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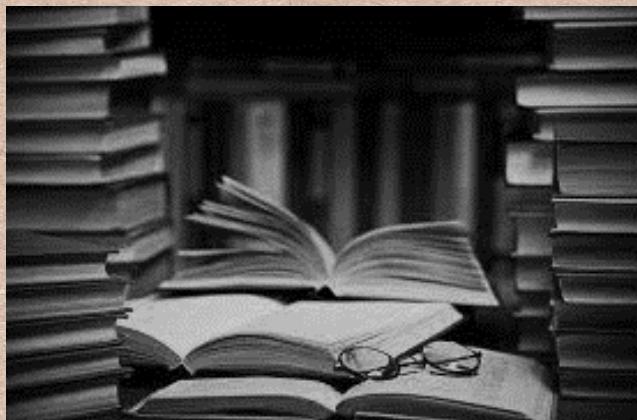


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## LEGAL MAXIM

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*Res judicata: "a thing adjudicated or decided"*



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## SEBI UPDATES

### KEY HIGHLIGHTS OF THE 212<sup>TH</sup> SEBI BOARD MEETING

Securities and Exchange Board of India ("SEBI"), at its board meeting held on December 17, 2025, has, *inter alia*, approved some crucial proposals as specified in its press release no. 84/2025 ("Press Release").

The following are the key highlights:

- (a) Approved the proposal to replace the SEBI (Stock Brokers) Regulations, 1992 with the SEBI (Stock Brokers) Regulations, 2025 with the objective of streamlining the regulations, omission of repetitive and redundant provisions, updating regulations with contemporary changes and modification/inclusion of certain provisions to provide more clarity and to ensure ease of compliance.
- (b) Approved the SEBI (Mutual Funds) Regulations, 2026 ("New MF Regulations"), pursuant to the review of the SEBI (Mutual Funds) Regulations, 1996. The key features of the New MF Regulations include simplification and consolidation, enhanced transparency and investor protection, promotion of ease of compliance and deletion of redundant chapters/clauses.
- (c) Approved the amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 to stipulate that in case lock-in of the specified securities cannot be created, the depositories shall record such securities as "non-transferable" for the duration of the applicable lock-in period. Further, to enhance investor comprehension, a requirement has been introduced to make available a summary of the offer documents in the form of a draft abridged prospectus at the draft offer document (DRHP) stage, in addition to the existing requirement of filing of abridged prospectus at the offer document (RHP) stage.
- (d) Approved the proposal for amending the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 to permit debt issuers to offer incentives, in the form of additional interest or a discount to the issue price, to certain categories of initial allottees, with the object of increasing participation of retail investors in corporate debt market and also to encourage public issuances in the debt market.
- (e) Approved the proposal to amend Regulations 39 and 40 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR Regulations"). The amendment to Regulation 39 removes the requirement of issuance of a letter of confirmation (LOC) by registrars and transfer agents (RTAs) or listed companies to investors, for processing of specified investor service requests. The amendment to Regulation 40 permits investors holding original physical security certificates, along with the transfer deed executed prior to April 1, 2019, to lodge such transfer deeds, along with original share security certificates during a specified window and subject to such condition as may be specified by SEBI. This would also be subject to necessary due diligence by RTAs or listed companies.

- (f) Approved the proposal to amend the LODR Regulations to align the timeline with the Companies Act, 2013 ("CA2013") for transfer of unclaimed interest/ dividend/ redemption payment by an entity having listed non-convertible securities to the Investor Education and Protection Fund (IEPF)/ Investor Protection and Education Fund (IPEF).
- (g) Approved the proposal to amend the SEBI (Credit Rating Agencies) Regulations, 1999 to permit credit rating agencies to carry out rating of financial instruments falling under the purview of other financial sector regulator (FSR), even in the absence of rating guidelines issued by the respective FSR, subject to prescribed safeguards. The objective of this amendment is to ensure availability of ratings for a wider set of financial instruments.
- (h) Approved the proposal to relax the threshold for identification of high value debt listed entities (HVDLEs). It also approved proposal to amend the LODR Regulations to align corporate governance norms applicable to HVDLEs with recent amendments to corporate governance norms applicable to equity listed entities, with an intent to ensure ease of doing business.
- (i) Acknowledged the comprehensive review carried out by the high-level committee set up in April 2025 to undertake a review of the provisions relating to conflict of interest, disclosures, and related matters in respect of members and officials of SEBI.

*To read the Press Release [click here](#)*



## SEBI STRENGTHENS VALUATION STANDARDS: INDEPENDENT VALUERS NOW MANDATORY

SEBI, *vide* its notifications dated December 3, 2025, has notified the SEBI (Share Based Employee Benefits and Sweat Equity) (Second Amendment) Regulations, 2025, and the SEBI (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2025, thereby amending the erstwhile SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 ("SBEB Regulations"), and the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 ("SAST Regulations"), respectively.

Both these amendments introduce significant changes focused on valuation standards mandating all new valuations to be conducted only by independent registered valuers.

The key highlights include:

- (a) The definition of "valuer" under both regulations has been updated to align fully with Section 247 of CA2013, shifting valuation responsibilities to independent registered valuers instead of merchant bankers under the SBEB Regulations and acquirers/ managers to the open offer under the SAST Regulations;

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- (b) merchant bankers under the SBEB Regulations and acquirers/ managers to the open offer under the SAST Regulations are required to complete ongoing valuation assignments within a period of 9 months from the amended regulations coming into force; and
- (c) The amendments to the SAST Regulations empower SEBI to require valuation of shares by an independent registered valuer at the acquirer's expense.

*To read the amendments to the SBEB Regulations [click here](#) & to read the amendments to the SAST Regulations [click here](#)*



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## SEBI MANDATES NISM CERTIFICATION FOR COMPLIANCE OFFICERS OF MANAGERS OF AIFs

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SEBI, *vide* its circular dated December 30, 2025, has mandated the requirement of National Institute of Securities Market ("NISM") certification for the compliance officers of the manager of Alternative Investment Funds ("AIFs"). As per Regulation 20(17) of the SEBI (AIF) Regulations, 2012 ("AIF Regulations"), the manager shall appoint a compliance officer who shall be responsible for monitoring compliance with the provisions of the act, rules and regulations, notifications, circulars, guidelines, instructions or any other directives issued by SEBI. In terms of Regulation 20(18) of the AIF Regulations, the compliance officer shall satisfy the eligibility criteria as may be specified by SEBI. In furtherance to the aforementioned regulation, SEBI has now specified the NISM certification requirement for the compliance officers of the manager of the AIFs.

From January 1, 2027 ("Effective Date") onwards, only those persons who have obtained the NISM Series-III-C: Securities Intermediaries Compliance (Fund) Certification Examination, as mentioned in the communique No. NISM/Certification/Series-III-C: Securities Intermediaries Compliance (Fund) Certification Examination /2025/01/November 20, 2025 issued by the National Institute of Securities Market, shall be appointed as or shall continue to act as compliance officer of managers of AIFs.

Therefore, the existing compliance officers who do not possess the aforementioned certification shall obtain the same before the Effective Date to continue in their role.

Further, the circular also stipulates that it shall be the responsibility of the trustee/ sponsor/ manager of the AIF to ensure that the 'Compliance Test Report', prepared by the manager, duly includes compliance with the provisions of this circular.

*To read the circular [click here](#)*



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## SEBI'S FRAMEWORK FOR AI ONLY SCHEMES AND RELAXATIONS FOR LVFs FOR AI

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SEBI, *vide* its circular dated December 8, 2025, has issued a circular on modalities for migration to Accredited Investors ("AI") only schemes and relaxations to Large Value Funds ("LVFs") for AI under

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the AIF Regulations. This circular follows the SEBI (AIF) (Third Amendment) Regulations, 2025 (*as covered in our [earlier edition of Galaxy](#)*).

The key highlights of the circular are as follows:

- (a) **AI Only Schemes**: AIFs can launch schemes solely for AI with less compliance requirements. The scheme names shall end with 'AI only fund'.
- (b) **Flexibility for LVFs**: LVFs receive additional operational relaxations such as exemption from following the standard template of placement memorandum and annual audit of the terms of placement memorandum, without requirement of specific waivers from investors. New schemes shall include 'LVF' as suffix to their names.
- (c) **Conversion Allowed**: Existing AIF schemes may convert into AI only or LVF schemes with positive consent from all investors. Conversion shall be reported to SEBI and depositories within 15 days.
- (d) **AI Status Continuity**: Once an investor is onboarded as an AI, they will be treated as an AI for the entire tenure of the scheme, even if they lose that status later.
- (e) **Extended Tenure**: AI only schemes may extend their tenure by up to 5 years, including any extensions taken before conversion.
- (f) **Mandatory Reporting**: Compliance with this circular shall be included in the compliance test report.

*To read the circular [click here](#)*



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## RBI & IFSC UPDATES

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### IFSCA CLARIFIES COMPUTATION OF LIQUID NET WORTH UNDER THE CMI REGULATIONS

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The International Financial Services Centres Authority ("IFSCA"), *vide* its circular dated December 30, 2025, has clarified on the computation of liquid net worth under the IFSCA (Capital Market Intermediaries) Regulations, 2025 ("CMI Regulations").

In this regard, IFSCA has stated the following:

- (a) Base minimum capital and interest free deposits maintained by the registered broker dealers and the registered clearing members with the recognised stock exchanges and clearing corporations respectively shall be considered as part of liquid net worth;
- (b) Margins maintained by the registered broker dealers/ clearing members in relation to their trading activities in the International Financial Services Centres ("IFSC") or Global Access, as the case may be, shall be considered as part of liquid net worth; and
- (c) While computing "net worth" of an entity, liabilities are not considered as per definition of "net worth" provided in the CMI Regulations and accordingly any liability shall be excluded for the purpose of computation of "liquid" net worth.

*To read the circular* [click here](#)



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### IFSCA EXTENDS THE DEADLINE FOR IMPLEMENTATION OF THE REVISED NORMS FOR PRINCIPAL OFFICER AND COMPLIANCE OFFICER UNDER THE CMI REGULATIONS

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IFSCA, *vide* its circular dated December 31, 2025, has extended the deadline for implementation of the regulations/ norms for the principal officer and compliance officer under the CMI Regulations.

IFSCA has, in its meeting held on December 22, 2025, approved certain amendments to the CMI Regulations relating to the appointment of principal officer and compliance officer of the capital market intermediaries. The said amendments are in the process of being notified.

In view of the above, the deadline for implementation of the regulations/ norms for principal officer and compliance officer has been extended up to January 15, 2026 or till the date of publication of the IFSCA (Capital Market Intermediaries) (Amendment) Regulations, 2026 in the Official Gazette, whichever is earlier (*the erstwhile deadline was till December 31, 2025*).

*To read the circular* [click here](#)



## CORPORATE UPDATES

### MCA RAISES SMALL COMPANY THRESHOLDS TO INR 10 CRORES PAID-UP CAPITAL AND INR 100 CRORES TURNOVER

Ministry of Corporate Affairs ("MCA"), *vide* its notification dated December 1, 2025, has notified the Companies (Specification of definition details) Amendment Rules, 2025 ("Specification Amendment Rules"), thereby amending the Companies (Specification of definition details) Rules, 2014 ("Specification Principal Rules").

The Specification Amendment Rules substitute Rule 2(1)(t) of the Specification Principal Rules. The rule now provides that for the purposes of sub-clause (i) and sub-clause (ii) of Section 2(85) of CA2013, the companies with paid-up capital and turnover not exceeding INR 10 crores and INR 100 crores, respectively will fall under the definition of small company. This amendment substantially raises the monetary thresholds for small companies from the previous limits, thereby expanding the scope of companies eligible to benefit from small company exemptions under CA2013 such as (a) exemption from mandatory dematerialization, (b) exemption from including cash flow statements in financial statements, (c) limited disclosures under board's report and annual return under Sections 134 and 92 of CA2013, respectively, (d) lesser number of board meetings, and (e) lower penalties under various sections of CA2013.

*To read the Specification Amendment Rules* [click here](#)



### MOF NOTIFIES THE INDIAN INSURANCE COMPANIES (FOREIGN INVESTMENT) AMENDMENT RULES, 2025

Ministry of Finance, *vide* its notification dated December 30, 2025, has notified the Indian Insurance Companies (Foreign Investment) Amendment Rules, 2025 ("IIC Amendment Rules"), thereby amending the Indian Insurance Companies (Foreign Investment) Rules, 2015 ("IIC Principal Rules").

The key amendments are as follows:

(a) The definition of Foreign Direct Investment ("FDI") has been amended to state that FDI means the investment by non-resident entities or persons resident outside India and other eligible entities in the equity shares of an Indian insurance company under the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 ("NDI Rules"):

Provided that for the purposes of the NDI Rules, FDI shall include investment by Foreign Venture Capital Investors (FVCI) as permissible under the NDI Rules.

FDI under the IIC Principal Rules has now been aligned with the NDI Rules and includes FVCI as permissible investors.

(b) Cap on FDI: No Indian insurance company shall allow the aggregate holdings by way of FDI (*earlier, the terminology used was 'Total Foreign Investment'*) in its equity shares by foreign

investors, including portfolio investors, to exceed such per cent. of the paid-up equity capital of such Indian insurance company as stipulated by the Insurance Act, 1938 (*earlier, there was a fixed 74% cap on foreign investment*).

- (c) In an Indian insurance company having foreign Investment, at least one amongst the Chief Executive Officer (CEO), managing director and chairperson of its board of directors, shall be resident Indian citizens.
- (d) In an Indian insurance company with foreign investment exceeding 49%, where dividends are declared in a financial year and the solvency margin is below 1.2 times the control level of solvency, at least 50% of the net profit for that year must be retained in the general reserve, and at least 50% of the directors must comprise independent directors, unless the chairperson is an independent director, in which case at least one-third of the board must comprise of independent directors. This rule has now been omitted.
- (e) The foreign investment proposals up to such per cent. of the total paid-up equity of the Indian insurance company as provided under the Insurance Act, 1938 shall be allowed on the automatic route subject to verification by the Insurance Regulatory and Development Authority of India (*earlier, there was a fixed cap of 74% of the total paid up equity of the Indian insurance company on foreign investment proposals under the automatic route. The provision has now been linked to the Insurance Act, 1938*).
- (f) Certain clauses of Rule 9(3) concerning insurance intermediary that has majority shareholding of foreign investors, such as prior permission for repatriating dividend; composition of board of directors and key management persons to be as per the concerned regulators, have been omitted.

To read the IIC Amendment Rules [click here](#)



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## LABOUR UPDATES

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### LABOUR COURTS, INDUSTRIAL TRIBUNALS AND NATIONAL INDUSTRIAL TRIBUNALS TO CONTINUE WITH ADJUDICATION

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Ministry of Labour and Employment, *vide* its notification dated December 8, 2025, has released the Industrial Relations Code (Removal of Difficulties) Order, 2025, wherein it has been clarified that the existing Labour Courts, Industrial Tribunals and National Industrial Tribunals constituted under the Industrial Disputes Act, 1947 shall continue to adjudicate both pending and new cases. This measure has been adopted to ensure continuity of adjudication and to avoid any legal or administrative vacuum until the Industrial Tribunals and National Industrial Tribunals are constituted under the Industrial Relations Code, 2020.

*To read the notification* [click here](#)



### EXTENSION OF SCHEME TO PROMOTE REGISTRATION OF EMPLOYERS/ EMPLOYEES

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Employees State Insurance Corporation ("ESIC"), *vide* its circular dated July 1, 2025, launched a scheme to promote registration of factories/ establishments and employees coverable under the Employees' State Insurance Act, 1948 (*which was covered in our earlier edition of Legalaxy*). ESIC, *vide* its circular dated December 31, 2025, has now extended the validity of the said scheme until January 31, 2026.

*To read the circular* [click here](#)



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