

SEBI's June 2025 Board Meeting: A Regulatory Makeover with Market Empathy

In a landmark 210th Board Meeting held on June 18, 2025, SEBI unveiled a sweeping set of regulatory reforms that reflect both market responsiveness and forward-looking policymaking. This meeting wasn't just a quarterly update — it was a full-body reset on many longstanding regulatory frameworks, aimed at easing compliance burdens, deepening market access, and aligning Indian capital markets with global standards.

This meeting also marked a strategic recalibration of SEBI's regulatory posture. It demonstrated a commitment to reducing compliance friction while safeguarding core market integrity. In doing so, SEBI is responding to the evolving expectations of a maturing market, one that now hosts retail participation at scale, large institutional flows, digitised securities infrastructure, and increased cross-border alignment.

Key approvals include:

- **Public Issue Regulations (ICDR & SBEB) Amendments**
 - SEBI floated a consultation paper on March 20, 2025 concerning the one-year minimum holding period for shares eligible to be offered for sale in a public issue. Specifically, it noted that the existing exemption for equity shares acquired through an approved scheme did not explicitly extend to equity shares received upon conversion of fully paid-up compulsorily convertible securities (**CCS**) obtained under such schemes. The suggestion was to include such converted equity shares, thereby extending the exemption and harmonizing it with the minimum promoters' contribution (**MPC**) requirements. The rationale as per the consultation paper was to consider the period of "invested capital" for eligibility and align OFS rules with MPC requirements
 - SEBI in this board meeting approved the above relaxation of the one-year minimum holding period for equity shares acquired from the conversion of fully paid-up CCS received under an approved scheme, allowing them to be eligible for Offer for Sale in public issues. This remarkable decision aims to facilitate participation for certain investors and assist companies considering reverse flipping.
 - SEBI has also approved inclusion of "**relevant persons**" (including alternative investment funds, foreign venture capital investors, scheduled commercial banks, public financial institutions, insurance companies, significant non-individual public shareholders, and certain promoter group entities) to contribute equity shares arising from the conversion of fully paid-up CCS towards the MPC requirement.

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- **Founders can now hold share based benefits**
 - SEBI in the floated consultation paper of March 2025 also sought to clarify the treatment of Employee Stock Ownership Plans (**ESOPs**) granted to founders who are later classified as promoters when filing a Draft Red Herring Prospectus (**DRHP**)
 - Founders classified as promoters can now continue to hold and/or exercise share-based benefits, such as ESOPs, even after the company lists, provided these benefits were received at least one year prior to filing the DRHP.
- **Simplification of Qualified Institutions Placement (QIP) Documents**
 - Currently, in QIPs the issuer was required to disclose certain details in the placement document as prescribed in Schedule VII of SEBI ICDR Regulations. Such disclosures are detailed in nature and preparing a lengthy placement document is a time-consuming exercise that may result in duplication of information, which is already available in the public domain. It was proposed to rationalise the content of the placement document of Qualified Institutions Placement by prescribing only the relevant additional information regarding the Issue.
 - SEBI has approved amendments to simplify and streamline the placement document for QIPs by listed entities.
 - Disclosures will now focus on issue-specific and material risks, rather than generic risk factors. Companies will provide a summary of their financial position instead of complete financial statements, and a summary of their business and industry. This reduces duplication by leveraging publicly available information for listed entities.
- **Amendments to Merchant Bankers (MB) Regulations**
 - It was proposed that merchant bankers vide consultation paper on August 28, 2024, that other than Banks, Public Financial Institution and their subsidiaries, shall undertake only those activities, which are related to securities market and come under the jurisdiction of SEBI. The same was approved by SEBI vide its board meeting in December 2024.
 - Following an internal review and feedback from the industry, SEBI has relaxed the requirement for Merchant Bankers to hive off non-regulated activities into a separate legal entity.

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- MBs can now continue to undertake activities regulated by other Financial Sector Regulators (**FSRs**) as long as they comply with the respective FSR's framework, or fee-based, non-fund based financial services activities not under SEBI or other FSRs, subject to SEBI-specified conditions.
- The board also broadly defined the regulatory framework for MBs, including permitted activities such as managing public issues, QIPs, rights issues, international offerings, acquisitions, buy-backs, delisting, compliances for schemes of arrangement, employee benefit schemes, private placements, AIF placement memorandums, fairness opinions, and underwriting.
- MBs have been categorized based on net worth: Category 1 (\geq Rs. 50 crore) can undertake all permitted activities, while Category 2 (\geq Rs. 10 crore) can undertake all except managing equity issues on the Main Board.
- Requirements for maintaining liquid net worth (at least 25% of minimum net worth) and capping underwriting obligations (20 times liquid net worth) were specified.
- Minimum revenue thresholds from permitted activities were set (Rs. 25 crores for Category 1 and Rs. 5 crores for Category 2, cumulatively over three preceding financial years), with an exemption for MBs managing only listed/to be listed Debt Securities and Hybrid Securities.
- **Measures for Real Estate Investment Trusts (REITs) and Infrastructure Investment Trusts (InvITs)**
 - It was proposed vide consultation paper dated May 02, 2025 that Regulation 2(1)(zq) of the InvIT Regulations, defines '**public**' for the purposes of any offer and listing of units and clarifies that in the event any related party to the InvIT is a qualified institutional buyer, such person shall be included under the term '**public**'. However, similar clarity is not provided in Regulation 14(1A) in relation to the related parties and associates of the sponsor(s), investment manager or project manager. In view of the above, market participants have represented that the understanding in relation to entities deemed to be 'public' in Regulation 2(1)(zq) and Regulation 14(1A) may be aligned.
 - Now SEBI has announced that the related parties of REITs/InvITs, their Sponsors, Investment Managers/Managers, and Project Managers will not be considered 'public' unless they are Qualified Institutional Buyers (**QIBs**), though Sponsors, Sponsor Groups, and Managers are always excluded.

Our Views

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- Holdco entities are now permitted to adjust their own negative net distributable cash flows against cash received from underlying Special Purpose Vehicles (SPVs) before distributing to the REIT/InvIT, with appropriate disclosures.
- Timelines for submitting various reports (quarterly, valuation) were aligned with the timelines for financial results submissions.
- The minimum allotment lot in the primary market for privately placed InvITs was reduced to Rs. 25 lakhs, aligning it with the secondary market trading lot size.

Key Message:

“Ease of Doing Business is not a dilution — it is a deliberate design. But it must be paired with credible safeguards, professional discipline, and investor-first thinking.”

With reforms addressing Alternative Investment Funds (AIFs), Real Estate and Infrastructure Investment Trusts (REITs/InvITs), Merchant Bankers, Debenture Trustees, and more, SEBI is laying down a unified, consistent, and forward-compatible regulatory foundation.

These are not isolated rule changes. They form a cohesive architecture built on clarity, scalability, and market trust. The reforms anticipate the next decade of India's market evolution — one where capital mobility, investor protection, and digital fluency will define success.

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