

# What's Buzzing!

Regfin Insight

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## SEBI UPDATES

### 1. **SEBI modifies the framework for the creation and invocation of pledges of securities through the depository system**

SEBI *vide* circular dated February 05, 2026, has modified the framework for the pledging of shares through the depository system to ensure compliance with the Indian Contract Act, 1872.

In this regard, SEBI noted that Sections 176 and 177 of the Indian Contract Act, lay down the rights of the pawnor and pawnee, requiring the pawnee (pledgee) to give reasonable notice of sale to the pawnor (pledger) prior to selling pledged assets. Consequently, to align the depository framework with these provisions, SEBI has mandated that the Pledge Request Forms of depositories must now include specific undertakings.

Specifically, the pledgee must explicitly undertake to provide reasonable notice to the pledger, and both parties must undertake to abide by the provisions of the Indian Contract Act, 1872, the Depositories Act, 1996, and other applicable SEBI Regulations and bye-laws.

Further, the circular directs Depositories to maintain a standardized format for the Pledge Request Form. Additionally, at the time of invocation of a pledge, Depositories are required to send an intimation or notification to both the pledger and the pledgee confirming that the pledge has been invoked and that the pledgee has been recorded as the "beneficial owner".

Depositories are required to implement the provisions of this circular on or before April 06, 2026.

The circular can be accessed [here](#).

### 2. **SEBI mandates reporting and display of the value of the units of Alternative Investment Fund ("AIF") NAVs by Depositories**

SEBI *vide* circular dated February 06, 2026, has issued directives regarding the reporting and display of the value of units of AIFs by Depositories.

The circular states that in order to enhance transparency and operational efficiency, AIFs are now mandated, through their RTAs, to upload the latest available NAV corresponding to each ISIN of units of the AIF in the depository system before May 01, 2026, or within 30 days from the date of valuation of the investment portfolio, whichever is later. In this regard, the valuation date shall be the date of the valuation report in case of an independent valuer, and in case of an internal valuer, the date on which the valuation is documented in the internal records of the AIF.

Further, Depositories shall build necessary infrastructure to allow RTAs to upload the NAVs, amend their by-laws, rules, and regulations for the implementation of this circular, and display the following disclaimer wherever the AIF NAV is being displayed:

*"Net Asset Value (NAV) being shown is on the basis of valuation methodology and accounting practice followed by your respective AIF. Please refer to your fund documents for more details."*

Further, the trustee or sponsor of the AIF must ensure that the 'Compliance Test Report' prepared by the investment manager includes compliance with the provisions of this circular.

The circular can be accessed [here](#).

### 3. SEBI specifies obligations for CRAs while undertaking rating for instruments regulated by other Financial Sector Regulators

SEBI *vide* circular dated February 10, 2026, has specified the conditions and obligations to be complied with by Credit Rating Agencies ("CRAs") when undertaking the rating of financial instruments falling under the purview of any other Financial Sector Regulator ("FSR").

**Segregation and Disclosures:** SEBI has mandated that CRAs must handle grievances related to SEBI-regulated activities and those under other FSRs through distinct and separate email IDs and maintain separate webpages for corresponding disclosures. Further, CRAs must ensure that advertising or marketing materials for activities under other FSRs are kept distinct and explicitly state that SEBI investor protection and dispute redressal mechanisms will not be available.

**Net Worth and Rating Reports:** The circular clarifies that the minimum net worth requirement specified under the CRA Regulations shall not be impacted by these activities, and any net worth stipulations by other FSRs must be maintained over and above SEBI's prescribed minimum. Further, rating reports and rationales must clearly mention the name of the relevant regulator and conspicuously disclose the non-availability of SEBI grievance mechanisms. If a common rating report is issued, there must be clear segregation and labelling.

**Client Dealings and Compliance:** Before commencing any such activity, CRAs must make upfront written disclosures in their engagement letters and obtain written confirmation from clients regarding their understanding of the regulatory purview and the non-availability of SEBI mechanisms. For existing clients, a written intimation must be sent specifying the same. Lastly, CRAs are required to submit an undertaking confirming compliance with these provisions as part of their half-yearly internal audit report.

The circular can be accessed [here](#).

### 4. SEBI specifies forms for registration of stock brokers and clearing members

SEBI *vide* circular dated February 17, 2026, has specified the application forms and certificate of registration for stock brokers and clearing members under the SEBI (Stock Brokers) Regulations, 2026.

In this regard, SEBI noted that while the erstwhile SEBI (Stock Brokers) Regulations, 1992, prescribed these forms within Schedule I, the newly enacted 2026 regulations mandate that such forms shall be specified by the Board or the recognized stock exchange.

Consequently, the circular explicitly prescribes the following standardized formats:

- **Form A:** Application Form for registration as a stockbroker.
- **Form B:** Application Form for Registration as a Clearing Member.
- **Form C:** Certificate of Registration.

Further, these application forms necessitate detailed disclosures from the applicants, including net worth details, particulars of proprietors/partners/directors, and specific undertakings confirming compliance with the 'Fit and proper person' criteria specified under Schedule II of the SEBI (Intermediaries) Regulations, 2008.

To ensure regulatory continuity, the provisions of this circular shall come into force retrospectively from January 07, 2026, which coincides with the notification date of the principal SEBI (Stock Brokers) Regulations, 2026.

The circular can be accessed [here](#).

## 5. **SEBI issues revised framework for Categorization and Rationalization of Mutual Fund Schemes**

SEBI *vide* circular dated February 26, 2026, has comprehensively overhauled the categorization and rationalization norms for Mutual Fund schemes to accommodate the evolving investment landscape. The circular supersedes Clause 2.6 of Chapter 2 of the Master Circular for Mutual Funds and introduces significant changes across various scheme categories, which are detailed below:

**Introduction of Life Cycle Funds:** SEBI has introduced "Life Cycle Funds" as a new, distinct, broad category.

- These are open-ended funds that follow a glide-path strategy for goal-based investing, progressively shifting asset allocation across Equity, Debt, InvITs, ETCs, and Gold & Silver ETFs as they approach a pre-determined maturity date.
- Such schemes can be launched with minimum tenure of 5 years up to a maximum of 30 years (in multiples of 5 years).
- To inculcate financial discipline, these funds will attract an exit load of 3% for exits within the first year, 2% within the first two year, and 1% within the first three year of investment.

**Discontinuation of Solution-Oriented Schemes:** The existing "Solution-Oriented Schemes" category has been discontinued with immediate effect. Existing schemes under this category must immediately halt subscriptions and be merged with other schemes having a similar asset allocation and risk profile, subject to SEBI's prior approval.

**Portfolio Overlap Limits for Equity Schemes:** To ensure schemes remain "true-to-label" and offer genuine diversification, SEBI has mandated strict portfolio overlap conditions:

- Mutual Funds can offer both Value and Contra funds, provided the portfolio overlap between the two category of schemes do not exceed 50%.
- For Sectoral/Thematic funds, the portfolio overlap with other equity schemes (except large-cap schemes) must not exceed 50%.
- Existing sectoral/thematic schemes are granted a 3-year glide path (realignment of 35% of excess overlap in Year 1, 35% in Year 2, and 30% in Year 3) to comply with this overlap limit. Schemes failing to meet this criterion after 3 years will be mandatorily merged.

**Flexibility in Debt Schemes:** For Medium Term and Medium to Long Term Debt Funds, fund managers are now permitted to proactively reduce the portfolio duration up to one year if they anticipate adverse interest rate movements. However, such actions require recorded justifications, reporting to the Trustees in the subsequent meeting, and appropriate disclosures in the scheme information documents.

**Standardized Framework for Fund of Funds (FoFs):** Further, SEBI has introduced a standardized framework for FoF schemes having multiple underlying funds, categorizing them into Domestic, Overseas, and Domestic & Overseas combinations.

- FoFs can now be launched under three options: Active (investing in active funds), Passive (investing in passive funds), or a combination of Active and Passive options.
- Strict quantitative caps have been placed on the number of FoFs an Asset Management Company (AMC) can launch per sub-category (e.g., a maximum of 2 Diversified Equity FoFs per option).
- Mutual funds are required to align or re-categorize their existing FoFs in accordance with this new framework by August 31, 2025.

For all other scheme categories, existing schemes must comply with the modified nomenclature and parameters of this circular within 6 months from its date of issuance.

The circular can be accessed [here](#).

#### 6. **SEBI revises valuation framework for physical Gold and Silver held by Mutual Fund schemes**

SEBI *vide* circular dated February 26, 2026, has issued revised guidelines for the valuation of physical Gold and Silver held by mutual fund schemes, shifting to a domestic price-based valuation mechanism.

Currently, physical Gold and Silver held by Exchange Traded Funds (ETFs) are valued using the AM fixing prices of the London Bullion Market Association (LBMA), which requires manual adjustments for currency conversion, transportation costs, customs duty, taxes, and domestic premiums or discounts.

In this regard, SEBI has decided that mutual funds shall now value physical gold and silver by using the polled spot prices published by recognized stock exchanges. Specifically, these must be the prices used for the settlement of physically delivered gold and silver derivatives contracts.

The rationale behind this shift is that stock exchanges are subject to robust transparency and compliance requirements, and utilizing their spot prices will ensure that valuations accurately reflect domestic market conditions while bringing uniformity to valuation practices across the industry.

This revised valuation framework will come into force with effect from April 01, 2026, aligning with the commencement of the SEBI (Mutual Funds) Regulations, 2026.

Further, the Association of Mutual Funds in India (AMFI), in consultation with SEBI, has been directed to prescribe a uniform policy to operationalize this spot polling mechanism.

The circular can be accessed [here](#).

#### 7. **SEBI mandates disclosure of registered details by regulated entities and their agents on Social Media Platforms**

SEBI *vide* circular dated February 26, 2026, has issued directives requiring all SEBI-regulated entities and their agents to disclose their registered names and registration numbers on Social Media Platforms ("SMPs").

To help investors distinguish between authentic content posted by regulated entities and content from unregistered persons, SEBI has mandated the following disclosures for content related to the securities market across platforms like YouTube, X, Instagram, Facebook, WhatsApp, LinkedIn, etc.:

##### **Disclosure Requirements for Regulated Entities**

- **Single Registration:** Entities with a single SEBI registration must state their registered name and registration number on the home page near their social media handle name, as well as at the beginning of each video or piece of content uploaded with respect to securities market.
- **Multiple Registrations:** Entities holding multiple registrations (e.g., registered as both a Stock Broker and an Investment Advisor) must provide a weblink on their home page directing to their website, which lists all their SEBI-registered names and numbers. At the beginning of each content piece, they must disclose the specific registration capacity in which the content is being broadcast.

### **Disclosure Requirements for Agents**

- **Single Association:** Agents of SEBI-regulated entities (such as mutual fund distributors) must state the SEBI registration name and number of their *principal entity*, followed by their own registered name and number, both on the home page and at the beginning of the content.
- **Multiple Associations:** Agents with multiple registrations must provide a weblink on their home page listing the details of all principal entities alongside their own registrations. In the content itself, they must disclose the details of the specific principal entity to whom the content relates, followed by their own details.

The provisions of this circular shall come into effect from **May 01, 2026**, applicable to all content relating to securities market uploaded on or after this date.

The circular can be accessed [here](#).

## OTHER REGULATORY UPDATES

### 8. IFSCA mandates a dedicated website/webpage for Finance Companies and Finance Units

The International Financial Services Centres Authority ("IFSCA") vide circular dated February 03, 2026, has mandated that all Finance Companies ("FCs") and Finance Units ("FUs") providing services to clients other than their group entities must maintain a dedicated website or webpage.

This requirement has been introduced with a view to ensuring transparency for stakeholders and enhancing consumer awareness within the GIFT IFSC ecosystem.

The circular specifies that such a website or webpage must, inter alia, prominently display the following information:

- A brief overview of the GIFT IFSC ecosystem.
- The Certificate of Registration, clearly reflecting the registration number and the permitted activities.
- A comprehensive list of products and services offered, accompanied by detailed descriptions of each offering.
- The grievance redressal procedure along with the contact details of the Grievance Redressal Officer.
- The names, designations, and contact details of Key Managerial Personnel (KMP) in the IFSC, such as the Head of the FC/FU, CEO, CFO, Compliance Officer, and Principal Officer.

This circular shall come into force with effect from April 01, 2026.

The circular can be accessed [here](#).

### 9. IFSCA directs Units to obtain ISINs from a recognised depository in IFSC

The IFSCA vide circular dated February 06, 2026, has issued directions mandating Units in the IFSC to obtain International Securities Identification Numbers ("ISINs") from a depository recognised by the IFSCA.

In this regard, the IFSCA noted that while some Units obtain ISINs from the recognised depository in the IFSC, several continue to obtain ISINs and hold their securities with domestic depositories in India. Consequently, to develop a holistic regulatory and supervisory ecosystem, the circular directs that all Units in the IFSC intending to dematerialise securities or other permitted financial products must now obtain ISINs from an IFSCA-recognised depository. Further, Units that have already obtained ISINs from domestic depositories in India for their securities are required to transition and obtain new ISINs from a recognised depository in the IFSC by August 31, 2026.

The circular clarifies that issuers may continue to utilize the services of International Central Securities Depositories for the issuance and listing of debt securities and other financial products, as permitted under the IFSCA (Listing) Regulations, 2024. Additionally, to ease the transition process, the recognised depository in the IFSC is tasked with preparing a standardized process flow in coordination with domestic depositories to ensure seamless onboarding, along with issuing necessary FAQs and notices. The depository must submit a compliance report to the IFSCA confirming the completion of this transition process by September 30, 2026.

The circular can be accessed [here](#).

#### 10. **IFSCA introduces Unified Registration (Master Key) for multiple Capital Market Activities**

The IFSCA *vide* circular dated February 13, 2026, has issued guidelines permitting a unified registration, referred to as a "Master Key," for entities desirous of undertaking multiple capital market intermediary activities within the IFSC.

This framework follows the recent amendments to the IFSCA (Capital Market Intermediaries) Regulations, 2025 ("**CMI Regulations**"), which aim to streamline the registration process for multifaceted financial entities.

The circular specifies that the following types of capital market intermediaries can apply for the Master Key to undertake multiple activities:

- Broker Dealer, Clearing Member, and Depository Participant.
- Investment Adviser, Investment Banker, and Research Entity.
- Credit Rating Agency and ESG Ratings and Data Products Provider.
- Custodian, Debenture Trustee, and Distributor.

Specifically, the certificate of registration issued by the IFSCA under this framework will be titled "Capital Market Intermediary - [Permitted Activities]".

However, to ensure regulatory parity, the circular clarifies that an applicant must pay the requisite application fees for *all* the activities for which the application has been filed. Further, upon the grant of registration, the entity shall also be liable to pay registration, annual, and other recurring fees separately for each activity as per the applicable deadlines.

The circular can be accessed [here](#).

#### 11. **IFSCA modifies AML, CFT, and KYC Guidelines to include OTP based Aadhaar e-KYC authentication**

The IFSCA *vide* circular dated February 26, 2026, has issued modifications to the IFSCA (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022. In this regard, the IFSCA has amended Clause 1.2.2 of Part-A of Annexure II of the principal Guidelines to introduce an additional method for customer authentication.

The amendment inserts a new sub-point enabling "OTP based Aadhaar e-KYC authentication" as an acceptable mode of KYC verification for regulated entities operating within the International Financial Services Centres. This inclusion is expected to facilitate a smoother, more efficient, and digitized onboarding process for clients residing in India and holding Aadhaar, in accordance with the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005.

The circular can be accessed [here](#).

## CONSULTATION PAPERS

12. SEBI seeks public comments on proposed amendments to 'Fit and Proper Person' criteria for Intermediaries

SEBI *vide* consultation paper dated February 04, 2026, had invited public comments on proposed amendments to Schedule II of the SEBI (Intermediaries) Regulations, 2008, concerning the 'Fit and Proper Person' criteria. The proposals aim to appropriately balance the ease of compliance by market participants with the regulatory objective of ensuring that only persons of integrity and ethical behavior operate within the securities market.

A comprehensive analysis by the RegFin Team of the consultation paper can be accessed [here](#).

13. SEBI seeks public comments on review of stress testing scenarios and Settlement Guarantee Fund coverage for Commodity Derivatives

SEBI *vide* consultation paper dated February 05, 2026, had invited public comments on a draft circular proposing modification to the standardized stress testing and Core Settlement Guarantee Fund ("SGF") coverage norms for the Commodity Derivatives Segment.

The proposals seek to amend the SEBI Master Circular for Commodity Derivatives Segment dated August 04, 2023, specifically focusing on the parameters for historical scenarios and credit exposure calculations to facilitate the ease of doing business. The following proposals were made in the consultation paper:

**Reduction of Z-Score for Stress Testing:** In this regard, SEBI has proposed to reduce the applicable Z-Score from 10 to 5 for replacing extreme price movements in peak historical returns of all commodities during standardized stress testing. This revision is based on representations that a Z-score of 5 provides a sufficiently robust buffer against severe market shocks, effectively covering "extreme but plausible" scenarios.

**Revised Coverage of SGF:** Further, regarding the coverage of the SGF, the draft circular proposes to remove the existing requirement to calculate 50% of the credit exposure due to the simultaneous default of *all* clearing members. Instead, Clearing Corporations shall be required to calculate the credit exposure by considering the simultaneous default of at least 3 clearing members (and their associates), causing the highest credit exposure. Notably, this aligns the commodity derivatives segment with the framework currently applicable to the equity derivatives segment and international principles (PFMI).

The consultation paper can be accessed [here](#).

14. SEBI seeks public comments on measures towards ease of doing business for REITs and InvITs

SEBI *vide* consultation paper dated February 05, 2026, had invited public comments on various ease of doing business measures related to Real Estate Investment Trusts ("REITs") and Infrastructure Investment Trusts ("InvITs").

The consultation paper outlines several proposals aimed at providing operational flexibility, expanding investment avenues, and rationalizing borrowing norms based on industry feedback. The following proposals were made in the consultation paper:

**Continuing Investment in SPVs Post-Concession (For InvITs):** In this regard, SEBI has proposed amending the definition of a Special Purpose Vehicle ("SPV") to enable InvITs to continue holding companies undertaking PPP projects even after their concession agreements have concluded or been terminated. However, to ensure capital efficiency, the Investment Manager must either exit such

investment or acquire a new infrastructure project within one year of specified events (such as the completion of the concession or resolution of pending claims), alongside fulfilling enhanced disclosure requirements at both the InvIT and SPV levels.

**Expanding Scope of Liquid Mutual Fund Investments (For REITs and InvITs):** To mitigate concentration risk and improve diversification, the paper proposes expanding the permitted scope of liquid mutual fund investments. REITs and InvITs are proposed to be allowed to invest in schemes with a credit risk value of 10 or above (encompassing Class A-I and Class B-I in the Potential Risk Class matrix), relaxing the erstwhile restrictive threshold of 12.

**Alignment of Greenfield Project Investments (For InvITs):** To align the investment conditions between different vehicles, SEBI has proposed permitting privately listed InvITs to invest up to 10% of the value of their assets in under-construction (pure greenfield) projects. This operational flexibility is currently available only to publicly listed InvITs.

**Expanded Use of Fresh Borrowings (For InvITs):** For InvITs where net borrowings exceed 49% of the asset value, the permitted end-use of fresh borrowings under Regulation 20(3)(b)(ii) is proposed to be expanded. Specifically, such borrowings may now be utilized for:

- Capital expenditure made to enhance asset performance or capacity augmentation.
- 'Major maintenance' expenses specifically in respect of Road Projects.
- Refinancing of existing debt, provided that only the principal portion is refinanced and there is no overall increase in the aggregate consolidated borrowings of the InvIT.

The consultation paper can be accessed [here](#).

15. **SEBI seeks public comments on the flexibility to AIFs in winding up schemes and surrendering registration**

SEBI *vide* consultation paper dated February 05, 2026, had invited public comments on a proposal aimed at streamlining the processes pertaining to the winding up of Alternative Investment Fund (“AIF”) schemes and the surrender of AIF registrations.

Currently, AIFs face regulatory constraints in surrendering their registration if they retain liquidation proceeds beyond the permissible fund life (liquidation period) due to pending litigations, anticipated tax demands, or residual operational liabilities. The following proposals were made in the consultation paper:

**Permissibility to Retain Funds:** In this regard, SEBI has proposed to permit AIF schemes to retain funds beyond the permissible fund life, subject to the following conditions:

- Pending Litigation/Tax Demand: The AIF must demonstrate the receipt of a litigation or demand notice from tax authorities or any regulatory/law enforcement agency.
- Anticipated Liabilities: In cases of anticipated liabilities arising due to litigation or tax demand, the AIF must obtain consent from at least 75% of the investors by value.
- Operational Expenses: Retained amounts towards operational expenses must be substantiated through invoices or comparable previous expenses, subject to a maximum retention period of three years.

Further, any retained monies must be strictly invested in liquid assets (such as liquid mutual funds, bank deposits, Treasury bills, etc.) in accordance with Regulation 15(f) of the AIF Regulations.

**Introduction of 'Inoperative' Status:** Additionally, SEBI has proposed that AIFs intending to surrender their registration, but having one or more schemes retaining funds under the aforementioned scenarios, may be tagged as "inoperative funds". Notably, AIFs that have not retained monies but do not carry out any active fund management activity may also apply for this 'inoperative' status.

**Rationalised Regulatory Framework:** Consequently, to ease the compliance burden on such inoperative AIFs, the consultation paper proposes a rationalized regulatory framework:

- **Compliance Relief:** Discontinuation of the requirement to file the PPM audit report, Compliance Test Report (CTR), and quarterly filings to SEBI.
- **Operational Restrictions:** Absolute prohibition on the launch of new schemes and the charging of management fees.
- **Reporting:** The AIF must provide an annual status report of the retained money to SEBI and its investors.

Such inoperative AIFs will be able to apply for final surrender only after all liabilities are settled, and a NIL bank balance is achieved.

The consultation paper can be accessed [here](#).

## 16. **SEBI seeks public comments on extending standing instructions for SWP/STP for Mutual Fund units in demat form**

SEBI *vide* consultation paper dated February 05, 2026, had invited public comments on a proposal to extend the facility of standing instructions for Systemic Withdrawal Plans (“SWP”) and Systemic Transfer Plans (“STP”) to investors holding Mutual Fund units in dematerialized (“**demat**”) form.

Currently, the convenience of placing standing instructions for SWP/STP is available only for mutual fund units held in the Statement of Account (SOA) mode. Investors holding units in demat form are required to execute separate instructions—such as submitting Delivery Instruction Slips (DIS) or authorizing brokers via Power of Attorney (PoA)—for each periodic withdrawal or transfer, thereby causing operational inefficiencies and reducing direct investor control. The following proposals were made in the consultation paper:

### **Proposed Two-Phased Implementation**

In this regard, SEBI, based on the recommendations of a dedicated Working Group and the Secondary Market Advisory Committee (SMAC), has proposed implementing the standing instruction framework for demat units in two phases:

**Phase I: Unit-Based Transactions via Depositories:** Under Phase I, the registration of standing instructions will be maintained by Depositories and Stock Exchanges, with triggers raised from their end for execution on the exchange platforms. Consequently, this approach will not require major systemic changes at the Registrar and Transfer Agent (“**RTA**”) level. However, Phase I will be limited to *unit-based* SWP/STP transactions executed on specific dates.

**Phase II: Amount-Based and Customized Variants via RTAs:** Further, Phase II proposes that the final processing of the standing instructions be managed at the RTA and Stock Exchange level. By shifting the control of execution triggers, this phase will introduce the flexibility needed to offer advanced variants of standing instructions, including:

- *Amount-based* SWP/STP transactions.
- Appreciation-based switches.
- Swing STPs.

The consultation paper can be accessed [here](#).

17. **SEBI seeks public comments on the review of investment thresholds for Social Impact Funds and the easing of the SSE framework**

SEBI *vide* consultation paper dated February 09, 2026, had invited public comments on proposals to review the minimum value of investment in Social Impact Funds (“SIFs”) and relax the requirements related to the registration period and minimum subscription for Not-for-Profit Organizations (“NPOs”) on the Social Stock Exchange (“SSE”). The following proposals were made in the consultation paper:

**Reduction in Investment Threshold for SIFs:** SEBI has proposed to reduce the minimum value of investment by an individual investor in an SIF (which invests only in securities of NPOs listed on an SSE) from INR 2 Lakhs to INR 1,000. This revision aims to align the AIF Regulations with the minimum application size for Zero Coupon Zero Principal Instruments (“ZCZP”) under the ICDR Regulations, thereby enabling SIFs to attract smaller investors.

**Extension of NPO Registration Period:** To address practical challenges faced by NPOs, such as delays in obtaining statutory approvals or income tax registration renewals, the draft circular proposes to extend the period an NPO can remain registered on the SSE without raising funds. The existing maximum period of two years is proposed to be extended by one additional year, subject to explicit approval by the SSE.

**Reduction in Minimum Subscription for ZCZPs:** Additionally, SEBI has proposed a calibrated flexibility to reduce the minimum subscription requirement for the issuance of ZCZPs from 75% to 50%.

- However, this lower threshold shall be permitted exclusively for projects where the cost and intended outcomes can be proportionately allocated on a clearly identifiable 'per-unit' basis.
- Consequently, SSEs are mandated to undertake appropriate due diligence prior to granting approval, ensuring that partial subscriptions do not adversely affect project implementation and that funds are meaningfully deployed.

The consultation paper can be accessed [here](#).

18. **SEBI seeks public comments on review of provisions related to Base Price and Price Bands for Exchange Traded Funds (“ETFs”)**

SEBI *vide* consultation paper dated February 13, 2026, had invited public comments on proposals to revise the base price determination and the applicable price bands for ETFs. The consultation paper notes that the existing practice of using the T-2 Day closing Net Asset Value (NAV) for determining the base price of an ETF results in an inherent lag of one trading day and necessitates manual adjustments for corporate actions. The following proposals were made in the consultation paper:

**Revision of Base Price:** SEBI has proposed revising the base price for T Day to reflect T-1 Day metrics. The proposed options for determining the base price on T Day include:

- Closing price of the ETF on T-1 Day (i.e., weighted average traded price of the last 30 minutes).
- Average indicative NAV (iNAV) of the last 30 minutes on T-1 Day.
- Closing NAV of T-1 Day (if available).

**Dynamic Flexing of Price Bands:** Further, observing that a fixed price band for most ETFs does not appropriately reflect the permissible movement and volatility of the underlying assets, SEBI has proposed introducing a dynamic price band flexing mechanism.

Specifically, the proposed framework is as follows:

- **Equity and Debt Index ETFs:** An initial price band of 10%, which may be flexed up to 20% during the trading day, subject to a 15-minute cooling-off period.
- **Commodity ETFs (Gold and Silver):** An initial price band of 6%, which may be flexed up to 20% in stages of 3%, subject to a cooling-off period.
- **Overnight ETFs (TREPS):** The existing fixed price band of 5% is proposed to be continued without change.

The consultation paper can be accessed [here](#).

19. **SEBI seeks public comments on ease of doing business measures and relaxations in reporting requirements for Stockbrokers**

SEBI *vide* draft circular dated February 13, 2026, had invited public comments on proposed relaxations in the reporting requirements for Stockbrokers, amending the provisions of the Master Circular for Stock Brokers dated June 17, 2025. The proposals aim to enhance regulatory efficiency and ease of doing business by harmonizing reporting obligations and shifting certain compliance burdens. The following proposals were made in the draft circular:

**Exemptions for Primary Dealers:** SEBI has proposed to align the reporting framework for stockbrokers that are also *primary dealers* with the exemptions currently provided to brokers that are banks. Consequently, such primary dealers shall be required to report to the stock exchanges only those bank accounts that are specifically used for their stock broking activities. Further, the requirement to appropriately tag demat accounts shall not apply to demat accounts used exclusively for activities other than stock broking by stockbrokers that are also primary dealers.

**Shift in Reporting Mechanism for Demat Accounts:** Additionally, the draft circular proposes a shift in the reporting mechanism for demat accounts. Instead of brokers directly informing the stock exchanges about their new or closed demat accounts, the *depositories* shall now be mandated to provide details of all demat accounts opened or closed by a stockbroker to the concerned stock exchanges. In this regard, the periodicity and mechanism of sharing such details shall be jointly determined by the stock exchanges and depositories.

The draft circular can be accessed [here](#).

20. **IFSCA seeks public comments on draft Electronic Trading Platform Regulations, 2026**

The IFSCA *vide* consultation paper dated February 24, 2026, has issued the draft IFSCA (Electronic Trading Platform) Regulations, 2026 for public comments.

The draft regulations lay down the procedure and framework for establishing and operating Electronic Trading Platforms ("ETPs") within IFSC. In this regard, an ETP is defined as an electronic system physically located in the IFSC through which offers for the exchange, sale, or purchase of eligible instruments are regularly made by trading members. Eligible instruments include securities, money market instruments, foreign exchange, and derivatives. Notably, the draft explicitly clarifies that cryptocurrencies or tokens, by whatever name called, shall not be eligible to be traded on these ETPs.

To operate an ETP, an entity must obtain prior authorisation from the IFSCA and be incorporated as a company in the IFSC. However, entities already holding similar authorisations in specified "eligible jurisdictions" (such as the US, UK, Singapore, EU, etc.) may be permitted to set up as a branch in the IFSC.

Further, the ETP Operator (or its parent, in the case of a branch) must maintain a minimum net worth of at least USD 250,000 at all times and submit an audited net worth certificate annually.

Additionally, the draft regulations propose strict operational compliances for ETP Operators, including:

- **Data Retention:** All data relating to activities on the ETP must be maintained in easily retrievable media for at least 8 years.
- **Cybersecurity:** ETP operators must carry out an annual IT/IS audit, including Vulnerability Analysis and Penetration Testing (VAPT), conducted by CERT-In empanelled auditors.
- **Business Continuity:** The ETP must have a robust Business Continuity Plan and a Disaster Recovery Site to maintain data and transaction integrity.

The consultation paper can be accessed [here](#).

## 21. IFSCA issues draft regulatory framework for IFSC Financial Advisers

The IFSCA *vide* consultation paper dated February 24, 2026, has issued the draft IFSCA (IFSC Financial Advisers) Regulations, 2026 for public comments.

Recognizing a structural gap in the current ecosystem, the proposed framework aims to formalize the role of financial advisory professionals. By moving from a transaction-led to an advisory-led and relationship-driven model, the IFSCA intends to facilitate greater participation from retail investors, globally mobile professionals, and the 35.4 million-strong Indian diaspora. The following proposals were made in the consultation regulations:

### **Eligible Financial Institutions (FIs) and their Obligations**

Under the draft regulations, eligible FIs operating in the IFSC can appoint, empanel, or engage IFSC Financial Advisers ("IFAs") without requiring separate authorization.

- **Eligible FIs:** These include IFSC Banking Units (IBUs), IFSC Insurance Offices, and Capital Market Intermediaries (such as brokers, investment advisers, portfolio managers, and fund managers). Entities solely providing support services are not eligible to engage IFAs.
- **FI Responsibilities:** FIs are strictly responsible for the conduct of their IFAs. They must establish a Board-approved "IFA Supervision Policy" to monitor compliance, resolve disputes, and conduct independent internal audits. FIs must also ensure their IFAs undergo an annual "fit and proper" review.

### **Eligibility Criteria for IFSC Financial Advisers (IFAs)**

An IFA can be either an individual or an institution.

- **Individual IFAs:** Must be at least 21 years old, of sound mind, and a resident of a FATF-compliant jurisdiction (allowing them to advise clients globally). They must hold a bachelor's degree in relevant disciplines (e.g., finance, economics, engineering, law) and successfully complete requisite sectoral certifications.
- **Institutional IFAs:** Must be authorized, licensed, or registered with an appropriate financial sector regulator in their foreign home jurisdiction to provide advisory services.

### **Registration via IFA Registry**

To ensure centralized oversight, Market Infrastructure Institutions (MIIs) registered as KYC Registration Agencies (KRAs) will maintain a digital "IFA Registry". The engaging FI is responsible for verifying the IFA's credentials and uploading them to the portal. An IFA can only commence services after receiving a portal-generated Unique Registration Number (URN).

### **Permissible Services and Product Offerings**

IFAs are permitted to render advice to clients and solicit or introduce clients to the FI for buying, subscribing to, or exercising rights in financial products. Through a unified registration with "sectoral endorsements", IFAs can advise on a wide range of retail offerings. The draft explicitly lists permissible products, including foreign currency savings accounts and fixed deposits, foreign listed equities, international ETFs, IFSC Mutual Funds, REITs, InvITs, foreign currency life/health insurance, and wealth management services.

### **Prohibitions and Code of Conduct**

To safeguard investor interests, the draft regulations mandate a strict Code of Conduct:

- **Handling of Funds:** IFAs are strictly prohibited from accepting or handling client funds, premiums, or securities in their own name or through their own accounts. All client assets must be maintained directly with the FI.
- **Principal Transactions:** IFAs cannot act as a principal or counterparty in any transaction relating to the advised financial products.
- **Fiduciary Duty & Remuneration:** IFAs must act in a fiduciary capacity and are prohibited from accepting any remuneration or benefit from anyone other than their affiliated FI for the services rendered.
- **Risk Profiling:** IFAs must document the client's risk profile, ensure product suitability, and communicate the assessed risk to the client.

### **Disclosures and Continuing Professional Development (CPD)**

- **Disclosures:** IFAs must disclose all material information to clients, including product risks, terms, associated costs, fees, and any actual or potential conflicts of interest.
- **CPD Requirements:** Individual IFAs must complete a minimum of **15 hours of CPD** each financial year, covering regulatory updates, ethics, and product knowledge. Offshore CPD is acceptable provided the IFA completes induction training on local AML-CFT-KYC requirements.

The consultation paper can be accessed [here](#).

## REGULATORY ORDERS

22. SEBI order concerning India Knowledge Manufacturing Fund-I, a scheme of Forum Synergies India Trust

SEBI *vide* Adjudication Order dated February 23, 2026, has imposed a monetary penalty of INR 10 Lakhs jointly and severally on Forum Synergies India Trust ("**Noticee-1**") and its Investment Manager, Forum Synergies (India) Fund Managers Pvt. Ltd. ("**Noticee-2**"), along with a penalty of INR 10 Lakhs on the Trustee, Vistra ITCL (India) Limited ("**Noticee-3**"). The penalties were levied for violations of Regulation 23(1)(a) read with 23(3), and Regulation 24(2) of the SEBI (Venture Capital Fund) Regulations, 1996 ("**VCF Regulations**").

In this matter, SEBI's examination of the *India Knowledge Manufacturing Fund-I* (a scheme of the VCF) revealed that as per its Private Placement Memorandum (PPM), the term of the scheme was 7 years from the first closing (November 05, 2010), with a maximum permissible extension of 2 years. Consequently, the scheme's tenure ended on November 04, 2019, by which time the scheme should have been wound up and assets liquidated within three months. However, instead of winding up, Noticee-1 and Noticee-2 extended the term of the scheme multiple times—first by 3 years to November 2022, and subsequently by 1 year to November 2023. Noticees contended that these extensions were made in the best interest of the investors, backed by "super majority" consent (greater than 75%), and that subsequent delays were due to the COVID-19 pandemic and depository bottlenecks.

However, SEBI rejected these defences, noting that:

- The obligation to wind up the scheme upon the expiry of its PPM tenure is a mandatory regulatory requirement under the VCF Regulations.
- Regulatory compliance cannot be waived, validated, or overridden by mutual agreement or investor consent.
- The breach occurred in November 2019; therefore, subsequent events like the COVID-19 pandemic (2020) or depository lock-ins (2023) cannot retroactively excuse a prior default.

Further, SEBI found that the Trustee failed to fulfil its fiduciary duty to initiate the winding-up process when the scheme's tenure ended in 2019. Noticee-3 only directed the Investment Manager to wind up the fund in April 2023, reflecting a delay of more than three years.

Consequently, under Section 15HB of the SEBI Act, 1992, the Adjudicating Officer imposed the penalty on the noticees.

The order can be accessed [here](#).



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