



Fortnightly Newsletter

SARVAANK
ASSOCIATES

15th May 2025-31st May 2025



Security and Exchange Board of India

Rating of Municipal Bonds on the Expected Loss (EL) based Rating Scale Dated 15th May 2025.

On May 15, 2025, the Securities and Exchange Board of India (SEBI) issued Circular No. SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/70, introducing the Expected Loss (EL) based rating scale for municipal bonds. This initiative aims to provide a more nuanced assessment of credit risk associated with municipal debt instruments by introducing a more granular EL-based rating mechanism. This circular's provisions shall apply to all CRAs registered with SEBI that undertake ratings of debt securities issued by municipal entities. This circular is issued in exercise of the powers conferred under Section 11(1) of the SEBI Act, 1992, and Regulation 20 of the SEBI (Credit Rating Agencies) Regulations, 1999, to protect the interests of investors and to promote the development and regulation of the securities market. Therefore, it has been decided that CRAs may in addition to the standardised rating scale extend the EL-based Rating Scale for rating of Municipal Bonds which are issued for financing infrastructure assets.

This Circular can be accessed [Here](#).

In this newsletter you can expect:

Rating of Municipal Bonds on the Expected Loss (EL) based Rating Scale

Extension of timeline for implementing of provisions of SEBI circular dated December 17, 2024, on Measures to address regulatory arbitrage with respect to Offshore Derivative Instruments (ODIs) and FPIs with segregated portfolios vis-à-vis FPIs

Reserve Bank of India (Investment in AIF) Directions, 2025

Securities Contracts (Regulation) Amendment Rules, 2025

Cloud Payments Made to AWS are Not Taxable as Royalty or Technical Fees: Delhi HC.



Extension of timeline for implementing of provisions of SEBI circular dated December 17, 2024, on Measures to address regulatory arbitrage with respect to Offshore Derivative Instruments (ODIs) and FPIs with segregated portfolios vis-à-vis FPIs Dated 16th May, 2025.

The Securities and Exchange Board of India (SEBI), via its circular dated May 30, 2025, has extended the timeline for the implementation of provisions under its earlier circular dated December 17, 2024 (Circular No. SEBI/HO/AFD/AFD-POD-3/P/CIR/2024/176), concerning Offshore Derivative Instruments (ODIs) and Foreign Portfolio Investors (FPIs) with segregated portfolios. Originally, paragraphs 2.2 to 2.7 of the December 2024 circular—which mandate additional disclosures by ODI subscribers and such FPIs—were scheduled to come into effect five months from the date of issuance. SEBI has now extended this timeline to November 17, 2025, following representations from market participants.

This Circular can be accessed [Here](#).

Review of provisions pertaining to Electronic Book Provider (EBP) platform to increase its efficacy and utility Dated 16th May, 2025.

SEBI has revised provisions under Chapters VI and VII of its Master Circular dated May 22, 2024, to enhance the efficacy of the Electronic Book Provider (EBP) platform for private placements. Key changes include mandatory use of the EBP platform for debt, NCRPS, and municipal bond issuances of INR 20 crores or more, with optional access for certain instruments and smaller issues. Issuers must now provide the Placement Memorandum and term sheet in advance, with enhanced disclosure norms including green shoe options and anchor investor details. Allotments at cut-off will follow a pro-rata basis, and EBPs must update issue details promptly. New timelines have also been introduced for in-principle approvals and listing activities, with staggered implementation over the next 3 to 6 months.

This Circular can be accessed [Here](#).

Norms for Internal Audit Mechanism and Composition of the Audit Committee of Market Infrastructure Institutions (MII) Dated 19th May, 2025.

On May 19, 2025, the Securities and Exchange Board of India (SEBI) issued Circular No. SEBI/HO/MRD/POD 3/P/CIR/2025/69, regarding new guidelines to enhance the governance framework of Market Infrastructure Institutions (MIIs), which include stock exchanges, clearing members, and depositories participants, etc. The circular aims more towards serving as a crucial public utility infrastructure institution and a first-line regulator for its constituents, while operating as an efficient, innovative, and competitive commercial entity. MIIs are mandated to conduct an internal audit covering all functions and activities like critical operations, regulatory, compliance, risk management, and other functions including business development at least once every financial year. The internal audit must be conducted by independent audit firms and should receive approval from both the Audit Committee and the governing board. Internal auditors are required to brief the Audit Committee at least twice a year within 60 days) from the end of September and March and the Audit Committee



must not include any Executive Directors, including the Managing Director. The provisions outlined in this circular will become effective 90 days from the date of the circular's issuance.

This Circular can be accessed [Here](#).

Process for appointment, re-appointment, termination, or acceptance of resignation of specific Key Management Personnel (KMP) of Market Infrastructure Institutions (MII) and Cooling-off period for KMPs of an MII joining a competing MII and provisions relating to re-appointment of Public Interest Directors (PID) Dated 26th May, 2025.

On May 26, 2025, the Securities and Exchange Board of India (SEBI) issued Circular No. SEBI/HO/MRD/MRD-PoD-3/P/CIR/2025/75, outlining the procedures for the appointment, re-appointment, termination, or acceptance of resignation of specific KMPs within MIIs. Moreover, this circular introduces a cooling-off period for KMPs transitioning to competing MIIs and provides guidelines on the re-appointment of Public Interest Directors (PIDs). For the appointment of specific KMPs, MII shall engage an independent external agency to identify and recommend suitable candidates and shall submit its recommendations to the Nomination and Remuneration Committee (NRC) of the MII. For Re-appointment, Termination, or Acceptance of resignation of specific KMPs, the NRC shall evaluate the cases and discuss them with the management of the MII, and submit its recommendations to the Governing Board of the MII. The Governing Board shall take the final decision for appointment, re-appointment, termination, or acceptance of resignation of such KMPs. The cooling-off period of one year under the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018 (SECC Regulations, 2018) and Securities and Exchange Board of India (Depositories and Participants) Regulations, 2018 (D&P Regulations, 2018) have been modified and re-appointment of PID is based on the approval of the Board. These provisions take effect from the 90th day of issuance of the circular.

This Circular can be accessed [Here](#).

Final Settlement Day (Expiry Day) for Equity Derivatives Contracts Dated 26th May, 2025.

On May 26, 2025, the Securities and Exchange Board of India (SEBI) issued Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2025/76, has introduced a standardized framework for the expiry of equity derivatives contracts across all recognized stock exchanges. This circular is issued in the exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992, read with Section 10 of the Securities Contracts (Regulation) Act, 1956. All equity derivatives contracts shall expire on either Tuesday or Thursday. Each stock exchange shall select one day, i.e., either Tuesday or Thursday as the expiry day for all equity derivatives contracts. Each stock exchange shall offer only one weekly contract on the benchmark index expiring on its chosen expiry day. All other contracts, i.e., weekly contracts on non-benchmark indices, single stock derivatives, and futures contracts shall have a minimum tenure of one month and shall expire in the last week of the month on the expiry day selected by the stock exchange. Any change in the expiry day of equity derivatives contracts by a stock exchange shall require prior approval from SEBI. Stock Exchanges and Clearing Corporations are directed to communicate the status of



implementation of the provisions of this circular to SEBI on or before June 15, 2025.

This Circular can be accessed [Here](#).

Measures for Enhancing Trading Convenience and Strengthening Risk Monitoring in Equity Derivatives Dated 29th May, 2025.

On May 29, 2025, the Securities and Exchange Board of India (SEBI) issued Circular No. SEBI/HO/MRD/TPD-1/P/CIR/2025/79, announcing a slew of measures to enhance trading convenience and strengthen risk monitoring in the equity derivatives segment. SEBI mandates the use of "Future Equivalent Open Interest" (FutEq OI) for calculating open interest, incorporating delta adjustments to better reflect actual market exposure. Market-Wide Position Limits (MWPL) will now be lower than 15% of free-float market capitalization or 65 times the average daily delivery value (ADDV) across exchanges. Entity-Level Position Limits for Single Stocks are set at 10% of MWPL for individuals, 20% for proprietary brokers, and 30% for Foreign Portfolio Investors (FPIs) and brokers, to prevent market concentration. SEBI orders the traders that they may initiate positions in single stocks during ban periods only if such positions reduce the overall FutEq OI by the end of the day, ensuring risk mitigation. For enhancing the Position Limits for Index Derivatives, net end of day FutEq OI is capped at INR 1,500 crores, and gross FutEq OI at INR 10,000 crores per PAN. From July 1, 2025, enhanced position limits for index derivatives will become effective, and further implementation timeline is provided in the circular.

This Circular can be accessed [Here](#).

Reserve Bank of India

Reserve Bank of India (Investment in AIF) Directions, 2025 Dated 19th May, 2025.

The Reserve Bank of India has issued the Investment in Alternative Investment Funds (AIF) Directions, 2025, replacing earlier circulars and regulating investments by commercial banks, co-operative banks, all-India financial institutions, and NBFCs in AIFs. The Directions set limits restricting any single regulated entity (RE) from investing more than 10% of an AIF Scheme's corpus and a collective cap of 15% for all REs. If an RE's investment exceeds 5% in an AIF with downstream non-equity exposure to the RE's debtor company, full provisioning is required. Investments as subordinated units under the Priority Distribution Model must be fully deducted from capital funds. The RBI may exempt certain AIFs from provisioning requirements, with such exemptions listed in an annex. Existing investments prior to the Directions remain governed by previous guidelines.

This Circular can be accessed [Here](#).

Notification of Payments Regulatory Board Regulations, 2025 Dated 20th May, 2025.

On May 20, 2025, the Reserve Bank of India notified the Payments Regulatory Board Regulations, 2025 under the Payment and Settlement Systems Act, 2007, replacing the 2008 framework. The Regulations provide for the constitution and governance of the Payments Regulatory Board, comprising members with



with expertise in payment systems, IT, cybersecurity, and law, with the RBI's Principal Legal Adviser as a permanent invitee. Members will serve a non-renewable four-year term, subject to strict eligibility criteria, and must adhere to a Code of Conduct ensuring integrity, conflict disclosure, and confidentiality. The Board will be supported by the Department of Payment and Settlement Systems (DPSS) and empowered to delegate functions to sub-committees or RBI officers. It will meet at least twice a year with a prescribed quorum, and all decisions will be made by majority vote. Members and invitees are entitled to remuneration and reimbursement of related expenses. These regulations are effective from the date of publication in the Official Gazette.

This Notification can be accessed [Here](#).

Ministry of Finance

Securities Contracts (Regulation) Amendment Rules, 2025 Dated 19th May, 2025

On May 19, 2025, the Ministry of Finance (Economic Affairs Division) issued Notification No. G.S.R. 318(E), informing amendments to Rule 8 of the Securities Contracts (Regulation) Rules, 1957. The amendment contained Rule 8(1), Clause (f) and Rule 8(3), Clause (f), stating a new proviso has been inserted after the existing first proviso, "Provided further that investments made by a member shall, at all times, not be construed as a business except when such investments involve client funds or client securities or relate to arrangements which are like creating a financial liability on the broker". This insertion applies to both sub-rule (1)(f) and sub-rule (3)(f), and comes into effect from the date of publication in the Official Gazette.

This Notification can be accessed [Here](#).

Insolvency and Bankruptcy Board of India

Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Fourth Amendment) Regulations, 2025 Dated 26th May 2025.

The Insolvency and Bankruptcy Board of India (IBBI), via notification dated May 26, 2025, has introduced the Insolvency and Bankruptcy Board of India (Insolvency Resolution Process for Corporate Persons) (Fourth Amendment) Regulations, 2025. Key amendments include permitting resolution professionals, with committee approval, to invite expressions of interest for resolution plans for the entire corporate debtor or its specific assets. Interim finance providers may now attend committee meetings as observers. Financial creditors who did not vote in favour of a staged resolution plan must be paid at least pro rata and in priority over those who voted in favour. The amendment also modifies compliance language in Regulation 39 to explicitly include and identify non-compliant plans submitted under the resolution process.

This Notification can be accessed [Here](#).



Startup

Cloud Payments Made to AWS are Not Taxable as Royalty or Technical Fees: Delhi HC Dated 30th May 2025.

The Delhi High Court has ruled that payments made by Indian entities to Amazon Web Services (AWS) for cloud computing services do not qualify as taxable “royalty” or “fees for technical services” under the Income Tax Act, 1961, or the India-US Double Taxation Avoidance Agreement (DTAA). The court agreed with AWS’s submission that its services are standardised, automated, and delivered without transferring any technical know-how, intellectual property, or rights to use its infrastructure, granting customers only a non-exclusive, non-transferable license to access the services. It held that such payments do not constitute “royalty” as there is no commercial exploitation or transfer of IP rights. The decision upholds an earlier ruling by the Income Tax Appellate Tribunal and aligns with Supreme Court precedents, marking an important development in the taxation of payments to foreign cloud service providers. This update is based on the current information and will be updated as more details emerge

This News can be accessed [Here](#).

Centre Likely To Release Crypto Regulation Paper In June: Report Dated 30th May 2025.

The Indian government is expected to release a detailed discussion paper on crypto asset policy frameworks in June 2025, drawing from the IMF-FSB synthesis paper and global regulatory practices. Originally due in September 2024, the paper is now in its final stages and will be released for public consultation. A senior official emphasised that India’s approach will be based on national interest, avoiding hasty decisions given the industry’s broad implications. Despite India’s tough regulatory stance—including a 1% TDS and 30% capital gains tax, mandatory FIU registration, and enforcement actions against offshore exchanges—crypto adoption remains high. The anticipated policy paper follows international shifts, including the US executive order under the Trump administration supporting crypto regulation, and recent censure by the Indian Supreme Court over delays in crypto legislation.

This News can be accessed [Here](#).



Sarvaank

Law Decoded for *Entrepreneurs*

Contact us

REGISTERED ADDRESS: Office No. 8, First Floor, Atmaram Mansion (Scindia House), Connaught Place, New Delhi 110001

DELHI ADDRESS: 2nd Floor, Archana Complex, Ekasur Vithi Road, Block B, Greater Kailash I, New Delhi, Delhi-110048

BENGALURU ADDRESS: WeWork, Embassy Golf Links, Cinnabar Hills, Off Intermediate Ring Road, Domlur Stage, Bengaluru, Karnataka 560 071

WEBSITE: www.sarvaankassociates.com

EMAIL: info@sarvaankassociates.com

CONTACT NUMBER: +91 88824 69619