

SEBI Consultation Papers – October 2025 Edition

Consultation paper on Relaxation in the threshold for identification of High Value Debt Listed Entities (HVDLEs) and measures facilitating ease of doing measures for HVDLE including provisions relating to Related Party Transactions. – 27th October, 2025

- Increase in threshold for identification for HVDLEs from INR 1000 crores to INR. 5000 crores.
- Substitution of term ‘income’ by the term ‘turnover’ in Regulation 62L(1) in order to align with similar amendment made for equity listed entities.
- Prior special resolution of shareholders must be obtained before a non-executive director crosses the age of 75 years for continuation.
- Time taken to obtain regulatory/statutory/government approvals will be excluded from the prescribed timeline for obtaining shareholder approval for appointment/reappointment of directors.
- No shareholder approval is required for nominee directors appointed by financial sector regulators, Courts, or Tribunals.
- Vacancies in key Board Committees — Audit, NRC, SRC, and RMC — must be filled within 3 months.
- Recommendations of the Board to the shareholders to specifically include rationale of the board of directors.
- Replace the term “year” with “financial year” in various regulations relating to the Board, Audit Committee, NRC, SRC, and RMC to ensure clarity and consistency.
- Omit the mandatory replacement of an Independent Director within 3 months if the Board continues to meet the required composition even after the vacancy.
- Exempt shareholder approval for sale of assets by a material subsidiary to another subsidiary within the same group.
- Allow 3 months’ time to fill KMP vacancies for companies emerging from CIRP, provided at least one full-time KMP is in place.
- Replace fixed 21-day timeline for HVDLEs to file periodic compliance reports with a flexible, Board-prescribed timeline.
- Remove the requirement to disclose material RPTs in the periodic compliance report of HVDLEs, as such disclosures are already captured in half-yearly RPT reports for equity listed entities.
- Introduce specific provisions for appointment, reappointment, removal, and disqualification of the Secretarial Auditor of HVDLEs.
- Align RPT provisions in Regulation 62K with Regulation 23, while retaining the need for No Objection Certificates (NOC) from Debenture Trustee and Debenture Holders.

Link: <https://www.sebi.gov.in/reports-and-statistics/reports/oct-2025/consultation-paper-on-relaxation-in-the-threshold-for-identification-of-high-value-debt-listed-entities-hvdles-and-measures-facilitating-ease-of-doing-measures-for-hvdle-including-provisions-relatin-97451.html>

SEBI Consultation paper for permitting debt issuers to offer incentives in public issues to certain category of investors – 27th October 2025

SEBI has proposed an amendment to Regulation 31 of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 by adding a proviso to permit debt issuers to offer incentives—such as higher coupon rates or discounts on issue price—to specified investor categories like senior citizens, women, armed forces personnel, and retail investors, with the objective of boosting retail participation and revitalizing public debt issuances.

The incentives, inspired by similar practices in the securities and banking sectors, would be discretionary for issuers, disclosed upfront in offer documents, and applicable only to the original allottees of the public issue.

Link: https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/oct2025/1761569273678.pdf#page=1&zoom=page-width,-15,842

SEBI Consultation paper for review of LODR Regulations—clarification regarding the timeline for transfer of unclaimed amount by entity having listed non-convertible securities— 24th October 2025

- SEBI has proposed an amendment to Regulation 61A of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015) to clarify and align the timelines for transfer of unclaimed amounts related to listed non-convertible securities (NCS) with the provisions of Section 125 of the Companies Act, 2013 and the Investor Education and Protection Fund (IEPF) Rules, 2016.
- Under the existing LODR framework, unclaimed interest, dividend, or redemption amounts are required to be first transferred to an escrow account after 30 days and subsequently to the IEPF after seven years. However, SEBI observed a lack of clarity on the timing and treatment of **matured debentures and related interest**, leading to potential inconsistencies between the LODR Regulations and the IEPF framework.
- To ensure regulatory consistency and alignment, SEBI has proposed amending Regulation 61A(3) to explicitly state that both the matured debenture amounts and their unclaimed interest shall be transferred to the IEPF after seven years, in line with the IEPF provisions.
- For entities that are not “companies” under the Companies Act, 2013 the existing provision under Regulation 61A(3) already requires transfer of such unclaimed amounts after seven years to SEBI’s Investor Protection and Education Fund (IPEF) constituted under Section 11 of the SEBI Act. This ensures that all listed entities—whether governed by the Companies Act or not—have a parallel, harmonized mechanism for dealing with unclaimed investor funds.

Link: <https://www.sebi.gov.in/reports-and-statistics/reports/oct-2025/consultation-paper-for-review-of-lodr-regulations-clarification-regarding-the-timeline-for-transfer-of-unclaimed-amount-by-entity-having-listed-non-convertible-securities- 97448.html>

SEBI Consultation paper on proposed amendment to certain provisions of SEBI (LODR) Regulations, 2015 to facilitate transfer of securities transferred prior to April 1, 2019 and simplify the process of dematerialization of shares – 17th October 2025

Objective

The consultation paper proposes amendments to the SEBI (LODR) Regulations, 2015 with two key goals:

- To facilitate transfer of securities where transfer deeds were executed prior to 1st April, 2019 but not completed within the earlier prescribed timelines.
- To simplify the dematerialisation process by eliminating the need for a Letter of Confirmation (LOC) and allowing direct credit of securities to investors’ demat accounts.

Proposal 1: Amendment to Regulation 40(1) – Transfer of Securities executed before 1st April, 2019

Background

- SEBI had discontinued transfer of securities in physical mode from 1st April, 2019, mandating that all transfers be effected only in demat form.
- However, investors who had executed physical transfer deeds before 1st April, 2019, but whose documents were rejected, returned, or remained unattended, were given a temporary window (till March 31, 2021) to re-lodge documents.
- Many investors still missed the deadline due to practical challenges such as:
 - Transferor deceased or untraceable.
 - Transferor entity dissolved, struck off, or closed.
 - Transfer deed executed but never lodged or lodged with deficiencies.
 - Securities sent to wrong RTA.
 - Oversight by company or RTA.

SEBI's 2025 Action

- SEBI, after receiving numerous representations, constituted a Panel of Experts (RTAs, legal experts, and listed companies) to recommend a solution.
- The Panel suggested granting one more opportunity for such investors to regularize their transfers.
- Accordingly, SEBI opened a special six-month window (7th July, 2025 – 6th January, 2026) for re-lodgement of such transfer deeds.

Findings

- 66% of the applications during the window pertained to fresh lodgement of transfer deeds executed before 1st April, 2019.
- Many transferees were unable to dematerialize these securities leading to hardship and denial of ownership rights.

Proposed Amendment

- Regulation 40(1) of the LODR Regulations to be amended to provide a temporary exception to the restriction on transfer of securities in physical mode.
- SEBI may specify a defined period (sunset clause) during which:
 - Transfer requests for deeds executed before April 1, 2019 shall be permitted.
 - Upon verification, securities will be credited only in dematerialized form after registration.

Conditions for Transfer:

All such transfers will require enhanced due diligence by RTAs and listed entities, including:

1. Mandatory Demat Account

- Transferee must submit Client Master List (CML); securities will be credited only in demat form.

2. Identity & PAN Verification

- PAN, identity, and address proofs of transferor and transferee to be verified.
- Name mismatches to be supported by passport/marriage certificate/gazette notification/Aadhaar.

3. Signature mismatch or non-availability

- Follow Schedule VII of LODR for mismatched or missing signatures.
- If transferor untraceable/uncooperative:
Transferee to provide notarized indemnity bond, address proof, and undertaking not to transfer during lock-in.
- RTA to verify KYC details.
- Newspaper advertisement (English + regional daily) giving 30 days' notice for objections.
- Transfer effected only after 30 days, with 1-year lock-in.
- Details of transfer (names, number of shares) to be disclosed on company & stock exchange websites for 6 months.

4. Non-availability of Documents

- Same process as above to be followed if the transferor is not traceable or uncooperative.

5. Transfer-cum-Transmission Cases

- Applicable when transferee (who held the share certificate) has passed away.
- If undisputed:
Claimant to provide CML, indemnity bond, proof of purchase (if available), and other standard transmission documents.
- Company to send notice to transferor and publish advertisement (English + regional daily).
- Transfer after 30 days, subject to 1-year lock-in.
- Disclosure of transfer details on company & exchange websites for 6 months.
- Disputed cases to be settled through court/NCLT.

Proposal 2: Doing Away with the “Letter of Confirmation (LOC)” Process

Background

- Earlier, after processing investor service requests (e.g., duplicate certificate, name change, transmission, etc.), securities were issued in physical form.
- After April 1, 2019, securities were to be issued only in demat form, and SEBI introduced the Letter of Confirmation (LOC) as an intermediary step.
- LOC issued by RTA after verifying service request.
- Valid for 120 days; investor had to submit LOC to their Depository Participant (DP) for dematerialisation.
- If not dematerialized in time, securities credited to Suspense Escrow Demat Account (SEDA).

Issues Identified

- Dual Effort for Investors — They must interact with both the RTA and DP separately.
- Longer Turnaround Time (TAT) — LOC validity (120 days) and multiple steps delay dematerialisation.
- Operational Burden — Maintenance of SEDA, follow-ups, and reconciliation increase costs and complexity.
- Investor Inconvenience — Risk of missing deadlines and delayed access to securities.

Proposed Amendment

- Abolish the LOC process entirely to simplify dematerialisation.
- Depositories to develop a system enabling RTAs/listed entities to directly credit securities to investors' demat accounts after verifying service requests and due diligence.
- Investors must already have a demat account or open one before submitting requests.
- Investors to provide CML of their demat account along with service requests.
- Regulation 39(2) of LODR to be amended to reflect this change.

Link: https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/oct-2025/1760699641194.pdf#page=10&zoom=90,-42,98

SEBI Consultation paper on Comprehensive review of SEBI (Mutual Funds) Regulations, 1996 – 28th October 2025

Summary of Broad Proposals under the Draft SEBI (Mutual Funds) Regulations, 2025

Objective and Context

SEBI has proposed a comprehensive revamp of the SEBI (Mutual Funds) Regulations, 1996 to:

- Simplify, consolidate, and modernize the regulatory framework governing Mutual Funds (MFs).
- Align the regulations with current market practices, technology-driven operations, and investor protection needs.
- Remove redundancies, improve readability, and ensure consistency with SEBI's Master Circulars.

Broad Changes Proposed

A. Simplification and Clarity

1. **Eligibility criteria (Reg. 7 & 81):**
 - The eligibility criteria for *sponsors* of both Mutual Funds and "MF Lite" entities have been **tabulated** for ease of reference.
 - Clear demarcation of financial, operational, and governance requirements.
2. **Roles and obligations (Reg. 16, 25, 85 & 87):**
 - Duties of **trustees** and **AMCs** standardized and categorized under common heads to reduce overlap.
 - Ensures better alignment of responsibilities between trustees and AMCs.
3. **Annual Report dissemination (Reg. 56):**
 - AMCs can now send both **Annual Report and abridged summary** in **digital format**, replacing physical copies.
4. **Prudential investment limits (Seventh Schedule):**
 - Investment restrictions consolidated into a **single tabular format** within the **Master Circular**, with only broad principles retained in the Regulations.
5. **Valuation guidelines (Reg. 47 & Eighth Schedule):**
 - Detailed valuation norms moved to the **Master Circular**, while **core principles** remain in the Regulations.

B. Transparency and Investor Protection

1. **Removal of additional 5 bps charge (Reg. 52(6A)(c)):**
 - The 5 bps additional expense (transitory allowance to AMCs) **removed** to rationalize cost for investors.
 - To offset, the **first two expense ratio slabs** for open-ended active schemes have been **revised upward by 5 bps**.

2. **Revised expense ratio structure (Reg. 52):**
 - **Statutory levies (STT, GST, CTT, stamp duty)** excluded from TER limits.
 - Future changes in levies to be **passed directly to investors**; TER revised downward to that extent.
3. **Brokerage and transaction cost limits (Reg. 52):**
 - Brokerage caps reduced to ensure fair investor charges:
 - **Cash market:** from 12 bps → **2 bps**
 - **Derivatives:** from 5 bps → **1 bps**
 - All statutory levies (STT/CTT/GST/stamp duty) can be charged **over and above** these limits.
4. **Definition and disclosure of Total Expense Ratio (new Regulation):**
 - TER now defined to include all expenses: management fees, brokerage, exchange fees, statutory levies, etc.
 - Mandatory **disclosure of TER** with breakup under each cost head to enhance transparency.
5. **Differential Expense Ratio (new Regulation):**
 - **Performance-based expense ratio** introduced (optional for AMCs).
 - Detailed framework to follow after stakeholder consultation.
6. **Pre-allotment expenses (Reg. 52(2) & 52(4)):**
 - All costs up to the **date of allotment in NFO** to be borne by the AMC, Trustees, or Sponsor — not the scheme.
7. **Other business activities of AMC (Reg. 24(b)):**
 - AMCs allowed to provide **investment/advisory services to non-pooled funds** (e.g., PMS, AIFs) subject to:
 - Separate business unit with **Chinese walls** and staff segregation.
 - Oversight by **Trustees and Unit Holder Protection Committee**.
 - Prior SEBI approval if service is regulated by domestic/foreign regulators.
8. **Scheme winding-up costs (Reg. 41(2)(b)):**
 - Clarified per Supreme Court order (Aug 12, 2022):
 - Only **custodian fees, audit fees, investor communication** costs allowed as winding-up expenses.
 - **Investment/advisory fees** and **distribution commissions** excluded.
9. **Timeline Clarification:**
 - Ambiguity in “days” clarified — now defined as *calendar days, business days, or working days* as applicable across regulations.
10. **Profitability Criteria for Sponsors (Reg. 7 & 81):**
 - Only **profits from financial services business** considered under eligibility criteria.
11. **Rollover of close-ended schemes (Reg. 33(4)):**
 - Rollover to follow a process **similar to filing an offer document**.
 - Investors not giving positive consent will have their units **redeemed on the original maturity date**.

C. Ease of Compliance:

1. Trustee Meetings Frequency

- Minimum frequency revised to one meeting every three calendar months and at least four meetings per year.
- Trust deed to empower trustees to meet as often as required for ensuring orderly management and regulatory compliance.

2. Disclosure of Trustees' Securities Transactions

- Requirement for trustees to disclose personal dealings in securities to the Board/AMC deleted, as such transactions are already governed under the SEBI (Prohibition of Insider Trading) Regulations, 2015.

3. Submission of Advertisements to SEBI

- The obligation to submit hard copies of advertisements to SEBI within 7 days of issue has been removed, as advertisement monitoring is now automated by SEBI.

4. Half-Yearly Portfolio Disclosure

- The half-yearly statement of portfolio disclosure requirement deleted.
- Formats of monthly and half-yearly disclosures aligned to avoid duplication and reduce compliance costs.

5. Newspaper Advertisements for Change in Control/Fundamental Attribute

- The requirement to publish such changes in English and vernacular newspapers has been replaced with digital disclosure via email/SMS to investors and publication on the AMC's website.

6. Definition of Independence for Trustees and AMC Directors

- The phrase "*associated in any manner whatsoever*" deleted.
- Term "independent" clarified as a person not associated with the sponsor, with the word "*associated*" now specifically defined in the regulations.

D. Major Changes in Definitions

1. New definitions added:

- *Exit Load, Free Reserve, Total Expense Ratio (TER)* added for clarity and transparency.

2. Modified definitions:

- *Mutual Fund, Liquid Net Worth, Offer Document* updated for better clarity.

3. Deleted definitions:

- *Capital Protection Oriented Schemes (CPOS), Money Market Mutual Fund, Real Estate Mutual Fund Scheme, Proviso to Trustees* deleted as obsolete or moved under other frameworks (REITs, InvITs, etc.).

4. Streamlined definitions consolidated:

- Terms like *Accredited Investor, Broad-Based Fund, Investment Strategy, MF Lite, Specialised Investment Fund* centralized under one "Definitions" section for consistency.

E. Deletion of Redundant / Duplicative Clauses

- 1. Capital Protection Oriented Schemes (Reg. 38A)** — deleted as inconsistent with MF pass-through nature.

- 2. Real Estate MF Schemes (Chapter VI-A)** — deleted; covered under REIT framework.

- 3. Infrastructure Debt Fund Schemes (Chapter VI-B)** — deleted; moved to InvIT framework.

4. Other deletions:

- Redundant provisions on buy/sell of units, trust deed signatory rules, underwriting by MF schemes, abridged balance sheet/revenue account, and unprovided depreciation — all removed for simplification.

Link: https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/oct-2025/1761660314120.pdf#page=9&zoom=100,-7,784

SEBI Consultation paper on Relaxation of India geo-tagging for NRI client's re-KYC/KYC modification through digital on-boarding/video client Identification process (V-CIP) – 23rd October 2025

SEBI has issued a draft circular proposing relaxation of the existing requirement for NRI clients to be physically located in India while completing re-KYC or KYC modification through digital onboarding or Video Client Identification Process (V-CIP) under the Master Circular on KYC dated 12th October, 2023. The amendment proposes that while new client onboarding will still require India geo-tagging, existing NRI clients undertaking re-KYC/KYC modification will be exempt from the "India-only" geo-location condition.

However, intermediaries' applications must still capture GPS coordinates (latitude and longitude) matching the country stated in the client's proof of address and prevent connections from spoofed IP addresses. This change aims to ease compliance and enhance digital accessibility for NRIs without compromising verification integrity. Public comments are invited until 13th November, 2025.

Link: <https://www.sebi.gov.in/reports-and-statistics/reports/oct-2025/circular-on-relaxation-of-india-geo-tagging-for-nri-clients-re-kyckyc-modification-through-digital-on-boarding-video-client-identification-process-v-cip-97439.html>

SEBI Consultation paper on Standardisation of process for opening of mutual fund folios and execution of First Investment – 8th October 2025

To standardize the process of opening new mutual fund folios and executing the first investment to ensure full KYC compliance before any transaction is allowed.

Background

- Currently, AMCs create folios and forward KYC documents to KRAs for verification.
- Sometimes, discrepancies arise, causing folios to be marked "KYC non-compliant."
- This results in issues such as:
 - Investors unable to transact, receive dividends, or redemption amounts.
 - AMCs unable to communicate or transfer funds correctly due to incomplete investor details.

Proposed Framework

- Folios to be created only after KYC documentation and internal verification by AMC.
- KRA to complete final KYC verification and mark folio as *KYC compliant* before first investment is allowed.
- Investor notification at each stage of KYC process (via email/SMS).
- AMCs, KRAs, and intermediaries must update internal systems to align with this process.

Link: https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/oct-2025/1761210652019.pdf#page=1&zoom=page-width,-15,842