

Fintech Newsletter

Recent Legal Developments and Market Updates from India

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Introduction

July 2025 witnessed significant regulatory consolidation across India's financial ecosystem, with key regulators implementing comprehensive frameworks to strengthen oversight and streamline operations. The Securities and Exchange Board of India ("**SEBI**") led major initiatives by designating Bombay Stock Exchange ("**BSE**") as the investment adviser oversight authority, launching investor awareness campaigns, and expanding regulatory frameworks for various market intermediaries including research analysts and credit rating agencies.

The Reserve Bank of India ("**RBI**") advanced digital banking infrastructure through new authorisation directions and enhanced oversight of digital lending platforms, while the International Financial Services Centres Authority ("**IFSCA**") introduced frameworks for TechFin services. Technology and cybersecurity emerged as priority areas, with the Indian Computer Emergency Response Team ("**CERT-In**") releasing comprehensive audit guidelines and National Payments Corporation of India ("**NPCI**") expanding Unified Payments Interface ("**UPI**") capabilities to include internet of things ("**IoT**") payments and enhanced delegation frameworks.

The month also marked notable enforcement activity, with regulatory bodies initiating investigations into foreign direct investment ("**FDI**") compliance violations across major fintech platforms, while the sector faced cybersecurity challenges including security breaches. On the innovation front, major players embraced artificial intelligence ("**AI**") transformation strategies, and venture capital firms showed strong interest in emerging AI and defense technologies.

This edition of our fintech newsletter explores the key regulatory shifts, compliance developments, and market dynamics that defined the Indian fintech landscape throughout July 2025.

Recent Legal & Regulatory Developments



RBI issues new directions on pre-payment charges for loans

The RBI has issued the RBI (Pre-payment Charges on Loans) Directions, 2025 ("**Directions**") in furtherance of the public feedback received on the draft circular released by the RBI earlier on February 21, 2025. These Directions apply to all loans and advances sanctioned or renewed on or after January 1, 2026, and to all commercial banks (excluding payments banks), cooperative banks, NBFCs, and all India financial institutions.

The Directions require regulated entities ("**REs**") to take into consideration the following while deciding the pre-payment charges on floating rate loans and advances:

- i. REs must not levy pre-payment charges for loans granted for purposes other than business to individuals, with or without co-obligants.
- ii. For business loans to individuals and MSEs, commercial banks (excluding small finance banks, regional rural banks and local area banks), tier 4 primary (urban) co-operative banks, non-banking financial company ("**NBFC**") – upper layer, and all India financial institutions should not levy any pre-payment charges. Small finance banks, regional rural banks, tier 3 primary (urban) co-operative banks, state cooperative banks, central cooperative banks and NBFC-middle layer should not levy

pre-payment charges on loans with sanctioned amount / limit up to INR 50 (fifty) lakh (approximately USD 57,490).

- iii. These restrictions apply irrespective of the source of funds used for pre-payment and without any minimum lock-in period.
- iv. For dual / special rate loans (combination of fixed and floating), applicability depends on whether the loan is on floating rate at the time of pre-payment.

For loans not covered under the above restrictions, REs will apply pre-payment charges according to their approved policy. However, for term loans, REs must base charges on the amount being prepaid, while for cash credit/overdraft facilities, REs will levy charges on early closure based on an amount not exceeding the sanctioned limit. REs cannot apply pre-payment charges if borrowers intimate them of their intention not to renew cash credit / overdraft facilities before the stipulated period and the facility closes on the due date. REs cannot levy charges where pre-payment is effected at their own instance or retrospectively charge fees that it previously waived off.

The Directions also require disclosure of applicability of pre-payment charges clearly in the sanction letter and loan agreement. Additionally, for loans and advances where REs must provide key facts statement ("**KFS**") as specified in the RBI's circular dated April 15, 2024, on 'Key Facts Statement for Loans and Advances',ⁱ REs must

also mention these pre-payment charges in the KFS. REs cannot charge any pre-payment charges which have not been disclosed as required by an RE.

The Directions repeal multiple earlier circulars on pre-payment charges dating back to 2012, consolidating the regulatory framework under a single comprehensive directive.

IFSCA issues guidance on prior approval and intimation requirements for finance companies

IFSCA has issued comprehensive guidance outlining the process for Finance Companies ("FCs") and Finance Units ("FUs") to seek prior approval or provide intimation for specific changes. This circular facilitates uniformity and ease of doing business for REs operating in International Financial Services Centres ("IFSCs"), consolidating procedural requirements under the IFSCA (Finance Company) Regulations, 2021.

Key provisions under the guidance framework:

- i. **Change in management/control:** The IFSCA requires mandatory prior approval for FCs when there is a change in control of at least 20% (twenty percent) of total share capital or business decisions. FCs must submit formal request letters, board resolutions, new shareholding patterns up to Ultimate Beneficial Owner (UBO) level, detailed promoter information, and self-certified Information on Management (IoM) forms. FUs and entities undertaking non-core activities only need to provide intimation within 15 (fifteen) days. Changes below 20% (twenty percent) require intimation with basic documentation.
- ii. **Name changes and activity expansion:** Entities must notify the IFSCA of name changes with appropriate documentation including board resolutions and updated incorporation certificates. Entities seeking to undertake additional regulated activities must submit revised business plans, projected financials, and key managerial personnel ("KMP") experience details. Cross-regulatory activities require entities to obtain a no-objection certificate followed by intimation upon successful registration.
- iii. **Voluntary surrender and regulatory waivers:** The guidance establishes a structured process for voluntary surrender of registration, requiring entities

to demonstrate cessation of all permitted activities, stakeholder notification, complaint resolution, and proper record retention arrangements. Entities can seek pre-facto waivers or exemptions from applicable regulations with formal requests and supporting documentation, covering areas such as aircraft lease framework, ship leasing framework, and employment requirements for global/regional corporate treasury centres.

- iv. **Procedural requirements:** All entities must direct submissions to appropriate IFSCA divisions based on request type, with processing fees as per the IFSCA fee circular. The guidance includes detailed forms for information on management and voluntary surrender applications, ensuring comprehensive disclosure of individual backgrounds, financial standings, and regulatory compliance history.

SEBI seeks public comments on expanding business activities for Asset Management Companies

SEBI has issued a consultation paper on July 7, 2025, proposing significant relaxations to the regulatory framework governing permissible business activities for Asset Management Companies ("AMCs") under Regulation 24 of the SEBI (Mutual Funds) Regulations, 1996.ⁱⁱ The proposals enhance ease of doing business and expand the scope of activities that AMCs can undertake while ensuring investor protection.

Key proposals under the consultation framework:

- i. **Relaxation of broad-based fund requirements:** AMCs are currently restricted to managing only broad-based pooled funds (requiring at least 20 (twenty) investors with no single investor holding more than 25% (twenty-five percent) of the corpus). The proposal allows AMCs to manage non-broad-based funds as well, subject to stringent safeguards including fee caps, resource allocation requirements, segregation of key personnel, and restrictions on performance-linked fees to address potential conflicts of interest.
- ii. **Enhanced resource sharing provisions:** SEBI proposes two options for AMCs providing portfolio management services ("PMS") - either through a separate subsidiary with distinct personnel or as a separate business unit within the AMC with segregated operations and direct board reporting.

Research personnel and resources may be shared between mutual fund operations and PMS units under both options.

- iii. **Expansion of ancillary activities:** The proposal permits AMCs to undertake activities ancillary to fund management, specifically acting as Point of Presence (PoP) for pension funds under Pension Fund Regulatory and Development Authority ("PFRDA") framework and serving as global distributors for funds managed by the AMC (excluding mutual fund schemes). These activities must be conducted through subsidiaries with appropriate regulatory oversight.
- iv. **Streamlined framework for IFSC entities:** The proposal creates a unified framework for AMCs providing services to entities operating through IFSCs, whether investing through Foreign Portfolio Investment (FPI), FDI, or Foreign Venture Capital Investor (FVCI) routes, with tailored restrictions based on the investment route.

SEBI includes comprehensive safeguards to prevent conflicts of interest, including mandatory segregation of operations, fee differential caps, enhanced monitoring by Unit Holder Protection Committees (UHPC), and restrictions on inter-business asset transfers. Public comments / feedback on the consultation paper were due on July 28, 2025.

NPCI introduces additional requirements for UPI Circle Full Delegation framework

NPCI has issued an addendum dated July 8, 2025, to its earlier circular on UPI Circle - Delegated Payments for secondary users, introducing enhanced requirements for the Full Delegation Framework. The addendum builds upon the original circular dated August 13, 2024,ⁱⁱⁱ and aims to strengthen the identification and verification process when primary users authorise secondary users to initiate and complete UPI transactions within defined monthly spend limits.

Key additional requirements under the Full Delegation Framework:

- i. **Enhanced user identification:** Primary users must identify that secondary users belong to specific segments - family members (including child, parent, spouse, sibling, or other family members) or domestic / small business employees.

- ii. **Mandatory documentation sharing:** Primary payer payment system providers ("PSPs") are required to share additional details including document type and document ID number of secondary users with both the secondary payer PSP and the issuer bank.
- iii. **Issuer bank verification:** The issuer bank of the primary user must identify the secondary user during the delegation process using name, mobile number, and ID number from an Officially Valid Document as defined under the Master Direction Know Your Customer (KYC) Direction, 2016.^{iv}
- iv. **Explicit consent requirement:** Secondary payer PSPs must obtain explicit consent from secondary users regarding the additional details (document type and document ID number) before accepting any Full Delegation request from primary users.

The circular directs all UPI member banks, PSPs, and third-party app providers to refer to the updated UPI Circle procedural guidelines and implement the necessary changes by August 31, 2025.

SEBI proposes expanded regulatory framework for Credit Rating Agencies' non-SEBI regulated activities

SEBI has released a consultation paper on July 9, 2025, proposing amendments to the SEBI (Credit Rating Agencies) Regulations, 1999^v to introduce measures for regulating activities of Credit Rating Agencies ("CRAs") beyond their traditional scope. The proposal responds to industry representations seeking permission for CRAs to undertake rating of financial products and instruments under other financial sector regulators' purview, even where specific rating guidelines have not been issued by the relevant regulator.

Currently, CRA Regulations restrict agencies to rating securities that are listed or proposed to be listed on SEBI-recognised stock exchanges or rating financial instruments under guidelines of financial sector regulators. The proposed framework aims to address industry gaps while maintaining appropriate regulatory oversight and investor protection.

Key provisions under the proposed regulatory framework:

- i. **Expanded permissible activities:** CRAs will be allowed to rate financial instruments falling under other financial sector regulators (including RBI, IRDA,

PFRDA, IFSCA, MCA, and IBBI), if they comply with the respective regulatory frameworks for policy, eligibility criteria, risk management, and grievance handling. Activities must be fee-based and non-fund based only.

- ii. **Segregation requirements:** All non-SEBI regulated activities must be conducted through separate business units with Chinese Wall segregation and ring-fencing from SEBI-regulated activities. CRAs have 6 (six) months from notification to transfer existing non-regulated activities to separate business units with distinct staff, records, and grievance redressal mechanisms.
- iii. **Disclosure and protection measures:** CRAs must prominently disclose on websites and rating reports that SEBI investor protection mechanisms are not available for non-SEBI regulated activities. Separate marketing materials and webpages are required, with upfront written disclosures to all stakeholders confirming the nature of activities and associated risks.
- iv. **Compliance safeguards:** Ring-fence minimum net worth requirement from impacts of non-SEBI activities. CRAs must submit half-yearly compliance report through internal audit reports, reviewed and approved by their Board of Directors, confirming adherence to all regulatory requirements.

Public comments on the proposals were due on July 30, 2025, as SEBI seeks to balance business expansion opportunities with robust regulatory oversight and investor protection measures.

IFSCA seeks public comments on new TechFin and Ancillary Services Framework

IFSCA has introduced the 'IFSCA (TechFin and Ancillary Services) Regulations, 2025' to create a comprehensive regulatory framework governing TechFin companies and ancillary service providers. The new framework targets entities that provide support services connected to financial service delivery, whether directly or indirectly. The regulations became operational on July 10, 2025.

Key Provisions include:

- i. TechFin companies and ancillary service providers must obtain registration certificates before launching IFSC operations.

- ii. Currently operating entities have 12 (twelve) months to complete their registration.
- iii. Entity partners and promoters must operate outside Financial Action Task Force ("FATF") designated "high-risk jurisdictions".
- iv. Entities must file applications through the Single Window IT System (SWIT) portal, with the authority committing to respond within a 30 (thirty) day timeframe.
- v. Registration certificates maintain validity indefinitely unless suspended, cancelled, or voluntarily relinquished.
- vi. Key personnels must meet 'fit and proper' criteria and maintain code of conduct compliance.
- vii. Each entity must designate full-time IFSC-based principal officers and compliance officers.
- viii. Non-resident clients from FATF-compliant territories may access services, while resident clients may utilize services exclusively for establishing IFSC operations or international ventures.
- ix. Entities must conduct all transactional activities and maintain financial records in specified foreign currency, with administrative and statutory expenses requiring separate Indian rupee bank accounts.
- x. IFSCA may modify enforcement standards to encourage financial market growth, with entities having 30 (thirty) days to submit relaxation requests.
- xi. Designated inspecting authorities will conduct periodic examinations of financial records, infrastructure, operational procedures, with remedial measures for non-compliance.
- xii. Registered entities must remit annual fees and charges as determined by IFSCA.

RBI issues Digital Banking Channels Authorisation Directions, 2025

The RBI has released the "RBI (Digital Banking Channels Authorisation) Directions, 2025", issued under Section 35A, read with Section 56 of the Banking Regulation Act, 1949. These directions apply to all banks authorized to operate in India, including commercial and cooperative banks.

The RBI defines and regulates “Digital Banking Channels” which include services banks provide via websites (internet banking), mobile phones (mobile banking), and other digital channels on electronic devices for financial, banking, and other transactions.

These directions establish a foundational regulatory framework for digital banking services, outlining eligibility criteria for various banking facilities and ensuring a standardized and secure digital banking environment.

SEBI issues clarifications on research analysts regulations

SEBI has issued a circular dated July 23, 2025^{vi} providing Frequently Asked Questions to clarify regulatory provisions for Research Analysts (“**RAs**”).

Individuals associated with research services (e.g., partners, directors, employees) who bear principal responsibility for preparing or publishing research reports or who engage in investor interaction / public dissemination of research must obtain relevant National Institute of Securities Market (NISM) certifications within one year from the circular’s date, or within one year from their association with the RA, whichever is later.

For institutional clients or Qualified Institutional Buyers (QIBs), RAs are exempted from mandatorily obtaining consent by signature on the terms and conditions applicable to research services. Clients can provide this waiver upon disclosure via email or other electronically verifiable modes.

IFSCA issues guidelines on KMP eligibility for fund management entities

IFSCA has issued “Guidelines on Ascertaining KMP Eligibility in Accordance with Regulation 7 of the IFSCA (Fund Management) Regulations, 2025” (“**FM Regulations**”).

These guidelines aim to clarify the eligibility criteria for principal officers and compliance officers within Fund Management Entities (“**FMEs**”), addressing industry queries following the introduction of the new FM Regulations.

The IFSCA placed these guidelines in the public domain to benefit and guide FMEs and to clarify KMPs eligibility, assist FMEs in making informed hiring decisions for KMPs, and enhance transparency through a consistent framework.

CERT-In releases new Comprehensive Cyber Security Audit Guidelines

CERT-In has issued Version 1.0 of its “Comprehensive Cyber Security Audit Policy Guidelines”, effective July 25, 2025. These guidelines aim to standardise and strengthen cybersecurity audit practices across organizations in India and are applicable to CERT-In empanelled auditing organizations and auditee organizations in both public and private sectors that are required to, or seek to evaluate their cybersecurity posture, identify vulnerabilities, assess risks, and ensure compliance with regulatory standards.

RBI Master Directions for Investments in AIFs

The RBI has issued the “RBI (Investment in Alternative Investment Funds) Directions, 2025”, which come into force from January 1, 2026, superseding previous circulars from December 2023^{vii} and March 2024.^{viii} These directions are applicable to investments by REs such as commercial banks, co-operative banks, all India financial institutions, and NBFCs in units of Alternative Investment Funds (“**AIF**”) schemes.

Key provisions include that no RE shall individually contribute more than 10% (ten percent) of the corpus of an AIF Scheme, and the collective contribution by all REs in any AIF Scheme shall not be more than 20% (twenty percent) of the corpus of that scheme.

If an RE contributes more than 5% (five percent) of the corpus of an AIF Scheme which has downstream investment (excluding equity instruments) in a debtor company of the RE, the RE shall be required to make 100% (hundred percent) provision to the extent of its proportionate investment in the debtor company through the AIF Scheme, subject to a maximum of its direct loan and/or investment exposure to the debtor company.

Monitoring of Minimum Investment Threshold under Specialized Investment Funds

SEBI has issued a circular dated July 29, 2025, detailing the monitoring process for AMCs in relation to the Minimum Investment Threshold (“**MIT**”) in Specialized Investment Funds (“**SIF**”). The monitoring process inter alia covers: (i) freezing of all units across investment strategies of the concerned SIF in case of any active breach by an investor; (ii) issuance of a 30 (thirty)

calendar days' notice to such investor for rebalancing investments; and (iii) automatic redemption of frozen units by the AMC if the investor fails to comply within the notice period.

A breach in the MIT has been specified as a fall in the aggregate value of an investor's total investment across all investment strategies of SIF, below the MIT of INR 10 (ten) lakh (approximately USD 11,498).

IFSCA framework for Transition Bonds

The IFSCA has issued a comprehensive framework for the issuance and listing of "Transition Bonds" in IFSCs. These bonds are now recognized as environmental, social, and governance-labelled debt securities under the IFSCA (Listing) Regulations, 2024, aiming to finance long-term decarbonization in hard-to-abate sectors.

The framework stipulates that Transition Bonds are eligible if funds are utilized for projects aligned with recognized taxonomies or approved roadmaps and requires issuers to have a credible, Paris-aligned transition plan with science-based emission targets, governance structures, and stakeholder engagement.

Independent external reviewers must validate the alignment and the framework mandates detailed initial and ongoing disclosures on the issuer's transition

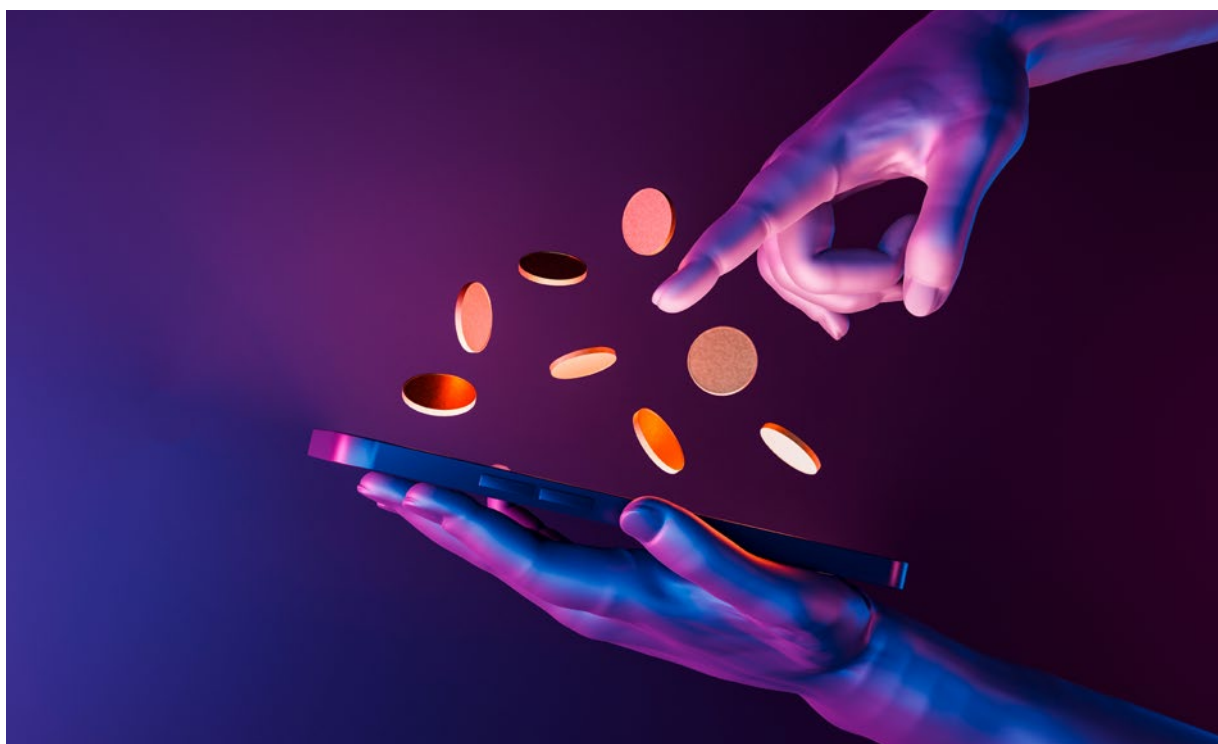
strategy, greenhouse gas emission targets, capital expenditure allocation, and use of carbon offsets, with annual reporting until bond redemption.

SEBI Opens 'Innovation Sandbox' for Fractional Share Trading

SEBI has initiated a new 'innovation sandbox' to reconsider the possibility of fractional share trading, marking a significant shift from its previous stance. A Bengaluru-based startup named Xaults has been chosen to conduct a pilot program within this sandbox.

The key innovation in this proposal is that fractional shares would be held at the depository level, a crucial change from earlier models that were rejected due to concerns over ownership being held by brokers. The pilot is scheduled to run for three to four months, and if it proves successful, the firm may proceed to a regulatory sandbox for more extensive testing.

This development is a crucial first step towards potentially implementing fractional share ownership in India, although it will ultimately require amendments to the Companies Act, 2013, which currently only recognises whole shares, along with other necessary changes to the legal and regulatory framework.



Industry Developments



RBI publishes list of digital lending apps deployed by regulated entities

The RBI has published the list of digital lending apps (“DLAs”) deployed / joined by REs on its website. This list is pursuant to the Digital Lending Directions, 2025^{1*} (“Digital Lending Directions”).

Under these Digital Lending Directions, REs must report all DLAs - whether their own or those of lending service providers - on the RBI’s Centralised Information Management System (“CIMS”) portal. The deadline for compliance with such reporting obligation for existing DLAs on the CIMS portal was June 15, 2025.

Following this deadline, RBI now publishes the data that REs submit on CIMS on the RBI website in an automated manner, and RBI does not verify or validate the submitted data.

This list will keep getting automatically updated as REs report changes. REs must ensure the correctness and timeliness of information regarding DLAs, as the respective RE is required to address all customer issues and grievances concerning DLAs directly.

As RBI clarified in the Digital Lending Directions, inclusion in the list does not mean RBI authorizes the DLAs. REs must ensure that customers do not construe inclusion as conferring any form of registration, authorisation, or endorsement by the RBI and that the DLAs or associated entities do not misrepresent this in any marketing materials.

Basel III capital regulations – external credit assessment institutions

RBI recently announced a significant development for India’s financial sector, recognizing CareEdge Global IFSC Limited as an External Credit Assessment Institution (ECAI) under the Basel III Capital Regulations, effective July 9, 2025.

This recognition represents a crucial step that allows regulated financial entities to use credit ratings that CareEdge Global IFSC Limited provides for calculating risk-weighted assets and assessing capital adequacy, aligning with the RBI’s capital adequacy framework.

This move will likely strengthen the country’s credit risk assessment mechanisms and boost the diversity and reliability of external ratings, ultimately benefiting banks and other financial institutions in India.

Stock exchanges develop technology-based sharing mechanism for common compliance submissions

To promote ease of doing business for stockbrokers and eliminate redundant submissions, stock exchanges (NSE, BSE, MSE, MCX, NCDEX) will implement a technology-based sharing mechanism for common compliance reports and information.

Currently, stockbrokers registered with multiple exchanges submit the same compliance reports separately to each exchange, creating repetitive tasks.

Starting August 1, 2025, submissions common across exchanges and without exchange-specific data will fall under this common reporting mechanism. For example, NSE will share compliance data with other registered exchanges, streamlining the reporting process for market intermediaries.

Department of Posts and Association of Mutual Funds in India sign memorandum of understanding for KYC verification of mutual fund investors

On July 17, 2025, the Department of Posts (“**DoP**”) and the Association of Mutual Funds in India (“**AMFI**”) signed a Memorandum of Understanding (“**MoU**”) in Mumbai. The MoU aims to simplify KYC compliance for mutual fund investors, targeting approximately INR 24,13,00,000 (twenty-four crore thirteen lakhs) mutual fund portfolios. DoP will utilize its vast network of 1,64,000 (one lakh sixty-four thousand) post offices to provide KYC verification, document collection, and support services, especially aiding investors in remote regions.

Postal employees will help investors complete and verify KYC forms, and asset management companies will then process these to achieve KYC validation through KYC registration agencies.

The MoU aligns with DoP’s public service mission and AMFI’s goal of fostering a transparent, investor-friendly ecosystem. The MoU remains valid for one year and includes strict data protection, SEBI compliance, and confidentiality measures.

SEBI designates BSE as investment adviser oversight authority

SEBI has officially designated BSE as the ‘Investment Adviser Administration and Supervisory Body’ (IAASB) by exercising its authority within Regulation 14 of the SEBI (Investment Advisers) Regulations, 2013, establishing a 5 (five)-year term commencing July 25, 2024. This transition transfers all investment adviser administrative and supervisory functions to BSE effective from the same date.

SEBI and Market Infrastructure Institutions launch “SEBI vs SCAM” investor awareness campaign

SEBI, in collaboration with Market Infrastructure Institutions (MIIs) such as NSE, BSE, CDSL, NSDL, MCX, MSEI, NCDEX, and AMFI, has launched a joint media campaign titled “SEBI vs SCAM”. This unified initiative aims to bolster investor protection and combat financial fraud and scams prevalent in the securities market.

The campaign educates investors on various deceptive practices, including fake trading applications, unregistered investment advice disseminated through social media and influencers, deepfake technology, instances of intermediary impersonation, paid trading courses that falsely guarantee returns, and illegal dabba and opinion trading.

The campaign focuses on raising awareness about red flags, emphasizing verification protocols, promoting trusted redressal mechanisms, and encouraging good digital practices among investors.

NSE implements detailed operational modalities for safer algorithmic trading by retail investors

The National Stock Exchange of India (“**NSE**”) has released detailed operational modalities to ensure safer participation of retail investors in algorithmic trading.^x

The NSE provides detailed operational modalities for algorithmic trading participation by retail investors, along with required documentation.^{xi} The framework will become effective from August 1, 2025. This regulation aims to enhance the safety measures for retail investors who engage in algorithmic trading activities.

DoP and NPCI International Payments Limited partner to revolutionise inward remittances

The DoP, Ministry of Communications, Government of India, and NPCI International Payments Limited (NIPL), the international arm of National Payments Corporation of India, have signed a non-disclosure agreement.

This collaboration, announced on July 24, 2025, aims to revolutionize inward remittances to India. The partnership will leverage the UPI and the Universal Postal Union (UPU) Interconnection Platform (IP) to create a seamless, secure, and affordable remittance channel for the Indian diaspora worldwide.

This initiative seeks to modernize cross-border payment services, enhance financial inclusion, offer a convenient and accessible alternative to traditional remittance methods, and reduce costs while improving efficiency for senders and beneficiaries by utilizing the global postal network.

FATF requires members to update actions following June 2025 Plenary

BSE issued Notice No. 20250721-34 on July 21, 2025, requiring all members to submit FATF declarations. This action follows the FATF's public statements released after its June 2025 Plenary, which identifies high risk jurisdictions subject to a call for action and jurisdictions under increased monitoring due to strategic Anti-Money Laundering / Countering the Financing of Terrorism (AML/CFT) deficiencies.

Members must submit their updated compliance actions in the prescribed electronic format through the BSE Electronic Filing System (BEFS) by August 11, 2025. The declarations must be stamped / physically signed on the organization's letterhead or digitally signed by an authorized signatory / compliance officer, failing which BSE will consider them pending.

Karnataka High Court considers broadening applicability of Rule 3(1)(d) of the Information Technology (Intermediary Guidelines and Digital Media Ethics Code) Rules, 2021 to non-social media intermediaries

A significant legal development for fintech entities emerged from the Karnataka High Court on July 17, as Solicitor General Tushar Mehta argued that the court should consider intermediaries beyond just social media platforms like X, extending to services such as UPI payment apps and virtual private networks (VPNs), when determining the validity of Rule 3(1)(d) of the Information Technology Rules, 2021.

This argument came during the ongoing lawsuit between X and the Union of India, where X has challenged the government's use of Section 79(3)(b) of the Information Technology Act, 2000 and Rule 3(1)(d) for content takedown notices.

The government has emphasised that the law needs to evolve with technological advancements, citing examples like deepfake videos and platforms acting as content curators, thereby challenging the applicability of the *Shreya Singhal v. Union of India* judgment^{xiii} to the current internet landscape.

Further, Solicitor General Tushar Mehta clarified that Rule 3(1)(d) acts as a condition for platforms to maintain "safe harbour" and does not constitute an offense for non-compliance but rather lifts the exception from general liability. The government also contended that platforms like X cannot claim freedom of speech under Article 19(1)(a) of the Constitution of India, as they are merely platforms hosting content, and not creating the content.



Market Updates



Groww enters pro trading arena with '915'

Investment platform Groww is making a strategic move into the professional trading segment with the launch of '915'. This new, standalone platform is specifically designed for experienced and high-volume traders, offering a suite of advanced tools and customization options.

While brokerage charges are expected to remain consistent with the main Groww app, '915' will introduce a subscription fee for its premium features.

The platform will operate independently of the existing Groww app. This expansion highlights the growing demand for specialized trading solutions within the Indian market.

Paytm's pivot to become 'AI-First'

In a public statement made on July 10, 2025, Vijay Shekhar Sharma, Founder of Paytm, declared that the company will restructure its core operations around AI, aiming to become an "AI-first" organisation.

The announcement follows significant internal restructuring, including the reduction of approximately 3,500 (three thousand five hundred) roles, which it attributed to automation and cost efficiencies. As part of its AI integration roadmap, Paytm is piloting innovative tools such as an AI-generated financial passbook in musical form and is collaborating with external AI platforms like Perplexity.

The company's pivot to AI comes amid operational challenges, including a decline in UPI market share and continued quarterly losses. The transition reflects broader industry trends wherein large fintech players are increasingly leveraging AI for scale, efficiency, and customer engagement.

NPCI is developing IoT payments for UPI on smart devices

Reportedly, the NPCI is developing an IoT enabled version of UPI to facilitate digital payments through smart devices such as refrigerators, washing machines, smartwatches, wearables, and connected cars.

This upgrade will allow these devices to initiate UPI payments without requiring users to open a mobile app. The feature is aimed primarily at autopay and recurring payments, particularly for subscription-based services.

NPCI expects to create a separate UPI ID for each device, and onboarding may involve a one-time password authentication process.

RBI advises banks to integrate DoT's financial Fraud Risk Indicator

DoT has welcomed the RBI's advisory directing all scheduled commercial banks, small finance banks, payments banks, and co-operative banks to integrate the fraud risk indicator (FRI) into their systems.

DoT's Digital Intelligence Unit (DIU) launched in May 2025, is a risk-based metric that classifies a mobile number based on its association with medium, high, or very high risk of financial fraud.

This integration marks a crucial step in bolstering the financial sector's defenses against fraud.

NSDL Payments Bank gains scheduled bank status

The RBI issued a notification on June 19, 2025, including NSDL Payments Bank Limited in the Second Schedule to the RBI Act, 1934. The RBI took this action under clause (a) of sub-section (6) of Section 42 of the RBI Act, formally designating NSDL Payments Bank as a scheduled bank. This inclusion subjects NSDL Payments Bank Limited to specific regulations and facilities that the RBI provides, which will impact its operations within the Indian financial system.

PayPal launches PayPal World for cross-border payments

PayPal has announced PayPal World, a new platform launching in late 2025 that will connect many of the world's largest payment systems and digital wallets on a single platform. The service will begin with interoperability between PayPal and Venmo. The first payment systems and digital wallets launching with PayPal World include Mercado Pago, NPCI International Payments Limited (UPI), PayPal, Tenpay Global, and Venmo. The platform will utilize artificial intelligent (AI) agents to simplify user interactions and support international shopping, money transfers, and travel

spending. PayPal's Indian subsidiary recently secured RBI approval to operate as a payment aggregator for cross-border exports.

ED investigation into FDI violations by companies

The Enforcement Directorate (ED) is conducting investigations into FDI violations across multiple sectors, with recent focus on fintech companies. These investigations have identified contraventions worth thousands of crores, highlighting systemic compliance issues in how companies structure their foreign investments. Key violations under investigation include companies misclassifying their business activities to access favourable FDI routes, such as declaring financial services as "IT services."

Digital Payments in India cross 65,000 crore transactions

In a written reply to a question in the Lok Sabha on July 28, 2025, Minister of State for Finance (MoSF), Pankaj Chaudhary informed Parliament that India recorded over 65,000 (sixty-five thousand) crore digital payment transactions, valued at more than INR 12,000 (twelve thousand) lakh crore (USD 1.44 trillion), between financial year 2020 and 2025. He highlighted that the government has worked closely with the RBI, NPCI, fintech companies, banks, and state governments to accelerate digital payment adoption, especially in tier-2 and tier-3 cities. Notably, around 4,77,00,000 (four crore seventy-seven lakh) digital payment touchpoints have been deployed nationwide as of May 31, 2025, under the Payments Infrastructure Development Fund (PIDF) initiative.



Major Deals



We have set out in the table below some of the major deals for the month of July 2025:

Entity	Deal Value and Investors
Navi Technologies, ¹ the fintech company that Flipkart co-founder Sachin Bansal founded	Raised INR 170 (one hundred seventy) crore (approximately USD 20 million) through a debt financing round led by PhillipCapital, with NDX Financial Services, Arpee Group, Ambit Finvest, Grey Grass India, Siddharth Colorchem, Ravi Dyeware Company, and Nahar Capital & Financial Services participating as investors. ^{xiii}
Infinity Fincorp Solutions, an MSME-focused non-banking financial company	Secured INR 1,950 (one thousand nine hundred fifty) crore (approximately USD 230 million) in a funding round combining primary and secondary transactions. Partners Group acquired a majority stake in the company, while existing investor Jungle Ventures continued its investment through additional primary infusion. ^{xiv}
Credit Wise Capital, an NBFC focused on two-wheeler and MSME financing	Secured INR 200 (two hundred) crore (approximately USD 24 million) in its first institutional funding round, led by Trident Growth Partners. ^{xv}
Phi Commerce, an omnichannel payment solutions provider	Raised an additional INR 51.34 crore (approximately USD 6 million) from existing investor BEENEXT Ventures, bringing their total Series B funding to USD 11 million. ^{xvi}

1. Navi is a client of CMS INDUSLAW.

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- I. <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12663&Mode=0>
 - II. <https://www.sebi.gov.in/legal/regulations/mar-2025/securities-and-exchange-board-of-india-mutual-funds-regulations-1996-last-amended-on-march-4-2025- 92574.html>
 - III. <https://www.npci.org.in/PDF/npci/upi/circular/2024/UPI-OC-No-201-FY-24-25-Introduction-of-UPI%20Circle%E2%80%93Delegated-Payments-for-secondary-users.pdf>
 - IV. <https://www.rbi.org.in/commonman/English/scripts/notification.aspx?id=2607>
 - V. <https://www.sebi.gov.in/legal/regulations/apr-2025/securities-and-exchange-board-of-india-credit-rating-agencies-regulations-1999-last-amended-on-april-23-2025- 93688.html>
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 - VII. <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12572&Mode=0>
 - VIII. <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=12639&Mode=0>
 - IX. <https://rbi.org.in/Scripts/NotificationUser.aspx?Id=12848&Mode=0#C5>
 - X. <https://www.sebi.gov.in/legal/circulars/feb-2025/safer-participation-of-retail-investors-in-algorithmic-trading 91614.html>; <https://nsearchives.nseindia.com/content/circulars/INVG67858.pdf>
 - XI. <https://nsearchives.nseindia.com/content/circulars/INVG69255.zip>
 - XII. AIR 2015 SC 1523.
 - XIII. <https://indianstartupnews.com/funding/sachin-bansals-navi-technologies-raises-rs-170-crore-in-debt-9586874>
 - XIV. <https://inc42.com/buzz/infinity-fincorp-bags-230-mn-partners-group-acquires-majority-stake/>
 - XV. <https://www.cnbctv18.com/business/startup/credit-wise-capital-funding-two-wheeler-msme-loans-expansion-plans-19635386.htm>
 - XVI. <https://inc42.com/buzz/phi-commerce-raises-inr-51-cr-from-beenext/>

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