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1. SECURITIES MARKETS CODE BILL INTRODUCED: A LANDMARK CONSOLIDATION OF INDIA'S SECURITIES LAW FRAMEWORK

India's securities regulatory framework is on the cusp of its most significant overhaul in over three decades. The draft Securities Markets Code, 2024 ("Draft SMC") has been introduced in the Lok Sabha, proposing a comprehensive consolidation and modernisation of securities market regulation.

The Draft SMC seeks to repeal and consolidate the following three principal legislations governing India's securities markets:

- The Securities Contracts (Regulation) Act, 1956 ("SCRA");
- The Securities and Exchange Board of India Act, 1992 ("SEBI Act"); and
- The Depositories Act, 1996 ("DA").

In addition, existing gazette notifications issued under these enactments are proposed to be subsumed within the Securities Market Code, thereby creating a single, cohesive statutory framework.

While the exercise is primarily one of structural consolidation, the Draft SMC also reflects a deliberate shift towards more principled, practical, and predictable rule-making, aligned with the Government's broader legislative rationalisation agenda.

Key Objectives of the Securities Markets Code

The Draft SMC aligns with the Government's broader legislative rationalisation agenda and seeks to address long-standing regulatory overlaps and procedural inefficiencies. In particular, it focuses on:

- strengthening investor protection mechanisms;
- providing statutory recognition to inter-regulatory coordination;
- addressing complex and evolving securities market transactions; and
- introducing clearer timelines, accountability, and enforcement standards.

The Draft SMC incorporates several global best practices in regulatory governance, accountability, and transparency. Notable measures include:

- regulatory impact assessments;
- arm's length separation between investigative and adjudicatory functions;
- a statutory framework for inter-regulatory coordination; and
- enhanced institutional mechanisms for investor protection.

Key Highlights

- **Legislative Consolidation:** Merges the SCRA, the SEBI Act and DA along with all related rules and notifications, into a single Securities Markets Code.
- **Investor Protection:** Reintroduces an independent ombudsperson to strengthen investor grievance redressal. The Ombudsman is intended to function

- independently of SEBI's supervisory and enforcement arms, and may intervene where the existing grievance redressal process fails within 180 days.
- providing an accessible, cost-effective, and impartial dispute resolution mechanism, while also enabling systemic feedback to the regulator for strengthening market conduct and compliance standards.
- **Defined Timelines:** The Code introduces defined timelines to bring greater certainty and discipline to SEBI's investigative and interim enforcement processes:
 - **Limitation period for investigations:** Investigations must ordinarily be initiated within eight years from the date of the alleged default or contravention. An extended period may be permitted in cases involving systemic market risk or where a reference is made by the Investigating Officer.
 - **Completion timeline:** Investigations are required to be concluded within 180 days. Any delay must be justified through a written status report, with extensions subject to approval by a Whole-time Member.
 - **Validity of interim orders:** Interim directions issued by SEBI will have a maximum validity of 180 days, with scope for extension of up to two years where proceedings such as adjudication, inspection, or investigation remain pending.

- **Clearer Enforcement Powers:** Distinguishes between fraudulent/unfair trade practices and market abuse, clarifying Securities and Exchange Board of India's ("SEBI") powers to issue cease-and-desist orders and seize records.
- **Rationalised Penalties:** Shifts to primarily monetary penalties for procedural and compliance violations, while retaining imprisonment for serious offences, including market abuse and non-compliance with regulatory orders.
- **Governance Reforms:** Proposes increasing SEBI's Board strength from nine to fifteen members to enhance regulatory capacity.
- **New Regulatory Concepts:** Introduces defined terms such as "Market Participant", "Securities Market Service Provider", and "Subsidiary Instructions" to reflect the evolving securities market landscape.

The Draft SMC marks a decisive shift towards a streamlined, time-bound, and principles-driven securities regulatory framework. By consolidating legacy laws, strengthening investor protection, and sharpening SEBI's enforcement and governance architecture, the Draft SMC aims to align India's securities regulation with global best practices.

2. INDIA ALLOWS 100% FDI IN INSURANCE: KEY TAKEAWAYS FROM THE SABKA BIMA SABKI RAKSHA BILL

The Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025 ("Bill"), was passed by the Lok Sabha and the Rajya Sabha on December 16 and 17, 2025, respectively. The Bill amends the Insurance Act, 1938 ("Insurance Act"), the Life Insurance Corporation Act, 1956 ("LIC Act"), and the Insurance Regulatory and Development Authority Act, 1999 ("IRDAI Act"),

and signals a decisive shift towards liberalisation of foreign investment and modernisation of India's insurance regulatory regime.

The legislative changes seek to strengthen policyholder interests, streamline regulatory oversight, enable capital inflows, and increase insurance penetration, consistent with the Government's vision of "Insurance for All by 2047."

Until recently, Foreign Direct Investment ("FDI") in insurance companies was capped at 74%, following a gradual liberalisation from the original 26% limit introduced under the IRDAI Act. In the Union Budget 2025-26, the Government announced a major policy shift by proposing to raise the FDI cap to 100%, aligning India with jurisdictions such as Australia, Canada, Brazil, and China. The Bill gives statutory effect to this policy shift, signalling India's intent to position its insurance market as globally competitive and investment-friendly.

Key Amendments Introduced by the Bill

1. Increase in FDI Cap to 100%

The Bill raises the FDI cap in insurance companies from 74% to 100%, subject to conditions prescribed by the Central Government under the newly inserted Section 3AA. The liberalisation is expected to attract long-term foreign capital and expertise, enhance operational control, ease capital constraints, and intensify competition. The revised regime is proposed to be implemented through amendments to the Indian Insurance Companies (Foreign Investment) Rules, 2015 ("Rules"), which were released in draft form earlier in August, 2025.

2. Rationalisation of Foreign Investment Conditions

The draft amendments to the Rules propose a significant relaxation of governance and operational restrictions, including:

- requiring only one among the Chairperson, Managing Director, or CEO to be a resident Indian citizen;
- reducing the independent director requirement for foreign-owned insurers to three directors; and
- removing several restrictions applicable to insurance intermediaries with majority foreign ownership, including approvals for dividend repatriation and residency requirements for directors and key managerial personnel.

To fully give effect to these relaxations, consequential amendments will be required to the IRDAI (Insurance Intermediaries) Regulations, 2019, particularly the Schedule AA Undertaking, which currently imposes additional constraints beyond the Rules.

3. Strengthening of Regulatory Authority

The Bill materially augments the powers of the Insurance Regulatory and Development Authority of India ("IRDAI"). It enables IRDAI to introduce or modify regulations without prior public consultation where such

measures relate to its internal administration or are considered necessary in the public interest. Further, the regulator is expressly authorised to order the disgorgement of unlawfully obtained gains, reinforcing its enforcement capabilities against insurers and intermediaries.

4. Structural and Operational Reforms

The Bill also advances a series of operational reforms aimed at improving regulatory efficiency and market flexibility. These include raising the threshold for regulatory approval of share transfers from 1% to 5%; formal legal recognition of digital modes of premium payment; and permitting amalgamations between insurance and non-insurance businesses with prior approval from IRDAI. Additionally, the Bill reduces capital requirements for foreign reinsurers and Lloyd's entities in line with international financial services norms applicable in GIFT City, introduces a one-time registration framework for insurance intermediaries, and formally recognises Managing General Agents (MGAs) within the regulatory ecosystem.

5. Enhanced Penalties

The maximum penalty for violations has been increased from INR 1 crore to INR 10 crores, with objective criteria prescribed for determining penalties, including severity, duration, repetition, unjust enrichment, and harm to policyholders.

The transition from a 74% to a 100% FDI framework marks a significant policy realignment for India's insurance sector. The liberalised regime is expected to catalyse capital inflows, encourage product and technological innovation, and accelerate consolidation across the industry. At the same time, the expanded participation of foreign capital will necessitate heightened regulatory vigilance, placing increased emphasis on IRDAI's role in ensuring market integrity, policyholder protection, and prudential supervision.

The Sabka Bima Sabki Raksha Bill marks a significant inflection point for India's insurance sector. By opening the door to 100% foreign ownership, rationalising regulatory constraints, and strengthening IRDAI's oversight powers, the Bill seeks to balance growth, competition, and consumer protection. Insurers, intermediaries, and investors should proactively assess the impact of these reforms on ownership structures, governance, and compliance strategies, particularly in the context of upcoming changes to the Rules.

3. REVISITING RELATED PARTY TRANSACTIONS: SEBI'S REVISED LODR REGIME

In a significant regulatory development for listed companies, the Securities and Exchange Board of India ("SEBI") has approved a comprehensive revision of the related party transaction ("RPT") framework under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("LODR"). The revisions were formalised through the SEBI (LODR) (Fifth Amendment) Regulations, 2025, notified on November 19, 2025, and take effect from December 19, 2025.