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SEBI UPDATES

1. **SEBI specifies consequential requirements pursuant to the amendment of SEBI (Merchant Bankers) Regulations, 1992**

SEBI *vide* its circular dated January 02, 2026, has issued revised conditions that need to be complied with by the merchant bankers in light of the amendments notified under the SEBI (Merchant Bankers) Regulations, 1992 ('**MB Regulations**') dated December 25, 2025.

SEBI has clarified that while the new applicants for registration as Merchant Bankers ("**MBs**") must comply with the revised regulatory framework immediately, existing MBs (as well as applicants who have filed an application prior to this circular but shall obtain registration subsequently) shall comply with the same in accordance with the conditions as specified in the circular.

Capital adequacy and liquid net worth: SEBI has revised the net worth requirements and introduced liquid net worth requirement under the regulations. New applicants are required to comply at the time of application. Existing MBs are required to comply in a phased manner. Failure to meet Category I thresholds of networth and liquid networth criteria, will result in automatic reclassification as Category II, while failure to meet Category II thresholds will restrict the undertaking of fresh permitted activities. MBs are required to submit half-yearly CA-certified confirmations.

Liquid net worth definition: Liquid net worth has been defined as net worth deployed in unencumbered liquid assets, subject to prescribed haircuts for government securities, liquid/overnight/G-sec mutual funds, and listed securities of Nifty 500 companies held as either investment or stock-in trade/inventories.

Underwriting obligations: Total underwriting obligations of an MB have been capped at 20 times its liquid net worth. Existing MBs are required to comply with this requirement by January 02, 2028, supported by CA certification as part of half-yearly reporting.

Personnel and certification requirements: Employees specified under Regulation 6(b) are required to possess the NISM Series IX – Merchant Banking Certification, while compliance officers are additionally required to hold NISM Series IIIA – Securities Intermediaries Compliance (Non-Fund) certification. Existing personnel must comply by January 02, 2027, and new appointees within 90 days of appointment.

Independence of compliance officer and principal officer requirements: SEBI has mandated that the compliance officer be independent from the principal officer and other key employees, with existing MBs required to comply by April 03, 2026. The definition of "principal officer" has been amended to require a minimum of five years' experience in financial markets, with existing MBs required to comply by January 02, 2027.

Outsourcing of core activities: MBs are prohibited from outsourcing core merchant banking activities from the effective date. Existing outsourcing arrangements are required to be discontinued by April 03, 2026.

Minimum revenue from permitted activities: SEBI has prescribed minimum cumulative revenue thresholds over the preceding three financial years of ₹25 crore for Category I MBs and ₹5 crore for Category II MBs.

Non-compliance may result in cancellation of registration under summary proceedings, subject to limited exceptional circumstances. The first assessment will be undertaken from April 01, 2029, with annual revenue reporting commencing from FY 2026–27. Details relating to revenue from permitted activities is required to be submitted to SEBI within three months commencing from the F.Y.2026-2027.

SEBI shall, take into account the following circumstances in deciding whether to cancel the registration of an MB for not meeting minimum revenue criteria, namely. In addition to the following, SEBI has been empowered to specify circumstances under which the registration shall not be cancelled in case it is not able to meet the minimum revenue conditions:

- Natural calamities like flood, earthquake,
- Outbreak of pandemic situations like COVID-19 etc.
- Global Economic Recession
- Geopolitical tensions and war

Marketing-only mandates and conflict disclosures: Where an MB is restricted to marketing an issue under Regulation 21C of the MB Regulations, detailed disclosures relating to investments, holdings and relationships are required to be made in the offer document and marketing materials for public issues filed on or after January 03, 2026.

Non-SEBI regulated activities: SEBI has permitted MBs to undertake non-SEBI regulated activities only through ring-fenced, arm's length separate business units, subject to segregation of staff and records, distinct grievance redressal mechanisms, enhanced disclosures, stakeholder acknowledgements and board-approved Chinese Wall arrangements. Existing MBs are required to align ongoing arrangements on or before July 3, 2026, and submit board-approved undertakings as part of half-yearly reporting.

The circular can be accessed *here*.

2. SEBI notifies the Securities and Exchange Board of India (Stock Brokers) Regulations, 2026

SEBI *vide* notification dated January 07, 2026, has notified the Securities and Exchange Board of India (Stock Brokers) Regulations, 2026 ("**2026 Regulations**"), thereby repealing the erstwhile Securities and Exchange Board of India (Stock Brokers) Regulations, 1992.

The 2026 Regulations introduce a consolidated and modernized framework to regulate stock brokers and clearing members, incorporating recent market developments such as Execution Only Platforms ("**EOPs**") and Qualified Stock Brokers ("**QSBs**").

Stock brokers are now expressly allowed to undertake activities regulated by authorities other than SEBI, provided such activities fall within the jurisdiction of a "financial sector regulator." The term is defined to include the Reserve Bank of India, IRDAI, PFRDA, IFSCA, Ministry of Corporate Affairs, Insolvency and Bankruptcy Board of India, and any other authority as may be specified by SEBI, enabling stock brokers to engage in non-SEBI-regulated financial activities under the relevant regulatory oversight.

Institutional Mechanism for Prevention and Detection of Fraud: The 2026 Regulations mandate that stock brokers must put in place adequate systems for surveillance of trading activities and internal controls for the detection, prevention, and reporting of potential fraud or market abuse.

In this regard, stock brokers are required to establish documented processes to detect potential "mule accounts" or suspicious activities. Further, the regulations introduce a mandatory Whistle Blower Policy for stock brokers. The policy must provide a confidential channel for employees and stakeholders to raise concerns about suspicious activities, fraud, or governance vulnerabilities. However, the regulations emphasize accountability, specifying that complaints against the Board of Directors or Key Managerial Personnel ("**KMP**") must be addressed to the Audit Committee, while complaints against other employees shall be addressed to the Compliance Officer.

Formalization of Qualified Stock Brokers (QSBs): SEBI has codified the framework for Qualified Stock Brokers within the principal regulations. The Board may designate a stock broker as a QSB based on parameters such as the number of active clients, total assets, trading volumes, and end-of-day margin obligations. Additionally, QSBs are subject to enhanced obligations beyond those of regular stock brokers.

Execution Only Platforms (EOPs) The regulations formally define "Execution Only Platforms" as digital platforms facilitating transactions in direct plans of Mutual Fund schemes. Further, the regulations specify that stock brokers in the EOP segment must maintain books of accounts and records as specified for their specific nature of business. Notably, the Variable Networth requirement applicable to other trading members is not applicable to the EOP segment.

The new regulations can be accessed *here*.

3. **SEBI prescribes compliance reporting formats for Specialized Investment Funds**

SEBI *vide* circular dated January 08, 2026, has prescribed compliance reporting formats applicable to Specialized Investment Funds ("**SIFs**"), in order to ensure uniformity and clarity in regulatory reporting.

SEBI has clarified that all reporting requirements applicable to mutual funds under the SEBI (Mutual Funds) Regulations, 1996, the Master Circular to Mutual Funds dated June 27, 2024, and related circulars shall *mutatis mutandis* apply to SIFs. Further, SEBI has modified the Compliance Test Report (CTR) format to include an additional Part IV, and the Half-Yearly Trustee Report (HYTR) format to include Clause 72A, capturing SIF-specific compliance requirements. Asset Management Companies managing SIFs and trustees thereof are required to report compliance under the modified formats as part of their existing mutual fund reporting.

The Circular can be accessed *here*.

4. **SEBI facilitates digital onboarding and introduces SWAGAT-FI framework for FPIs and FVCIs**

SEBI has, during January 2026, issued a series of regulatory measures aimed at further simplification and digitisation of onboarding and ongoing compliances for foreign investors, including facilitation of digital signatures and introduction of the Single Window Automatic and Generalised Access for Trusted Foreign Investors ("**SWAGAT-FI**") framework.

Digital Signature Certificate (DSC) functionality for FPIs:
SEBI has enabled a new DSC functionality from Indian DSC issuers within the Common Application Form (CAF) portal, allowing Foreign Portfolio Investor ("**FPI**") applicants to apply for a DSC simultaneously while submitting the CAF. This enhancement integrates the FPI registration application and DSC application into a single process, building on the earlier permission granted to FPIs to use digital signatures for execution of registration-related documents. The facility is intended to further streamline the FPI onboarding process.

SWAGAT-FI framework for FPIs:
Pursuant to the SEBI (Foreign Portfolio Investors) (Second Amendment) Regulations, 2025, SEBI has amended the FPI Master Circular to operationalise the SWAGAT-FI framework for eligible trusted foreign investors. Government and government-related investors, appropriately regulated public retail funds, insurance companies investing own funds, and pension funds meeting specified conditions are eligible for registration or conversion as SWAGAT-FI FPIs.

Under the framework, certain onboarding and ongoing compliance requirements have been rationalised, including exemption from specified disclosure requirements, extension of registration validity to 10 years, and relaxation in periodic KYC review, which shall be undertaken once every 10 years. Depositories are required to facilitate a single unified accounting and investing experience for SWAGAT-FI investors across FPI, FVCI and investment vehicle holdings. The revised provisions shall come into force with effect from June 01, 2026.

SWAGAT-FI framework for FVCIs
SEBI has also extended the SWAGAT-FI framework to Foreign Venture Capital Investors ("**FVCIs**") pursuant to amendments to the SEBI (Foreign Venture Capital Investors) Regulations, 2000. Eligible SWAGAT-FI applicants are permitted to apply for FVCI registration alongside FPI registration without submission of a separate application or documents, subject to appointment of the same custodian and Designated Depository Participant.

Existing and new FVCIs qualifying as SWAGAT-FI have been granted extended registration validity of 10 years, with periodic KYC review to be conducted once every 10 years. The operational guidelines for FVCIs and DDPs stand modified accordingly, with the revised provisions effective from June 01, 2026.

The Press Release can be accessed *here* and the circulars can be accessed *here* and *here*.

5. **SEBI issues a Circular on Simplification of requirements for grant of accreditation to investors**

SEBI *vide* circular dated January 09, 2026, has further simplified the framework for grant of accreditation to investors under the SEBI (Alternative Investment Funds) Regulations, 2012.

SEBI has provided that during the pendency of receipt of the accreditation certificate from an accreditation agency, investment managers are permitted to execute contribution agreements and initiate related operational procedures based on an internal assessment of investor eligibility, subject to the condition that such capital commitments from such investors shall not be included in the scheme corpus and funds shall be accepted only after accreditation is granted.

SEBI has also rationalised net-worth certification requirements by dispensing with the requirement to submit a detailed net-worth computation as an annexure to the net-worth certificate, and clarified that disclosure of actual net worth by the certifying chartered accountant is optional, provided threshold compliance is certified. Further, trustees, sponsors or managers of AIFs are required to ensure that compliance with this circular is captured in the Compliance Test Report.

The Circular can be accessed *here*.

6. **SEBI notifies the Securities and Exchange Board of India (Mutual Funds) Regulations, 2026**

SEBI, on January 16, 2026, has notified the Securities and Exchange Board of India (Mutual Funds) Regulations, 2026 ("**MF Regulations**") marking a comprehensive overhaul of the mutual fund regulatory framework with a focus on investor protection, tighter control over expenses, stronger governance and clearer accountability of asset management companies ("**AMCs**") and trustees. These regulations shall come into force with effect from April 01, 2026.

A comprehensive regulatory update can be accessed *here*.

7. **SEBI mandates NISM certification for Compliance Officers of AIF Managers**

SEBI *vide* circular dated December 30, 2025, has specified the certification requirements for Compliance Officers of Managers of Alternative Investment Funds ("**AIFs**") in terms of Regulation 20(18) of the AIF Regulations.

The circular mandates that the Compliance Officer of an AIF Manager must obtain certification from the National Institute of Securities Markets ("**NISM**") by passing the NISM Series-III-C: Securities Intermediaries Compliance (Fund) Certification Examination. In this regard, SEBI has directed that Managers of AIFs shall ensure that, with effect from January 01, 2027, only those persons who have obtained the aforesaid certification shall be appointed as or shall continue to act as Compliance Officers.

The circular can be accessed *here*.

8. **SEBI notifies modalities for migration to 'AI only' schemes and relaxations for Large Value Funds ("LVFs")**

SEBI *vide* circular dated December 08, 2025, has specified the modalities for the migration of existing Alternative Investment Funds ("**AIFs**") to 'Accredited Investor only' ("**AI only**") schemes and LVFs, pursuant to the amendments to the AIF Regulations notified on November 19, 2025.

The circular provides that existing AIF schemes may migrate to 'AI only' or 'LVF' schemes subject to obtaining positive consent from all investors. Further, upon conversion, the scheme name must be mandatorily suffixed with 'AI only fund' or 'LVF', and such change must be reported to SEBI and depositories within 15 days.

Accredited Investor Status and Tenure: SEBI has clarified that if an investor is an Accredited Investor at the time of onboarding, they shall be reckoned as an Accredited Investor throughout the life of the scheme, irrespective of any subsequent change in status. Additionally, the circular specifies that the maximum permissible extension of tenure for AI only schemes shall be five years, inclusive of any extension availed prior to conversion.

Relaxations for Large Value Funds: SEBI has exempted LVFs from the requirement of following the standard template for the Private Placement Memorandum ("**PPM**") and the annual audit of PPM terms, without the need for obtaining specific waivers from investors.

Compliance: The Trustee or Sponsor of the AIF must ensure that the 'Compliance Test Report' prepared by the manager includes compliance with the provisions of this circular.

The circular can be accessed *here*.

IFSCA UPDATES

9. IFSCA modifies Anti Money Laundering, Counter-Terrorist Financing and KYC Guidelines

IFSCA *vide* circular dated January 02, 2026, has notified modifications and clarifications to the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022 ("**Principal Guidelines**").

The modifications introduce specific exemptions for certain entities, enhance due diligence measures to prevent round-tripping, and streamline KYC processes for various categories of customers.

Exemptions from Principal Guidelines: The circular exempts specific entities and activities from the applicability of the Principal Guidelines, including Global-in-House Centres, International Branch Campuses or Offshore Educational Centres of Foreign Universities, and Financial Crime Compliance Services Providers. Further, Financial Institutions providing services solely to entities within their 'Financial Group' located in compliant jurisdictions are also exempted, subject to undertaking a Business Risk Assessment.

Enhanced Due Diligence and Confidentiality: To mitigate the risk of round-tripping, IFSCA has mandated that Regulated Entities must endeavor to ascertain the source of funds in cases where the Beneficial Owner of a Non-Resident customer is an Indian National. In such instances, enhanced due diligence measures must be applied irrespective of the risk categorization. Additionally, the circular specifies that the risk categorization of a customer and the specific reasons for such categorization must be kept confidential and shall not be revealed to the customer to avoid "tipping off".

KYC Norms and Digital Onboarding: The circular has revised the periodicity for KYC updation for resident Indian customers having an existing relationship with the Financial Group in India:

- **High-risk customers**: Once every two years.
- **Medium-risk customers**: Once every eight years.
- **Low-risk customers**: Once every ten years.

Further, regarding digital onboarding (V-CIP) for Non-Resident Indians (NRIs), the circular clarifies that the IP address must emanate from India or specified permissible jurisdictions (e.g., USA, UK, UAE, Singapore). Notably, if the current address of an NRI customer cannot be verified, the account shall be opened in "debit freeze/inactive mode" until verification.

Miscellaneous The circular also mandates that Regulated Entities must register details of clients that are Non-Profit Organisations (NPOs) on the DARPAN Portal of NITI Aayog. Finally, it is specified that all Financial Institutions shall transact or receive monetary consideration only through an account maintained with a Banking Unit in the IFSC.

The circular can be accessed *here*.

10. IFSCA notifies International Financial Services Centres Authority (Capital Market Intermediaries) (Amendment) Regulations, 2026

IFSCA *vide* notification dated January 07, 2026, has notified the International Financial Services Centres Authority (Capital Market Intermediaries) (Amendment) Regulations, 2026. The amendment introduces a framework for "unified registration," enabling entities in the IFSC to obtain a single registration for undertaking multiple activities, in the manner specified by the Authority.

Ease of Doing Business and Personnel Requirements: In this regard, IFSCA has expanded the eligibility criteria for key personnel to include degrees in fintech, science, technology, engineering, or

mathematics. Further, the experience requirement for relevant personnel has been reduced from ten years to five years.

Operational Flexibility The regulations now permit an entity registered as a broker-dealer, clearing member, depository participant, investment adviser, research entity, custodian, or registered distributor to appoint the *same person* as the Principal Officer for these activities. However, entities undertaking multiple activities must appoint a separate official as a vertical head for their distribution business.

Net Worth Requirements for Custodians: The amendment specifically prescribes a minimum net worth of USD 1 million for Custodians. Existing custodians registered with the Authority are required to comply with these revised norms by June 30, 2026.

The amendment can be accessed *here*.

11. **IFSCA notifies procedure for filing scheme applications under Third-Party Fund Management Arrangement**

IFSCA *vide* circular dated January 16, 2026, has specified the procedure and requirements for filing scheme applications by Registered Fund Management Entities ("**FMEs**") authorised to provide Third-Party Fund Management Services under the IFSCA (Fund Management) Regulations, 2025 ("**FM Regulations**").

In this regard, the circular clarifies that while FMEs must submit the standard documentation as per the circular on 'Ease of doing business' dated April 05, 2024, they are also required to provide additional information to streamline the approval process for third-party arrangements.

Additional Disclosure Requirements: The circular mandates that FMEs must furnish the following additional documents:

- A "look-through" chart showing the Ultimate Beneficial Owners (UBOs) of the third-party fund manager;
- Details of Assets Under Management (AUM) and past records of investment strategies of the third-party fund manager that are similar to the proposed scheme;
- A Declaration cum Undertaking confirming compliance with the obligations specified under Regulation 107H and 107K of the FM Regulations;
- An outline of deal execution, remuneration policies, and disclosure of any Conflict of Interest.

Submission Mechanism: IFSCA has clarified that all scheme applications must be filed via the IFSCA Single Window IT System.

The circular can be accessed *here*.

12. **IFSCA notifies International Financial Services Centres Authority (Fund Management) (Amendment) Regulations, 2026**

IFSCA *vide* notification dated January 27, 2026, has notified the International Financial Services Centres Authority (Fund Management) (Amendment) Regulations, 2026. The amendment introduces significant relaxations regarding the eligibility criteria for Key Managerial Personnel ("**KMPs**"), provides flexibility in the validity of Placement Memorandums ("**PPMs**"), and extends the timeline for appointing IFSC-based custodians.

Relaxation in Eligibility Criteria for KMPs: In a move to enhance the ease of doing business, IFSCA has relaxed the experience requirements for KMPs. While the general requirement remains 5 years of experience, this has been reduced to 3 years for KMPs possessing professional qualifications.Further, for individuals holding valid certifications specified by the Authority, the post-qualification experience requirement has been reduced to 2 years for Principal Officers and 3 years for other KMPs. Additionally, the definition of "eligible institution" has been broadened to include consulting firms (CA, CS, Cost Accountants) and legal or finance departments of private/public companies.

Extension of PPM Validity: The amendment introduces a mechanism to extend the validity of the PPM if a Fund Management Entity ("FME") fails to achieve the minimum corpus within the initial timeframe. FMEs can now opt for extensions of six months at a time. The fee structure for such extensions is prescribed as 25% of the fresh filing fee for the first extension and 50% for each subsequent extension.

Operational Restrictions and Winding Up: However, the regulations specify that an open-ended scheme can undertake investments in *unlisted securities* only after achieving a minimum corpus of USD 3 Million. Further, new grounds for winding up a scheme have been added, including scenarios where the FME fails to achieve the minimum corpus during the validity period or where no investors have been onboarded.

Custodian Appointment: Lastly, IFSCA has provided a relief period of 24 months from the commencement of these regulations for schemes to appoint a custodian based in the IFSC. During this interim period, FMEs may appoint an independent custodian regulated in India or a foreign jurisdiction. The notification can be accessed *here*.

13. IFSCA provides one-time window to extend validity of Placement Memorandum for Venture Capital and Restricted Schemes

IFSCA *vide* circular dated January 27, 2026, has provided a one-time window of three months to extend the validity of the Placement Memorandum ("**PPM**") for Venture Capital Schemes and Restricted Schemes.

This measure is introduced to address representations from market participants regarding fundraising timelines and coincides with the notification of the IFSCA (Fund Management) (Amendment) Regulations, 2026.

Schemes yet to commence investments: In this regard, for Venture Capital and Restricted Schemes where the PPM has expired or is set to expire within 30 days of the amendment notification, and where investment activities have not commenced, the Fund Management Entity ("FME") may apply for an extension.

- However, the FME must re-file the PPM without making any material changes to key aspects such as the scheme name, investment objective, strategy, or structure.
- Further, such re-filing shall be accompanied by a fee equal to 50% of the fee applicable for filing a fresh scheme.
- The validity of such PPM shall be extended for a further period of six months from the date the re-filed PPM is taken on record.

Open-ended Restricted Schemes: Additionally, the circular extends this facility to Open-ended Restricted Schemes that have commenced investment activities (by raising at least USD 1 Million) but have been unable to achieve the minimum corpus of USD 3 Million within the validity period. For such

schemes, the extension of validity shall be deemed to start from the date when the PPM expired or was set to expire.

Future Extensions: Notably, schemes that avail of this one-time window may seek further extensions beyond the granted period in terms of the applicable FM Regulations, subject to payment of 50% of the applicable filing fee.

The circular can be accessed *here*.

CONSULTATION PAPERS

14. SEBI seeks public comments on simplification of client on-boarding and rationalisation of risk management framework at KYC Registration Agencies

SEBI *vide* consultation paper dated January 16, 2026, has invited public comments on proposals to ease client on-boarding processes and strengthen the risk management framework at KYC Registration Agencies ("**KRAs**").

The consultation paper outlines several measures to centralise information, rationalise Re-KYC norms, and simplify documentation requirements to enhance the efficiency of the securities market ecosystem. **Centralisation of Supplementary Information**: In this regard, SEBI has proposed that supplementary information collected in Part II of the Account Opening Form ("**AOF**")—such as income range, occupation, PEP status, and FATCA details—shall be uploaded by intermediaries to the KRA system. Further, to facilitate portability, if the KRA independently verifies this information, it shall tag the record appropriately, allowing other intermediaries to fetch validated records without requiring the client to resubmit details.

Rationalisation of Re-KYC and Account Closure: To ensure KYC records remain current, the paper proposes that KRAs must review all KYC records once every 5 years, or upon specific triggers such as the expiry of an Officially Valid Document ("OVD") or a minor attaining majority. Additionally, to mitigate risks associated with dormant relationships, intermediaries will be required to inform the KRA within 3 working days of account closure, following which the KRA shall update or delink the relevant KYC record.

Ease of On-boarding for Specific Categories: SEBI has proposed significant relaxations for specific investor categories:

- **OCI/PIO Cardholders**: The requirement of submitting proof of overseas address shall be optional for OCI/PIO cardholders residing in India for more than 182 days, provided they submit proof of Indian address.
- **Name Change**: Clients who have updated their name in PAN and Aadhaar databases will no longer be required to submit additional documents like a gazette notification or marriage certificate.
- **Current Address Verification**: Source verification of the current address by the KRA shall not be a pre-condition for tagging a record as "validated," provided the permanent proof of address is already source-verified.

Operational Enhancements: Further, the proposal allows clients to provide an alternate mobile number and email ID. In this regard, if the mobile number is seeded with Aadhaar and verified by the KRA, subsequent verification by intermediaries will be optional.

The consultation paper can be accessed *here*.

15. SEBI seeks public comments on proposal to permit netting of funds for Foreign Portfolio Investors ("FPIs")

SEBI *vide* consultation paper dated January 16, 2026, has invited public comments on a proposal to permit netting of funds for transactions executed by FPIs in the cash market. Currently, FPIs are mandated to settle transactions on a gross basis at the custodian level, which results in higher liquidity demands and funding costs, particularly during instances of index rebalancing.

Proposed Framework for Netting: In this regard, SEBI has proposed allowing "netting of funds" specifically for outright transactions—defined as transactions where there is either a purchase or a sale, but not both, in a particular security within a settlement cycle.

Further, the consultation paper clarifies the mechanism as follows:

- **Non-outright transactions**: Transactions involving both purchase and sale in the same security shall be excluded from netting and continue to be confirmed on a gross basis.
- **Excess Sell Value**: If the value of outright sales exceeds the value of outright purchases, the excess sell value shall not be adjusted towards non-outright buy obligations.

Operational Clarifications: Additionally, SEBI has specified that the settlement of *securities* between FPIs and custodians shall continue to be carried out on a gross basis. Consequently, Securities Transaction Tax ("**STT**") and stamp duty shall continue to be charged on a delivery basis.

The consultation paper can be accessed *here*.

REGULATORY ORDERS

16. SEBI issues Settlement Order concerning Abans Alternative Fund Managers LLP and Abans Investment Trust

SEBI issued a settlement order dated January 14, 2026 in the matter of Abans Alternative Fund Managers LLP ("**Investment Manager**") and Abans Investment Trust ("**AIF**"). The proceedings related to alleged violations of the concentration norms prescribed under Regulation 15(1)(c) of the SEBI (Alternative Investment Funds) Regulations, 2012 ("**AIF Regulations**"). SEBI observed that the scheme had breached the prescribed 25% investment concentration limit due to an incorrect computation of investible funds. The gains arising from the previous investments of the scheme were added back to the initial corpus, contrary to definitions of corpus and investible funds given under Regulations 2(1)(p) and 2(1)(h) of the AIF Regulations, resulting in investments exceeding the concentration limit of 25% of investible funds.

Pursuant to the above observations, the Manager and the AIF filed a *suo-motu* settlement application proposing a settlement amount of Rs 8,70,000/- and SEBI accepted the settlement application.

The Settlement Order can be accessed *here*.

17. SEBI issued Adjudication Order concerning Research Guru, Proprietor - Mrs. Veena Sharma

SEBI issued an adjudication order in the matter of Research Guru, Proprietor on January 22, 2026, based on a complaint from an individual claiming to be a former employee of Mrs. Veena Sharma, Proprietor of M/s Research Guru, a SEBI-registered Investment Adviser ("**IA**"), alleging unethical practices in the conduct of investment advisory activities.

In the aforementioned complaint, it was alleged that the proprietor had never visited the office after obtaining registration and operations of the Investment Advisor were effectively managed by Mr. Abhishek Sharma, and that he had been distributing franchisees to allow unregistered entities to carryout investment advisory services under the name of Research Guru. In view of these submissions, SEBI conducted a surprise inspection of the registered office of IA and subsequently initiated adjudication proceedings against Mrs. Veena Sharma and Mr. Abhishek Sharma ("**Noticees**").

The Adjudication Officer ("**AO**") observed that the investment advisory operations were effectively controlled by Mr. Abhishek Sharma, while the IA misrepresented to clients that services were being rendered by the SEBI-registered adviser. Furthermore, AO noted failure to carry out risk profiling and suitability assessments of clients, failure to maintain records mandated by law, employment of staff without proper qualification and certification, and collection of advisory fees in bank accounts other than that of the registered IA. Additionally, the AO recorded instances of obstruction during the surprise inspection, including the removal and deletion of records.

After considering the facts and circumstances of the case, the AO found that Noticees were jointly responsible for the conduct and control of the investment advisory business in violation of the SEBI (Investment Advisers) Regulations, 2013 and imposed a penalty of Rs 12,00,000/-.

The Adjudication Order can be accessed *here*.

GLOBAL REGULATORY UPDATES

18. European Commission seeks feedback on Venture and Growth Capital Fund Reforms

The European Commission has launched two consultations to gather input on challenges faced by EU venture and growth capital funds and potential reforms to address them. A targeted consultation is open to key stakeholders such as fund managers, investors, businesses, and public authorities, alongside a public consultation open to all participants. The feedback will support policy initiatives under the Savings and Investments Union and the Startup and Scaleup Strategy, aimed at improving access to finance for innovative EU companies.

The Commission is considering a review of the European Venture Capital Fund ("EuVECA") Regulation, planned for adoption in third quarter of 2026 and a possible broader policy initiative covering a wider range of venture and growth capital fund managers. Both consultations are open until March 12, 2026.

The targeted consultation paper can be accessed *here* and public consultation paper, *here*.

19. FCA (UK) and TPR consult on Value for Money Framework for workplace pension schemes

FCA and TPR *vide* Consultation Paper CP26/1 dated January 2026, have published updated proposals for the Value for Money ("**VFM**") Framework, building upon the feedback received from the previous consultation CP24/16. The Framework aims to shift the focus from cost minimisation to long-term value generation, introducing a standardized assessment process for Defined Contribution ("**DC**") workplace pension schemes.

Introduction of Forward-Looking Metrics: The consultation proposes the inclusion of Forward-Looking Metrics ("**FLMs**") alongside backward-looking performance data. In this regard, firms and trustees will be required to disclose expected net investment returns and expected volatility over the next 10 years. However, to mitigate the risk of gaming, the regulators have mandated that firms must obtain and consider advice from an appropriate third party regarding the reasonableness of the assumptions used for these projections.

Refined Assessment Methodology: The consultation sets out a revised 3-step assessment process:

- **Step 1**: Assessment of investment performance (both backward and forward-looking) and costs.
- **Step 2**: Assessment of service quality (using streamlined metrics such as promptness of core financial transactions and complaints data).
- **Step 3**: Rationalisation and final rating determination.

Further, the regulators have proposed that assessments be conducted against a "commercial market comparator group", with data facilitated by a new central VFM database to ensure objective benchmarking. Additionally, regarding backward-looking metrics, the calculation methodology has been shifted from geometric to arithmetic averaging to better reflect the typical member experience.

Expanded Rating System and "Traffic Light" Model: Significantly, the rating system has been expanded from a three-point to a four-point scale to provide greater granularity:

- **Red (Not Delivering)**: Poor value with no realistic prospect of improvement. Consequently, firms must transfer members to a better arrangement, potentially utilising new contractual over-ride powers.
- **Amber (Intermediate)**: Not currently delivering value, but improvements are possible within a reasonable period (defined as 3 years).
- **Light Green (Value)**: Delivering value, though improvements could be made.
- **Dark Green (Value)**: Clearly outperforming with few or no improvements needed.

Consequences of Poor Value: The consultation specifies that arrangements rated 'Red' or 'Amber' must not accept new business from new employers. Further, for Red-rated arrangements, where improvements are not feasible, the focus shifts to mandatory transfer of members to protect their financial interests.

The consultation paper can be accessed *here*.

20. **The Capital Market Authority of Saudi Arabia announces opening of Capital Market to all categories of Foreign Investors**

The Capital Market Authority ("**CMA**") *vide* announcement dated January 06, 2026, has announced the opening of the capital market to all categories of foreign investors, enabling them to invest directly therein with effect from February 01, 2026.

This strategic move follows the CMA Board's approval of the regulatory framework allowing non-resident foreign investors to invest directly in the Main Market, thereby making the capital market accessible across all segments to investors globally.

Elimination of QFI and Swap Frameworks: In this regard, the approved amendments have eliminated the concept of the Qualified Foreign Investor ("QFI") in the Main Market. Consequently, all categories of foreign investors may now access the market without the need to meet specific qualification requirements. Further, the CMA has eliminated the regulatory framework governing swap agreements, which were previously utilized as an option to enable non-resident foreign investors to obtain economic benefits from listed securities without holding direct ownership.

Strategic Context and Market Growth: Notably, this decision aligns with the CMA's gradual approach to market liberalization. It builds upon the interim measures approved in July 2025, which simplified investment account procedures for foreign investors residing in GCC countries.

Additionally, the CMA noted that international investors' ownership in the capital market exceeded SAR 590 billion by the end of the third quarter of 2025. The new amendments are expected to further position the Saudi market as an international marketplace capable of attracting greater foreign capital flows.

The announcement can be accessed *here*.

21. **SEC proposes amendments to small entity definitions for investment companies and investment advisers**

SEC *vide* press release dated January 07, 2026, has proposed amendments to the rules that define which registered investment companies and investment advisers qualify as "small entities" for purposes of the Regulatory Flexibility Act ("**RFA**"). The proposal aims to modernize the definition of "small entity" to better reflect the significant growth in assets under management since the definitions were last updated in 1998, thereby ensuring that the SEC can more effectively assess the economic impact of its rulemaking on smaller firms.

Revised Thresholds for Investment Advisers and Investment Companies: In this regard, the SEC has proposed to increase the assets under management ("AUM") threshold for an investment adviser to qualify as a small entity from USD 25 million to USD 1 billion. Consequently, this change is expected to increase the percentage of advisers qualifying as small entities from approximately 3% to 75%. Further, the proposal seeks to increase the net asset threshold for an investment company to qualify as a small entity from USD 50 million to USD 10 billion.

Aggregation and Inflation Adjustments: Additionally, the proposal seeks to update the aggregation method for investment companies by replacing the term "group of related investment companies" with "family of investment companies" (as defined in Form N-CEN). This change is intended to align the definition with existing reporting standards and better identify fund complexes that may lack the economies of scale of larger families.

Notably, the proposal also introduces a mechanism for the SEC to adjust these asset-based thresholds for inflation every 10 years by order, ensuring the definitions remain relevant over time.

The press release can be accessed *here*.

22. **European Securities and Markets Authority (ESMA) publishes Principles on Risk-Based Supervision**

ESMA *vide* press release dated January 09, 2026, has published a set of Principles on Risk-Based Supervision ("**RBS**") to promote a common supervisory culture and consistent practices across the European Union. These principles are intended to guide National Competent Authorities ("**NCAs**") and ESMA in identifying, assessing, and prioritising risks to ensure effective supervision of financial markets.

The document outlines several key concepts that define RBS, including:

- **Focus on significant risks**: RBS directs supervisory attention and resources to the most critical risks, rather than attempting to eliminate all risks or checking compliance with every rule.
- **Flexibility and Forward-looking**: The approach is designed to be flexible to adapt to evolving market conditions and innovations, and forward-looking to identify risks before they materialise.
- **Proportionality**: The intensity of supervision should be commensurate with the level of risk identified, considering the nature, scale, and complexity of the entity or activity.

Foundational Elements and Process: Further, the principles detail the foundational elements required for effective RBS, such as a clear supervisory strategy aligned with the authority's risk tolerance and a structured risk assessment framework. The supervisory process is broken down into three main phases:

- **Risk Identification**: Involves identifying risks at both an industry-wide level (external environment) and an entity-specific level.
- **Risk Assessment**: Entails evaluating the probability of occurrence and potential impact of identified risks to calculate a risk score.
- **Risk Prioritisation and Treatment**: Requires authorities to rank risks based on criteria like severity and urgency, and then translate these priorities into supervisory work plans.

The full text of the Principles can be accessed *here*.

23. **Investment Association releases roadmap for transition to T+1 settlement in UK, EU and Swiss markets**

The Investment Association ("**IA**") *vide* press release dated January 26, 2026, has launched its report titled "T+1 Settlement: Navigating the UK, EU and Swiss Transition", produced in collaboration with Alpha FMC. The report serves as a roadmap for the transition of the UK, EU, and Swiss securities markets from a T+2 to a T+1 settlement cycle, currently targeted for October 11, 2027. Notably, the report highlights that while 66% of UK firms are in active preparation, the shift represents the most

significant operational change in decades, drastically compressing the time available for trade confirmations, funding, and error resolution.

Key Recommendations for Readiness: In this regard, the IA has outlined five critical recommendations for asset managers and custodians:

- **Act Now**: Firms must ensure project plans, governance, and budgets are in place immediately.
- **Accelerate Automation**: Consequently, firms should accelerate the adoption of automation tools for trade release and real-time confirmation matching to achieve T+0 confirmation capabilities by December 31, 2026.
- **Strengthen FX Models**: Firms must review FX operating models to ensure extended support windows, as the compressed cycle heightens liquidity and execution risks.
- **SSI Accuracy**: The accuracy of Standard Settlement Instructions (SSIs) is deemed essential to avoid settlement fails under the new regime.

Fund Settlement Cycle Alignment: Significantly, the report recommends that funds should prepare to move their settlement cycles to T+2 by October 11, 2027.

- The rationale is to avoid liquidity mismatches where portfolio trades settle on T+1 while investor subscriptions/redemptions settle on T+3 or T+4.
- Further, the FCA has indicated that this transition is considered to be in investors' interests and consistent with the Consumer Duty.

Operational Impacts and Data Standards: Additionally, the report emphasizes the criticality of data integrity. Specifically, the 'Place of Settlement' (PSET) field will become mandatory in CTM matching platforms from December 2025, with 'fatal' errors for non-compliance starting September 2026.

The report can be accessed *here*.

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