



## Tax alert: Clarifications to Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)

**3 January 2025**

The Securities and Exchange Board of India (“SEBI”) has issued a circular dated 31 December 2024 for queries raised by regulated entities (“REs”) on the *Cybersecurity and Cyber Resilience Framework (“CSCRF”)* dated 20 August 2024.

The clarification dated 31 December 2024 addresses the below mentioned key aspects-



Compliance requirements which would have been enforceable as a part of CSCRF from 1<sup>st</sup> January 2025, have been extended up to 31<sup>st</sup> March 2025 and no regulatory action shall be taken during this period.



Adoption of compliance requirements for certain REs has been extended up to 1<sup>st</sup> April 2025.



Requirement for data localization has been put on hold until further consultation.



Scroll down to read the detailed alert.

## Clarifications to Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities

The CSCRF is a comprehensive and standardized framework developed by SEBI to provide standards and guidelines for strengthening cyber resilience and maintaining robust cybersecurity of SEBI regulated entities (REs).

Below are some key highlights from the clarifications which are applicable to the REs.

1. **Regulatory Forbearance**– The following compliance requirements were enforceable from 1 January 2025 which included-

- Adoption of the compliance requirements under the CSCRF for 6 categories of REs ( *Stock Exchanges, Depositories, Clearing Corporations, Commodity Derivatives Exchanges, Registered Intermediaries and Registered Investment Advisor*) has been amended.
- Setting up of Market SOC which is responsible for ensuring that security protocols are followed.

Regulatory forbearance will be granted until March 31, 2025. During this period, **no regulatory action will be taken for non-compliance**, as long as the REs can show meaningful progress or steps taken in implementing the CSCRF. Before considering any regulatory action, SEBI will provide the REs an opportunity to demonstrate their progress.

2. **Extension of Compliance for REs**- The CSCRF is applicable to 19 categories of REs (*CSCRF-Applicability*). However, vide the circular dated 31 December 2024, the compliance timeline for the following REs has been extended from 1 January 2025 to 1 April 2025:

- KYC Registered Entities
- Depository Participants

3. **Data Localization**-SEBI had introduced data localization as REs utilize the services of third parties which might be storing data outside India. Considering the sensitivity of the data stored, which includes business data and personal data, the REs were required to store and process data within the legal boundaries of India. This implied that all data generated by REs would remain in India. The regulatory body has clarified through the circular that the guidelines and provisions for data localization as mentioned in Data Security standard item 10: Data Localization, shall not come into force and shall be deliberated based on further consultations.

The clarifications have been provided to give the REs reasonable timeframe to develop a cyber-resilient framework and to showcase the measures taken to ensure data security and adherence to global standards. It is important to note that the circular was issued with the aim of protecting the interests of investors in the securities market and fostering the development of a cybersecurity framework that complies with SEBI's requirements.



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