

Highlights of SEBI Board Meeting- Major Capital Market reforms

1. Amendment to Securities Contract (Regulation) Rules, 1977 w.r.t. Minimum Public Offer (MPO) and Minimum Public Shareholding (MPS)

- Scale-based thresholds introduced for large issuers with post-issue market cap exceeding ₹50,000 crore
- For issuers with market cap between ₹50,000-100,000 crore: Minimum public offer of ₹1,000 crore and at least 8% of post-issue market cap
- For issuers with market cap between ₹1,00,000-5,00,000 crore: Minimum public offer of ₹6,250 crore and at least 2.75% of post-issue market cap
- For issuers with market cap above ₹5,00,000 crore: Minimum public offer of ₹15,000 crore and at least 1% of post-issue market cap, subject to minimum dilution of 2.5%
- Extended timelines for achieving MPS of 25% for large issuers (up to 10 years)

2. Amendment to SEBI (ICDR) Regulations, 2018 – Enhancement of Anchor Investor Framework

- Anchor investor category I merged into single category for allocations up to ₹250 crore
- Increased number of permissible anchor investor allottees for allocations above ₹250 crore
- Life Insurance Companies and Pension Funds included in reserved category alongside Mutual Funds
- Overall reservation for anchor portion increased from one-third to 40%

3. Amendment to SEBI (LODR) Regulations, 2015 - Revision of Related Party Transactions (RPT) Framework

- Scale-based thresholds introduced for material RPTs based on annual consolidated turnover
- Revised thresholds for approval by Audit Committee for RPTs undertaken by subsidiaries
- Simpler disclosure requirements for smaller RPTs
- Clarifications on exemptions for retail purchases undertaken with directors or KMPs
- clarifications of the term “holding company” as “listed holding company”

4. Amendments to SEBI (Foreign Portfolio Investors) Regulations, 2019 – Facilitate Ease of Doing Business for FPIs based in IFSCs

- Permit retail schemes in IFSCs with resident Indian sponsor/manager allowed to register as FPIs
- Alignment of contribution limits with IFSCA regulations (max 10% of corpus)
- Introduction of Single Window access system ‘SWAGAT-FI’ framework for FPIs & FVCIs
- Launch of 'India Market Access' website to facilitate seamless entry and ongoing compliance for FPIs

5. Proposal to provide regulatory fillip to Accredited Investors in Alternative Investment Funds (AIFs)

- Introduction of AI-only schemes with regulatory flexibilities
- Extension of relaxations to Large Value Funds for accredited investors
- Reduction of minimum investment threshold for LVFs from ₹70 crore to ₹25 crore
- Provision for existing AIF schemes to opt into AI-only or LVF classification

6. Enhanced participation of Mutual Fund in REITs & InvITs

- REITs reclassified as "equity" and InvITs retained as "hybrid" for mutual fund investments
- Reduction of maximum permissible exit load from 5% to 3% for Mutual Funds (MFs)
- Revised incentive structure for distributors for new inflows to MFs from B-30 cities
- Introduction of incentives for onboarding new women investors in the MFs segment

7. Strategic Investors for REITs and InvITs

- Widened investor base for applying under Strategic Investor category
- Expanded scope of "Strategic Investor" category to include QIBs, family trusts, and certain NBFCs

8. Establishment of SEBI's Physical Local Presence for improving regulatory outreach and response

- Establishment of local offices at state capitals and major cities in phased manner
- First phase to include Chandigarh, Jaipur, Lucknow, Guwahati, Bhubaneswar, Vijayawada, Hyderabad and Bengaluru

9. Regulatory Framework for Registrars to an Issue and Share Transfer Agents (RTAs)

- Introduction of activity-based regulations for RTAs wherein only the services provided by RTAs to listed companies will fall under SEBI's regulatory purview.
- Removal of categorization of RTAs and revision of net worth requirements and fee structure
- Inclusion of securities premium for computing net worth of RTAs
- Introduction of institutional mechanism for RTAs

10. Investment Advisers (IAs) and Research Analysts (RAs) Reforms

- Permission to provide past performance to clients for limited period
- Allowing IAs to provide second opinion on pre-distributed assets
- Extended timeline for individual IA to convert into non-individual IA
- Relaxation in education criteria and documentation requirements

11. Strengthening of Governance for Market Infrastructure Institutions (MIIs)

- Appointment of two Executive Directors on the Governing Board of MII
- Defining roles & responsibilities of MD, EDs, and specific KMPs
- Establishment of norms for directorships of MDs and EDs in other companies

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