Consultation Paper on Draft Circular on Operational Efficiency in Monitoring of Non-Resident Indians Position Limits in Exchange Traded Derivatives Contracts - Ease of Doing Investment – December 10, 2024

The Securities and Exchange Board of India (SEBI) has issued a consultation paper to enhance operational efficiency in monitoring Non-Resident Indian (NRI) position limits in exchange-traded derivatives contracts. Currently, NRIs are required to obtain a Custodial Participant (CP) Code for trading in derivatives, which involves coordination with Clearing Members (CM) and may lead to operational inefficiencies. SEBI has proposed that NRIs be assigned a Permanent Account Number as a unique identifier for monitoring position limits and client-level positions. This change is intended to streamline the process and reduce administrative burdens, making investments more convenient for NRIs. Under the proposal, NRIs would no longer need to inform their CM or obtain a CP Code. The draft circular aims to enhance the ease of investment and trading for NRIs in exchange-traded derivatives contracts. It seeks to simplify the procedure for monitoring NRI position limits, aligning with the recommendations received from the Brokers' Industry Standards Forum. To access the consultation paper, click here.

SEBI (Prohibition of Insider Trading) (Third Amendment) Regulations, 2024 – December 4, 2024

The SEBI has notified the Securities and Exchange Board of India (Prohibition of Insider Trading) (Third Amendment) Regulations, 2024, which came into effect on December 4, 2024. Earlier, on July 29, 2024, SEBI released a consultation paper proposing amendments to the SEBI (Prohibition of Insider Trading) Regulations, 2015. This amendment introduces several significant changes to the existing regulations:

- Inclusion of Firms, Partners, and Household Members: Firms, their partners, or employees where a connected person is a partner are now deemed connected persons. Similarly, individuals sharing a household or residence with a connected person are also classified as connected persons.

- Revised Definition of "Relative": The term "immediate relatives" has been replaced with "relative," which has been expanded to include not only immediate family members but also spouses, parents, siblings, and children of a connected person. This definition aligns with the term "relative" under the Income Tax Act, 1961.

These amendments aim to further strengthen regulations around insider trading, including shifting the burden of proof onto individuals accused of insider trading. The changes are designed to enhance transparency and prevent illegal trading practices. To access the regulations, click here.

Relaxation from the ISIN Restriction Limit for Issuers Desirous of Listing Originally Unlisted ISINs (Outstanding as on December 31, 2023) – December 13, 2024

The SEBI has released a circular providing significant relaxation regarding the ISIN (International Securities Identification Number) restriction limit for issuers. This update specifically pertains to those looking to list originally unlisted ISINs that were outstanding as of December 31, 2023. According to regulation 62A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, it was made mandatory for debt-listed entities to list all non-convertible debt securities proposed to be issued on or after January 1, 2024. However, existing unlisted debt securities outstanding as of December 31, 2023, could remain unlisted until maturity, and it was optional for issuers to list such unlisted debt issuances. As per SEBI's requirements, an entity cannot exceed a specified number of ISINs maturing in a particular year. Operationally, if entities opted to convert their unlisted debt to listed debt, it could lead to a breach of the prescribed ISIN limit for many issuers. This change aims to enhance market visibility and provide investors with a broader range of investment options by encouraging issuers to list unlisted debt securities. Furthermore, it is expected to increase liquidity in the corporate bond market, benefiting both issuers and investors. This reform also simplifies compliance, as issuers will no longer need to manage ISIN limits when converting unlisted securities to listed ones. To access the circular, click here.

Amendments to Include Events in the Illustrative List of the Definition of Unpublished Price Sensitive Information under SEBI (Prohibition of Insider Trading) Regulations, 2015 – December 18, 2024

The SEBI in its 208th board meeting, approved the amendments to include events in the illustrative list of the definition of Unpublished Price Sensitive Information (UPSI) under the Insider Trading Regulations, 2015. These changes aim to enhance regulatory clarity and streamline compliance within the market. The amended definition now incorporates 17 out of 27 material events, which were previously not included, into the illustrative list of UPSI. These events, which are required to be disclosed under Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, are now explicitly categorized as UPSI. Additionally, SEBI has introduced threshold limits for identifying events as UPSI, based on the criteria outlined in Part A of Schedule III of the Listing Obligations and Disclosure Requirements Regulations, 2015. To access the press release, click here.

Securities and Exchange Board of India (Procedure for Making, Amending and Reviewing of Regulations) Regulations, 2024 – December 18, 2024

The SEBI in its 208th board meeting, approved the Securities and Exchange Board of India (Procedure for Making, Amending, and Reviewing of Regulations) Regulations, 2024. These regulations codify SEBI's approach to undertaking public consultation for making and amending regulations and establish a framework for reviewing existing regulations. Key features of the regulations include:

- Public Consultation:
  - Mandates that proposals containing suggested policy changes, including draft regulations, must be published for public feedback, typically for a minimum of 21 calendar days.
  - The rationale for the acceptance or non-acceptance of feedback will be made public.
  - Board agendas will include a structured analysis of feedback received during the public consultation process.
- Regulations in Exigency:
  - Provides for expedited processes (either without public consultation or with a reduced consultation period) when it is deemed expedient in the interest of investors or for the regulation or development of the securities market.

To access the press release, click here.

SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2024 – December 12, 2024

The SEBI has notified about the SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2024, focusing on enhancing corporate governance and compliance for listed entities. The amendments include the omission of certain definitions, updates to related party transactions (e.g., the inclusion of bank deposits and retail purchases), and refined obligations for directors, key managerial personnel (KMPs), and compliance officers. New provisions required listed entities to disclose investor grievances and ensure age compliance for non-executive directors. The regulations also mandate stricter approval and disclosure processes for transactions and governance activities, including timelines for periodic filings and information sharing. The tenure and qualifications of secretarial auditors are now more tightly regulated, with mandatory shareholder approval for appointments. Other changes included revised processes for the reclassification of promoters, detailed reporting under insolvency proceedings, and the substitution of "income" with "turnover" in corporate governance contexts. Additionally, requirements for document sharing with shareholders have been updated to promote digital communication. These regulations became effective from December 31, 2024, with specific provisions, such as those related to secretarial audits, commencing on April 1, 2025. The aim of these amendment regulations is to enhance corporate governance, increase transparency, and ensure timely reporting of material events. To access the regulations, click here.

International Financial Services Centres Authority (Informal Guidance) Scheme, 2024 – December 12, 2024

The International Financial Services Centres Authority (IFSCA) has introduced the Informal Guidance Scheme, 2024, aimed at fostering regulatory clarity and enhancing ease of doing business within International Financial Services Centres (IFSCs). This initiative reflects IFSCA's commitment to supporting stakeholders by providing a streamlined mechanism for seeking non-binding guidance on regulatory matters. The scheme is designed for entities regulated by IFSCA, offering two types of guidance—No-Action Letters and Interpretive Letters. A No-Action Letter assures entities that IFSCA will not take enforcement action regarding specific conduct, provided all conditions are met. Interpretive Letters, on the other hand, clarify the Authority's interpretation of applicable laws or regulations, helping entities navigate complex regulatory landscapes with confidence. The process for obtaining informal guidance is outlined in detail. Applicants must submit a formal request with specific details about their queries, including relevant facts and supporting documentation. However, the scheme has certain limitations such as guidance will not be issued for hypothetical scenarios, ongoing investigations, or matters pending adjudication. Importantly, guidance issued under the scheme is non-binding and cannot be used as a legal precedent. It aims to provide clarity while ensuring regulatory flexibility. The scheme underscores IFSCA's proactive approach to building a robust regulatory framework that promotes innovation and aligns with international standards, making IFSCs a globally competitive financial ecosystem. This initiative is expected to boost investor confidence and attract more stakeholders to the IFSCs in India. This scheme has been implemented on January 1, 2025. To access the circular, click here.

Amendment to Framework for Facilitating Small Value Digital Payments in Offline Mode – December 4, 2024

The Reserve Bank of India issued a notification to amend the framework for facilitating small-value digital payments offline. It refers to an earlier circular (January 3, 2022, updated August 24, 2023) that established limits for offline digital transactions. Through this amendment, the upper limit for individual offline digital payment transactions has been increased from ₹500 to ₹1,000 for UPI Lite. The total limit for a payment instrument in offline mode has been raised from ₹2,000 to ₹5,000. These changes aim to enhance the facilitation of small-value transactions via digital payments, particularly using UPI Lite. Overall, the amendment is intended to encourage and streamline the use of small-value digital payments in offline scenarios. To access the notification, click here.

The Ministry of Finance Proposes to Increase the Limit of Foreign Direct Investment in the Insurance Sector from 74% to 100% – November 26, 2024

The Ministry of Finance proposed an increase in the Foreign Direct Investment limit in the insurance sector from the current 74% to 100%. This move aims to further liberalize the sector, attract global investment, and enhance growth prospects for the Indian insurance industry. The main goal of this proposed change is to increase investment, make insurance more widely available, and encourage new ideas by using global knowledge. The impact of this proposal could provide foreign investors with greater control and operational flexibility, potentially leading to increased competition and better customer offerings. The Indian insurance market, one of the fastest-growing globally, is poised to benefit significantly from this reform. By opening the sector to full foreign ownership, the government aims to address capital challenges faced by insurers and encourage technological advancements. Stakeholders across the board are encouraged to participate in the process to shape the final policy framework. The proposed reform signifies a critical step toward aligning India's insurance sector with global best practices. To access the proposed amendment, click here.