

What's Buzzing!

REGFIN INSIGHT

APRIL 2026

I. SEBI UPDATES

1. SEBI grants temporary relaxation from penal provisions on Minimum Public Shareholding non-compliance

SEBI *vide* circular dated April 07, 2026, has notified a one-time regulatory relaxation from the applicability of the penal provisions prescribed under the SEBI Master Circular dated July 11, 2023, for listed entities experiencing difficulties in meeting Minimum Public Shareholding (“MPS”) requirements.

The circular states that the relaxation is being extended in response to formal representations from an industry body highlighting severe compliance hurdles stemming from capital market volatility driven by ongoing geopolitical tensions in the Middle East. Further, the one-time relaxation from penal consequences—which conventionally encompasses the levy of fines, freezing of promoter shareholding, and other consequential actions—applies strictly to listed entities whose compliance due dates fall between April 1, 2026, and September 30, 2026. Additionally, recognized stock exchanges and depositories are advised to refrain from initiating enforcement actions during this window, and they are further directed to withdraw any such penal actions initiated against non-compliant listed entities from April 1, 2026, till the date of the circular.

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

2. SEBI introduces an operational framework for recording lock-in of pledged shares by Depositories

SEBI, *vide* circular dated April 08, 2026, has introduced an operational mechanism for ease of doing business governing the lock-in of pledged shares in accordance with recent amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (“ICDR Regulations”).

The circular provides that specified securities upon which a traditional lock-in cannot be effectively created may instead be formally recorded as “non-transferable” by depositories for the entire duration of the applicable statutory lock-in period. Further, to operationalize this system, depositories have established a compliance framework that mandates issuers to incorporate appropriate enabling provisions within their Articles of Association (“AoA”). Additionally, issuers are required to issue necessary advance notifications to concerned lenders or pledgees and ensure that comprehensive disclosures regarding the non-transferability mechanism are explicitly detailed in the respective offer documents.

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

3. SEBI amends the ‘fit and proper person’ criteria laid down in the SEBI (Intermediaries) Regulations, 2008

SEBI *vide* notification in the Official Gazette dated April 15, 2026, has amended the ‘fit and proper person’ criteria laid down in Schedule II of the SEBI (Intermediaries) Regulations, 2008. A tabulation of the key changes enacted is as follows:

Provision	Erstwhile provision	Amended provision
Sch. II, Clause 3(b)	...the person not incurring any of the following disqualifications:	...the person not incurring any of the following disqualifications being subject to any of the following events:
Sch. II, Clause 3(b)(i) & (ii) [Omitted]	(i) criminal complaint or information under section 154 of the Code of Criminal Procedure, 1973 has been filed against such person by the Board and which is pending; (ii) charge sheet has been filed against such person by any enforcement agency in matters concerning economic offences and is pending;	The same has been omitted.
Sch. II, Clause 3(b)(v)	(v) an order of conviction has been passed against such person by a court for any offence involving moral turpitude;	(v) an order of conviction has been passed against such person by a court for any economic offence or an offence of securities laws or any offence involving moral turpitude;
Sch. II, Clause 3(b)(vi)	(vi) any winding up proceedings have been initiated or an order for winding up has been passed against such person;	(vi) any winding up proceedings have been initiated or an order for winding up has been passed against such person;
Sch. II, Clause 4	...such a person shall not be eligible to apply for any registration during the period provided in the said order or for a period of five years from the date of effect of the order, if no such period is specified in the order.	...such a person shall not be eligible to apply for any registration during the period provided in the said order or for a period of five years from the date of effect of the order, if no such period is specified in the order.

The amendment has further introduced Clauses 3A and 3B to Schedule II which requires an intermediary to inform SEBI if any person is subject to any event that would lead him to be classified as a ‘fit and proper person’ within 15 working days from the occurrence of such an

event and a person will be declared as not a ‘fit and proper person’ only after SEBI has granted them a reasonable opportunity of being heard.

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

4. SEBI amends the SEBI (Alternative Investment Funds) Regulations, 2012

SEBI vide notification dated April 16, 2026 has introduced the SEBI (Alternative Investment Funds) (Amendment) Regulations, 2026, which have introduced amendments to the SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”). The key changes enacted are as follows:

- The minimum value of investment by an individual investor in case of a social impact fund which invests only in securities of not-for-profit organizations registered or listed on a social stock exchange has been reduced from INR 2 lakhs to INR 1,000.
- The amendment provides that AIFs may retain liquidation proceeds beyond the permissible fund tenure under specified circumstances, including instances where the fund faces pending litigation, outstanding tax demands, or lingering operational liabilities. Further, such retention of proceeds will require the explicit consent of at least 75% (Seventy-Five Percent) of the investors by value to cover anticipated obligations. Additionally, the revised norms introduce a distinct classification tagging such entities as “Inoperative Funds”, thereby subjecting them to a lighter compliance regime by exempting them from periodic filings, private placement memorandum updates, and performance benchmarking requirements until the eventual surrender of their certificate of registration.

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

5. SEBI introduces a framework for net settlement of funds for FPI transactions in the cash market

SEBI vide its circular dated April 24, 2026, has introduced a framework permitting net settlement of funds for transactions undertaken by Foreign Portfolio Investors (“FPIs”) in the cash market. As per the Master Circular for Stock Exchanges and Clearing Corporations dated December 30, 2024, no institutional investor shall be allowed to do day trading, i.e., square off their transactions intra-day. Thus, all transactions carried out by FPIs are required to be grossed at the custodian's level, and obligations are fulfilled by the FPIs on a gross basis. The custodians, however, settle their deliveries on a net basis with the Clearing Corporations.

Market participants have highlighted that the gross settlement of transactions results in additional liquidity requirements, increased funding costs due to forex slippage, and operational inefficiency for FPIs, particularly during days of index rebalancing.

In light of the above, this circular permits net settlement of funds for outright transactions undertaken by FPIs in the cash market. The key highlights of this framework are as follows:

- ‘Outright transactions’ shall mean either a purchase or a sale transaction, but not both, in a security in a settlement cycle undertaken by an FPI.
- FPI transactions in securities with only outright sell or outright purchase shall be net settled to arrive at the net fund obligation for such outright transactions.
- Transactions in securities having both purchase and sale transactions in a settlement cycle shall be excluded from netting. Such non-outright transactions shall continue to be settled by FPI as per the current procedure, i.e., on a gross basis.
- In case the value of outright sale is less than the value of outright purchase, the residual amount, along with non-outright purchase obligations, shall be funded by the FPI. However, if the value of the outright sale exceeds the value of the outright purchase, the excess outright sale shall not be adjusted towards non-outright purchase obligations.

The provisions of this circular shall be implemented on or before December 31, 2026, and the circular can be accessed [here](#).

6. **SEBI operationalises Past Risk and Return Verification Agency (“PaRRVA”)**

SEBI vide its circular dated April 29, 2026, has operationalised the Past Risk and Return Verification Agency (PaRRVA) framework wherein Care Ratings Limited has been granted recognition as PaRRVA, with the National Stock Exchange India Limited acting as the PaRRVA Data Centre (“PDC”). Care Ratings Limited will begin providing its services on a regular basis from May 04, 2026, post successful completion of the pilot phase.

SEBI vide circular no. HO/38/12/11(1)2025-MIRSD-POD/I/73/2025, dated October 30, 2025, as an interim arrangement, had permitted IAs/RAs to communicate certified past performance data of the period prior to operationalization of PaRRVA to a client in a two-fold manner. This circular specifies the following timelines:

- IAs/RAs who wish to communicate certified past performance data to clients (including prospective clients) must enrol with PaRRVA by August 03, 2026.
- IAs/RAs may communicate certified past performance data to clients (including prospective clients), only up to May 03, 2028.

SEBI has also revised the composition requirements of the oversight committee responsible for supervising PaRRVA and PDC operations and has prescribed the following:

- The committee may include representatives from PaRRVA, PDC, intermediaries/regulated entities, and SEBI-recognised investor associations, along with an independent Chairperson having regulatory experience.
- Representatives from PaRRVA shall be at the level of Executive Director or Senior Director, while PDC representatives should preferably be at the CXO level (i.e., CRO (Chief Regulatory Officer), CTO (Chief Technology Officer), CFO (Chief Financial Officer), or an official holding a similar position in the Stock Exchange).
- The committee must comprise a minimum of five members, with independent members forming the majority.

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

7. **SEBI introduces a fast-track mechanism for the processing of Private Placement Memorandum of AIFs**

SEBI vide circular dated April 30, 2026, has introduced a fast-track mechanism for processing of Private Placement Memorandums (“PPM”) of AIFs. As per the extant procedure, SEBI reviews the disclosures made in PPMs, Merchant Banker Due Diligence Certificate, etc., and provides comments, if any, to the Merchant Banker/ AIF. Thereafter, the Merchant Banker/the AIF carries out necessary changes incorporating the SEBI comments and submits revised PPM/ other documents to SEBI for taking the same on record.

To promote ease of doing business, SEBI has introduced a fast-track mechanism for the launch of schemes/funds in respect of the PPMs filed by angel funds and AIF schemes other than ‘Large value fund for accredited investors (LVFs)’ (herein after collectively referred to as “**non-LVF schemes**”), and the same is subject to the following framework:

- AIFs can proceed with the launch of their new schemes and circulate the PPM to their investors for soliciting funds after 30 days of filing the application with SEBI, unless otherwise advised.

- However, in the case of the first scheme of AIFs, it is clarified that AIFs can proceed with the launch of such schemes from the date of grant of SEBI registration or after 30 days of filing of the application with SEBI, whichever is later.
- The Merchant Banker/ AIF needs to comply with the comments, if any, provided by SEBI during this period of 30 days, before the launch of the scheme/ circulation of PPM.
- The first close of the scheme shall be declared not later than 12 months from the date on which the AIF becomes eligible to launch its scheme.
- The Merchant Banker and the Manager of the AIF shall be responsible for ensuring the accuracy and completeness of all disclosures made in the PPMs of non-LVF schemes, as well as in declarations submitted by them.
- SEBI has provided a standard disclaimer clause that shall be included in the PPMs of all non-LVF schemes.

This circular comes into force with immediate effect and can be accessed [here](#).

II. OTHER REGULATORY UPDATES

8. IFSCA amends the circular on appointment and change of key managerial personnel of an FME

IFSCA vide its circular dated April 01, 2026, has amended its earlier circular dated February 20, 2025, titled "Appointment and Change of Key Managerial Personnel by a Fund Management Entity."

Paragraph 4 of the February 2025 circular states that in case of any proposal to appoint or change a KMP of an FME, the IFSCA can provide comments on the same within 4 working days from the date of filing such intimation with IFSCA. The circular has omitted this provision with immediate effect.

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

9. IFSCA issues circular on specification of certification course for Key Managerial Personnel (KMPs)/ Employees under the IFSCA (Fund Management) Regulations, 2025

IFSCA vide circular dated April 01, 2026, has specified the certificate course for KMPs and all other employees of the FME discharging the core fund management activities. The circular has prescribed the following course: "Regulatory Framework for Fund Management in IFSC: AIFs and Retail Schemes" offered by The Institute of Company Secretaries of India. The FME shall ensure that the requisite personnel complete the certification course on or before September 30, 2026.

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

10. IFSCA issues circular on specification of certification course for Key Managerial Personnel (KMPs)/ Employees of Capital Market Intermediaries under the IFSCA (Capital Market Intermediaries) Regulations, 2025

IFSCA vide circular dated April 02, 2026, has specified the certificate course for KMPs and all other employees of Capital Market Intermediaries ("CMI") discharging core business activities. The circular has prescribed the following course: "Regulatory Framework for Capital Market Intermediaries in IFSC" offered by the Institute of Company Secretaries of India. The CMI and the person in charge of the CMI shall ensure that the requisite personnel complete the certification course on or before September 30, 2026.

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

11. International Financial Services Centres Authority issues circular on reporting norms for capital market intermediaries in IFSC

IFSCA vide its circular dated April 08, 2026, has specified the reporting norms for Capital Market Intermediaries ("CMIs") in IFSC, with effect from April 1, 2026. It supersedes the norms prescribed in IFSCA circular no. F. No. 1/IFSCA/CMI Supervision/2023-24 dated February 08, 2024. The key changes introduced are:

- CMIs holding registrations as Broker Dealer, Clearing Member, and Depository Participants, the reports for those registrations shall be submitted every quarter to the respective Market Infrastructure Institutions (MIIs) whose membership CMI is holding.
- In case of CMI holding registrations as Global Access Provider, Custodian, Investment Banker, Investment Adviser, Debenture Trustee, Registered Distributor, Credit Rating Agency, ERDPP, and Research Entity, the reports shall be submitted within 21 calendar days from the end of the quarter to IFSCA by way of an email to cmi-supervision@ifsc.gov.in with a copy marked to aml-cft-div@ifsc.gov.in.

- Updated and standardized quarterly reporting formats about the operations of the CMIs have been introduced vide this circular, which are available on the IFSCA website.
- In case of surrender/suspension/cancellation of the certificate, the CMIs are required to continue submitting the quarterly report till the date of cancellation of the certificate is communicated to them by IFSCA.

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

12. International Financial Services Centres Authority issues circular on governance and oversight of schemes in IFSC, focusing on segregation of the role of fiduciaries

IFSCA vide its circular dated April 10, 2026, has provided clarity on the segregation of the role of fiduciaries in IFSC.

Regulation 17(2) of the IFSCA (Fund Management) Regulations, 2025 (“**FM Regulations**”) mandates that Fund Management Entities (FMEs) shall appoint fiduciaries which includes trustees in case of a scheme set up in the form of a trust, board of directors for the scheme set up in the form of a company, and designated partners for the scheme set up in the form of a Limited Liability Partnership (LLP). Further, Regulation 17(5) read with Schedule III of the FM Regulations requires fiduciaries to, at all times, render high standards of service, exercise due diligence, ensure proper care, and exercise independent professional judgment.

In furtherance of the same, IFSCA has clarified that an FME shall not appoint an entity acting as a fiduciary to a scheme, to provide fund administration, valuation, audit, and lending or financing services to that scheme, either directly or through its associate. FMEs whose schemes have already been taken on record by IFSCA or filed with IFSCA as on April 10, 2026, are required to comply with the provisions of this circular by September 30, 2026.

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

13. IFSCA issues Guidelines on Cyber Security and Cyber Resilience for Market Infrastructure Institutions in IFSC

IFSCA vide circular dated April 20, 2026, has issued Guidelines on Cyber Security and Cyber Resilience for Market Infrastructure Institutions (“**MIIs**”) in IFSC (“**Guidelines**”), applicable to stock exchanges, clearing corporations, depositories, and bullion exchanges operating in IFSCs.

The framework is structured around seven core cybersecurity functions, as follows -

- **GOVERN:** MIIs must adopt a board-approved Cyber Security and Cyber Resilience Policy to manage risks to their systems, networks, and databases posed by cyber-attacks and threats. The Standing Committee on Technology (SCOT) of the MIIs shall review the implementation of the Policy on a bi-annual basis. A dedicated Chief Information Security Officer (CISO) must also be appointed, reporting directly to the CEO/MD, with responsibilities relating to risk assessment, incident response, and implementation of cybersecurity standards.
- **IDENTIFY:** MII are required to maintain an updated record of information assets, including applications, data, and third-party dependencies. Critical assets such as business systems, internet-facing applications, and systems that contain sensitive personal or financial data must be identified and approved annually by the Board.
- **PROTECT:** The framework mandates strict access controls based on the principle of least privilege and on a need-to-use basis. The user access rights, delegated access, unused tokens, and privileged user activities shall be reviewed on a quarterly basis for critical systems and biannually for non-critical systems.

The MIIs shall ensure that records of user access to critical systems, wherever possible, are uniquely identified and logged for audit and review purposes. Such logs shall be maintained and stored in a secure location for a period not less than two years. A proper 'end of life' protocol shall be adopted to deactivate access privileges of users either upon their cessation of employment or upon formal withdrawal of access privileges.

Adequate measures must be taken to ensure the security of domain controllers and against insider threats. The MIIs shall conduct periodic training programs to enhance awareness levels among the employees, outsourced staff, vendors, etc., on IT / Cyber security policy and standards. The training program shall be reviewed and updated at regular intervals to ensure that the contents of the program remain current and relevant.

MIIs shall adopt the following measures: (i) hardening and vetting of hardware and software assets; (ii) change management process; (iii) regression testing before new or modified systems are implemented; (iv) Vulnerability Assessment and Penetration Testing (VAPT); (v) remote access management including a policy framework incorporating the same; (vi) patch management; (vii) policies for disposals of the storage media and systems among others. MIIs shall also create a comprehensive cloud security policy, which should include adequate controls in case services are being utilized from multiple cloud providers.

- **DETECT:** The MIIs shall establish appropriate security monitoring systems and processes to facilitate continuous monitoring of security events/ alerts and timely detection of unauthorized or malicious activities, unauthorized changes, unauthorized access, and unauthorized copying and transmission of data/ information held in a contractual or fiduciary capacity, by internal and external parties. The security logs of systems, applications, and network devices exposed to the internet shall also be monitored for anomalies. Suitable alerts shall be generated in the event of the detection of unauthorized or abnormal system activities, transmission errors, or unusual online transactions.
- **RESPOND:** The MIIs are advised to formulate a Cyber Crisis Management Plan (CCMP) and an Incident Response Management Plan. Details of any cyber-attack, cybersecurity incident, and/ or breach shall be notified to IFSCA and CERT-In within 6 hours of noticing/ detecting such incidents or being brought to notice about such incidents. MIIs shall submit the interim report within 3 days, followed by a detailed root cause analysis report within 30 days. The MIIs shall take mitigation measures for the same within 7 days from the detection of the incident.
- **RECOVER:** MIIs must adopt a recovery plan that shall include guidance on the restoration of data, with the procedure for backup.
- **RESILIENCE:** The MIIs shall perform cyber resilience testing by undertaking regular business continuity drills and specific scenario exercises at least once in a financial year to check the readiness of the organization and the effectiveness of existing security controls at the ground level. The MIIs shall place the results of the cyber resilience testing before their SCOT, and the lessons learned from conducting such cyber resilience testing shall be shared with IFSCA within 3 months from the end of the financial year.

The Guidelines shall come into effect from April 01, 2026, and can be accessed [here](#).

III. CONSULTATION PAPERS

14. SEBI floats consultation paper on the reintroduction of Open Market Buy-Back of shares through Stock Exchanges

SEBI vide consultation paper dated April 02, 2026, has sought public comments with an objective to re-evaluate capital allocation flexibility for listed corporates.

The consultation paper provides that while the purchase of a company's own shares is fundamentally governed by Section 68 of the Companies Act, 2013, read along with the Companies (Share Capital and Debentures) Rules, 2014, any buy-back executed by a listed entity must strictly conform to specialized regulations framed by SEBI.

Further, the paper outlines stringent safe-harbor and forfeiture criteria, stipulating that in the event an entity fails to fulfill its minimum buy-back obligations, the entire amount forfeited by the company shall be systematically deposited into the Investor Protection and Education Fund ("IPEF") of SEBI.

Additionally, the proposed rules introduce rigorous statutory timelines for the physical destruction of bought-back equity, mandating that the concerned company must complete the verification of acceptances within 15 (fifteen) working days of the payout and physically extinguish the certificates in the presence of a Merchant Banker and a secretarial auditor on or before the 15th day of the succeeding month, while ensuring final extinguishment within 7 (seven) working days of the expiry of the buy-back period.

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

15. SEBI seeks public comments on the proposed revised framework for the calculation of variable net worth requirements for stock brokers

SEBI vide consultation paper dated April 24, 2026, has proposed revisions to the framework for calculation of variable net worth requirements applicable to stock brokers, with the objective of aligning net worth requirements with the operational risks undertaken by brokers and strengthening investor protection measures.

The concept of variable net worth was introduced under the SEBI (Stock Brokers) (Amendment) Regulations, 2022, wherein brokers were required to maintain net worth as the higher of base net worth or variable net worth. Further, variable net worth was specified as 10% of the average daily cash balance of clients retained with the broker across segments/ exchanges in the previous 6 months.

Pursuant to the introduction of the upstreaming framework requiring brokers to upstream client funds to clearing corporations, SEBI observed that brokers now retain a minimal cash balance of their clients, thereby requiring modifications to the variable net worth calculation.

SEBI has proposed a revised framework under which variable net worth shall be calculated based on the following parameters:

(i) Average credit balance: 10% of the average credit balance of all clients of the previous six months across segments/exchanges.

(ii) Number of active clients:

- Direct clients: Rs. 50 lakhs, if the broker has more than 10,000 and up to 50,000 active clients, and further Rs. 50 lakhs for every additional 50,000 active clients (or part thereof). The count of clients shall be across all segments across exchanges and shall not include clients through APs.

- Clients through APs: Rs. 5 lakhs for up to 2,500 clients, Rs 25 lakhs for more than 2,500 and up to 10,000 clients, and Rs 50 lakhs for every subsequent 10,000 active clients (or part thereof), across all segments across exchanges.

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

16. SEBI proposes public consultation on handling of Client's Unpaid Securities by Trading and Clearing Members

SEBI vide consultation paper dated April 24, 2026, has issued a draft circular for public comments proposing key amendments to the existing operational mechanism governing the management of unpaid securities by trading members (“TM”) and clearing members (“CM”) to strengthen investor protection and address practical bottlenecks.

The draft circular provides that the current framework—originally mandated under historical circulars and subsequently subsumed into Paragraph 46 of the SEBI Master Circular for Stock Brokers dated June 17, 2025—requires TMs and CMs to maintain a dedicated dematerialization (“Demat”) account designated as the “Client Unpaid Securities Pledgee Account” (“CUSPA”) to pledge securities that have not been paid for in full by clients. Further, the proposed revisions are being introduced following formal representations submitted by the Broker’s Industry Standards Forum (“ISF”), highlighting severe operational complexities under the CUSPA framework. Additionally, the regulator notes that recent structural shifts in the securities market, particularly the mandatory implementation of direct payouts of securities into clients’ demat accounts, have significantly impacted the viability of the current CUSPA architecture, thereby necessitating targeted regulatory realignments to optimize the ease of doing business for market intermediaries.

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

IV. REGULATORY ORDERS

17. IFSCA passes an order in the matter of String AI IFSC Private Limited

IFSCA vide its order dated April 06, 2026, has cancelled the certificate of registration granted to String AI IFSC Private Limited (formerly known as King Blockchain Private Limited) (“**Noticee**”) as a broker-dealer for carrying on the activities of buying, selling, or dealing in securities and for carrying on such other activities as permitted by the recognised stock exchanges in IFSC. The facts and circumstances and key findings of the order are as follows:

- *Lack of adequate infrastructure at GIFT IFSC:* During 2 surprise visits conducted by IFSCA, the office of the Noticee was closed, and during the onsite visit by India INX, only the Compliance Officer was available in the office, with no other relevant personnel or adequate infrastructure. The Quasi-Judicial Authority for Enforcement (“**QJAE**”) opined that the Noticee did not maintain necessary infrastructure for carrying out broker-dealer activities and held that the Noticee did not comply with Regulation 47(3) of the IFSCA (Capital Market Intermediaries) Regulations, 2025 (“**CMI Regulations**”).
- *Carrying out additional business activities other than that of securities or commodity derivatives:* Rule 8(3)(f) of the Securities Contracts (Regulations) Rules, 1957 states that a member of a stock exchange is prohibited from engaging either as a principal or employee in any business other than that of securities or commodity derivatives. The exception to the rule is that a member of the stock exchange may act as a broker or agent, not involving any personal financial liability. Further, a member of a stock exchange can engage himself as principal or employee in any such business if the member in question ceases to carry on the business of the stock exchange. In the present case, the Noticee was primarily engaged in data and IT services, and no activity pertaining to a broker-dealer has been carried out except for some trades that took place from a location outside GIFT IFSC. The QJAE opined that the Noticee violated Rule 8(3)(f) as it was carrying on our businesses, which do not fall under the ‘business of securities or commodity derivatives’.
- *Failure to provide information:* India INX had sought a write-up and documents from the Noticee; however, the Noticee failed to provide the same, after multiple reminders. Therefore, the QJAE held that it had not complied with Clause 2(h) of Chapter VI of the India INX bye-laws.

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

18. SEBI provides informal guidance by way of an interpretative letter related to Securities and Exchange Board of India (Mutual Funds) Regulations, 1996

SEBI vide an informal guidance letter dated April 09, 2026, addressed to UTI Alternatives Private Limited (“**UAPL**”), the wholly owned subsidiary of UTI Asset Management Company Limited (the asset management company of UTI Mutual Fund), and which acts as the investment manager to 3 SEBI-registered Category II Alternative Investment Funds (AIFs).

SEBI has addressed the following queries in its informal guidance:

- (i) **Query 1:** Whether the broad-based fund requirement applies to the management/ advisory services rendered by UAPL to pooled assets, i.e., AIFs and their schemes?

Response to Query 1: Since an AIF is a pooled asset, the broad-based requirement prescribed under Regulation 21(b) of the SEBI (Mutual Funds) Regulations, 2026 (“**MF Regulations**”) shall apply to management or advisory services rendered by AMCs (or their subsidiaries) to AIFs and their schemes.

(ii) **Query 2:** Whether compliance with the broad-based fund criteria should be assessed at the fund level or the individual scheme level?

Response to Query 2: Regulation 10 of the SEBI (Alternative Investment Funds) Regulations, 2012 (“AIF Regulations”) treats each scheme of an AIF as a distinct investment vehicle for, inter alia, investor limits, corpus, and compliance. Accordingly, for Regulation 21(b) read with Regulation 2(f) of the MF Regulations, the broad-based requirement shall be assessed at the scheme level.

(iii) **Query 3:** In the master feeder structure, is it sufficient if only the master fund is broadly based, as the feeder funds do not do standalone investments, and active management is undertaken at the master fund level?

Response to Query 3: Regulation 15 of the AIF Regulations permits AIFs to invest in the units of other AIFs, and since each scheme of an AIF is treated as a distinct investment vehicle, each fund (both master fund and feeder fund) to which management/ advisory services are rendered shall comply with the broad-based requirement.

(iv) **Query 4:** Whether the exemption under paragraph 17.3 of the Master Circular for Mutual Funds dated June 27, 2024, extends to appropriately regulated domestic entities such as banks, insurance companies, and PF trusts on a look-through basis?

Response to Query 4: Paragraph 22.2 of the Master Circular for Mutual Funds dated March 20, 2026, specifies the categories of FPIs to which AMC’s may provide management and advisory services. Domestic regulated entities such as banks, insurance companies, and PF trusts, being governed by separate regulatory frameworks, do not fall within the FPI framework and are therefore not eligible for the exemption under the said paragraph.

The informal guidance can be accessed [here](#).



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