



NEWSLETTER ^{Weekly}

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SECURITIES AND EXCHANGE BOARD OF INDIA

1. Accessibility and Inclusiveness of Digital KYC to Persons with Disabilities.

On May 23, 2025, SEBI issued Circular SEBI/HO/MIRSD/SECFATF/P/CIR/2025/74 addressing the accessibility of digital KYC processes for persons with disabilities. This directive follows a Supreme Court judgment dated April 30, 2025, which emphasized the necessity for inclusive financial services, specifically mandating that digital KYC procedures be accessible to individuals with disabilities, including those with visual impairments. In response, SEBI has updated its “FAQ on Account Opening by Persons with Disabilities,” now available on its official website under the Know Your Client (KYC) section. The circular mandates all SEBI-registered intermediaries, stock exchanges, mutual fund associations, portfolio managers, and supervision entities to ensure that digital KYC services are accessible to all clients, including those with disabilities. These intermediaries are required to align their digital platforms with the revised FAQ guidelines to facilitate inclusive access. The circular is issued under Section 11(1) of the SEBI Act, 1992, reaffirming SEBI’s commitment to equitable access to financial systems. Intermediaries are expected to implement necessary changes to comply with these accessibility requirements. The full text of the circular is available on the SEBI website under the “Legal – Circulars” section.

For more information, you can access the SEBI circular here:

https://www.sebi.gov.in/legal/circulars/may-2025/accessibility-and-inclusiveness-of-digital-kyc-to-persons-with-disabilities_94096.html

2. Norms for Internal Audit Mechanism and composition of the Audit Committee of Market Infrastructure Institutions.

Securities and Exchange Board of India (SEBI) circular dated May 19, 2025, outlines enhanced norms for the internal audit mechanism and the composition of the Audit Committee for Market Infrastructure Institutions (MIIs), including Stock Exchanges, Clearing Corporations, and Depositories. Recognizing MIIs’ role as vital public utility infrastructure and first-line regulators, the circular aims to strengthen their governance, transparency, and risk management. Key provisions for internal audit require MIIs to conduct an annual audit of all functions by an independent audit firm that reports solely to the Audit Committee. The scope must cover all MII activities, approved by the Audit Committee, potentially in consultation with the Industry Standards Forum. The process involves sending observations to department heads for comments, incorporating feedback into a final report for the Audit Committee, and including rationale for dropped observations. Timelines are set by the Audit Committee, and the internal auditor must appraise the committee on critical issues bi-annually without management present. Regarding the Audit Committee composition, the circular mandates that no Executive Director, including the Managing Director, shall be a member. Auditors and Key Management Personnel have the right to be heard during auditor’s report consideration but cannot vote. KMPs, including the MD, may attend meetings if invited by the Chairman but also without voting rights. These provisions are applicable 90 days from the circular’s issuance date.

For more information, you can access the SEBI circular here:

https://www.sebi.gov.in/legal/circulars/may-2025/norms-for-internal-audit-mechanism-and-composition-of-the-audit-committee-of-market-infrastructure-institutions_94030.html

MINISTRY OF FINANCE

1. Department of Financial Services (DFS), Ministry of Finance organizes a colloquium of Chairpersons of Debt Recovery Appellate Tribunals (DRATs) and Presiding Officers of Debt Recovery Tribunals (DRTs).

The Department of Financial Services (DFS), Ministry of Finance organised a colloquium of Chairpersons of Debt Recovery Appellate Tribunals (DRATs) and Presiding Officers of Debt Recovery Tribunals (DRTs) on 24th May 2025 at Vigyan Bhavan, New Delhi. Justice S.V.N. Bhatti, Judge of the Supreme Court of India graced the occasion and delivered the keynote address. The participants included senior officers of the DFS, representatives of various public and private sector banks and Indian Banks' Association. The colloquium witnessed discussions on wide spectrum of issues to enhance the efficiency of DRTs. The key areas of deliberations included:

- Effective implementation of DRT Regulations, 2024;
- Robust monitoring and oversight mechanisms by banks for increasing recovery through DRTs;
- Prioritization of high value cases in DRTs for optimal recovery;
- Use of alternate dispute resolution mechanisms including Lok Adalats for expeditious disposal of cases;
- Intensive training of Presiding Officers and other officials of DRTs; and
- Introduction of further reforms to reduce turn-around time for various processes in DRT proceedings etc.

For more information, you can access the GOI press release here:

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2130960>

2. CRCL and IIT Delhi Sign Memorandum of Understanding (MoU) to strengthen scientific capabilities and promote ease of doing business.

The Central Revenues Control Laboratory (CRCL), Central Board of Indirect Taxes and Customs (CBIC), Department of Revenue, Ministry of Finance, and the Indian Institute of Technology (IIT) Delhi signed a Memorandum of Understanding (MoU) toward trade facilitation and improving the ease of doing business. This MoU collaboration aims to foster R&D, innovation, and scientific excellence at CRCL, bolstering trade facilitation and regulatory efficiency. The MoU was signed by Prof. Rangan Banerjee, Director, IIT Delhi, and Shri V. Suresh, Director, CRCL, in presence of Shri Surjit Bhujabal, Special Secretary & Member (Customs), CBIC. Aims of the MoU:

- Conduct joint research on customs-related testing challenges and regulatory science.
- Facilitate technology transfer and deploy advanced analytical techniques in CRCL and regional labs.
- Co-develop standard operating procedures, reference materials, and analytical databases.
- Provide academic mentorship from IIT Delhi faculty to CRCL scientists.
- Establish Centers of Excellence in critical areas such as narcotics analysis, environmental monitoring, and quality assurance.

For more information, you can access the GOI press release here:

<https://www.pib.gov.in/PressReleasePage.aspx?PRID=2130367>

INSOLVENCY AND BANKRUPTCY BOARD OF INDIA

1. JSW Resolution Rejection Gives Reality Check to India's Bankruptcy Code.

The Supreme Court of India's unprecedented decision to order the liquidation of Bhushan Power and Steel Limited (BPSL) has sent shockwaves through India's corporate restructuring landscape. On May 2, a two-judge bench rejected JSW Steel's resolution plan, creating profound commercial uncertainty for investors under the Insolvency and Bankruptcy Code, 2016 (IBC). The ruling came nearly five years after JSW had already implemented the plan, invested in BPSL, and worked to turn the company around. BPSL was once among India's "dirty dozen" distressed assets, making this case particularly significant for the country's insolvency framework. "This ruling reinforces the fundamental principles of procedural discipline to achieve commercial certainty under the IBC,". "It signals a decisive shift toward greater regulatory scrutiny in insolvency resolutions."

For more information:

<https://www.legalbusinessonline.com/features/briefs-jsw-resolution-rejection-gives-reality-check-india%E2%80%99s-bankruptcy-code>

2. Government working on amendments to Insolvency Law.

The government is working on amending the insolvency law, including the provision related to bidders requiring CCI approval for resolution plans involving combinations before they approach the Committee of Creditors, according to a senior official. The Insolvency and Bankruptcy Code (IBC) provides for a market-linked and time-bound resolution of stressed assets and under the framework, Committee of Creditors (CoC) is a key element. As part of further improving the insolvency ecosystem as well as reduce the resolution timelines, the corporate affairs ministry has been working on amending the IBC. The senior official on Tuesday said the ministry is working on amendments to the IBC and they are likely to be moved in the next Parliament session.

For more information:

<https://www.financialexpress.com/business/industry-govt-working-on-amendments-to-insolvency-law/3851395/>

3. Lenders willing to offer lower rates to distressed firms since IBC took effect, says insolvency board.

Creditors have become more willing to lend to distressed firms at lower interest rates since the Insolvency and Bankruptcy Code (IBC) was adopted, showing they are more confident of recovering dues in case of a default, the Insolvency and Bankruptcy Board of India (IBBI) said in its FY25 update on outcomes of debt resolution. The IBC came into force on 1 December 2016. In the update, released on Tuesday, IBBI chairman Ravi Mital cited a study conducted by IIM Bangalore that showed there has been a 3.3% reduction in the cost of debt for distressed firms since the IBC was adopted. Mital termed this an "improved credit environment for distressed firms".

For more information:

<https://www.livemint.com/news/india/ibc-impact-insolvency-and-bankruptcy-code-ravi-mital-debt-resolution-india-ibbi-update-distressed-firms-india-11747811499757.html>

4. New IBC rule stricter on personal guarantors.

The Insolvency and Bankruptcy Board of India (IBBI) has made it mandatory for resolution professionals (RPs) to inform the national company law tribunal (NCLT), if a personal guarantor fails to submit a repayment plan. The new rule will effectively increase the accountability of personal guarantors, make it difficult for them to escape culpability. "Where no repayment plan has been prepared by the debtor under section 105 of the (Insolvency and Bankruptcy) Code, the resolution professional shall file an application,

with the approval of creditors, before the adjudicating authority intimating the non-submission of a repayment plan and seek appropriate directions,” the IBBI said in new notification.

For more information:

<https://www.financialexpress.com/business/banking-finance/new-ibc-rule-stricter-on-personal-guarantors/3856983/>

RESERVE BANK OF INDIA

1. Alteration in the name of “North East Small Finance Bank Limited” to “slice Small Finance Bank Limited” in the Second Schedule to the Reserve Bank of India Act, 1934.

It is advised that the name of “North East Small Finance Bank Limited” has been changed to “slice Small Finance Bank Limited” in the Second Schedule to the Reserve Bank of India Act, 1934 by Notification DoR.LIC.No.S1134/16.13.216/2025-26 dated May 14, 2025, which is published in the Gazette of India (Part III-Section 4) dated May 16, 2025.

For more information, you can access the RBI notification here:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12850&Mode=0>

2. Withdrawal of Master Circular on Deendayal Antyodaya Yojana – National Urban Livelihoods Mission (DAY-NULM) and related circulars.

The Deendayal Antyodaya Yojana – National Urban Livelihoods Mission (DAY-NULM) has officially concluded on September 30, 2024. Consequently, the Master Circular dated April 5, 2021 on DAY-NULM and other related circulars listed in the Annex; stand withdrawn with effect from October 1, 2024. Accordingly, banks are not required to submit returns prescribed in the aforesaid circulars.

For more information, you can access the RBI notification here:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12851&Mode=0>

3. Reporting on FIRMS portal – Issuance of Partly Paid Units by Investment Vehicles.

Attention of Authorised Dealer (AD) Category - I banks is invited to the Foreign Exchange Management (Non-debt Instruments) Rules, 2019 (hereinafter referred as ‘Rules’), notified by the Central Government on October 17, 2019, which have been amended through the Foreign Exchange Management (Non-debt Instruments) (Second Amendment) Rules, 2024 vide S.O. 1361(E), dated March 14, 2024, enabling issuance of partly paid units to persons resident outside India by investment vehicles. Reference is also invited to Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019 and A.P. (DIR Series) Circular No. 7 dated May 21, 2024, issued by the Reserve Bank. In terms of Regulation 4(10) of the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019, an investment vehicle which has issued its units to a person resident outside India shall file Form InVI within 30 days from the date of issue of units. In this connection, it is advised that investment vehicles may report issuances of partly paid units made prior to the date of this circular in Form InVI within 180 days from the date of this circular. No late submission fees shall be applicable for such reporting made within this period. However, issuances of partly paid units by investment vehicles on or after the date of this circular shall continue to be reported within 30 days, in accordance with the timelines specified under the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) Regulations, 2019. These directions will become operative with immediate effect. AD Category-I banks may bring the contents of this circular to the notice of their customers / constituents concerned. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

For more information, you can access the RBI notification here:

<https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12852&Mode=0>

4. Discussion Paper on Capital Raising Avenues for Primary (Urban) Co-operative Banks.

The Banking Regulation (Amendment) Act, 2020 has enabled certain capital related provisions such as issuance of special shares, issuance of shares at a premium, etc., which are new to the co-operative banking sector. The Report of the Expert Committee on Primary (Urban) Co-operative Banks (the Expert Committee), chaired by Shri. N.S. Vishwanathan, former Deputy Governor, RBI, had provided broad guiding principles on these provisions through its recommendations. Thereafter, a Working Group was constituted in RBI to inter alia operationalise the recommendations of the Expert Committee on these newly enabled capital related provisions. Subsequently, as a part of the Statement on Developmental and Regulatory Policies released on Oct 09, 2024, RBI had proposed to issue a Discussion Paper (DP) on Capital Raising Avenues for Primary (Urban) Co-operative Banks based on the recommendations of the Working Group. Accordingly, RBI has today released the DP which proposes capital raising avenues for UCBs. The feedback on specific issues discussed in the DP may be submitted through the link under the 'Connect 2 Regulate' Section available on the RBI's website by July 15, 2025.

For more information, you can access the RBI press release here:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=60505

5. RBI imposes monetary penalty on Union Bank of India.

The Reserve Bank of India (RBI) has, by an order dated May 23, 2025, imposed a monetary penalty of ₹63.60 lakh (Rupees Sixty-Three Lakh Sixty Thousand only) on Union Bank of India (the bank) for non-compliance with the provisions of Section 26A of the Banking Regulation Act, 1949 (BR Act) and certain directions issued by RBI on 'Credit Flow to Agriculture - Collateral free Agricultural Loans'. This penalty has been imposed in exercise of powers conferred on RBI under the provisions of Section 47 A (1) (c) read with Section 46 (4) (i) and Section 51(1) of the BR Act. The Statutory Inspections for Supervisory Evaluation (ISE 2023 and 2024) of the bank was conducted by RBI with reference to its financial position as on March 31, 2023 and March 31, 2024. Based on supervisory findings of non-compliance with RBI directions and related correspondence in that regard, a notice was issued to the bank advising it to show cause as to why penalty should not be imposed on it for its failure to comply with the said directions. After considering the bank's reply to the notice, additional submissions made by it and oral submissions made during the personal hearing, RBI found that the following charges against the bank were sustained, warranting imposition of monetary penalty:

- The bank had not transferred eligible amounts to the Depositor Education and Awareness Fund within the prescribed period; and
- The bank had obtained collateral security for agricultural loans amounting up to ₹1.60 lakh in certain cases.

This action is based on deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the bank with its customers. Further, imposition of monetary penalty is without prejudice to any other action that may be initiated by RBI against the bank.

For more information, you can access the RBI press release here:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=60511

6. 616th Meeting of Central Board of the Reserve Bank of India.

The 616th meeting of the Central Board of Directors of Reserve Bank of India was held today at Mumbai under the Chairmanship of Shri Sanjay Malhotra, Governor. The Board reviewed the global and domestic economic scenario, including risks to the outlook. The Board also discussed the working of the Reserve Bank during the year April 2024 – March 2025 and approved the Reserve Bank's Annual Report and Financial Statements for the year 2024-25. The transferable surplus for the year (2024-25) has been arrived at on the basis of the revised Economic Capital Framework (ECF) as approved by the Central Board in its

meeting held on May 15, 2025. The revised framework stipulates that the risk provisioning under the Contingent Risk Buffer (CRB) be maintained within a range of 7.50 to 4.50 per cent of the RBI's balance sheet. During accounting years 2018-19 to 2021-22, owing to the prevailing macroeconomic conditions and the onslaught of Covid-19 pandemic, the Board had decided to maintain the CRB at 5.50 per cent of the Reserve Bank's Balance Sheet size to support growth and overall economic activity. The CRB was increased to 6.00 per cent for FY 2022-23 and to 6.50 per cent for FY 2023-24. Based on the revised ECF, and taking into consideration the macroeconomic assessment, the Central Board decided to further increase the CRB to 7.50 percent. The Board thereafter approved the transfer of ₹2,68,590.07 crore as surplus to the Central Government for the accounting year 2024-25. Deputy Governors Shri M. Rajeshwar Rao, Shri T. Rabi Sankar, Shri Swaminathan J., Dr. Poonam Gupta and other Directors of the Central Board – Shri Ajay Seth, Secretary, Department of Economic Affairs, Shri Nagaraju Maddirala, Secretary, Department of Financial Services, Shri Satish K. Marathe, Smt. Revathy Iyer, Prof. Sachin Chaturvedi, Shri Pankaj Ramanbhai Patel and Dr. Ravindra H. Dholakia – attended the meeting.

For more information, you can access the RBI press release here:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=60514

7. Highlights of the Revised Economic Capital Framework of the Reserve Bank of India approved by the Central Board.

In its 578th meeting held on August 26, 2019; the Central Board had adopted the Economic Capital Framework based on the recommendations of the Expert Committee to Review the Extant Economic Capital Framework of the Reserve Bank of India (Chairman: Dr. Bimal Jalan). The Expert Committee, inter-alia, recommended that the framework may be periodically reviewed every five years. In line with the recommendation of the Expert Committee, the Bank undertook an internal review of the framework, based on the experience gained from the operationalization of the extant ECF, developments in the external operating environment, and changes in the asset profile of the RBI. The outcome of the review was considered by the Central Board in its meeting held on May 15, 2025, and a revised framework was approved. It was noted by the Central Board that the extant ECF had met its objective of ensuring a resilient balance sheet for RBI, while maintaining healthy transfer of surplus to the Government. Accordingly, it was decided to retain the broad principles underlying the extant ECF, with no major changes in risk assessment methodologies. Certain changes have, however, been made with the objective of further strengthening the framework to align better with any emerging risks to the balance sheet of the RBI. The revised ECF provides requisite flexibility year-on-year to the Central Board in the maintenance of risk buffers, considering the prevailing macroeconomic and other factors, while also ensuring needed inter-temporal smoothening of the surplus transfer to the Government.

For more information, you can access the RBI press release here:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=60513

8. RBI imposes monetary penalty on Transactree Technologies Private Limited ('Lendbox').

The Reserve Bank of India (RBI) has, by an order dated May 23, 2025, imposed a monetary penalty of ₹40 lakh (Rupees Forty Lakh only) on Transactree Technologies Private Limited [also referred to as 'Lendbox'] (the company), for non-compliance with certain provisions of the 'Non-Banking Financial Company - Peer to Peer Lending Platform (Reserve Bank) Directions, 2017' issued by RBI. This penalty has been imposed in exercise of powers conferred on RBI under the provisions of clause (b) of sub-section (1) of Section 58G read with clause (aa) of sub-section (5) of Section 58B of the Reserve Bank of India Act, 1934. A scrutiny of the company was conducted by RBI in September 2023. Based on supervisory findings of non-compliance with RBI directions and related correspondence in that regard, a notice was issued to the company advising it to show cause as to why penalty should not be imposed on it for its failure to comply with the said directions. After considering the company's reply to the notice, additional submissions made by it and oral submissions made during the personal hearing, RBI found, inter alia, that the following charges against the company were sustained, warranting imposition of monetary penalty. The company:

- routed the amounts disbursed and collected in loan accounts in the P2P Platform through a 'co-lending escrow account' in violation of the laid down 'Fund Transfer Mechanism'; and

- did not: (a) disclose credit assessment and risk profile of the borrowers to the prospective lenders; and (b) disbursed loans to individual borrowers without the specific approval of individual lenders.

This action is based on deficiencies in regulatory compliance and is not intended to pronounce upon the validity of any transaction or agreement entered into by the company with its customers. Further, imposition of this monetary penalty is without prejudice to any other action that may be initiated by RBI against the company.

For more information, you can access the RBI press release here:

https://www.rbi.org.in/Scripts/BS_PressReleaseDisplay.aspx?prid=60519

You may send your suggestions at niyati@asalegal.in

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