity, strategic placements, and some government-owned enterprises.

Minimum Public Shareholding (MPS)

Minimum Public Shareholding (MPS) refers to the **minimum percentage of a listed company's equity shares that must be held by the public** (non-promoters).

Regulatory Requirement (India)

- **Standard MPS: 25%** public shareholding for listed companies.
- Mandated by **SEBI** under the **SCRR, 1957** and **SEBI LODR Regulations, 2015**.

Who Counts as 'Public'

- Retail investors, mutual funds, insurance companies, FPIs, and other non-promoter shareholders.
- **Promoters and promoter group holdings are excluded.**

Rationale by SEBI

- Avoid oversupply of shares that may depress prices.
- Large companies may not require additional IPO funds.
- Facilitates pre-IPO investments and exits for existing investors.

6. SEBI Extends Deadline for Angel Funds to Disclose Allocation Methodology in PPM

Context

SEBI has extended the deadline for angel funds to disclose their allocation methodology in the Private Placement Memorandum (PPM) to **31 January 2026**, from the earlier deadline of 15 October 2025, following requests from the AIF industry.

Objective

- Provide ease of compliance and adequate time for angel funds to align documentation with SEBI requirements.

About Angel Funds

- Category I SEBI-registered Alternative Investment Funds (AIFs) investing in early-stage startups.
- Support innovation and entrepreneurship by providing risk capital and mentorship.
- Typically raised from high-net-worth individuals (HNIs) and family offices.
- Governed under SEBI (AIF) Regulations, 2012.

Private Placement Memorandum (PPM)

- Formal document detailing investment strategy, risk factors, allocation methodology, fees, and terms.
- Ensures transparency and informed decision-making for investors.
- Disclosure of allocation methodology explains how funds are distributed across startups, mitigating regulatory risk and aligning with SEBI guidelines.

7. SEBI Cracks Down on Insider Trading in IEX

Context

SEBI barred eight individuals from the securities market and impounded ₹173.14 crore in alleged illegal gains from trades in **Indian Energy Exchange (IEX)** for insider trading violations.

What is Insider Trading?

- Buying or selling securities using **Unpublished Price Sensitive Information (UPSI)** that can materially affect security prices.
- UPSI is confidential and not yet public.
- Illegal insider trading undermines market integrity and investor confidence.

Key Elements

- **Insiders:** Directors, officers, employees, or connected persons.
- **Trading/Tip-Off:** Using or passing UPSI for personal gain.

SEBI Regulations (Prohibition of Insider Trading) 2015

- Defines insider trading and insider roles.
- Mandates disclosure of holdings and trades by promoters/directors.
- Prohibits trading based on UPSI and regulates communication/procurement of UPSI.

Key Measures

- **Trading Window:** Insiders can trade only during designated periods.
- **Pre-Clearance:** Required for trades above thresholds.
- **Penalties:** Fines, market bans, and disgorgement of profits.
- **Monitoring & Enforcement:** SEBI uses trading analytics, surveillance tools, and encourages whistleblowing.

8. SEBI Proposes Relaxation for Transfer of Pre-2019 Securities

Context

SEBI has proposed amendments to the **LODR Regulations, 2015** to facilitate the transfer and dematerialisation of securities executed **before April 1, 2019**, providing relief to investors who missed earlier regularisation deadlines.

Purpose

- Simplify demat process for pre-2019 transactions.
- Offer an additional opportunity for investors to submit transfer deeds for physical securities.
- Address issues from rejected deeds, corporate dissolutions, uncooperative transferors, or misdirected submissions.

Background

- Physical securities transfers were discontinued from April 1, 2019, to promote full dematerialisation.
- Some investors could not regularise holdings, causing operational challenges.

Proposed Mechanism

- Temporary relaxation under **Regulation 40(1)** with a sunset clause.
- Transfers allowed after due diligence by registrars, transfer agents, and listed companies.
- Securities credited directly to demat accounts upon successful registration.

9. SEBI Tightens Insider Trading Oversight Amid Surge in Unlawful Gains

Context

SEBI has intensified its crackdown on insider trading following a surge in illicit gains, highlighted by a major case involving a **CERC official** and trades in **Indian Energy Exchange (IEX)** shares, where over **₹173 crore** in unlawful profits was impounded.

Key Highlights

- **Case Details:** Insider trading linked to unpublished price-sensitive information (UPSI) on IEX shares.
- **Action Taken:** SEBI impounded ₹173 crore, one of its largest enforcement actions in recent years.
- **Entities Involved:** A CERC official allegedly leaked confidential information to individuals who traded on it.
- **Regulatory Response:** SEBI has enhanced surveillance and data analytics to detect coordinated or pattern-based insider activity.
- **Broader Efforts:** Part of SEBI's strategy to uphold market integrity, transparency, and investor confidence amid rising retail participation.

About Insider Trading

- Trading by individuals with access to UPSI before it becomes public.
- Example: Trading ahead of mergers, results, or policy announcements based on confidential information.

Legal Framework

- Governed under **SEBI (Prohibition of Insider Trading) Regulations, 2015**.
- Violations attract penalties, disgorgement of unlawful gains, and market bans.

10. Mutual Funds Seek Wider Operational Flexibility from SEBI

Context

India's mutual fund (MF) industry has requested SEBI to relax restrictive clauses under **Regulation 24(b)** of the SEBI (Mutual Fund) Regulations, 1996, which limits Asset Management Companies (AMCs) from engaging in non-core businesses. The move follows SEBI's July 2025 consultation on limited relaxations.

About Regulation 24(b)

- Governs AMCs' responsibilities and restricts non-core business activities to protect investors and prevent conflicts of interest.

Industry's Key Demands

- Ease restrictions on AMC **mergers and acquisitions (M&A)**.
- Allow **wealth management** and **custom portfolio management** for high-net-worth individuals (HNIs).
- Permit **cross-distribution** of investment products from other AMCs.
- Enable **new value-added services** and **global fund advisory**.

Background: July 2025 Consultation

- Proposed allowing AMCs to manage certain non-broad-based pooled funds (e.g., family offices, offshore vehicles) without separate PMS licenses.
- Permitting AMCs to act as global distributors under regulatory oversight.

11. SEBI Action on FOCL Under Merchant Bankers Regulations

Context

SEBI barred **First Overseas Capital Ltd (FOCL)** from taking new mandates for two years and imposed a **₹20 lakh penalty** for multiple violations of the **SEBI (Merchant Bankers) Regulations, 1992**, highlighting the regulator's focus on accountability, financial soundness, and disclosure integrity.

SEBI (Merchant Bankers) Regulations, 1992

- Regulate merchant bankers to ensure transparency, professionalism, and investor protection in issue management, underwriting, and corporate advisory.

- Merchant bankers manage public issues, underwrite securities, advise on corporate restructuring, and provide portfolio/project finance advisory.

Regulatory Action on FOCL

- Prohibited from accepting new issue-management mandates (IPOs/FPOs), corporate advisory assignments, or acting as manager/lead underwriter for 2 years.
- Penalty: ₹20 lakh.

Key Provisions of the Regulations

1. **Registration (Reg. 3–6):** Mandatory SEBI registration with adequate infrastructure, personnel, and financial soundness.
2. **Capital Adequacy:** Minimum net worth ₹5 crore; non-compliance may lead to suspension.
3. **Code of Conduct (Schedule III):** Integrity, fairness, diligence, conflict-of-interest avoidance, full disclosure, and client confidentiality.
4. **Underwriting & Issue Management (Reg. 13–16):** Due diligence, formal agreements, underwriting within capacity, pre-issue certification to SEBI.
5. **Books & Records (Reg. 29):** Maintain accounts, agreements, and correspondence for 5 years; available for SEBI inspection.
6. **Half-Yearly Reporting (Reg. 32):** Submit compliance reports; delays may attract penalties.
7. **Prohibition on Non-Securities Business (Reg. 24(b)):** Cannot engage in unrelated business; SEBI approval required for related activities.

12. SEBI Proposes Tighter KYC for Mutual Fund Investors

Context

SEBI has proposed stricter **KYC verification norms** for mutual fund (MF) investors to enhance compliance, reduce unclaimed dividends/redemptions, and ensure full verification before investments. A centralized, interoperable system is yet to be implemented.

Key Highlights

- **Proposed Norms:**
 - First-time investments or new folios accepted **only after KYC is fully verified and marked “compliant”** by the KYC Registration Agency (KRA).
 - Objective: Prevent unclaimed dividends and blocked redemptions.
- **Current Challenges:**
 - Multiple KYC verifications across banks, insurance, and MFs.
 - Lack of interoperability between **PAN-based KYC** (capital markets) and **Central KYC (CKYC)** systems.
 - Document discrepancies can mark folios as non-compliant, blocking redemptions/dividends.

Definitions / Key Terms

- **KYC:** Process to verify investor identity and ensure compliance.
- **KRA:** Agency maintaining KYC records for capital market investors.
- **CKYC:** Centralized government registry usable across banks, insurance, MFs, and pensions.
- **CERSAI:** Manages CKYC and central asset reconstruction/security interests.

13. SEBI Seeks Details After MCX Trading Disruption

Context

The **Multi Commodity Exchange of India (MCX)** experienced a **four-hour trading disruption** on **October 28, 2025**, prompting SEBI to seek details. This was the **second opening delay in four months** at India's largest commodities exchange.

About MCX

- **Largest commodity derivatives exchange in India**, providing a platform for hedging, price discovery, and risk management.
- **Established:** 2003 | **Headquarters:** Mumbai, Maharashtra
- **Regulation & Ownership:**
 - Regulated by SEBI
 - Operates as a demutualized exchange (ownership separate from trading membership)

Products Traded

- **Metals:** Gold, Silver, Copper, Aluminum, Lead, Zinc
- **Energy:** Crude Oil, Natural Gas
- **Agriculture:** Cotton, Cardamom, Mentha Oil, and others

Key Functions

- **Price Discovery:** Transparent market-driven commodity prices
- **Hedging:** Allows producers, consumers, and investors to manage price risks
- **Investment Opportunities:** Access for retail and institutional investors
- **Market Infrastructure:** Provides electronic trading, clearing, and settlement mechanisms

14. SEBI Proposes Simpler Mutual Fund Rules to Cut Investor Costs

Context

SEBI has proposed a comprehensive overhaul of **Mutual Fund (MF) regulations** to make them **simpler, transparent, and investor-friendly**, reduce costs, and streamline operational and regulatory compliance.

Key Objectives

- Lower investor costs
- Enhance transparency in fees and charges
- Simplify compliance for AMCs
- Improve governance by standardising roles of trustees and AMCs
- Promote investor protection

Major Proposals

- **Cost Rationalisation**
 - Brokerage cuts: Cash market 0.12% → 0.02%; Derivatives 0.05% → 0.01%
 - Exit-load transitory charge of 0.05% removed
 - TER for first two slabs of open-ended active schemes raised by 5 bps
 - Statutory levies (GST, STT, CTT, Stamp Duty) excluded from TER
- **Transparency in Fee Disclosure**
 - Statutory, brokerage, exchange, and regulatory fees to be disclosed separately
 - Optional **performance-linked TER** framework based on scheme performance
- **Governance & Oversight**
 - Standardised roles for AMCs and trustees
 - Launch expenses borne by AMCs/trustees, not investors
 - Regulation 24(b) updated to allow AMCs/subsidiaries to provide advisory services to non-pooled funds under Chinese walls and trustee oversight
- **Compliance & Operational Simplification**
 - Timelines clarified as calendar or business days
 - Digital communication (emails, SMS, websites) replaces newspaper ads for scheme changes
 - Submission of ad copies to SEBI no longer required

- **Updating Definitions & Removing Redundancies**

- New terms: Total Expense Ratio (TER), Exit Load
- Updated definitions: Mutual Fund, Liquid Net Worth
- Removed outdated provisions: Capital Protection Oriented Schemes, Real Estate Mutual Funds, Infrastructure Debt Funds

Key Terms

- **TER:** Total annual costs of a scheme as a percentage of assets
- **Exit Load:** Fee for early redemption of units
- **bps:** Basis point (0.01%)
- **Statutory Levies:** GST, STT, CTT, Stamp Duty
- **AMC:** Manages mutual fund investments
- **Trustee:** Oversees AMC operations in investor interest
- **Chinese Wall:** Barrier to prevent conflicts between business units
- **Open-Ended Scheme:** Units can be bought/redeemed anytime
- **Performance-Linked TER:** Fees based on scheme performance
- **Transitory Expense:** Previous 0.05% additional exit charge, now removed

