भारतीय कम्पनी सचिव संस्थान
THE INSTITUTE OF
Company Secretaries of India
IN PURSUIT OF PROFESSIONAL EXCELLENCE
Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)

SUPPLEMENT
PROFESSIONAL PROGRAMME
(SYLLABUS 2022)

for

December, 2026 Examinations
(Containing updates from June 01, 2025 to May 31, 2026)

STRATEGIC MANAGEMENT & CORPORATE FINANCE

GROUP 2, PAPER 5

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Students appearing in Examination shall note the following:

Students appearing in December, 2026 Examination should also update themselves on all the relevant Notifications, Circulars, Clarifications, Orders etc. issued by MCA, SEBI, RBI & Central Government up to 31st May, 2026.

The students are advised to acquaint themselves with the subject specific updates published by the Institute.

This supplement is to be read with the SMCF study material (Syllabus 2022) updated up to May, 2025.

LESSON 8:
RAISING OF FUNDS FROM EQUITY AND PROCEDURAL ASPECTS- PUBLIC FUNDING

(1) SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2025 [Notification No. SEBI/LAD-NRO/GN/2025/264 dated September 08, 2025]

SEBI has notified the SEBI (Issue of Capital and Disclosure Requirements) (Second Amendment) Regulations, 2025 on September 08, 2025 and made the following amendments in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018:

- **General Conditions for IPO**

  Regulation 7(1)(c) has been substituted with the following:
  "An issuer making an initial public offer must ensure that all its specified securities are in the dematerialised form prior to the filing of the draft offer document held by –

  (i) the promoters,

  (ii) the promoter group,

  (iii) the selling shareholder(s),

  (iv) the directors,

  (v) the key managerial personnel,

  (vi) the senior management,

  (vii) qualified institutional buyer(s),

  (viii) employees,

  (ix) shareholders holding SR equity shares,

  (x) entities regulated by Financial Sector Regulators,

  (xi) any other categories of shareholders as maybe specified by SEBI from time to time."

- **Additional conditions for an offer for sale**
  In regulation 8, in the third proviso, the existing clause b) has been substituted with the following clause, namely, -
  "b) if the equity shares or equity shares arising out of conversion of fully paid-up compulsorily convertible securities are offered for sale where such equity shares or fully paid-up compulsorily convertible securities were acquired pursuant to any scheme approved by a High Court or approved by a Tribunal or the Central Government under sections 230 to 234 of the Companies Act, 2013, as applicable, in lieu of business and invested capital, which had been in existence for a period of more than one year prior to approval of such scheme;".

Securities Ineligible Minimum Promoters' Contribution
In regulation 15(1), sub-clause (ii) of the proviso to clause (b) has been amended:
"if such specified securities are acquired in terms of the scheme under sections 230 to 234 of the Companies Act, 2013, as approved by a High Court or a tribunal or the Central Government, as applicable, by the promoters ***or alternative investment funds or foreign venture capital investors or scheduled commercial banks or public financial, institutions or insurance companies registered with Insurance Regulatory and Development Authority of India or any non-individual public shareholder holding at least five per***

cent. of the post issue capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s), as applicable *in lieu of business and invested capital that had been in existence for a period of more than one year prior to such approval."*

- **General conditions for IPO by SME**
  Regulation 230(1)(d) has been substituted with the following:
  "An issuer making an initial public offer by Small and Medium Enterprises must ensure that all its specified securities are in the dematerialised form prior to the filing of the draft offer document held by –
  - *(i) the promoters,*
  - *(ii) the promoter group,*
  - *(iii) the selling shareholder(s),*
  - *(iv) the directors,*
  - *(v) the key managerial personnel,*
  - *(vi) the senior management,*
  - *(vii) qualified institutional buyer(s),*
  - *(viii) employees,*
  - *(ix) shareholders holding SR equity Shares,*
  - *(x) entities regulated by Financial Sector Regulators,*
  - *(xi) any other categories of shareholders as maybe specified by SEBI from time to time."*

  For details: https://www.sebi.gov.in/legal/regulations/sep-2025/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-second-amendment-regulations-2025_96524.html

- The amendment has been made in the definition of Not for Profit Organization in regulation 292A(e). The same is provided below:
  "Not for Profit Organization" means a Social Enterprise which is any of the following entities:
  - (i) a charitable trust registered under the Indian Trusts Act, 1882;
  - (ii) a charitable trust registered under the public trust statute of the relevant State;
  - (iii) a Trust registered under the Registration Act, 1908 with the relevant Sub-Registrar in those States that have not enacted the law governing public trust;
  - (iv) a charitable society registered under the Societies Registration Act, 1860;
  - (v) a charitable society registered under the Societies Registration Act of the relevant State;
  - (vi) a company registered under section 8 of the Companies Act, 2013 including a company registered under section 25 of the repealed Companies Act, 1956;
  - (vii) any other entity as may be specified by SEBI."

- **Eligibility conditions for being identified as a Social Enterprise**
  The Social Enterprise shall target underserved or less privileged population segments or regions recording lower performance in the development priorities of the Central or State Governments, or such other target segments as may be specified by the SEBI from time to time. [Substitution: Regulation 292E(2)(b)]

- **Requirements relating to registration for a Not for Profit Organization**
  A Not for Profit Organization shall mandatorily seek registration with a Social Stock Exchange

before it raises funds through a Social Stock Exchange. However, a Not for Profit Organization may register on a Social Stock Exchange and not raise funds through it for a maximum period of two years from the date of registration or such duration as may be specified by the SEBI.

However, upon expiry of the period of two years from the date of registration or such duration as may be specified by the Board, the Not for Profit Organization shall have at least one listed project for which funds have been raised through the Social Stock Exchange, failing which it shall cease to be registered. [Amendment: Regulation 292F(1)]

For details: https://www.sebi.gov.in/legal/regulations/sep-2025/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-second-amendment-regulations-2025_96524.html

(2) SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2025 [Notification No. SEBI/LAD-NRO/GN/2025/271 dated October 31, 2025]

SEBI has notified the SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2025 on October 31, 2025 which shall come into force on the 30^{th} day from the date of their publication in the Official Gazette. Vide this notification, the following amendments have been made in Schedule XIII of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018.

Accordingly, the allocation to the anchor investors shall be on a discretionary basis, subject to the following:

(I) In case of public issue on the main board, through the book building process:

(i) minimum of 2 and maximum of 15 such investors shall be permitted for allocation up to two hundred fifty crore rupees, subject to minimum allotment of Rs. 5 crore rupees per such investor;

(ii) in case of allocation above Rs. 250 crores, a minimum of 5 such investors and a maximum of 15 such investors for allocation up to Rs. 250 crores and an additional 15 such investors for every additional Rs. 250 crores or part thereof, shall be permitted, subject to a minimum allotment of Rs. 5 crores per such investor.

(II) In case of public issue on the SME exchange, through the book building process:

(i) Maximum of 2 such investors shall be permitted for allocation up to Rs. 2 crore;

(ii) Minimum of 2 and maximum of 15 such investors shall be permitted for allocation above 2 crore rupees and up to 25 crore rupees, subject to minimum allotment of 1 crore rupees per such investor;

(iii) In case of allocation above 25 crore rupees; a minimum of 5 such investors and a maximum of 15 such investors for allocation up to 25 crore rupees and an additional 10 such investors for every additional 25 crore rupees or part thereof, shall be permitted, subject to a minimum allotment of 1 crore rupees per such investor.

40% of the anchor investor portion, shall be reserved as under-

- 33.33% of the anchor investor portion shall be reserved for domestic mutual funds and
- 6.67% shall be reserved for life insurance companies and pensions funds.

For details: https://www.sebi.gov.in/legal/regulations/nov-2025/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-third-amendment-regulations-2025_97635.html

(3) SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2026 [Notification No. SEBI/LAD-NRO/GN/2026/299 dated March 16, 2026]

SEBI has notified the SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2026 on March 16, 2025 which shall come into force on the date of their publication in the Official Gazette.

Vide this notification, the following amendments have been made in the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018:

- **In Regulation 17, pertaining to "Lock-in of specified securities held by persons other than the promoters", sub-regulation 2 has been inserted:**
  Subject to sub-regulation (1), where lock-in of the specified securities cannot be created, the depositories shall, upon receipt of instructions from the issuer, record such securities as "non-transferable" for the duration of the applicable lock-in period.

  - In Regulation 25(2) and 123(2), pertaining to "Filing of the draft offer document and offer document", the lead manager shall submit to SEBI, along with the draft offer document, a draft abridged prospectus prepared in accordance with Part E of Schedule VI, together with the other prescribed certificates.
  - Copy of the offer documents **along with the abridged prospectus** shall also be filed with SEBI and the stock exchange(s) through the lead manager(s) promptly after filing the offer documents with Registrar of Companies. [Regulation 25(7) and 123(7)]
  - The draft offer document, **the offer document, the draft abridged prospectus, and the abridged prospectus** shall also be furnished to SEBI in a soft copy. [Regulation 25(8) and 123(8)]

- **In Regulation 26, pertaining to "Draft offer document and offer document to be available to the public" the following amendments have been made:**
  - The draft offer document filed with SEBI shall be made public for comments, if any, for a period of at least twenty one days from the date of publication of the public announcement under sub-regulation (2), by hosting it **along with the draft abridged prospectus** on the websites of the issuer, the Board, stock exchanges where specified securities are proposed to be listed and lead manager(s) associated with the issue. [Regulation 26(1) and 124(1)]
  - The issuer and the lead manager(s) shall ensure that the offer documents **and the abridged prospectus** are hosted on the websites as required under these regulations and its contents are the same as the versions as filed with the Registrar of Companies, Board and the stock exchanges, as applicable. [Regulation 26(4) and 124(4)]

- **Abridged Prospectus**
  Every application form distributed by the issuer or any other person in relation to an issue shall include **a QR code and link to access the red herring prospectus, the abridged prospectus, and the price band advertisement.** [Regulation 34(2), 131(2) and 255(2)]

- **Filing of the offer document**
  - The lead manager(s) shall submit a due-diligence certificate as per Form A of Schedule V to which the site visit report of the issuer prepared by the lead manager(s) shall also be annexed, including additional confirmations as provided in Form G of Schedule V, **and the draft abridged prospectus as per Part E of Schedule VI** along with the draft offer document to the SME Exchange(s), where the specified securities are proposed to be listed. [Regulation 246(3)]

- The offer documents and **the abridged prospectus**, shall also be furnished to SEBI in a soft copy. [Regulation 246(5)]

- **In Regulation 247, pertaining to "Draft offer document and offer document to be available to the public" the following amendments have been made:**
    - The draft offer document filed with the SME exchange shall be made public for comments, if any, for a period of at least twenty one days from the date of filing, by hosting it **along with the draft abridged prospectus** on the websites of the issuer, SME exchange where specified securities are proposed to be listed and lead manager associated with the issue. [Regulation 247(1)]
    - The issuer and the lead manager(s) shall ensure that the offer documents **and the abridged prospectus** are hosted on the websites as required under these regulations and its contents are the same as the versions as filed with the Registrar of Companies, Board and the SME exchange(s). [Regulation 247(4)]

For details: https://www.sebi.gov.in/legal/regulations/mar-2026/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-amendment-regulations-2026_100495.html

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LESSON 9 - REAL ESTATE INVESTMENT TRUST
LESSON 10- INFRASTRUCTURE INVESTMENT TRUST

(1) Securities and Exchange Board of India (Real Estate Investment Trusts) (Second Amendment) Regulations, 2025 (September 03, 2025)

The Securities and Exchange Board of India (SEBI) vide its notification dated 1st September, 2025, has notified "the SEBI (Real Estate Investment Trusts) (Second Amendment) Regulations, 2025" which shall come into force on the date of their publication in the Official Gazette. The amendment *inter-alia* provides:

- Regulations 2(1)(ze) is substituted with the following:
  "(zq) "public" means any person other than:
  (i) the related party of the REIT, its sponsor, or manager; or
  (ii) any other person as may be specified by the Board:

  However, a person specified above, who is also a qualified institutional buyer in an offer, shall be considered as "public" for the purpose of these regulations: Further the sponsor, sponsor group, and manager of the REIT shall not be considered as "public" for the purpose of these regulations."

- **Reporting of Under-Construction Properties [Regulation 10(18) of REIT Regulations]:** The timeline for disclosure of development status of under-construction Properties shall now be aligned with the submission timeline for quarterly financial results.

- **Distribution of Cash Flows by HoldCo:** A new proviso has been added under Regulation 18(16)(aa) of the REIT Regulations to state that if the HoldCo's net distributable cash flow is negative, it may be adjusted against cash flows from SPVs, with disclosure requirements to unitholders as per the format specified by SEBI.

- **Valuation Reports & Timelines (Regulation 21 of the REIT Regulations):**

  a) *Annual Valuation Report (Regulation 21(4) of the REIT Regulations) is to be conducted as on March 31st and submitted with annual financial results.*

  b) *Half-Yearly Valuation (Regulation 21(5) of the REIT Regulations) is to be conducted as on September 30th and submitted with quarterly* financial results for the September quarter.

  c) *Submission Requirements (Reg. 21(6) of the REIT Regulations): the timings have been clarified and the obligation of mandatory communication to unit holders where not explicitly required, has been removed.*

For details: https://www.sebi.gov.in/legal/regulations/sep-2025/securities-and-exchange-board-of-india-real-estate-investment-trusts-second-amendment-regulations-2025_96439.html

(2) Securities and Exchange Board of India (Infrastructure Investment Trusts) (Third Amendment) Regulations, 2025 (September 03, 2025)

The Securities and Exchange Board of India (SEBI) vide its notification dated 1st September, 2025, has notified "the SEBI (Infrastructure Investment Trusts) (Third Amendment) Regulations, 2025" which shall come into force on the date of their publication in the Official Gazette. The amendment *inter-alia* provides:

- Regulations 2(1)(zq) is substituted with the following:
  "(zq) "public" means any person other than:
  (i) the related party of the InvIT, its sponsor, investment manager or project manager; or
  (ii) any other person as may be specified by the Board:

  However, a person specified above, who is also a qualified institutional buyer in an offer, shall be considered as "public" for the purpose of these regulations: Further the sponsor, sponsor group, investment manager and project manager of the InvIT shall not be considered as "public" for the purpose of these regulations."

- **Reporting of Under-Construction Projects [Regulation 10(18) of InvIT Regulations]:** The timeline for disclosure of development status of under-construction projects shall now be aligned with the submission timeline for quarterly financial results.
  Further, valuation reports, under Regulation 21(4), Regulation (5), and Regulation (5A) of the InvIT Regulations, must be submitted to the trustee simultaneously with submission to stock exchanges.

- **Quarterly Investment Manager Disclosures:** The timeline for quarterly disclosures under Regulation 10(24) of the InvIT Regulations is now aligned with the timeline for submission of quarterly financial results.

- **Minimum Investment Threshold:** The minimum investment under Regulation 14 of InvIT Regulations amount from any investor has been reduced from INR 1 crore to INR 25 lakhs. The requirement of INR 25 crores investment for InvITs investing 80% in completed and revenue-generating assets has been omitted.

- **Distribution of Cash Flows by HoldCo (Regulation 18(6)(ba) of the InvIT Regulations):** A new proviso allows HoldCos to adjust negative net distributable cash flow against cash flows received from SPVs, subject to disclosure requirements to unitholders in the manner prescribed by SEBI.

- **Valuation Reports & Timelines (Regulation 21 of the InvIT Regulations):**
  a) *Annual Valuation (Regulation 21(4) of the InvIT Regulations)* is to be conducted as on March 31st and submitted with annual financial results.
  b) *Half-Yearly Valuation (Regulation 21(5) of the InvIT Regulations*) is to be conducted as on September 30th and submitted with quarterly financial results for the September quarter.
  c) *Quarterly Valuation Trigger (Regulation 21(5A) of InvIT Regulations)*:If borrowings exceed 49% (Forty Nine Percent), valuation must be done quarterly for June, September, and December. Further, there shall be no need for a separate September quarterly report if a half-yearly valuation is submitted for the same period.
  d) *Timelines for Valuation Reports (Regulation 21(6) of the InvIT Regulations)*: All valuation reports under Regulation 21(4), Regulation 21(5), and Regulation 21(5A) of the InvIT Regulations must be submitted within the prescribed timelines.

- **Reporting Obligations (Regulation 23 of the InvIT Regulations):**
  a) *Half-Yearly Reporting (Regulation 23(4) of the InvIT Regulations)*: The investment manager of a publicly offered InvIT must submit a half-yearly report along with the quarterly financial results for the September quarter.

b) *Quarterly Reporting Obligation for High-Leverage InvITs (Regulation 23(4A))*: Where consolidated borrowings and deferred payments exceed 49%, the investment manager must submit a quarterly report to the stock exchanges along with quarterly financial statements for the quarters ending June, September, and December.

For details: https://egazette.gov.in/(S(i3rdh3q3hggjjbak0jhp2vhe))/ViewPDF.aspx

(3) Reclassification of Real Estate Investment Trusts (REITs) as equity related instruments for facilitating enhanced participation by Mutual Funds and Specialized Investment Funds (SIFs) (November 28, 2025)

With a view to facilitate enhanced participation by Mutual Funds and Specialized Investment Funds (SIFs) in Real Estate Investment Trusts (REITs), it is prescribed that any investment made by Mutual Funds and SIFs in REITs shall be considered as investment in equity related instruments with effect from January 01, 2026. InvITs shall continue to be classified as hybrid instruments for the purpose of investments by Mutual Funds and SIFs.

However, the existing investment in REITs held by debt schemes of Mutual Funds and investment strategies of SIFs as on December 31, 2025, shall be grandfathered. Any inclusion of REITs in the equity indices shall be carried out only after a period of six months i.e, July 1, 2026.

For details: https://www.sebi.gov.in/legal/circulars/nov-2025/reclassification-of-real-estate-investment-trustsreits-as-equity-related-instruments-for-facilitating-enhanced-participation-by-mutual-funds-and-specializedinvestment-funds-sifs-_98031.html

(4) SEBI (Real Estate Investment Trusts) (Third Amendment) Regulations, 2025 [Notification No. SEBI/LAD-NRO/GN/2025/287 dated December 09, 2025]

SEBI has notified the SEBI (Real Estate Investment Trusts) (Third Amendment) Regulations, 2025 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the following amendments have been made in the SEBI (Real Estate Investment Trusts) Regulations, 2014:

- The definition of Institutional Investor has been inserted:

"Institutional Investor" means, –

a. a qualified institutional buyer; or

b. a family trust or an intermediary registered with the Board, having a net worth of more than five hundred crore rupees, as per the latest audited financial statements. [Section 2(1)(sa)]

- The Definition of Qualified Institutional Buyer has been amended:

"Qualified Institutional Buyer" shall have the meaning assigned to it under clause (ss) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. [Section 2(1)(zg)]

- The Definition of Strategic Investor has been amended:

"Strategic Investor" means, –

a. an institutional investor; or

b. a foreign portfolio investor not covered under sub-clause (a); or

c. a middle layer, upper layer and top layer Non-Banking Finance Company registered with the Reserve Bank of India; or

d. such entities as the Board may specify from time to time,

who invest, either jointly or severally, not less than five per cent. of the total offer size of the REIT or such amount as may be specified by the Board from time to time, subject to compliance with the applicable provisions, if any, of the Foreign Exchange Management Act, 1999 and the rules or regulations or guidelines made thereunder:
Provided that if the entity is regulated by any financial sector regulator, the Board shall consult such financial sector regulator prior to specifying the entity as a strategic investor under sub-clause (d) of clause (ztb) of sub-regulation (1) of regulation 2;" [Section 2(1)(ztb)]

For details: https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-real-estate-investment-trusts-third-amendment-regulations-2025-dated-december-11-2025_98310.html

(5) SEBI (Infrastructure Investment Trusts) (Fourth Amendment) Regulations, 2025 [Notification No. SEBI/LAD-NRO/GN/2025/286 dated December 09, 2025]

SEBI has notified the SEBI (Infrastructure Investment Trusts) (Fourth Amendment) Regulations, 2025 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the following amendments have been made in the SEBI (Infrastructure Investment Trusts) Regulations, 2014:

- The definition of Institutional Investor has been amended:

"Institutional Investor" means –

(i) a qualified institutional buyer; or

(ii) **a family trust or an intermediary registered with the Board, having a net worth of more than five hundred crore rupees, as per the latest audited financial statements.** [Section 2(1)(ya)]

- The Definition of Qualified Institutional Buyer has been amended:
  "Qualified Institutional Buyer" shall have the meaning assigned to it under clause (ss) of sub-regulation (1) of regulation 2 of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018. [Section 2(1)(zs)]

- The Definition of Strategic Investor has been amended:

"Strategic Investor" means, –

a. an institutional investor; or

b. a foreign portfolio investor not covered under sub-clause (a); or

c. a middle layer, upper layer and top layer Non-Banking Finance Company registered with the Reserve Bank of India; or

d. such entities as the Board may specify from time to time,

who invest, either jointly or severally, not less than five per cent. of the total offer size of the InvIT or such amount as may be specified by the Board from time to time, subject to compliance with the applicable provisions, if any, of the Foreign Exchange Management Act, 1999 and the rules or regulations or guidelines made thereunder:

However, if the entity is regulated by any financial sector regulator, the Board shall consult such financial sector regulator prior to specifying the entity as a strategic investor under sub-clause (d)

of clause (zza) of sub-regulation (1) of regulation 2. [Section 2(1)(zza)]
For details: *https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-infrastructure-investment-trusts-fourth-amendment-regulations-2025-dated-december-11-2025_98305.html*

(6) Securities and Exchange Board of India (Real Estate Investment Trusts) (Amendment) Regulations, 2026 [April 18, 2026]

SEBI vide gazette notification dated April 16, 2026 issued SEBI (Real Estate Investment Trusts) (Amendment) Regulations, 2014 which is effective from the date of publication in the Official Gazette. The key changes include lowering the minimum required credit risk value from 12 to 10 under both Regulation 2(1)(ta) and Regulation 18(5)(i). Also, the eligibility framework has been widened by adding "Class B-I" instruments alongside "Class A-I" in the applicable risk class matrix.
For details:
https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/apr-2026/1776658226643.pdf#page=1&zoom=page-width,-15,842

(7) Securities and Exchange Board of India (Infrastructure Investment Trusts) (Amendment) Regulations, 2026 [April 18, 2026]

SEBI, vide its Gazette Notification dated April 16, 2026, issued the SEBI (Infrastructure Investment Trusts) (Amendment) Regulations, 2014, which came into force on the date of their publication in the Official Gazette. The amended regulations, *inter alia*, revise the definition of liquid assets to include units of liquid mutual funds that meet a minimum credit risk value of 10 and fall under Class A-I or Class B-I categories in the applicable potential risk class matrix.

Further, Regulation 2(1)(zy) has been amended to clarify provisions relating to Special Purpose Vehicles (SPVs). It is specified that where an SPV holds an infrastructure project, the conclusion or termination of the concession agreement, or any other agreement of a similar nature, shall not affect its status as an SPV. Such an entity shall continue to be classified as an SPV, subject to the fulfilment of conditions as may be specified by the Board. In addition, the investment framework under Regulation 18 (5) (b)(vii) has been revised by reducing the minimum required credit risk value from 12 to 10 and by expanding the eligible categories to include Class B-I instruments alongside Class A-I instruments in the relevant risk class matrix.
For details:
https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/apr-2026/1776658177070.pdf#page=1&zoom=page-width,-15,842

LESSON 11
RAISING OF FUNDS – PRIVATE FUNDING

(1) SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2025 (Notification No. SEBI/LAD-NRO/GN/2025/265 dated September 08, 2025)

SEBI has notified the SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2025 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the following amendments have been made:

- The definition of venture capital fund has been modified. As per the amended definition, the venture capital fund means an Alternative Investment Fund which invests primarily in unlisted securities of start-ups, emerging or early-stage venture capital undertakings mainly involved in new products, new services, technology or intellectual property right based activities or a new business model and shall include a migrated venture capital fund as defined under Chapter III-D. [Regulation 2(1)(z)]

- The provisions relating to Category I Alternative Investment Fund are amended to include angel funds. The amended provisions are stated below:

  "(a) "Category I Alternative Investment Fund" which invests in start-up or early stage ventures or social ventures or SMEs or infrastructure or other sectors or areas which the government or regulators consider as socially or economically desirable and shall include venture capital funds, SME Funds, ***angel funds****, social impact funds, infrastructure funds, special situation funds and such other Alternative Investment Funds as may be specified.*

  Alternative Investment Funds which are generally perceived to have positive spillover effects on economy and for which the Board or Government of India or other regulators in India might consider providing incentives or concessions shall be included and such funds which are formed as trusts or companies shall be construed as "venture capital company" or "venture capital fund" as specified under sub-section (23FB) of Section 10 of the Income Tax Act, 1961." [Regulation 3(4)(a)]

- Regulation 15(1)(b) relating to General Investment Conditions has been omitted stating:

  "The terms of Co-investment in an investee company by a Manager or Sponsor or co-investor, shall not be more favourable than the terms of investment of the Alternative Investment Fund. However, the terms of exit from the Co-investment in an investee company including the timing of exit shall be identical to the terms applicable to that of exit of the Alternative Investment Fund."

- The definition of angel fund has been modified. As per the amended definition, the angel fund means a sub-category of Category I- Alternative Investment Fund that raises funds from **accredited investors** and invests in accordance with the provisions of regulations specified by SEBI. [Regulation 19A(1)]

- The definition of Angel Investor has been substituted:
  "angel investor" means an accredited investor, or key management personnel of an angel fund or its manager, who invests in an angel fund." [Regulation 19A(2)]

- No minimum value of investment shall be applicable for investment in an angel fund by an angel investor. Angel fund shall raise funds through private placement by issue of information memorandum or placement memorandum, by whatever name called. However, the provisions of the Companies Act, 2013 shall apply to the Angel Fund, if it is formed as a company. Such placement memorandum shall be filed with the SEBI in the specified format through a merchant banker while filing the application for registration as an angel fund.

- Regulation 19 F on Investment by Angel Funds is substituted with the following:

1. Angel funds shall invest only in startups, which are not promoted or sponsored by or related to a corporate group whose group turnover exceeds Rs. 300 crores. However, angel funds may make additional investments in their existing investee companies, which are no longer start-ups, subject to the conditions as may be specified by the SEBI.
   For the purpose of this clause, "corporate group" shall include a group of body corporates with the same promoter(s)/promoter group, a parent company and its subsidiaries, a group of body corporates in which the same person/ group of persons exercise control, and a group of body corporates consisting of associates/ subsidiaries/ holding companies. "Group Turnover" shall mean combined total revenue of the corporate group.

2. Investment made by an angel fund in any investee company shall not be less than Rs. 10 lakhs and shall not exceed Rs 25 crores.

3. Investment by an angel fund in an investee company shall be subject to lock-in period as specified by the SEBI.

4. Angel funds shall not invest in associates.

5. Each investment of an angel fund in an investee company shall have contribution from at least two accredited investors.

6. Angel funds shall not accept contribution for investment in an investee company, from those angel investors who are a related party to such investee company.

7. An angel fund may also invest in the securities of companies incorporated outside India subject to such conditions or guidelines that may be stipulated or issued by the Reserve Bank of India and the SEBI from time to time.

For details: https://www.sebi.gov.in/legal/regulations/sep-2025/securities-and-exchange-board-of-india-alternative-investment-funds-second-amendment-regulations-2025_96533.html

(2) Framework for AIFs to make co-investment within the AIF structure under SEBI (Alternative Investment Funds) Regulations, 2012 (September 09, 2025)

SEBI *vide* this circular introduced a new framework enabling Category I and II Alternative Investment Funds ("AIFs") to offer co-investment opportunities to accredited investors within the AIF structure itself, through the launch of separate Co-Investment Schemes ("CIV schemes"). Key Highlights of the circular are as under:

a) SEBI has permitted Category I and II AIFs to offer Co-Investment facilities within the AIF structure by launching CIV schemes, in addition to the existing Portfolio Management Services ("PMS") route.

b) A Shelf Placement Memorandum must be filed as per the prescribed template by SEBI, that inter-alia includes governance structure, regulatory framework, and principal terms of co-investment.

c) Each CIV scheme must maintain separate bank and demat accounts, assets must be ring-fenced from other schemes.

d) Investor's co-investment via CIV schemes in a company must not exceed 3 times their investment in the main AIF scheme, except for:
- Multilateral/ Bilateral Development finance institutions (DFIs)
- Government-owned entities
- Sovereign Wealth Funds and Central Banks

e) Investors excused, excluded, or defaulting in main AIF scheme investment cannot co-invest via CIV in that company. CIVs must not invest in a manner that:

- creates indirect exposure the investor cannot hold directly;
- requires additional disclosure if done directly;
- breaches eligibility norms for direct investment in the investee.

Additionally, no leverage or borrowing is allowed by CIV schemes.

f) Proceeds and rights from CIV investments are pro-rata, subject to carried interest or equivalent, if applicable. Co-investment expenses to be shared proportionally between AIF scheme and CIV scheme based on investment ratio.

g) CIV schemes must comply with standards (if any) developed by the Standard Setting Forum of AIFs (SFA) in consultation with SEBI. These standards shall be published by industry associations like Indian Venture and Alternate Capital Association (IVCA), Private Equity Venture Capital Chief Financial Officer Association (PEVCCFO), and Trustee Association of India.

h) AIF trustees/ sponsors must ensure that the Compliance Test Report (CTR) includes adherence to this framework, as per Chapter 15 of the SEBI Master Circular for AIFs.

For details: https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/sep-2025/1757430792935.pdf#page=1&zoom=page-width,-15,842

(3) Securities and Exchange Board of India (Alternative Investment Funds) (Third Amendment) Regulations, 2025 (November 19, 2025)

SEBI (Alternative Investment Funds) (Third Amendment) Regulations, 2025 were notified on November 18, 2025 to amend the SEBI (Alternative Investment Fund) Regulations, 2012. Key highlights of this amendment regulations *inter-alia* covers the following:

- An "Accredited Investors only fund" has been defined as an AIF or the scheme of an AIF in which each investor (other than the Manager, Sponsor, employees or directors of the AIF or employees or directors of the Manager) is an Accredited Investor.

- A "large value fund for accredited investors" shall henceforth fall under the ambit of an "Accredited Investors only fund". Therefore, any reference to 'Accredited Investors only fund' shall include 'large value fund for accredited investors.

- The threshold of Rs. 70 crores for each Accredited Investor in a "large value fund for accredited investors" has now been reduced to Rs. 25 crores.

- An AIF or a scheme of an AIF, launched prior to this notification may be permitted to convert to a Accredited Investor only Fund or large value fund for accredited investors, subject to the conditions as may be further specified by SEBI.

For details: *https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/nov-2025/1764240953769.pdf#page=1&zoom=page-width,-15,841*

(4) SEBI (Alternative Investment Funds) (Amendment) Regulations, 2026 (April 16, 2026)

SEBI has notified the SEBI (Alternative Investment Funds) (Amendment) Regulations, 2026 which shall come into force on the date of their publication in the Official Gazette. Vide this Notification, an amendment has been made in the third proviso to Regulation 10(c) of the SEBI (Alternative Investment Funds) Regulations, 2012, pertaining to investment in Alternative Investment Fund. The amendment reduces the minimum value of investment by individual investors in Social Impact Fund of Alternative Investment Funds to rupees one thousand from existing rupees two lakhs.

For details: https://www.sebi.gov.in/legal/regulations/apr-2026/securities-and-exchange-board-of-india-alternative-investment-funds-amendment-regulations-2026_100989.html

LESSON 12
RAISING OF FUNDS- NON FUND BASED

(1) SEBI (Share Based Employee Benefits and Sweat Equity) (Amendment) Regulations, 2025 (Notification No. SEBI/LAD-NRO/GN/2025/262 dated September 08, 2025)

SEBI has notified the SEBI (Share Based Employee Benefits and Sweat Equity) (Amendment) Regulations, 2025 which shall come into force on the date of their publication in the Official Gazette. Vide this Notification, a new regulation 9A has been inserted:

*"**9A. Employee identified as promoter or part of the promoter group in the draft offer document.** An employee who is identified as a "promoter" or part of the "promoter group" in the draft offer document filed by a company with the Board in relation to an initial public offering, and who was granted options, stock appreciation rights or any other benefit under any scheme at least one year prior to filing of the draft offer document, shall be eligible to continue to hold and/or exercise such options, SAR or any other benefit, in accordance with its terms and subject to compliance with these regulations and other applicable laws."*

For details: https://www.sebi.gov.in/legal/regulations/sep-2025/securities-and-exchange-board-of-india-share-based-employee-benefits-and-sweat-equity-amendment-regulations-2025_96476.html

(2) SEBI (Share Based Employee Benefits and Sweat Equity) (Second Amendment) Regulations, 2025 [Notification No. SEBI/LAD-NRO/GN/2025/284 dated December 03, 2025]

SEBI has notified the SEBI (Share Based Employee Benefits and Sweat Equity) (Second Amendment) Regulations, 2025 which shall come into force on the thirtieth day from the date of their publication in the Official Gazette. Vide this notification, SEBI has amended the definition of valuer and as per the amended definition, the valuer shall have the same meaning as assigned to it under section 247 of the Companies Act, 2013.

Further, the amendment has been made in regulation 34 relating to valuation of sweat equity shares. In regulation 34(1), the words *"a merchant banker"* have been be substituted with the words *"an independent registered valuer"*.

Pursuant to the amendment, the valuation of the know-how or intellectual property rights or value addition must be carried out by an independent registered valuer. However, a merchant banker shall complete the ongoing valuation assignment which has been undertaken prior to the coming into force of the SEBI (Share Based Employee Benefits and Sweat Equity) (Amendment) Regulations, 2025 within a period of nine months from the date of coming into force of the said regulations.

Further, the regulations 34(2) and 34(3) have been omitted.

For details: https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-share-based-employee-benefits-and-sweat-equity-second-amendment-regulations-2025_98214.html

LESSON 13

AN OVERVIEW OF LISTING AND ISSUANCE OF SECURITIES IN INTERNATIONAL FINANCIAL SERVICES CENTRE

(1) International Financial Services Centres Authority (Listing) (Amendment) Regulations, 2025 [October 13, 2025]

IFSCA vide gazette notification dated October 16, 2025, has issued the IFSCA (Listing) (Amendment) Regulations, 2025 which amends the IFSCA (Listing) Regulations 2024. The key highlights are as under:

- ***Disclosures in Offer Document*:** Regulation 16(8) stated that the financial information provided in the offer document shall not be older than 135 days, which has now been substituted to 180 days.
- ***Allotment*:** Regulation 25(2) stated that the issuer and lead manager(s) shall ensure that the specified securities are allotted, and the payments and refunds are completed within 5 working days from the date of closing of the issue, which has now been amended to 8 working days**.**
- ***Application and Allotment*:** Regulations 52(3) and Regulation 65 stated that the issuer and lead manager(s) shall ensure that the specified securities are allotted, and the payments and refunds are completed within 5 working days from the date of closing of the issue, which has now been amended to 8 working days.
- ***Financial statements*:** Regulation 96(2) and Regulation 107(2) have been substituted with **'the listed entity shall disclose its financial statements for first half of the financial year to the recognised stock exchange(s) immediately after the approval of its board of directors, but in any event not later than 45 days after the end of first half year'.** Prior to the amendment, the listed entity was required to disclose the financial statements for each of the first three quarters of its financial year to the recognised stock exchange(s) immediately after the approval of its board of directors, but in any event not later than 45 days after the end of each quarter.

For details:

https://ifsca.gov.in/CommonDirect/GetFileView?id=47a297ad49aaae8fa365313a91157a70&fileName=IFSCA__Listing___Amendment__Regulations__2025_20251017_0533.pdf&TitleName=Legal

LESSON 14
RAISING OF FUNDS FROM DEBTS AND PROCEDURAL ASPECTS

(1) Framework For Environment, Social and Governance (ESG) Debt Securities (Other Than Green Debt Securities) [Circular no. SEBI/HO/DDHS/DDHS-POD-1/P/CIR/2025/84 dated June 05, 2025]

Regulation 2(1)(oa) of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations 2021defines Environment, Social and Governance Debt Securities or "ESG Debt Securities" as green debt securities, social bonds, sustainability bonds, sustainability-linked bonds, or any other type of bonds, by whatever name called, that are issued in accordance with such international frameworks as adapted or adjusted to suit Indian requirements that are specified by SEBI from time to time, and any other securities as specified by SEBI.

An issuer desirous of issuing and listing of Environment, Social and Governance Debt Securities shall comply with such conditions as may be specified by SEBI. In order to facilitate issuers to raise funds through issuance of ESG debt securities (other than green debt securities), the SEBI has issued the operational framework for ESG debt securities (other than green debt securities) i.e. social bonds, sustainability bonds and sustainability-linked bonds as under:

- The debt securities shall be labelled as 'social bonds' or 'sustainability bonds' or 'sustainability-linked bonds' only if the funds raised through the issuance of such debt securities are proposed to be utilised for financing or refinancing projects and/or assets aligned with any of the following recognized standards or fall under the definitions given in the following paras:
  - International Capital Market Association (ICMA) Principles / Guidelines;
  - Climate Bonds Standard;
  - ASEAN Standards;
  - European Union Standards; and
  - Any framework or methodology specified by any financial sector regulator in India.

- **"Social Bonds" means** a debt security issued for raising funds, subject to the conditions as may be specified by SEBI from time to time, to be utilised for social project(s) that directly aim to address or mitigate a specific social issue and/or seek to achieve positive social outcomes especially but not exclusively for a target population, falling under any of the following categories:
  - Affordable basic infrastructure (e.g. clean drinking water, sewers, sanitation, transport, energy)
  - Access to essential services (e.g. health, education and vocational training, healthcare,)
  - Affordable housing
  - Employment generation and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a "just transition (such provision and/or promotion could include SME financing and microfinance)
  - Food security and sustainable food systems (e.g. physical, social, and economic access to safe, nutritious, and sufficient food that meets dietary needs and requirements; resilient agricultural practices; reduction of food loss and waste; and improved productivity of small-scale producers)
  - Socioeconomic advancement and empowerment (e.g. equitable access to and control over assets, services, resources, and opportunities; equitable participation and integration into the market and society, including reduction of income inequality)

- any other category, as may be specified by the Board from time to time.

- **'Sustainability bonds'** means a debt security issued for raising funds, subject to the conditions as may be specified by SEBI from time to time, to be utilised for finance or re-finance of a combination of eligible green project(s) and social project(s) as specified under the definition of green bonds and social bonds respectively.

- **'Sustainability-linked bonds'** means a debt security which has its financial and/or structural characteristics linked to predefined sustainability objectives of the Issuer, subject to the condition that such objectives are measured through predefined Sustainability Key Performance Indicators (KPIs) and assessed against predefined Sustainability Performance Targets (SPTs) .

- Certain social projects may also have environmental co-benefits, and that certain green project may have social co-benefits. The classification of a debt security as a green debt security, social bond or sustainability bond should be determined by the issuer based on its primary objectives for the underlying projects.

Disclosure requirements - Social Bonds

Initial Disclosure Requirements

An issuer desirous of issuing social bonds shall make the following additional disclosures in the offer document for public issues/ private placements:

1. Social objectives of the projects, with details of the target population and expected benefits.
2. Decision-making process used or proposed to determine project/asset eligibility.
3. Tracking procedures for monitoring deployment of proceeds, possibly through a Sustainability or ESG Committee.
4. Project details and areas where proceeds will be utilized, including refinancing of existing projects/assets.
5. Proceeds distribution with indicative estimates between financing and refinancing.
6. Temporary placement of unallocated or unutilised proceeds.
7. Social risks identified and mitigation plans proposed.
8. Refinancing information including details of existing debt and outstanding amounts.

Continuous disclosure requirements

An issuer who has listed social bonds shall provide following additional disclosures along with its annual report and financial results:

1. Utilisation of proceeds must be tracked internally as per the offer document and verified by an external auditor to confirm allocation to projects/assets.
2. Unutilised proceeds must be disclosed, including temporary placement/utilisation for each ISIN.
3. Annual Report disclosures must cover: list of funded projects/assets with description, amounts, and expected impact; aggregated information if confidentiality applies; qualitative and, where feasible, quantitative social impact measures (with reasons if not ascertainable); methods and assumptions used for metrics; and deployment of mitigation plans for social risks.
4. Impact reporting must provide project-level social impact data and disclose reporting standards/taxonomies followed.
5. Independent review requires appointment of a third-party reviewer/certifier for post-issue management of proceeds and verification of internal tracking.

Independent third-party reviewer/ certifier

1. **Independent reviewer** must be appointed to ensure ESG debt securities align with recognized standards, including review of processes like project evaluation, selection criteria, and eligible categories.
2. **Reviewer shall** be independent of the issuer, its directors, senior management, and key personnel; remunerated to avoid conflicts of interest; and have ESG expertise.
3. **Scope of review** must be clearly specified in the offer document.
4. **Forms of review** may include second-party opinion, verification (including refinancing), certification, or scoring/rating, as per International Capital Market Association (ICMA) or other recognized standards.
5. **ESG rating providers** registered with SEBI may also act as reviewers, subject to the same independence and conflict-of-interest conditions.
6. **Disclosure** of reviewer details must be made adequately in the offer document.

Disclosure requirements - Sustainability-Linked Bonds

Initial Disclosure Requirements

An issuer desirous of issuing sustainability-linked bonds shall make the following additional disclosures in the offer document for public issues/ private placements:

1. **Rationale** for issuing sustainability-linked bonds must be disclosed, showing consistency with the issuer's overall sustainability and business strategy.
2. **Taxonomies and standards** (Indian or global) referenced must be detailed.
3. **Pre-issuance obligations** must be adhered to, in line with international standards the securities are aligned with.
4. The offer document must include the issuer's core sustainability and business strategy; **KPI details** including definitions, calculation methods, and benchmarks; rationale and process for KPI selection and how they fit into the sustainability strategy; and **SPT details** including definitions, calculation methods, and benchmarks.
5. **Tracking procedures** for monitoring achievement of targets must be described; issuer may form a Sustainability or ESG Committee.
6. Disclosures on SPTs must cover timelines, observation dates, trigger events, frequency, and how the issuer intends to achieve them (through ESG strategy, governance, investments, operating levers, and quantitative contributions where possible).
7. **Bond characteristics** that vary with KPI achievement must be specified, along with the **trigger events** that cause such variation.
8. **Fallback mechanisms** must be explained if SPTs cannot be calculated or observed satisfactorily.
9. **Exceptional events** such as drastic regulatory or technical changes affecting KPI/SPT calculation must be disclosed.
10. **Mitigation plans** for risks that may affect achievement of SPTs must be detailed.
11. Any **external factors** beyond the issuer's control that may impact SPT achievement must be disclosed.
12. In case of **refinancing**, details of existing debt proposed to be refinanced, including outstanding amounts, must be provided.

Continuous disclosure requirements

An issuer who has listed sustainability-linked bonds shall provide following disclosures along with its annual report and financial results:

1) Post-issuance obligations must be adhered to in accordance with the relevant international standards that the securities are aligned with.
2) Annual disclosures must be provided along with the issuer's annual report and financial results, including:
   - Up-to-date information on the performance of the selected KPI(s), with baselines where relevant.
   - A verification report prepared by an independent third-party reviewer in relation to the SPTs, outlining performance against the targets, the related impact, and the timing of such impact on the bond's financial and/or structural characteristics.

Independent third-party reviewer/ certifier

1) Independent reviewer must be appointed to confirm sustainability-linked bonds align with recognized standards.
2) The reviewer must be independent of the issuer, its directors, senior management, and key personnel; remunerated in a way that avoids conflicts of interest; and have expertise in assessing ESG debt securities.
3) Issuers must appoint a reviewer to assess and certify:
   - The relevance, robustness, and reliability of selected KPI(s).
   - That KPI(s) are materially linked to the issuer's core sustainability and business strategy.
   - The rationale and ambition level of proposed SPTs.
   - The relevance and reliability of benchmarks and baselines.
   - The credibility of strategies or policies to achieve SPTs, including scenario analyses where relevant.
   - Any material changes to KPI methodology or SPT calibration, if applicable.
   - Reports on SPT performance, related impact, and timing of impact on the bond's financial and/or structural characteristics.
4) Scope of review must be clearly specified in the offer document.
5) In addition to eligible entities, an ESG rating provider registered with SEBI may also act as a third-party reviewer, subject to the same independence and conflict-of-interest conditions.

For details: https://www.sebi.gov.in/legal/circulars/jun-2025/framework-for-environment-social-and-governance-esg-debt-securities-other-than-green-debt-securities-_94424.html

(2) Reserve Bank of India (Non-Banking Financial Companies – Governance) Directions, 2025 [November 28, 2025]

RBI has come out with the Reserve Bank of India (Non-Banking Financial Companies - Governance) Directions, 2025 which apply to the Non-Banking Financial Companies subject to Layer-wise applicability as specified.

Non applicability

The provisions of these Directions shall not apply to applicable to an Non-Operative Financial Holding Company (NOFHC) registered with the RBI as an NBFC under the provisions of the RBI Act, 1934.

Constitution of Committees of the Board

a. **Audit Committee-** Same as earlier

b. **Nomination and Remuneration Committee-** Same as earlier

c. **Risk Management Committee :** An NBFC shall constitute a Risk Management Committee (RMC) either at the Board or executive level. The RMC shall be responsible for evaluating the overall risks faced by the NBFC including liquidity risk and shall report to the Board.

Constitution of Board and Appointment of Directors

1. An NBFC shall put in place a policy with the approval of its Board of Directors for ascertaining the 'fit and proper' status of the directors at the time of appointment, and on a continuing basis. Further, an NBFC shall institute an internal process to conduct due diligence of directors on a continuing basis. However, RBI reserves the right to examine the 'fit and proper' status of directors of an NBFC irrespective of its asset size, if it so deems fit in public interest.

2. To streamline and bring in uniformity in the process of due diligence, an NBFC shall:

i. undertake a process of due diligence to determine the suitability of a person for appointment / renewal of appointment as a director on the Board, based upon qualification, technical expertise, track record, integrity and other 'fit and proper' criteria.

ii. ensure that aforementioned declarations are scrutinized by the Nomination and Remuneration Committee or Nomination Committee, as applicable. Based on the information provided in the signed declaration, the Committee shall decide on the acceptance or otherwise of the Directors, where considered necessary;

iii. obtain annually, as on March 31, a simple declaration from the Directors that the information already provided has not undergone change and where there is any change, ensure that requisite details are furnished by them forthwith; and

iv. ensure, in public interest, that the Directors execute the Deeds of Covenants

3. An NBFC shall furnish to RBI (NHB in case of HFCs), on a quarterly basis, a statement on change of directors, and a certificate from its Managing Director / CEO that 'fit and proper criteria' in selection of the directors has been followed.

Appointment of Chief Compliance Officer

In order to ensure an effective compliance culture, it is necessary to have an independent compliance function and a strong compliance risk management framework in NBFCs. In this regard, an NBFC shall,

(1) appoint a Chief Compliance Officer (CCO), who should be sufficiently senior in the organization hierarchy; and

(2) put in place a Board approved policy laying down the role and responsibilities of the CCO with the objective of promoting better compliance culture in the organization.

Key Managerial Personnel

Except for directorship in a subsidiary, Key Managerial Personnel (KMP) of an NBFC shall not hold any office (including directorships) in any other NBFC-ML or NBFC-UL. Such KMP may assume directorship in NBFCs-BL.

Independent Director

Within the permissible limits in terms of Companies Act, 2013, an independent director shall not be on the Board of more than three NBFCs (NBFCs-ML or NBFCs-UL) at the same time. This restriction shall not apply in respect of directorships held in NBFCs-BL, subject to compliance with the applicable provisions of the Companies Act, 2013. The Board of an NBFC shall ensure that there is no conflict arising out of its independent director/s being on the Board of another NBFC at the same time.

For details: https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=12960#C4J

(3) SEBI (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2026 [Notification No. SEBI/LAD-NRO/GN/2026/296 dated January 20, 2026]

SEBI has notified the SEBI (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2026 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the following amendments have been made in the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021:

- A new definition of **retail individual investor** has been inserted which means an individual investor who applies or bids for debt securities for a value of not more than two lakhs rupees.
- In regulation 31, pertaining to "Prohibition on Payment of Incentives" the following proviso has been inserted:

Provided that nothing contained in this regulation shall preclude the issuer from offering an incentive in the form of additional interest or a discount to the issue price to senior citizens, women, serving and retired defence personnel, widows and widowers of defence personnel, retail individual investors or any other category of investors as may be specified by the Board from time to time. Provided further that such incentive shall be available only to the initial allottee but not in case the debt securities are transferred/ transmitted post allotment.

Brief Analysis

With a view to enhance participation of retail investors in corporate debt market and also to encourage public issuances in the debt market, SEBI has amended the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 to permit debt issuers to offer incentives to certain categories of investors.

For details: https://www.sebi.gov.in/legal/regulations/jan-2026/securities-and-exchange-board-of-india-issue-and-listing-of-non-convertible-securities-amendment-regulations-2026_99233.html

LESSON 16
FOREIGN FUNDING- INSTRUMENTS, LAWS AND PROCEDURES

Revised External Commercial Borrowing (ECB) Framework

External Commercial Borrowing (ECB) means borrowing by an eligible borrower from a recognized lender in accordance with the Schedule I of the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018.

On 16 February 2026, the Reserve Bank of India amended the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018 and Master Directions on External Commercial Borrowings 'ECB'. The revised ECB Framework as per Schedule I is summarized below:

Parameters	Description
Eligible borrowers	• Any person resident in India (other than individuals) incorporated under a Central or State Act is eligible to raise ECB, subject to the condition that such person is permitted for ECB in terms of applicable Act(s). • Entities undergoing restructuring or Corporate Insolvency Resolution Process (CIRP) may raise ECB only if specifically permitted under the restructuring or resolution plan. • Entities under investigation may raise ECB subject to disclose information about the pending investigation, adjudication or appeal under 'Form ECB 1
Recognized lenders	An eligible borrower may raise ECB from – a) A person resident outside India; b) A branch outside India of an entity whose lending business is regulated by the Reserve Bank; and c) A financial institution or a branch of a financial institution set up in IFSC.
Currency of borrowing and Conversion	ECB may be raised in foreign currency or INR, and the framework now permits FCY to FCY, FCY to INR and INR to FCY conversions subject to exchange rate safeguards.
Forms of borrowing	Any form of commercial borrowing arrangement that involves payment of agreed interest and repayment of principal. Funds received from a person resident outside India, on or after April 30, 2007, against issuance of preference shares or debentures which are not fully and mandatorily convertible to equity shares shall be treated as ECB. The following funds raised by an eligible borrower shall not be treated as ECB: (a) Trade Credit with original maturity up to three years (b) Export advance received (c) Investments received in terms of the Foreign Exchange Management (Debt Instruments) Regulations, 2019 (d) Investments received through Convertible Notes issued in terms of the Foreign Exchange Management (Non-Debt Instrument) Rules, 2019; and

	(e) Investments received from Foreign Venture Capital Investor (FVCI) through debt instruments in terms of the Foreign Exchange Management (Non-Debt Instrument) Rules, 2019.
Borrowing limit	(1) An eligible borrower may raise ECB up to the higher of (a) outstanding ECB up to USD 1 billion; or (b) total outstanding borrowing (external and domestic) up to 300% of net worth as per the last audited standalone balance sheet of the borrower. (2) The proposed ECB (other than ECB for refinancing) shall be taken into consideration while checking for compliance with the borrowing limit. (3) The borrowing limit specified in the sub-paragraph (1) shall not be applicable on eligible borrowers that are regulated by financial sector regulators.
Minimum Average Maturity Period (MAMP)	(1) An eligible borrower shall raise ECB with MAMP of 3 years. (2) MAMP for an eligible borrower engaged in manufacturing sector is 1-3 years, however, outstanding amount of such ECBs shall not exceed USD 150 million. (3) Call and put options, if any, shall not be exercisable prior to completion of MAMP. (4) The MAMP specified at sub-paragraph (1) and (2) shall not be required to be met in case of – (a) Conversion of ECB (including FCCB and FCEB) to non-debt instruments in accordance with the rules and regulations issued under the Act; (b) Repayment of ECB using the proceeds from non-debt instruments issued in terms of Foreign Exchange Management (Non-Debt Instrument) Rules, 2019 on repatriation basis, provided the proceeds are received after the drawdown of the ECB; (c) Refinance of ECB in terms of these Regulations; (d) Waiver of debt by the lender; and (e) Repayment of ECB, if required, for undertaking corporate actions such as closure, merger, demerger, arrangement, acquisition of control, amalgamation, resolution or liquidation by the lender or the borrower.
Cost of borrowing	(1) The cost of borrowing shall be in line with prevailing market conditions. (2) In case of eligible ECBs with average maturity period of less than three years, the cost of borrowing shall be in compliance with cost ceiling specified for Trade Credit. In the case of fixed rate loans, the floating rate plus spread of the corresponding swap shall not be more than the ceiling.
Other costs	Prepayment charges or penal interest, if any, for default or breach of covenants shall be in line with prevailing market conditions.
Arm's length principle	ECB from a related party shall be carried out on an arm's length basis.
Receipt of ECB proceeds	(1) An eligible borrower shall drawdown ECB only after obtaining the Loan Registration Number (LRN) from Reserve Bank through the designated AD Category I bank. (2) ECB proceeds meant to be utilized for a permitted INR expenditure in India, shall be credited to an INR account held in India with the designated AD Category I bank by the end of the succeeding month from the date of receipt. Pending utilisation, the funds may be invested in an unencumbered fixed deposit of tenor up to one year with the designated AD Category I bank.

	(3) ECB proceeds meant to be utilized for a permitted foreign currency expenditure may be credited to an FCY account held in India with the designated AD Category I bank or an FCY account held outside India, in terms of the Foreign Exchange Management (Foreign Currency Accounts by a Person Resident in India) Regulation, 2015. Pending utilisation, the funds may be invested outside India in an unencumbered fixed deposit of tenor up to one year or an unencumbered debt instrument with original maturity up to one year.
Security	(1) ECBs may be secured by – (a) Creation of charge on immovable assets, movable assets, financial assets and intangible assets (including intellectual property rights) in favour of the non-resident lender or security trustee; and (b) Issue of guarantee in favour of the lender or security trustee in accordance with the Foreign Exchange Management (Guarantees) Regulations, 2026.
Refinancing	An eligible borrower may refinance an existing ECB, in part or full, by a fresh ECB, subject to the condition that refinancing doesn't result in failure to meet MAMP requirement applicable on the original borrowing (weighted outstanding maturity in case of multiple borrowings).
Conversion of ECB into non-debt instrument	(1) An ECB (including those which is matured but unpaid) may be converted into a non-debt instrument, subject to compliance with the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019. (2) Conversion of ECB into a non-debt instrument shall be subject to the following terms and conditions: (c) No additional costs payable to the lender for enabling such conversion; (d) Consent of the lender is in place; and (e) Consent of other lenders, if any, is available or at least information regarding conversions is exchanged with other lenders. (3) The prudential regulations, including those on restructuring, shall also be applicable if borrower has availed credit facilities from an entity (including its foreign branch or subsidiary) regulated by the Reserve Bank. (4) ECB liability eligible for conversion into non-debt instruments shall be determined basis the exchange rate prevailing on the date of the agreement for such conversion between the parties concerned or at an exchange rate which does not result in a liability higher than that arrived at by using the exchange rate prevailing on the date of such agreement.
Change of parameters, terms and conditions	(1) Changes to the parameters, terms and conditions governing the ECB may be made, subject to lender's consent and compliance with the provisions of this Schedule. (2) In case of extension of tenor of the borrowing, the prudential regulations, including those on restructuring, shall also be applicable if the borrower has availed credit facilities from an entity (including its foreign branch or subsidiary) regulated by the Reserve Bank. (3) Change of designated AD Category I bank shall be subject to the obtaining 'no objection certificate' from the existing designated AD Category I bank.

<table>
<tr><td>Debt servicing</td><td>(1) Principal, interest, and other charges, in respect of ECBs undertaken in compliance with the ECB framework, may be remitted.

(2) Repayment in case of an ECB availed from the NRO account of the lender shall be credited to the NRO account only.</td></tr>
<tr><td>Reporting</td><td>Form ECB-2 filing has been made an event-based filing, to be submitted only upon utilisation of ECB proceeds or undertaking debt-servicing. With the due date being 7 calendar days from the end of the month in which the event occurs.

Reporting of untraceable borrowers

Where, post-drawdown, a borrower does not file specified returns for 4 consecutive quarters, and the designated AD bank documents multiple unsuccessful contact attempts and non-operation at the registered office, the borrower may be classified as untraceable and notified to RBI and the Directorate of Enforcement.</td></tr>
<tr><td>Restriction on end-use of borrowed funds</td><td>Funds borrowed shall not be utilised for the following purposes in India:
(a) Chit funds;
(b) Nidhi Company;
(c) Real estate business and construction of farmhouses
(d) Agricultural and animal husbandry, except –
i. Floriculture, horticulture and cultivation of vegetables and mushrooms under controlled conditions;
ii. Development and production of seeds and planting material;
iii. Animal husbandry (including breeding of dogs), pisciculture, aquaculture and apiculture; and
iv. Services related to agro and allied sectors
(e) Plantation except tea, coffee, rubber, cardamom, palm oil tree, olive oil tree plantation
(f) Trading in Transferrable Development Rights (TDR);
(g) Transacting in listed/unlisted securities, except for transactions undertaken by an Indian entity for corporate actions such as merger, demerger, amalgamation, arrangement, or acquisition of control
(h) Repayment of a domestic INR loan (i) which was availed for an end-use restricted under this regulation; or (ii) which is classified as a non-performing asset (NPA) as per the applicable prudential norms.
(i) On-lending for any of the purposes for which funds cannot be borrowed and utilized.</td></tr>
</table>

For details: https://www.rbi.org.in/Scripts/BS_ViewMasDirections.aspx?id=11510

LESSON 17
ROLE OF INTERMEDIARIES IN FUND RAISING

(1) SEBI (Investment Advisers) (Amendment) Regulations, 2025 [Notification No. SEBI/LAD-NRO/GN/2025/253 dated August 04, 2025]

SEBI has notified the SEBI (Investment Advisers) (Amendment) Regulations, 2025 which shall come into force on the date of their publication in the Official Gazette. Vide this notification, the amendment is made in regulation 8 relating to Deposit. **The amended regulation 8 of SEBI (Investment Advisers) Regulations, 2013 is reproduced below:**

An investment adviser shall maintain a deposit of such sum, as specified by SEBI from time to time. *The deposit shall be maintained in such a form or manner as may be specified by SEBI. Such deposit shall be marked as lien in favour of a body or body corporate recognised by SEBI for the purpose of administration and supervision of investment advisers. Provided that the deposit shall be available for utilization in case the investment adviser fails to pay the dues emanating out of arbitration and conciliation proceedings, if any, under the Online Dispute Resolution Mechanism or such other mechanism as may be specified by SEBI.*

For details: https://www.sebi.gov.in/legal/regulations/aug-2025/securities-and-exchange-board-of-india-investment-advisers-amendment-regulations-2025_95991.html

(2) Securities and Exchange Board of India (Investment Advisers) (Second Amendment) Regulations, 2025 [November 25, 2025]

SEBI vide this notification has amended the Regulation 7 pertaining to Qualification and certification requirement.

An individual investment adviser or a principal officer of a non-individual investment adviser registered as an investment adviser under these regulations or persons associated with investment advice, shall have the following minimum qualification, at all times-

a) A graduate degree or any equivalent educational qualification from a university or institution recognized by the Central Government or any State Government or a recognized foreign university or institution or association or CFA Charter from the CFA Institute, and relevant certification from NISM or from any other organization or institution accredited by NISM; or

b) A Post Graduate Program in the Securities Market (Investment Advisory) from NISM or a Post Graduate Program in Financial Planning from NISM or any other program of NISM as may be specified by the SEBI.

However, the investment advisers registered under these regulations as on the date of commencement of these regulations shall ensure that the individual Investment adviser or principal officer of a non-individual investment adviser registered under these regulations and persons associated with investment advice shall comply with the qualification and experience requirements within such time as may be specified by the SEBI.

Provided further that the requirements at clauses(a) and (c) shall not apply to such existing individual investment advisers as may be specified by the SEBI.

An individual investment adviser or principal officer of a non-individual investment adviser, registered under these regulations, persons associated with investment advice, and in case of investment adviser being a partnership firm, the partners thereof who are engaged in providing investment advice, shall obtain a fresh relevant NISM certification as specified by the Board from time to time before expiry of the validity of the existing certification or within three years from the date of registration certificate , as the case may be, to ensure continuity in compliance with certification requirements.

For details: https://www.sebi.gov.in/legal/regulations/nov-2025/securities-and-exchange-board-of-india-investment-advisers-second-amendment-regulations-2025_97960.html

(3) SEBI (Merchant Bankers) (Amendment) Regulations, 2025 (Notification No. SEBI/LAD-NRO/GN/2025/282 dated December 03, 2025)

SEBI has notified the SEBI (Merchant Bankers) (Amendment) Regulations, 2025 on December 03, 2025 which shall come into force on the thirtieth day from the date of their publication in the Official Gazette. Vide this Notification, following amendments have been made in the SEBI (Merchant Bankers) Regulations, 1992:

- **the existing clause (a) of Regulation 6 without the proviso therein, shall be substituted with the following clause namely,**

The applicant shall be a body corporate including a company incorporated under the Companies Act, 2013 or any previous company law or a limited liability partnership firm, except-
(i) a body corporate incorporated outside India other than a foreign bank licensed by the Reserve Bank of India,
(ii) a One Person Company as defined under the Companies Act, 2013, and
(iii) a non-banking financial company as defined under clause (f) of section 45-I of the Reserve Bank of India Act, 1934 as amended from time to time.

- **Capital Adequacy Requirement [Regulation 7]**
  The capital adequacy requirement shall be a net worth of not less than–
  (i) fifty crore rupees for Category I merchant banker, and
  (ii) ten crore rupees for Category II merchant banker.

- **Liquid Net Worth Requirement**
  The liquid net worth requirement shall not be less than–
  (i) twelve crore fifty lakh rupees for Category I merchant banker, and
  (ii) two crore fifty lakh rupees for Category II merchant banker.

- The merchant banker shall ensure that it generates minimum revenue from its activities. [Regulation 9C]

For details: https://www.sebi.gov.in/legal/regulations/dec-2025/securities-and-exchange-board-of-india-merchant-bankers-amendment-regulations-2025_98210.html

(4) Specification of the consequential requirements with respect to Amendment of Securities and Exchange Board of India (Merchant Bankers) Regulations, 1992 (January 02, 2026)

Revised capital adequacy and new liquid net worth requirements shall apply to existing Merchant Bankers in a phased manner as under:

Phased implementation of capital adequacy and liquid net worth requirements

Category	Phase (I) - on or before January 02, 2027		Phase (II) - on or before January 02, 2028	
	capital adequacy being net worth	liquid net worth requirement	capital adequacy being net worth	liquid net worth requirement
Category I	Rs. 25 cr	Rs. 6.25 cr	Rs.50 cr	Rs.12.5 cr
Category II	Rs. 7.5 cr	Rs. 1.875 cr	Rs.10 cr	Rs.2.5 cr