

# NEWSLETTER

The Compliance Newsletter



Dear Readers,

We are pleased to bring you a concise analysis of recent publications and important regulatory amendments in compliance sector.

This newsletter is your go-to source for staying updated on significant updates from Regulators.

In this issue, we present the latest updates on circulars, Consultation papers issued in the month of January 2025 and Compliance Calendar for the month of February 2025.

Our team has curated these insights to ensure that you remain informed on critical changes in the regulatory environment.

We always welcome feedback and suggestions from our readers. Please feel free to share your thoughts with us at [compliance@sanjayshah.co.in](mailto:compliance@sanjayshah.co.in)



[SEBI CIRCULARS](#)



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"Welcome to the second edition of our Newsletter! We're excited to share fresh updates, insights, and highlights with you. Thank you for being part of our community—let's dive into what's new!"

## SEBI CIRCULARS

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## MEASURES FOR EASE OF DOING BUSINESS - SETTLEMENT OF ACCOUNT OF CLIENTS WHO HAVE NOT TRADED IN THE LAST 30 DAYS

**Circular Number:** SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2025/1

**Date of Issuance:** January 06, 2025

### **Purpose of Issuance:**

To revise the guidelines regarding the settlement of client funds in cases where clients have not conducted any trades for 30 days, with the aim of improving business efficiency and safeguarding investor interests.

### **Key Provisions:**

#### **Previous Circulars Referenced:**

The circular refers to guidelines issued in SEBI/HO/MIRSD/DOP/P/CIR/2021/577 dated June 16, 2021 and Clause 47 of the Master Circular for Stock Brokers dated August 09, 2024 regarding the settlement of clients' running accounts.

#### **Current Requirement:**

As per existing guidelines, Trading Members (TMs) must settle accounts of clients who have not traded in the last 30 days within the next three working days.

#### **Issue Raised:**

Brokers' Industry Standards Forum (ISF) pointed out inefficiencies arising from daily identification of clients with no transactions, leading to daily settlements, which are operationally cumbersome.

#### **Revised Requirement:**

SEBI has decided that the funds of clients who haven't traded in the last 30 calendar days will now be settled on the upcoming settlement dates of the monthly running account settlement cycle as specified in the annual calendar issued by stock exchanges.

#### **Modification to Existing Clauses:**

The circular revises Clause 5.4 of the June 16, 2021 circular and Clause 47.4 of the Master Circular for clients with a credit balance who haven't traded for 30 days, any funds lying with the trading member for more than 30 days must be returned on the upcoming settlement dates in the monthly cycle (regardless of the client's preferred settlement cycle).

If the client trades again before the upcoming settlement date, the settlement will follow the client's specified quarterly/monthly settlement preference.

**Effective immediately**

#### **Applicable To:**

- All recognized Stock Exchanges/Stock Brokers.

## MEASURES FOR EASE OF DOING BUSINESS FOR CREDIT RATING AGENCIES (CRAS) – MODIFICATION OF TIMELINES IN CHAPTER II AND CHAPTER III OF THE MASTER CIRCULAR FOR CRAS

**Circular Number:** SEBI/HO/DDHS/DDHS-PoD 3/P/CIR/2025/002

**Date of Issuance:** January 07, 2025

To modify timelines for Credit Rating Agencies (CRAs) from "days" to "working days" for certain requirements, addressing operational challenges and promoting ease of doing business.

### **Key Provisions of the Circular:**

#### **Background:**

The Master Circular for CRAs (SEBI/HO/DDHS/DDHS-POD3/P/CIR/2024/47 dated May 16, 2024) prescribes timelines for rating reviews and publication of press releases.

A Working Group for Ease of Doing Business (WG) recommended modifying timelines from

"days" to "working days" to address operational challenges, particularly delays in obtaining confirmations from external entities

like bankers and debenture trustees during holidays or non-working weekends.

**Modifications to Timeline:** The following timelines in the Master Circular are revised from "days" to "working days":

Existing Clause	Revised Timeline
<b>Clause 9.2.2:</b> CRAs shall publish a press release regarding rating actions within 7 days of the event	7 working days.
<b>Clause 9.3.3:</b> CRAs shall conduct a rating review and disseminate the rating action within 2 days of receiving a statement of delayed payment.	2 working days.
<b>Clause 11.3:</b> CRAs shall tag ratings as INC within 7 days of three consecutive months of non-submission of No-default Statement (NDS).	5 working days.
<b>Clause 28.2.1:</b> CRAs shall follow up with issuers within 1 day post the due date and issue a press release if no response is received within 2 days.	1 working day and 2 working days.

#### Applicable To:

- All Registered Credit Rating Agencies (CRAs).
- All Registered Debenture Trustees.
- Issuers who have listed and/or proposed to list Non-Convertible Securities, Securitized Debt Instruments, Security Receipts, Municipal Debt Securities, or Commercial Paper.
- Recognized Stock Exchanges.
- All Depositories registered with SEBI.

## GUIDELINES FOR INVESTMENT ADVISERS UNDER THE AMENDED SEBI (INVESTMENT ADVISERS) REGULATIONS, 2013

**Circular Number:** SEBI/HO/MIRSD/MIRSD-PoD-1/P/CIR/2025/003

**Date of Issuance:** January 08, 2025.

**Purpose of Issuance:** To communicate the guidelines that investment advisers must follow considering the amendments to the SEBI (Investment Advisers) Regulations, 2013, as notified in December 2024, and to provide clarity on specific provisions affecting their operations.

Investment advisers must maintain a deposit based on their maximum number of clients in the previous financial year.

Deposit amounts are specified for different client ranges. Deposit revisions must occur by April 30 each year.

Existing IAs must comply by June 30, 2025.

#### Key Provisions of the Circular:

#### Registration as Both Investment Adviser and Research Analyst:

#### Deposit Requirement:

Research analysts can register as IAs subject to separate compliance with IA and RA regulations.

IAs and RAs must maintain an arms-length relationship between their advisory and research services.

**Part-Time Investment Adviser Registration:**

- Part-time IAs are those with other business activities not related to securities.
- IAs must maintain separation between advisory and other activities and provide disclosures to clients regarding the nature of their services.

**Principal Officer Designation for Partnership Firms:**

- In case of non-individual IAs, one partner must be designated as the principal officer.
- If no partner meets the qualifications, firms must transition to an LLP or body corporate by September 30, 2025.

**Appointment of Compliance Officer:** Non-individual IAs must appoint an independent professional as a compliance officer. The compliance officer must hold relevant certifications from NISM.

**Clarity in Scope of Investment Advice:**

- IAs can only provide advice on securities under SEBI's purview.
- For non-SEBI products, IAs must disclose to clients that these are outside SEBI's scope and take a declaration from clients.

**Use of Artificial Intelligence in Advisory Services:**

IAs using AI tools must ensure data security, and disclose the use of AI in advisory services to clients at the time of the agreement

**Flexibility in Charging Fees:**

IAs can charge fees under two models: AUA (Assets Under Advice) or fixed fee. Fees can be adjusted between models without restrictions on the period between changes.

**Non-Individual IA Registration:**

Individual IAs exceeding 300 clients or ₹3 crore in fees must apply for non-individual IA registration.

Transition to non-individual status must be completed within three months.

**Segregation of Advisory and Distribution Activities:** IAs must segregate advisory and distribution activities at the client level, unless serving institutional clients or accredited investors, who can waive this requirement.

**Agreement Between IA and Client:**

IAs must enter into agreements with clients, including standardized terms (MITC) and disclaimers on executing trades.

IAs must also guide clients on the optional centralized fee collection mechanism (CeFCoM).

**Maintenance of Records:**

IAs must maintain a clear audit trail for consent related to implementation/execution services, including phone call recordings.

**Compliance Audit Requirements:**

IAs must conduct an annual compliance audit and submit reports to IAASB/SEBI. Audit findings must be published on the IA's website.

**Website Requirements:**

IAs must maintain a functional website and provide necessary details to IAASB by June 30, 2025.

**Applicable to:**

All registered Investment Advisers (IAs), and BSE Limited (Investment Adviser Administration and Supervisory Body - IAASB).



## GUIDELINES FOR RESEARCH ANALYSTS (RAS)

**Circular Number:** SEBI/HO/MIRSD/MIRSD-PoD1/P/CIR/2025/004

**Date of Issuance:** January 08, 2025.

### **Purpose of Issuance:**

To provide updated guidelines and compliance requirements for Research Analysts in light of amendments to the SEBI (Research Analysts) Regulations, 2014.

### **Key Provisions:**

#### **Qualification and Certification:**

Existing RAs are not required to meet new qualification requirements but must hold NISM certifications and comply with other conditions.

#### **Deposit**

##### **Requirement:**

RAs must maintain a deposit with a scheduled bank based on their maximum client count. New deposit requirements

apply immediately to new applicants, and existing RAs must comply by April 30, 2025.

#### **Registration for Investment Advisers:**

Registered investment advisers may apply for RA registration while maintaining a clear separation between advisory and research services.

#### **Part-time Research Analysts:**

Defines eligibility, qualification requirements, and conditions for part-time RAs. They must disclose their other business activities and maintain a clear separation from their RA work.

#### **Designation of Principal Officer:**

If a partnership firm lacks the required qualifications, it must apply for registration as a limited liability partnership or body corporate by September 30, 2025.

#### **Appointment of Compliance Officer:**

Non-individual RAs must appoint an independent compliance officer with specific qualifications and certifications.

#### **Use of AI Tools:**

RAs using AI tools must ensure client data confidentiality and disclose the extent of AI use in their research services. Compliance must be achieved by April 30, 2025.

#### **Research Services and Reports:**

Research services must be substantiated with reports and RAs must maintain these records.

Research services provided "for consideration" are defined, including those to clients receiving other services from the same entity.

#### **Fee Structure:**

RAs can charge fees with a cap of ₹1,51,000 per year for individual clients/HUF. New

provisions apply to new clients immediately and to existing clients by June 30, 2025.

#### **Segregation of Research and Distribution Activities:**

RAs must ensure client-level segregation between research and distribution services within their group or family, with compliance by June 30, 2025.

#### **Model Portfolio Recommendations:**

RAs recommending model portfolios must follow SEBI guidelines and ensure compliance by June 30, 2025.

#### **Disclosure of Terms and Conditions:**

RAs must disclose terms to clients before providing services. Existing clients must receive these disclosures by June 30, 2025.

#### **KYC and Record Maintenance:**

RAs must adhere to KYC regulations and maintain interaction records for five years, with compliance by June 30, 2025.

#### **Compliance Audit:**



RAs must conduct annual audits on compliance with RA regulations, with reports submitted within six months of the financial year's end. This includes publishing audit findings on the RA's website.

**Website Requirement:**

RAs must maintain a functional website with specific details by June 30, 2025.

**Effective Date of Applicability:**

Immediate for new applicants, with certain provisions becoming effective by April 30, 2025, and June 30, 2025, for existing RAs.

**PROCEDURE FOR SEEKING WAIVER OR REDUCTION OF INTEREST IN RESPECT OF RECOVERY PROCEEDINGS INITIATED FOR FAILURE TO PAY PENALTY**

**Circular Number:** SEBI/HO/RRD\_PoD\_TPD/P/CIR/2025/05

**Date of Issuance:** January 10, 2025.

**Purpose of Issuance:** To establish a structured procedure for seeking waiver or reduction of interest levied during recovery proceedings for failure to pay penalties under relevant securities laws, and to delegate powers for such waivers or reductions.

**Key Provisions of the Circular:**

**Legal Framework for Recovery Proceedings:**

Sections 220 to 227, 228A, 229, 232, the Second Schedule, and the Third Schedule of the Income-tax Act, 1961, along with the Income-tax (Certificate Proceedings) Rules, 1962, apply to recovery proceedings under the SEBI Act, SCRA, and Depositories Act. Section 220(2) of the Income-tax Act empowers SEBI's Recovery Officer to recover outstanding amounts along with applicable interest. Section 220(2A) allows the Principal Chief Commissioner or Chief Commissioner to reduce or waive interest.

**Delegation of Powers:**

SEBI has delegated the power to waive or reduce interest to:

- a) **Panel of Executive Directors** for interest amounts less than Rs. 2 crores.
- b) **Panel of Whole-time Members** for other cases.

**Exclusions from Waiver/Reduction:**

Waiver or reduction of interest is not

applicable in the following cases:

- a) Interest levied on intermediaries for failure to remit fees to SEBI under intermediary regulations.
- b) Interest on disgorgement or refund amounts levied under Sections 11, 11B, or 11(4) of the SEBI Act.

**Procedure for Application:**

Applications for waiver or reduction of interest must:

- A.** Be submitted to the Recovery Officer in the prescribed format (Annexure A) with supporting documents proving:
  - i. Genuine hardship to the applicant.
  - ii. Default due to circumstances beyond the applicant's control.
  - iii. Cooperation in inquiries or recovery proceedings.
- B.** Be filed only for the period after the service of the demand notice.
- C.** Be submitted only after the principal amount due is fully paid.
- D.** Be placed before the Competent Authority by the Recovery Officer for consideration.
- E.** Be decided within 12 months of receipt (or within 12 months of the circular's issuance for pending applications).
- F.** Not be rejected without giving the applicant an opportunity to be heard.
- G.** Be returned if incomplete or non-compliant with the circular's requirements.

**Effective immediately**

**Applicable To:**

All persons against whom recovery proceedings are initiated for failure to pay penalties under the SEBI Act, SCRA, or Depositories Act.

## REVISE AND REVAMP NOMINATION FACILITIES IN THE INDIAN SECURITIES MARKET

**Circular Number:** SEBI/HO/OIAE/OIAE\_IAD-3/P/ON/2025/01650

**Date of Issuance:** January 10, 2025

**Purpose of Issuance:**

To revise and revamp the nomination process for demat accounts and mutual fund (MF) folios, aimed at reducing unclaimed assets in the Indian securities market.

**Key Provisions:**

**Section A: Reiteration of Existing Norms**

**Survivorship in Joint Accounts:**

When a joint holder passes away, the surviving holder(s) will inherit the assets, and they can continue, change, or cancel the nominations.

The survivorship rule does not affect the mode of operation of the account.

**Simultaneous Death of Joint Holders:**

If all joint holders pass away simultaneously, assets will be transmitted to the registered nominee(s). If no nominee exists, it will be passed to the legal heirs of the youngest joint holder.

**Hindu Undivided Family (HUF):**

If the Karta dies, the new Karta can operate the account, or assets will be transmitted according to the dissolution deed.

**Nominee Rights:**

Nominee(s) act as trustees on behalf of the legal heirs of the deceased sole holder(s).

Legal heirs of a nominee cannot inherit the assets if the nominee passes away before the investor.

**Mandatory Nomination**

Nomination is mandatory for accounts with a single holder. For joint accounts, it is optional.

**Nomination Verification:**

Regulated entities must ensure the authenticity of nominations, and provide acknowledgement of all nomination requests.

**Section B: Revamped Norms**

**Personal Identifiers of Nominee:**

Investors must provide personal identifiers of the nominee(s), such as PAN, Driving License number, or last 4 digits of Aadhaar, along with contact details, relationship, and date of birth (if minor).

**Nomination Limit:**

Investors can nominate up to 10 individuals per account/folio.

In joint accounts, nominees may choose to continue as joint holders or open separate accounts for their portion.

**Incapacitated Investors:**

Investors can empower a nominee (excluding a minor) to operate their account if they become physically incapacitated, specifying the portion of assets the nominee can access.

**Transmission of Assets:**

Transmission of assets will require a death certificate and proper KYC for the nominee(s), along with a discharge from creditors if applicable.

**Transmission Process for Nominees:**

Upon transmission to a nominee, assets will be transferred without further documentation requirements, and the regulated entity will be discharged from liability once assets are transmitted.

**Opt-Out of Nomination:**

Investors can opt out of the nomination process through an online or physical process, including OTP validation or video recording for opting out.

**Revoked Nomination Forms:**

The nomination form and opt-out form will be updated as per new guidelines, effective from March 1, 2025.

**Online Nomination Submission:**

Investors can submit nominations online using digital signatures, Aadhaar-based e-sign, or two-factor authentication (2FA). Physical nominations will require signature verification.

**Additional Due Diligence for Unclaimed Assets:**

Regulated entities must conduct additional due diligence for unclaimed assets, including flagging accounts for review and reporting periodically.

**Acknowledgement and Record Keeping:**

Regulated entities must acknowledge every nomination request, maintain records for eight years, and allow unlimited changes to nominations.

**Regulated Entities' Deadlines:**

AMFI and Depositories must provide updates to SEBI regarding the implementation of this circular by **February 20, 2025**, and confirm readiness of forms by **March 15, 2025**.

**Applicable To:**

- Asset Management Companies (AMCs) of Mutual Funds (MFs) and their Registrars to an Issue and Share Transfer Agents (RTAs).
- Association of Mutual Funds in India (AMFI).
- Recognized Depositories.
- Registered Depository Participants.



## DISCLOSURE OF RISK ADJUSTED RETURN - INFORMATION RATIO (IR) FOR MUTUAL FUND SCHEMES

**Circular Number:** SEBI/HO/IMD/IMD-PoD-2/P/CIR/2025/6

**Date of Issuance:** January 17, 2025

### **Purpose of Issuance:**

To mandate the disclosure of the "Risk Adjusted Return" (RAR), specifically using the Information Ratio (IR), for equity-oriented mutual fund schemes. This aims to provide a more comprehensive measure of scheme performance, accounting for both returns and volatility.

### **Key Provisions:**

#### **Disclosure of Information Ratio (IR):**

Mutual Funds/AMCs are required to disclose the IR of a scheme portfolio on a daily basis on their websites.

AMFI must ensure that this disclosure is available in a comparable, downloadable, and machine-readable format on its website.

IR disclosure applies only to equity-oriented schemes.

#### **Methodology for IR Calculation:**

IR will be calculated as:  $(\text{Portfolio Rate of Return} - \text{Benchmark Rate of Return}) / \text{Standard Deviation of Excess Return}$

The benchmark used for calculation will be the Tier 1 benchmark currently used by the equity schemes. Standard deviation should be calculated based on daily return values.

Daily portfolio return should be calculated using an arithmetic function.



### **Investor Awareness:**

AMCs and AMFI will promote awareness about RAR, IR, and their significance through investor education programs, leveraging social and mass media.

A budget allocation for investor education will be made to maximize outreach.

### **Format for Disclosure:**

A standardized format for IR disclosure will be provided via a link: [Annexure A to the Circular](#). The disclosure will include hyperlinks to the AMFI website with a clear explanation of:

- What IR is
- Formula for calculating IR
- Interpretation and examples of IR
- AMCs will also provide a hyperlink to AMFI's explanation on their websites.

### **Effective Date of Applicability:**

The provisions of the circular will be effective within **three months** from the date of issuance, i.e., **by April 17, 2025**.

### **Applicable To:**

- All Mutual Funds
- All Asset Management Companies (AMCs)
- All Trustee Companies/Boards of Trustees of Mutual Funds
- Association of Mutual Funds in India (AMFI)

## TIMELINE FOR REVIEW OF ESG RATING PURSUANT TO OCCURRENCE OF 'MATERIAL EVENTS'

**Circular Number:** SEBI/HO/DDHS/DDHS-PoD-3/P/CIR/2025/007

**Date of Issuance:** January 17, 2025

**Purpose of Issuance:** To provide relaxation in the timeline for ESG Rating Providers (ERPs) to review ESG ratings following the publication of Business Responsibility and Sustainability Reporting (BRSR) by listed entities, addressing operational challenges and promoting ease of doing business.

**Key Provisions of the Circular:**

**Background:**

Para 10.1 of the Master Circular for ESG Rating Providers (SEBI/HO/DDHS/DDHS-POD3/P/CIR/2024/45 dated May 16, 2024) mandates ERPs to review ESG ratings upon the occurrence of material events, including the publication of BRSR, within 10 days.

ERPs raised operational challenges in reviewing ESG ratings for a large pool of listed companies within the 10-day timeline after BRSR publication.

**Relaxation in Timeline:**

Para 10.1.3 of the Master Circular is modified to provide a relaxed timeline for ESG rating reviews following BRSR publication:

- **For general material events:** Review must be completed immediately, but not later than 10 days from the occurrence of the event.
- **For BRSR publication:** Review must be completed immediately, but not later than 45 days from the publication of the BRSR.

**Effective immediately**

**Applicable To:**

- All Registered ESG Rating Providers (ERPs).
- All Listed Entities.
- All Recognized Stock Exchanges.
- All Registered Depositories.



## SEBI CONSULTATION PAPER

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## CONSULTATION PAPER ON CERTAIN AMENDMENTS TO SEBI LODR REGULATIONS, 2015 WITH THE OBJECTIVE OF ENCOURAGING DEMATERIALIZATION

### Purpose of Issuance

The consultation paper seeks public comments on proposed amendments to the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations, 2015) to enhance transparency, efficiency, and promote the dematerialisation of securities in the securities market.

### Background

SEBI has undertaken various measures over the years to ensure securities are dematerialised, reducing risks like loss, theft, and fraud associated with physical certificates. However, some corporate actions still allow the issuance of securities in physical form. The proposed amendments aim to prevent further creation of physical securities and improve compliance with dematerialisation requirements.

### Issuance Date

The consultation paper was issued to the public for comments, inviting stakeholders to provide feedback on the proposals.

### Key Proposals of the Paper

#### Mandatory Issuance of New Securities in Dematerialised Form

**Proposal:** SEBI proposes that securities issued as a result of corporate actions (e.g., stock splits, consolidation of face value, or schemes of arrangement) should only be issued in dematerialised form.

#### Rationale:

- Dematerialisation helps reduce fraud, loss, and forgery.
- It ensures efficient transfers and better regulatory oversight.
- Investors holding securities in physical form already need to dematerialise them before transferring or selling.
- Preventing the creation of physical securities aligns with SEBI's goal of full dematerialisation.

### Existing Regulatory Provisions:

- The current LODR Regulations do not mandate dematerialisation for corporate actions like stock splits or schemes of arrangement.
- Listed companies can include dematerialisation requirements in shareholder resolutions.

### Proposal Details:

- SEBI suggests amending LODR Regulations to make it mandatory for listed companies to issue securities only in dematerialised form during:
  - Sub-division/split of face value.
  - Consolidation of face value.
  - Issuance due to a scheme of arrangement (merger, demerger, etc.).
- If an investor does not have a demat account, securities must be held in a "suspense escrow account" until demat details are provided.

### Public Comments Solicited:

SEBI invites feedback on whether these corporate actions should only permit the issuance of securities in dematerialised form.

### Modification of Certain LODR Regulations Due to Market Developments

**Proposal:** SEBI proposes amendments to outdated or redundant provisions in the LODR Regulations, based on the recommendations of a working group.

#### Changes to Provisions:

#### Removal of Provisions Related to Physical Share Transfers:

**Regulation 40(4) & 40(5):** These provisions restricted physical share transfers under statutory prohibitions or objections from the transferor. Since physical share transfers were discontinued in April 2019, these provisions are now obsolete.

#### Elimination of "Proof of Delivery" Requirement:

Companies already maintain proof of dispatch via speed post/courier for six months. It is impractical to maintain proof of delivery for each transaction.





**Schedule VII of LODR Regulations** currently requires listed companies to maintain proof of delivery for communications related to signature mismatches. SEBI proposes removing this requirement because:

## CONSULTATION PAPER ON DRAFT CIRCULAR FOR CHANGE IN CUT-OFF TIMINGS TO DETERMINE APPLICABLE NAV WITH RESPECT TO REPURCHASE/ REDEMPTION OF UNITS IN OVERNIGHT SCHEMES OF MUTUAL FUNDS.

### Purpose of Issuance

SEBI has issued this consultation paper to seek public comments on the proposed change in the cut-off timing for repurchase/redemption of units in overnight mutual fund schemes. The amendment aims to facilitate smooth redemption processes for stockbrokers (SBs) and clearing members (CMs) in compliance with SEBI's upstreaming framework.

### Background

SEBI introduced a framework on December 12, 2023, requiring SBs/CMs to upstream clients' funds to Clearing Corporations (CCs) at the End of Day (EOD).

These funds must be placed in cash, lien on Fixed Deposit Receipts (FDRs), or pledged units of Mutual Fund Overnight Schemes (MFOS) created from client funds.

MFOS investments are considered low-risk since they are invested in risk-free government bond overnight repo markets and Tri-party Repo Dealing and Settlement (TREPS).

A working group, which includes industry participants, AMFI, and the Mutual Funds Advisory Committee (MFAC), has recommended changing the cut-off timing for redemption from 3:00 PM to 7:00 PM to allow SBs/CMs enough time to unpledge and redeem MFOS units aftermarket hours.

### Issuance Date

The consultation paper has been issued to the public for comments, and SEBI is inviting feedback on the proposed changes.

### Key Proposals of the Paper

#### Change in Cut-off Timing for Redemption of MFOS Units

The current cut-off time for redemption requests in overnight schemes is 3:00 PM. SEBI proposes extending this cut-off time to 7:00 PM to allow SBs/CMs additional time to unpledge MFOS units and place redemption requests aftermarket hours.

#### Rationale for the Proposal

MFOS invests in securities with a one-day maturity, and funds from matured securities are received on the next working day (T+1).

Unlike other mutual funds, overnight funds do not require a pre-market sale transaction to meet redemptions.

The proposed change will not affect valuation or redemption capabilities, as overnight schemes reinvest funds daily. This extension will provide operational flexibility without impacting the fund's performance or liquidity.

#### Public Comments Solicited

SEBI invites public comments on the proposal to extend the redemption cut-off timing from 3:00 PM to 7:00 PM for overnight mutual fund schemes.

#### Conclusion

The proposed change aims to align the mutual fund redemption timeline with SEBI's upstreaming framework, ensuring that SBs/CMs have sufficient time to manage client funds efficiently. The change will not affect fund valuation or redemption capability, making it a practical and operational adjustment. SEBI seeks feedback from stakeholders before finalizing the amendment.





## CONSULTATION PAPER ON PROMOTING FINANCIAL INCLUSION THROUGH SACHETISATION OF INVESTMENT IN MUTUAL FUND SCHEMES

### Purpose of Issuance

SEBI has issued this consultation paper to seek public comments on the sachetisation of mutual fund investments through a small-ticket Systematic Investment Plan (SIP) of ₹250. The initiative aims to promote financial inclusion, encourage systematic savings, and enable small investors to participate in mutual funds.



### Background

- Mutual funds pool money from investors and allocate funds across money market instruments, equities, bonds, government securities, and commodities.
- Investors can invest in mutual funds through lumpsum investments or SIPs, which allow periodic investments.
- The mutual fund industry's Assets Under Management (AUM) has grown from ₹10 trillion in 2014 to ₹68.08 trillion as of November 30, 2024, with unique investor participation increasing from 1.7 crores in 2018 to 5.18 crores in 2024.
- Despite this growth, there is still significant potential to expand mutual fund reach across all sections of society.
- To increase participation from low-income groups, SEBI proposes sachetisation of mutual fund investments, allowing small-ticket

investments on a periodic basis.

- SEBI, in collaboration with the mutual fund industry and SEBI-regulated intermediaries, has introduced a ₹250 small-ticket SIP to enable financial inclusion.
- While some AMCs (Asset Management Companies) already offer small-ticket SIPs, the proposed initiative aims to create an industry-wide standard to encourage greater participation.
- Mutual fund transactions involve KYC, platform fees, and payment gateway charges, making low-ticket investments costly. Industry players have agreed to subsidize these costs, and SEBI plans to utilize the Investor Education and Awareness Fund to reduce break-even time for AMCs.
- With cost subsidies, SEBI expects AMCs to recover investment costs within two years, making the initiative financially sustainable.

### Key Proposals

#### 1. Introduction of ₹250 Small-Ticket SIPs

- Investors can start a ₹250 SIP with a limit of three SIPs (one per AMC) at subsidized rates.
- AMCs can offer more ₹250 SIPs, but discounted intermediary charges apply only to the first three.

#### 2. Investment Restrictions & Scheme Eligibility

- Small-ticket SIPs will only be available under the Growth option of mutual fund schemes.
- The scheme will exclude Debt funds, Sectoral & Thematic funds, and Small-cap and Mid-cap equity funds.

#### 3. Payment Modes

- NACH and UPI autopay will be the only permitted payment modes to reduce costs.

#### 4. KYC Relaxation & PEKRN Use

- KYC costs for small-ticket SIPs will be reimbursed from the Investor Education and Awareness Fund.

- Investors without PAN can invest up to ₹50,000 per mutual fund per year using PEKRN-based KYC.
- To prevent duplicate KYC registrations, Aadhaar will be mandatory for PEKRN issuance.

#### 5. Distributor Incentives

- Distributors and Execution-Only Platforms (EOPs) will receive a ₹500 incentive per investor for financial inclusion efforts.
- The incentive applies only to the first small-ticket SIP and is paid after 24 SIP installments (2 years for monthly SIP or 1 year for fortnightly SIPs).

- No additional transaction charges will be paid to distributors.

#### 6. Investor Commitment & Flexibility

- Investors should commit to a 5-year (60-month) SIP tenure, but withdrawals or cancellations will be allowed without penalties.
- Both Statement of Account (SOA) mode and demat mode will be available for small-ticket SIPs.

#### 7. Statutory Disclosures & Communication

- Investors must provide a valid mobile number (email is optional).

- Disclosures will be sent via SMS/email with active links to ensure access to detailed statutory information.

#### Conclusion

The ₹250 small-ticket SIP initiative aims to enhance financial inclusion, encourage disciplined savings, and provide low-income investors with access to mutual funds. SEBI expects the initiative to become financially sustainable for AMCs within two years, making it a viable long-term tool for financial empowerment. SEBI invites public comments before the proposal is finalized.

## CONSULTATION PAPER ON PROPOSAL TO INCREASE THE SIZE CRITERIA (SET TO GUARD AGAINST POTENTIAL CIRCUMVENTION OF PRESS NOTE 3

### Purpose of Issuance

SEBI proposes increasing the threshold for additional disclosures by Foreign Portfolio Investors (FPIs) from INR 25,000 crore to INR 50,000 crore.

The objective is to account for the rise in market turnover while continuing to safeguard against potential circumvention of Press Note 3 (PN3) stipulations.

This change ensures that disclosure norms remain proportionate to market size.

### Background

- SEBI's August 24, 2023 Circular introduced an additional disclosure framework for FPIs with large Indian equity portfolios to prevent

regulatory circumvention.

- FPIs meeting either of the following criteria were required to disclose granular investor details:
- Concentration Criteria – If an FPI holds more than 50% of its equity AUM in a single Indian corporate group.
- Size Criteria – If an FPI or its investor group holds more than INR 25,000 crore of equity AUM in India.
- The December 17, 2024 SEBI Circular extended these disclosure norms to Offshore Derivative Instrument (ODI) subscribers and segregated portfolios of FPIs.

- Certain FPIs, such as government-related investors, were exempted from additional disclosure requirements under specified conditions.



### Need for Review

- The size criteria were introduced in 2023 based on the market conditions at the time.
- Since then, the Indian stock market's average daily turnover has increased by 122%,

from INR 53,434 crore (FY 2022-23) to INR 1,18,757 crore (FY 2024-25, till Dec 2024).

- Given this significant growth in market turnover, the threshold for additional disclosures needs to be revised upwards to reflect the new market reality.

### Key Proposals

- Increase the Size Criteria Threshold: SEBI proposes increasing the size criteria threshold from INR 25,000 crore to INR 50,000 crore to align with the market's expansion and increased turnover.
- No Change to the Concentration Criteria
- The concentration criteria will remain unchanged. This

criteria is still in place to prevent circumvention of Minimum Public Shareholding (MPS) norms and Takeover Regulations (SAST Regulations).

- The proposed changes aim to strike a balance between transparency and ease of doing business while addressing regulatory concerns regarding FPIs' influence on the Indian market.

## INVESTOR CHARTER FOR STOCKBROKERS



### Purpose of Issuance of the Consultation Paper

It proposes updates to the 2021 Investor Charter to incorporate recent developments like the Online Dispute Resolution (ODR) platform and SCORES 2.0 (SEBI's updated grievance redressal system).

The revised charter aims to make stock broking services more transparent and investor-friendly by updating rights, responsibilities, and grievance redressal mechanisms.

### Background

- SEBI originally issued the Investor Charter for Stockbrokers in December 2021 (Circular No. SEBI/HO/MIRSD/DOP/P/CIR/2021/676).
- The charter was designed to educate and empower investors by providing details on stock broking services, investor rights, timelines for broker activities, Do's and Don'ts, and a grievance redressal mechanism.
- With new market infrastructure and regulatory reforms, SEBI decided it was necessary to revise and

update the Investor Charter for continued investor protection and enhanced market integrity.

### Issuance Date

The draft circular has been issued for public comments, with the last date for submitting suggestions set as February 17, 2025.

### Key Proposals in the Consultation Paper: Revision of the Investor Charter

- SEBI proposes a new Investor Charter for Stockbrokers to replace the existing 2021 version.

- The revised charter is based on discussions with the Brokers' Industry Standards Forum (ISF) and incorporates recent regulatory and technological changes in the securities market.

### Mandatory Disclosure and Awareness Initiatives

Stockbrokers must:

- Disclose the revised Investor Charter prominently on their websites.
- Provide copies of the charter at the time of account opening.
- Display the charter in key locations in their offices.

- Send the charter via email or letters to both new and existing clients.

### **Enhanced Transparency in Investor Grievance Redressal**

- Brokers must continue to disclose complaint data on their websites in a standard format (Annexure B).
- The grievance redressal mechanism will include:
- SCORES 2.0, which offers a structured complaint-handling system.
- The Online Dispute Resolution (ODR) platform for resolving disputes through conciliation and arbitration.
- An escalation matrix, ensuring investors know who to contact at each grievance level.

### **Rescinding of Previous Circular and Amendments to Master Circular**

- The new circular will rescind SEBI's previous Investor Charter circular from December 2021.
- Clause 75 of the Master Circular for Stockbrokers (August 9, 2024) will be amended accordingly.

### **SEBI's Legal Authority and Implementation**

- The circular is issued under Section 11(1) of the SEBI Act, 1992, granting SEBI authority to regulate the securities market and protect investor interests.

- The provisions of the circular will come into force immediately upon issuance.

### **Annexure A – Investor Charter for Stockbrokers Vision**

Maintain high ethical standards and compliance while ensuring fair and transparent trading for investors.

#### **Mission**

- Provide high-quality and reliable services through innovation and technology.
- Establish a trust-based relationship with investors.
- Ensure compliance and transparency in services.
- Prioritize investor protection and maintain confidentiality of investor information.

### **Services Provided to Investors**

- Execution of trades on behalf of investors.
- Issuance of contract notes for every transaction.
- Margin payment intimations and settlement facilitation.
- Client profile updates and periodic settlement of client funds as per SEBI norms.
- Issuance of Rights & Obligations document to clients.
- Redressal of investor grievances through a structured process.

### **Rights of Investors**

- Right to clear and transparent information

about investments, risks, and charges.

- Right to receive account opening forms, contract notes, and transaction statements.
- Right to lodge grievances and receive prompt responses from brokers.
- Right to close zero-balance accounts online with minimal paperwork.
- Right to compensation from the Investor Protection Fund (IPF) in case of broker defaults.

### **Key Stockbroker Activities with Timelines**

- KYC entry into KRA/CKYCR: 3 working days from account opening.
- Client onboarding: Within 1 week.
- Order execution: Same day.
- Contract note issuance: Within 24 hours of trade execution.
- Investor grievance redressal: Within 21 calendar days.

### **Do's and Don'ts for Investors**

#### **Do's:**

- Read all account opening and KYC documents before signing.
- Register mobile/email for alerts.
- Lodge complaints if discrepancies arise.

#### **Don'ts:**

- Do not trade with unregistered brokers.
- Do not share trading account passwords.

- Do not fall for fraudulent schemes.

### **Grievance Redressal Mechanism**

Investors can file complaints via:

- Broker's grievance email (resolved within 21 days).
- SCORES 2.0, where SEBI reviews unresolved complaints.
- ODR platform for conciliation/arbitration

### **Handling of Claims in Case of Broker Defaults**

- In case of broker defaults, the Exchange will:
- Issue public notices and allow investors to file claims with the IPF.
- Provide updates on pending claims via the Stock Exchange website.

### **Mandatory Disclosure of Complaints by Stockbrokers**

Brokers must publish monthly and yearly complaint data on their websites, detailing: Average resolution time. Pending complaints and disposal trends.

### **Conclusion**

SEBI's revised Investor Charter for Stockbrokers aims to strengthen investor protection, ensure transparency, and improve grievance redressal mechanisms.

Public comments are invited until February 17, 2025, before final implementation.

The updated framework ensures greater accountability for brokers and an improved investor experience in the securities market.



**LIST OF NSE IMPORTANT CIRCULARS FOR JANUARY 2025**

<b>DATE</b>	<b>DEPARTMENT</b>	<b>REFERENCE NO.</b>	<b>SUBJECT</b>
January 01, 2025	Inspection & Compliance	NSE/INSP/65942	<u><a href="#">Entity permitted to perform authentication under Aadhaar Act for the purposes of Section 11A of the Prevention of Money Laundering Act, 2002</a></u>
January 01, 2025	Inspection & Compliance	NSE/INSP/65940	<u><a href="#">Clarification to Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)</a></u>
January 01, 2025	Inspection & Compliance	NSE/INSP/65936	<u><a href="#">Quarterly Cyber Incident Reporting of Cyber Security &amp; Cyber Resilience framework for Stockbrokers</a></u>
January 02, 2025	Inspection & Compliance	NSE/COMP/65957	<u><a href="#">Compliance with SEBI (Investment Advisers) Regulations, 2013 for Stock Brokers providing Investment Advice to Clients</a></u>
January 03, 2025	Inspection & Compliance	NSE/COMP/65970	<u><a href="#">Framework for Supervision of Authorised Persons (APs) &amp; Branches by Members</a></u>
January 03, 2025	Legal, ISC & Arbitration	NSE/ISC/65968	<u><a href="#">Trading Supported by Blocked Amount in Secondary Market</a></u>
January 07, 2025	Inspection & Compliance	NSE/INSP/66014	<u><a href="#">Measure for ease of doing business - Settlement of Account of Client who have not traded in the last 30 days</a></u>
January 08, 2025	Inspection & Compliance	NSE/INSP/66040	<u><a href="#">Standard Operating Procedure (SOP) for handling Cyber Security Incidents</a></u>
January 09, 2025	Legal, ISC & Arbitration	NSE/ISC/66053	<u><a href="#">Guidelines in pursuance of amendment to SEBI KY (Know Your Client) Registration Agency (KRA) Regulations, 2011</a></u>
January 16, 2025	Legal, ISC & Arbitration	NSE/ISC/66165	<u><a href="#">Enhancement of operational efficiency and Risk Reduction - Pay-out of securities directly to client demat account</a></u>
January 24, 2025	Inspection & Compliance	NSE/INSP/66302	<u><a href="#">Advisory for Contribution of Information to RBI - Fin Tech Repository</a></u>
January 24, 2025	Inspection & Compliance	NSE/INSP/66284	<u><a href="#">Clarification on incentives/referral schemes</a></u>
January 29, 2025	Inspection & Compliance	NSE/INSP/66373	<u><a href="#">Revision in Contract Note Format - Extension of Timeline</a></u>
January 30, 2025	Inspection & Compliance	NSE/COMP/66407	<u><a href="#">Annual Maintenance Charges towards Authorised Persons</a></u>

# COMPLIANCE CALENDARS

Compliance Calendar to be followed by SEBI Registered Entities for the month of **February 2025**

## PMS Compliance Calendar

Sr.	Particulars	Due Date
1	Publishing of Investor Charter and disclosure of Investor Complaints by Portfolio Managers on their websites	07.02.2025
2	Monthly Report Submission to SEBI & APMI	Within 7 working days

## AIF Compliance Calendar

Sr.	Particulars	Due Date
1	Disclosure of NAV of scheme(s) of the Category III AIF (Open ended)	No periodicity defined
2	Reporting of overseas investments utilization to SEBI (If applicable)	Within 5 working days of such utilization
3	Quarterly Reporting to Investors (Applicable in case of Category III AIF)	Within 60 days from the end of quarter

## Investment Advisers Compliance Calendar

Sr.	Particulars	Due Date
1	Publishing of Investor Charter and disclosure of Investor Complaints by Investment Advisers on their websites/mobile applications	07.02.2025

**Research Analysts Compliance Calendar**

<b>Sr.</b>	<b>Particulars</b>	<b>Due Date</b>
<b>1</b>	Complaint Data to be displayed by RAs on their website/ mobile application	<b>07.02.2025</b>

**Merchant Banking Compliance Calendar**

<b>Sr.</b>	<b>Particulars</b>	<b>Due Date</b>
<b>1</b>	Publishing Investor Charter and Disclosure of Complaints by Merchant Bankers on its website	<b>07.02.2025</b>
<b>2</b>	Disclosure of Track Record of the public issues managed by Merchant Bankers	<b>Ongoing and Continuous requirements</b>

**Depository Participant Compliance Calendar**

<b>Sr.</b>	<b>Particulars</b>	<b>Due Date</b>
<b>1</b>	Publishing of Investor Charter and disclosure of Investor Complaints on websites	<b>07.02.2025</b>
<b>2</b>	Investor Grievances Report (CDSL & NSDL)	<b>10.02.2025</b>

**Stock Broking Compliance Calendar**

<b>Sr.</b>	<b>Particulars</b>	<b>Due Date</b>
<b>1</b>	Settlement of running account (Monthly)	<b>07.02.2025&amp; 08.02.2025</b>
<b>2</b>	Publishing of Investor Charter and disclosure of Investor Complaints on Websites	<b>07.02.2025</b>
<b>3</b>	Number of STR filed with FIU-IND (Only BSE)	<b>Before 28.02.2025</b>
<b>4</b>	Submission of Action Taken Report pertaining to System audit & Cyber Security & Cyber Resilience audit for half year ended September 30,2024	<b>28.02.2025</b>
<b>5</b>	Uploading of day-wise Holding statement in the specified standard format to Exchange (within next day)-All Exchanges	<b>Daily-Ongoing</b>



<b>6</b>	Uploading of clients mapped with Authorised Persons (AP) before the next 2 trading days of subsequent week-All Exchanges	<b>Weekly</b>
<b>7</b>	Requirement of sending a complete 'Statement of Accounts' for funds, securities and commodities in respect of each client (within next four trading days of subsequent week)-All Exchanges	<b>Weekly</b>

**Disclaimer:**

***Please note that the Compliance Calendar is intended as a general guideline and should not be considered definitive. For the most current and accurate information, we highly encourage you to refer to the latest circulars issued by the relevant Market Infrastructure Institutions. It is important to understand that we cannot be held liable for any compliance violations that may arise from reliance on this calendar.***

***If you require any assistance or have questions regarding compliance matters, please do not hesitate to contact us at [compliance@sanjayshah.co.in](mailto:compliance@sanjayshah.co.in)***

# SANJAY SHAH & CO LLP

## CHARTERED ACCOUNTANTS



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- In-depth concurrent audits covering SEBI, Exchanges, and Depositories guidelines.
- Services include stock broking, Depository Participant, Portfolio Management Services, Alternative Investment Funds, Investment Advisory, Merchant Banking, Research Analysts, Mutual Fund Distribution, and various other product distribution-related compliance functions.

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