

FEBRUARY 2025

NEWSLETTER

REGULATORY

- RBI
- SEBI
- MCA



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1. Foreign Exchange Management (Manner of Receipt and Payment) (Amendment) Regulations, 2025Notification No. **FEMA 14(R)(1)/2025-RB**

Dated: February 10, 2025

Vide this notification, RBI has amended the Foreign Exchange Management (Manner of Receipt and Payment) Regulations, 2023 namely: -

Regulation 3(2)(I)(a)(ii) pertaining to the payments between residents of Asian Clearing Union (“ACU”) member countries has now been amended. The new provision specifies:

- Payments between residents of ACU member countries, excluding Nepal and Bhutan, may now be made through the ACU mechanism or as per the directions issued by the RBI to authorized dealers, from time to time.
- For all other transactions, receipts and payments shall be made in the manner specified under item (iii) of the same Regulation 3(2)(I)(a).

Whereas, prior to the amendment, the Principal Regulations provided that the payments to and from countries which are not part of the ACU 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 Amended Regulations aim to clarify that transactions between residents of ACU member countries, other than Nepal and Bhutan may now be processed through the ACU mechanism, in line with the RBI’s directions.

[Notification](#)

SEBI

1. Safer participation of retail investors in Algorithmic trading

Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/0000013

Dated 04th February, 2025

Effective Date: 1 August 2025

SEBI, vide this Circular has provided regulatory framework to enable safer participation of retail investors in Algorithmic Trading (Algo trading).

Gist of the circular is as below:

- Brokers will act as principals, while algo providers will be their agents. All algo orders flowing through APIs will be tagged with a unique identifier provided by the stock exchange to ensure traceability.
- Tech-savvy retail investors who develop their own algos must register them with the exchange through their broker if the algos exceed a specified order per second threshold.
- Brokers are required to implement robust security measures for API (Application Programming Interface access). They must detect and categorize orders above the threshold as algo orders. Open APIs are prohibited; access will be allowed only through a unique vendor client-specific API key and a static IP address whitelisted by the broker.
- Brokers must obtain permission from the stock exchange for each algo before offering algo trading facilities. All algo orders must be tagged with a unique identifier to establish an audit trail. Brokers are responsible for seeking exchange approval for any modifications to approved algos.
- Brokers are solely responsible for handling investor grievances related to algo trading and monitoring APIs for prohibited activities.
- Any algo provider, providing the facility to place algo orders with brokers through API, will require to be empaneled with exchanges. Brokers must conduct due diligence before onboarding algo providers. Clear disclosure of charges and potential conflicts of interest is mandatory.
- Algos will be classified into 'white box' (execution algos with transparent logic) and 'black box' (non-transparent logic). Black Box algo providers must register as research analysts (RA) and maintain detailed research reports.

The Broker's Industry Standards Forum is required to formulate the implementation standards under the aegis of the stock exchanges and in consultation with SEBI by April 01, 2025.

[Circular](#)

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

F. No. SEBI/LAD-NRO/GN/2025/227

Dated 06th February, 2025

SEBI, vide this notification has amended the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018.

After the existing regulation **39A** pertaining to Information and Data Sharing Policy, a new regulation **39B** –has been inserted vide this amendment as under:

39 B Responsibility for the use of artificial intelligence

A recognized stock exchange and a recognized clearing corporation which uses artificial intelligence and machine learning tools and techniques, either designed by it or procured from third-party technology service providers, irrespective of the scale and scenario of adoption of such tools for conducting its business and servicing its clients or constituents, shall be solely responsible-

- a) for the privacy, security and integrity of investors' and stakeholders' data including data maintained by it in a fiduciary capacity throughout the processes involved;
- b) for the output arising from the usage of such tools and techniques it relies upon or deals with, and
- c) for the compliance with applicable laws in force.

Explanation has also been inserted to define “artificial intelligence and machine learning tools and techniques”.

[Regulation](#)

3. Securities and Exchange Board of India (Depositories and Participants) (Amendment) Regulations, 2025

F. No. SEBI/LAD-NRO/GN/2025/225

Dated 06th February, 2025

SEBI, vide this notification has amended the Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018.

Following is a gist of amendments:

1. After the existing regulation 9 pertaining to payment of Annual Charge, a new regulation 9A - ‘Interest on non-payment, belated payment or short payment of annual fee and annual charge’ has been inserted. In the event, due to default of the depository, any fee required to be paid to the Board remains unpaid, is paid late, or is underpaid, the depository shall, in addition to any other actions that may be initiated under the applicable Act, rules, or regulations, be liable to pay interest at the rate of 15% (fifteen percent) per annum on the outstanding amount for each month of delay or part thereof, until the full payment is made to the Board.
2. After the existing regulation 82A pertaining to Equal, fair and transparent access, a new regulation 82AA – ‘Responsibility for the use of artificial intelligence’ has been inserted. A depository which uses artificial intelligence and machine learning tools and techniques, either designed by it or procured from third-party technology service providers, irrespective of the scale and scenario of adoption of such tools for conducting its business and servicing its clients or constituents, shall be solely responsible-
 - a) for the privacy, security and integrity of investors’ and stakeholders’ data including data maintained by it in a fiduciary capacity throughout the processes involved;
 - b) for the output arising from the usage of such tools and techniques it relies upon or deals with, and
 - c) for the compliance with applicable laws in force.

Explanation has also been inserted to define “artificial intelligence and machine learning tools and techniques”.

[Regulation](#)

4. Facilitation to SEBI registered Stock Brokers to access Negotiated Dealing System-Order Matching (NDS-OM) for trading in Government Securities-Separate Business Units (SBU)

Circular No. SEBI/HO/MIRSD/MIRSD-PoD/P/CIR/2025/14

Dated 11th February, 2025

RBI vide notification dated February 07, 2025 permitted access of SEBI-registered non-bank brokers to Negotiated Dealing System-Order Matching (NDS-OM) through Master Direction – Reserve Bank of India (Access Criteria for NDS-OM) Directions, 2025.

SEBI vide this circular, in order to facilitate SEBI registered Stock Brokers to participate in Government Securities (G-Secs) in the NDS-OM has decided that they may do so under a Separate Business Unit (SBU) of the stock broking entity itself, in the manner specified herewith.

The matters related to policy, eligibility criteria, risk management, investor grievances, inspection, enforcement, claims etc. for stock brokers to transact on NDS-OM would be specified under the regulatory framework issued by the respective regulatory authority and all activities of the business unit of stock broker facilitating trading on NDS-OM would be under the jurisdiction of such regulatory authority.

To demarcate the regulatory obligations and to ring fence the activities of the stock brokers and its NDS-OM activities, SEBI has also specified some key safeguards for stock brokers detailed in this circular.

[Circular](#)

5. Service platform for investors to trace inactive and unclaimed Mutual Fund folios- MITRA (Mutual Fund Investment Tracing and Retrieval Assistant)

Circular No. SEBI/HO/IMD/IMD-SEC-3/P/CIR/2025/15

Dated 12th February, 2025

SEBI vide this circular has introduced a digital platform MITRA (Mutual Fund Investment Tracing and Retrieval Assistant) which will assist investors in tracking inactive and unclaimed mutual fund folios.

Features of MITRA

- Provides a searchable database of inactive and unclaimed mutual fund folios at an industry level.
- Enables investors to identify overlooked investments or investments made by others for which they may be rightful legal claimants.
- Encourages investors to update their KYC as per current norms, reducing the number of non-KYC compliant folios.
- Contributes to building a transparent financial ecosystem and mitigates fraud risks.

Criteria for Classifying a Folio as Inactive

- A folio is considered inactive if no investor-initiated transactions (financial or non-financial) have taken place in the last 10 years, but a unit balance is available.

Platform Details

- MITRA Platform will be hosted jointly by two Qualified RTAs (QRTAs): Computer Age Management Services Limited (CAMS) and KFIN Technologies Limited as agents of AMCs and will be available through a link on the website of MF Central, AMCs, AMFI, the two QRTAs and SEBI.
- The cyber security and cyber resilience framework as applicable to QRTAs in terms of SEBI Master Circular on Mutual Funds dated June 27, 2024 shall be applicable to MITRA platform.
- The QRTAs are jointly and severally responsible for compliance with all the applicable regulations including system audit and cyber security audit.
- The QRTAs shall make the MITRA platform operational within 15 working days of issuance of the circular. Beta version shall be launched for 2 months.

[Circular](#)

6. Relaxation in timelines for holding AIFs' investments in dematerialised form

Circular No. SEBI/HO/AFD/PoD-1/P/CIR/2025/17

Dated 14th February, 2025

SEBI vide this circular has provided relaxation to **AIFs** for holding their investments in dematerialized form.

From July 1, 2025, all investments made by AIFs, whether directly in the investee company or acquired from another entity, will be required to be held in dematerialized form. This includes any new investments made post this date.

Investments made by AIFs prior to July 1, 2025, are generally exempt from the requirement to hold investments in dematerialized form upto October 31, 2025. However, there are two important exceptions:

1. If the investee company has been mandated by applicable law to facilitate the dematerialization of its securities, the AIF must comply with the dematerialization requirement.
2. If the AIF (either individually or along with other SEBI-registered intermediaries/entities) exercises control over the investee company, the AIF will also be required to hold its investments in dematerialized form. The term 'control' is defined under Regulation 2(1)(f) of the AIF Regulations.

The aforesaid requirement of holding investments in dematerialised form shall not be applicable to:

- Scheme of an AIF whose tenure (not including permissible extension of tenure) ends on or before 31-10-25.
- Scheme of an AIF which is in extended tenure as on 14-02-25.

7. Revised timelines for issuance of Consolidated Account Statement (CAS) by Depositories

Circular No. SEBI/HO/MRD/PoD1/CIR/P/2025/16

Dated 14th February, 2025*Effective Date: May 14, 2025*

SEBI vide this circular has modified the timelines for issuing Consolidated Account Statements (CAS) to improve compliance efficiency.

Pursuant to such modification, Asset Management Companies (AMCs) and Mutual Fund Registrar and Transfer Agents (MF-RTAs) are required to submit common PAN data to depositories within ***five days from the end of each month***, extending the earlier three-day limit.

Once the data is received, depositories will consolidate and send CAS to investors who have opted for electronic delivery ***by the 12th day of the month (previously 10th day)***. For those preferring physical copies, statements will be dispatched by the ***15th day from the month-end***.

For half-yearly CAS, SEBI has mandated that AMCs and MF-RTAs must provide common PAN data to depositories by the ***8th of April and October every year***. Depositories will then send e-CAS by the 18th of April and October, while physical copies will be dispatched by the ***21st of the respective months***.

Additionally, SEBI has revised the CAS issuance rules for accounts with no transactions. If an investor has activity in their demat account or mutual fund folios, CAS will continue to be sent monthly via email. If no transactions occur, a CAS with holding details will be sent on a half-yearly basis.

8. Industry Standards on “Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction”

Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/18

Dated 14th February, 2025*Effective Date: April 1, 2025*

Regulation 23(2), (3) and (4) of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“LODR Regulations”) require related party transactions (“RPTs”) to be approved by the Audit committee and by the shareholders, if material. Part A and Part B of Section III-B of SEBI Master Circular dated November 11, 2024 (“Master Circular”) specify the information to be placed before the Audit committee and shareholders, respectively, for consideration of RPTs.

The Industry Standards Forum (ISF) comprising representatives from three industry association- ASSOCHAM, CII and FICCI have formulated industry standards for minimum information to be provided by listed entities for review of the audit committee and shareholders for approval of RPTs in consultation with SEBI under the aegis of the Stock Exchanges.

The listed entities are required to follow the aforesaid industry standards to ensure compliance with Part A and Part B of Section III-B of the Master Circular read with Regulation 23(2), (3) and (4) of LODR Regulations.

Accordingly, paragraph 4 under Part A of Section III-B shall stand substituted by the following paragraph:

“The listed entity shall provide the audit committee with the information as specified in the Industry Standards on “Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction”, while placing any proposal for review and approval of an RPT.”

Further, paragraph 6 under Part B of Section III-B shall stand substituted by the following paragraph:

“The notice being sent to the shareholders seeking approval for any RPT shall, in addition to the requirements under the Companies Act, 2013 include the information as part of the explanatory statement as specified in the Industry Standards

on “Minimum information to be provided for review of the audit committee and shareholders for approval of a related party transaction”.

[Circular](#)

9. Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2025

No. SEBI/LAD-NRO/GN/2025/230

Dated 14th February, 2025

SEBI, vide this notification has amended the Securities and Exchange Board of India (Mutual Funds) (Amendment) Regulations, 2025.

Following is the gist of major amendments:

1. Regulation 25: Asset management company and its obligations

- SEBI has introduced a new requirement mandating an Asset Management Company (“AMC”) to invest a specified percentage of the remuneration of its employees in units of mutual fund schemes.
- The percentage to be invested shall be determined on the basis of the designation or role of the employees and the manner of investment shall be prescribed by SEBI.
- This provision is intended to align the interests of AMC employees with those of the investors, fostering a more accountable and investor-centric approach within AMCs.
- AMCs shall conduct stress testing for certain schemes, as specified by the Board and the results of such stress testing must be disclosed in a format and manner as prescribed by SEBI.

2. Regulation 35: Allotment of units and refunds of moneys

- SEBI has mandated that funds raised through a New Fund Offer (NFO) must be deployed within a specific time period, as prescribed by SEBI from time to time.

3. Regulation 52: Limitation on fees and expenses on issue of schemes

- SEBI has introduced a provision requiring AMCs to disclose and manage charges, commission, and fees related to the distribution of mutual fund schemes.
- These charges must be paid in a manner that is consistent with the regulations set forth by SEBI from time to time.

[Regulation](#)

10. Clarification regarding Investor Education and Awareness Initiatives

Circular No. SEBI/HO/IMD/PoD1/P/CIR/2025/21

Dated 20th February, 2025

Chapter 10 of the SEBI Master Circular dated June 27, 2024 on Mutual Funds (“Master Circular”), specifies the provisions for loads, fees, charges and expenses charged by Mutual Fund schemes and inter alia requires AMCs to annually set apart at least 2 basis point on daily net assets within the maximum limit of total expense ratio as per regulation 52 of SEBI (Mutual Fund) Regulations, 1996, for investor education and awareness initiatives.

SEBI, vide this circular has clarified that initiatives under ‘Investor Education and Awareness’ include financial inclusion initiatives, as may be approved by SEBI from time to time.

[Circular](#)

11. Investor Charter for Stock Brokers

Circular No. SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2025/22

Dated 21st February, 2025

SEBI, vide Circular no. SEBI/HO/MIRSD/DOP/P/CIR/2021/676 dated December 02, 2021 (hereinafter mentioned as

‘Circular’) and Clause 75 of Master Circular for Stock Brokers dated August 09, 2024 (hereinafter mentioned as ‘Master Circular’), inter alia, had issued Investor charter for stock brokers.

In a move to enhance financial consumer protection alongside enhanced financial inclusion and financial literacy and in view of the recent developments in the securities market including introduction of Online Dispute Resolution (ODR) platform and SCORES 2.0, SEBI vide this circular has decided to modify the investor charter for stockbrokers.

In view of the above and based on consultation with Brokers’ Industry Standards Forum (ISF), updated investor charter for stock brokers is placed at **Annexure A** to this circular.

In this regard, Stock Exchanges are directed to advise Stock Brokers to bring the Investor Charter for Stock Brokers to the notice of their clients (existing as well as new clients) through disclosing the Investor Charter on their respective websites, making them available at prominent places in the office, providing a copy of Investor Charter as a part of account opening kit to the clients, through e-mails / letters etc.

Additionally, in order to ensure transparency in the Investor Grievance Redressal Mechanism, all the Stock Brokers shall continue to disclose on their respective websites, data on complaints received against them or against issues dealt by them and redressal thereof, latest by 7th of succeeding month, as per the format enclosed at **Annexure ‘B’** to this circular.

[Circular](#)

12. Opening of Demat Account in the name of Association of Persons

Circular No. SEBI/HO/MRD/PoD1/CIR/P/2025/24

Dated 25th February, 2025

Effective Date: June 2, 2025

SEBI, vide this circular has permitted Association of Persons (AoP) to open demat accounts to hold securities, such as mutual fund units, corporate bonds and government securities, in their own names to facilitate ease of doing business.

Following conditions are required to be fulfilled:

- AoPs must ensure they subscribe only to securities permitted by statutes governing their constitution.
- PAN card details of the AoP and its principal officer (i.e., secretary, treasurer, manager, etc.) have to be obtained.
- Depository participants must obtain AoP’s confirmation that it:
 - holds only such securities in dematerialised form as permitted by the statutes governing its constitution.
 - will not use the demat account for subscribing to or holding equity shares.
- In case of any dispute, the AoP’s principal officer will be treated as the legal representative of the AoP.
- The members of the AoP will be jointly and severally liable on behalf of the AoP.

[Circular](#)

13. Industry Standards on Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015

Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/25

Dated 25th February, 2025

The Industry Standards Forum (ISF) comprising representatives from three industry association - ASSOCHAM, CII and FICCI, has formulated industry standards for effective implementation of the requirement to disclose material events or information under Regulation 30 of SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

SEBI, vide this circular has specified that listed entities shall follow the aforesaid industry standards to ensure compliance with above regulation.

The industry associations which are part of ISF (ASSOCHAM, FICCI, and CII) and the stock exchanges are required to publish the industry standards note on their websites.

The listed entities shall follow the aforesaid industry standards to ensure compliance with Regulation 30 of LODR Regulations.

MCA

1. The Companies (Prospectus and Allotment of Securities) Amendment Rules, 2025.

G.S.R. 794(E)

Dated 31st December 2024

Vide this notification, MCA has amended Rule 9B of Companies (Prospectus and Allotment of Securities) Rules, 2014.

The amendments to the rules extend the due date regarding issue of security in dematerialized form and to facilitate the dematerialization of all its security for a private company other than small company.

Initially, the deadline for dematerialization of all its security by a private company other than a Producer company, which is not a small company as on 31st March, 2023 under the rules was **September 30, 2024**. However, the amendment now extends the deadline and allows such companies for dematerialization of all its securities till **June 30, 2025**.

[Notification](#)

Disclaimer:

This is not a complete listing of all circulars/notifications issued during the month.
Instead, it is only a listing of some of the circulars/notifications that we considered important.



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