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REGFIN INSIGHT

MAY 2026

I. SEBI UPDATES

1. SEBI issues advisory on Emerging Advanced Artificial Intelligence (AI) Tools for Vulnerability Detection

SEBI, *vide* circular dated May 05, 2026, issued an advisory on emerging advanced Artificial Intelligence ("AI") tools for vulnerability detection, wherein it held that the rapid evolution of technology has introduced new dimensions of risk for regulated entities. In line with the same, the following are the major advisories issued by SEBI:

(i) *Update all operating systems and applications*: The operating systems and applications shall be updated with the latest patches on an immediate basis to mitigate any identified/known vulnerabilities. In the interim, virtual patching shall be considered.

(ii) *Conduct Vulnerability Assessment:* The vulnerability assessment shall be conducted using conventional and suitable AI-based vulnerability assessment tools, and security audits shall be undertaken on a regular/ continuous basis.

(iii) *Timely Patches by Vendors:* The third-party vendors shall release timely patches and deploy them appropriately. The Stock Exchanges and Depositories shall direct empanelled vendors to assess the risks arising from AI-led vulnerability detection models, and, based on such assessment, implement appropriate safeguards.

(iv) Full documentation shall be maintained for each *change management*.

(v) *API Security:* An inventory of all APIs and applications using the API shall be maintained. Proper authentication and authorisation, along with API rate limiting, shall be maintained. Connections through API shall be strictly on a whitelist-based approach.

(vi) *SOC Monitoring*: Regular day-to-day monitoring of systems and networks, examination of SOC alerts, and implementation of Enhanced Security Orchestration and Automated Response playbooks integrated with Security Incident and Event Management solutions, shall be undertaken. The Market SOC ("**M-SOC**") shall serve as the centralised security platform, and the market infrastructure intermediaries shall conduct regular awareness and handholding programs to ensure a smooth onboarding process and integration of M-SOC.

(vii) *Risk Assessment:* The SEBI-registered intermediaries ("**REs**") shall conduct periodic risk assessment as per the Cyber Security and Cyber Resilience Framework ("**CSCRF**"), and while undertaking scenario-based testing as part of risk assessment, the capability of AIF-based models may be considered as one of the risk scenarios. Further, it shall conduct system hardening, periodically update asset inventory and software bill of materials for critical applications, and consult the IT committees for AI-led vulnerability detection models. Moreover, all REs need to prepare a long-term plan for the usage of AI in detection and autonomous/agentic mitigation. Also, undertake other measures, including recalibration of risks for AI-accelerated threats, AI-augmented SOC transformation, and continuous vulnerability management using AI tools.

The advisory can be accessed ***here.***

2. SEBI clarifies 'Significant Indices' under SEBI (Index Providers) Regulations, 2024

SEBI vide its circular dated May 05, 2026 specified that a Benchmark or Index (including index of indices) based on listed securities shall be considered as 'Significant Indices', if the daily average cumulative Asset Under Management (AUM) tracking the Benchmark or Index across schemes of Mutual Fund(s) exceeds ₹20,000 crore for each of the past six months, ending on 30th June and 31st December each year. Further, an Index, once included in the list of 'Significant Indices,' shall remain therein unless its cumulative AUM falls below the specified threshold for a continuous period of 3 years.

SEBI further referred to Regulation 2(1)(u) of the SEBI (Index Providers) Regulations, 2024, and noted that the list of 'Significant Indices' has been determined based on the cumulative AUM of mutual fund schemes tracking the respective benchmarks or indices for the period July 1, 2025, to December 31, 2025.

Index Providers providing any of the 'Significant Indices' must submit an application for registration in accordance with Regulation 4 of the SEBI (Index Providers) Regulations, 2024, within 6 months of the issue of this circular. However, this does not apply to Index Providers whose indices are recognised by the RBI as 'Significant Benchmarks' or 'Authorised Benchmarks' under Section 45W of the RBI Act, 1934. An Index Provider currently offering 'Significant Indices' may continue its operations, provided it applies for SEBI registration within six months from the date of this circular.

Additionally, any SEBI-registered entity that also undertakes Index Provider activities departmentally shall be required to form a separate legal entity to carry out the activities of an Index Provider within a period of two years from the date of this circular. The grievance redressal mechanism under Regulation 23 of the SEBI (Index Providers) Regulations, 2024, applies exclusively to 'Significant Indices' provided by SEBI-registered Index Providers, and subscribers to such indices shall take recourse to this mechanism accordingly.

The circular can be accessed ***here.***

3. SEBI revises norms for sharing and usage of price data for educational purposes

SEBI *vide* circular dated May 08, 2026, revised the time lag for the use of price data for educational purposes. It has been clarified that SEBI *vide* circular dated May 24, 2024, allowed exchanges to share price data with a time lag of one day for educational and awareness purposes, and *vide* January 29, 2025, allowed the extent of old data to be shared for educational and awareness purposes to be restricted to three months. However, based on feedback received from stakeholders that the time lag may be misused, SEBI has now revised the time lag for both sharing and usage of data to 30 days.

The exception has been made for the National Institute of Securities Markets ("**NISM**"), as it is playing an important role in imparting SEBI-mandated training and certification programmes as well as training SEBI officers and market intermediaries. Therefore, NISM may access data with a time lag of one day.

The circular can be accessed ***here.***

4. SEBI removes difficulties for onboarding for FPIs - PAN allotment-related issues

SEBI *vide* circular dated May 15, 2026, has clarified certain issues in filing new PAN application forms as notified by the Central Board of Direct Tax ("**CBDT**") on March 20, 2026, by Foreign Portfolio Investors ("**FPIs**"). SEBI has stated that for the Representative Assessee ("**RA**")/ Authorised Representative ("**AR**") field, the details of the Authorised Signatory ("**AS**") of the FPI, as captured in CAF, shall suffice.

However, the liability of the AS shall be limited to the purpose of applying PAN. Further, with respect to the address, mobile no, and email ID of the RA/AR, the details of AS can be provided.

Further, if the PAN/ Aadhar / Passport No. of the AS is not available, the FPI registration number can be provided. SEBI has further clarified that in case of TIN or its equivalent not being applicable for the jurisdiction, then the field can be filled as '0000000000'. The landline number, in case no mobile number is available, can also be provided.

The clarification can be accessed ***here.***

5. SEBI revises the Monthly Cumulative Report ("MCR") format

SEBI *vide* circular dated May 19, 2026, has revised the Monthly Cumulative Report format for mutual funds effective from June 2026 to incorporate the new scheme categories introduced under the SEBI circular dated February 26, 2026, on Categorisation and Rationalisation of Mutual Fund Schemes, now consolidated under Clause 3.7 of the Master Circular dated March 20, 2026. The new format incorporates columns to report the cumulative SIPs and also reports new schemes, such as solution-oriented schemes and life cycle funds of various maturities.

The circular can be accessed h***ere.***

6. SEBI modifies norms for Nomination in Demat Accounts and Mutual Fund Portfolios for Ease of Doing Investments

SEBI *vide* circular dated May 29, 2026, modified the norms for nomination in demat accounts and mutual fund folios to enhance the ease of investor onboarding and ease the nomination process, in light of representations from stakeholders raising certain operational challenges in the implementation of the circular dated January 10, 2025. The modified norms are as follows:

- *Default choice of nomination*: Nomination is mandatory for all single accounts or folios opened on or after the implementation date of this Circular, unless the investor submits an opt-out declaration form. For jointly held demat accounts or folios, nomination remains optional. However, any addition or change in nomination requires the consent of all joint holders, irrespective of the mode of operation.

- *Number of Nominees:* Investors may nominate up to three nominees. In the event of the investor's demise, multiple nominees may either continue jointly in the same account or folio or choose to open separate accounts or folios for their respective shares.

- *Mode of Providing Nomination:* Regulated entities must make the nomination form available to investors as per the prescribed format as per the circular, with the option to submit it either online or offline.

  In case of online nominations, validation may be done through a Digital Signature Certificate, Aadhar-based e-sign, or any other e-sign recognized under the Information Technology Act, 2000, or two-factor authentication using an OTP sent to the investor's registered mobile number and email.

  For offline or physical nominations, a wet signature of the account holder is sufficient, and the signature of a witness shall not be required. However, if the investor affixes a thumb impression instead of a signature, it must be witnessed by two persons whose names and addresses must be recorded in the nomination form.

- *Information to be captured in nomination form:* The nomination form requires certain mandatory details, including the nominee's name and their relationship with the investor. Further, the date of birth is mandatory only if the nominee is a minor. Optional details include the nominee's contact information, percentage share allocated to each nominee, KYC or identifier details, and guardian details in case of a minor nominee. Moreover, if the percentage share is not specified, the asset shall be divided equally among all nominees, with any odd lot transferred to the first nominee listed.

  Regulated entities must provide all optional fields in both online and offline nomination forms, regardless of whether the investor chooses to fill them.

- *Opt out of nomination:* Investor may opt out of nomination by submitting a physical declaration form as per the format provided under the circular, or by selecting the opt-out option online, where the regulated entity shall display the declaration message from the offline format, which the investor must actively agree to to proceed without nomination.

- *Changes or Cancellation of nomination:* Investors can provide changes or cancel nominations any number of times using forms prescribed. Regulated entities are obligated to provide an acknowledgement to the investor for every instance of nomination/ subsequent change.

- *Obligations of Regulated entities:* Regulated entities must include either the nominee's name or a 'Yes/No' indicator reflecting the nomination status in every periodic account or holding statement sent to investors, based on the investor's preference as indicated in the nomination form. Further, for existing and newly opened accounts or folios without nomination, including opt-outs, Depository Participants and Mutual Fund RTAs must send bi-annual reminder messages via email and SMS to encourage investors to provide nomination. Additionally, a pop-up message highlighting the benefits of nomination must be displayed on the first login of the day on web or mobile platforms.

The circular can be accessed ***here.***

II. OTHER REGULATORY UPDATES

7. IFSCA issues a notification regarding the amendment of the International Financial Services Centres Authority (Finance Company) Regulations, 2021

IFSCA *vide* its notification dated May 5, 2026, has introduced the International Financial Services Centres Authority (Finance Company) (Amendment) Regulations, 2026, to further amend the International Financial Services Centres Authority (Finance Company) Regulations, 2021, hereinafter referred to as the principal regulations. The key amendments are as follows:

- Two new definitions have been inserted into the principal regulations. A special purpose vehicle **("SPV")** is defined as a finance company incorporated, administered, or both, by a Trust and Company Service Provider **("TCSP")**, in a manner specified by the authority, for carrying out permissible activities. A TSCP is defined as an entity authorised under the IFSCA (TechFin and Ancillary Services) Regulations, 2025, to provide TCSP services.
- A new Regulation 5(iii)(ma) has been inserted to recognise leasing or financing activity undertaken by an SPV as an additional permissible activity under the regulations.
- A new entry has been added to the schedule of the principal regulations, specifying that leasing or financing activities undertaken by an SPV shall require a minimum owned fund or paid-up share capital equivalent to the amount prescribed under the Companies Act, 2013, or such other amount as may be specified by the IFSCA. This activity is also exempted from the applicability of Regulations 4 and 8.

The notification can be accessed ***here.***

8. IFSCA issues clarification pertaining to the implementation services provided by the Investment Advisers in the IFSC

IFSCA *vide* its circular dated May 12, 2026, has clarified the framework for the provision of implementation services by Investment Advisers **("IAs")** registered in the IFSC, in exercise of Regulations 34(12) and 34(13) of the IFSCA (Capital Market Intermediaries) Regulations, 2025 **("CMI Regulations")**.

Regulation 34 of the CMI Regulations permits IAs to provide implementation services defined as services for the purpose of executing or giving effect to the investment advice rendered to their advisory clients in the securities market. In this regard, IFSCA has now prescribed the specific channels through which such services must be routed, depending on the nature of the financial product involved, as follows:

- Financial products listed on stock exchanges in foreign jurisdictions shall be executed through a Global Access Provider or an Introducing Broker in the IFSC.
- Financial products listed on a recognised stock exchange in the IFSC shall be executed through a member of such recognised stock exchange.
- Unlisted financial products shall be executed by entering into formal arrangements with platforms and/or asset management companies regulated by a financial sector regulator in a foreign jurisdiction.

The circular can be accessed ***here.***

III. CONSULTATION PAPERS

9. SEBI issues consultation paper on modification in the regulatory framework for Online Bond Platform Providers ("OBPPs")

SEBI *vide* consultation paper dated May 05, 2026, has proposed modifications to the regulatory framework for OBPPs, with the objective of promoting ease of doing business and expanding permissible product offerings. The proposals are based on recommendations of the Corporate Bonds and Securitisation Advisory Committee and representations received from industry stakeholders. The key proposals are as follows:

- *Permitting OBPPs to offer IFSCA-regulated products:* Under the existing framework, OBPPs are permitted to offer products regulated by SEBI, RBI, IRDAI, and PFRDA. There is currently no explicit provision permitting OBPPs to offer products, securities, or services regulated by IFSCA. Since SEBI-registered stockbrokers are already permitted to operate within the GIFT-IFSC framework, the absence of a corresponding permission for OBPPs, who are themselves registered as stock brokers in the debt segment, creates a structural inconsistency. SEBI has accordingly proposed that OBPPs be permitted to offer IFSCA-regulated products in the same manner as SEBI-registered stockbrokers operating in GIFT-IFSC, subject to compliance with the applicable provisions of the Foreign Exchange Management Act, 1999, including the Overseas Investment Rules and Liberalised Remittance Scheme limits.

- *Permitting OBPPs to offer 54EC tax-saving bonds*: The paper further provides that there is ambiguity regarding the permissibility of offering 54EC bonds by OBPPs, as such bonds are exempted from listing under section 62A(4)(i) of the listing regulations. SEBI has proposed providing explicit clarity that OBPPs may offer tax-saving bonds issued under Section 54EC of the Income Tax Act, 1961, or the corresponding provision under Section 85 of the Income Tax Act, 2025, on their platforms. Such offerings would be subject to appropriate disclosures of product features and clear disclaimers to investors that grievance redressal in respect of such bonds lies with the issuer and not with SEBI.

- *Relaxation of compliance officer appointment requirements:* Under the current framework, OBPPs are required to appoint a qualified company secretary as their compliance officer. Since no such mandatory qualification is prescribed for compliance officers of stockbrokers under Regulation 17 of the SEBI (Stock Brokers) Regulations, 2026, SEBI has proposed to align the compliance officer requirements for OBPPs with those applicable to stock brokers, thereby removing the mandatory requirement of appointing only a company secretary.

The consultation paper can be accessed ***here***.

10. SEBI issues consultation on 'Green-Channel: AIF Rollout Upon Document Acknowledgement' (GARUDA) mechanism for processing of placement memorandum of Alternative Investment Funds ("AIFs") filed with SEBI

SEBI *vide* consultation paper dated May 11, 2026, has proposed the 'Green-Channel: AIF Rollout Upon Document Acknowledgement' **("GARUDA")** mechanism for streamlining the processing of Private Placement Memorandums **("PPMs")** filed by Alternative Investment Funds **("AIFs")** with SEBI. The key proposals under the GARUDA mechanism are as follows:

- *Reduction in launch timeline for regular AIF schemes:* Under the existing fast-track mechanism introduced vide SEBI's circular dated April 30, 2026, AIF schemes (other than Large Value Funds for Accredited Investors) may be launched 30 days after filing the PPM with SEBI through a Merchant Banker. SEBI has now proposed to reduce this waiting period to 10 working days from the date of filing of the PPM, unless SEBI advises otherwise within that period. For the first scheme of an AIF, launch would be permitted from the date of grant of SEBI registration or after 10 working days from filing the application, whichever is later.

- *Relaxations for Accredited Investor-only schemes:* Accredited investors are financially sophisticated investors and are capable of independently assessing investment risks. SEBI has proposed that for schemes open only to accredited investors, the requirement of filing the PPM through a Merchant Banker be dispensed with. Instead, the AIF Manager would be permitted to file the PPM directly with SEBI, accompanied by an undertaking from the CEO and Compliance Officer of the AIF Manager instead of the Merchant Banker's due diligence certificate. Such schemes would be permitted to launch immediately upon filing the PPM with SEBI, without any waiting period.

- *Relaxations for Angel Funds:* Similar relaxations have been proposed for Angel Funds, including direct filing with SEBI by the AIF Manager, removal of the Merchant Banker due diligence certificate requirement, and immediate circulation of the PPM for fundraising purposes upon the AIF obtaining SEBI registration.

SEBI has clarified that post-facto scrutiny of scheme documents will continue to be carried out on a sample basis based on risk assessment and specific criteria, and that any irregularity or lapse in a PPM shall render the concerned entities liable for regulatory action.

The consultation paper can be accessed here.

11. SEBI issues consultation paper on utilisation of interest or income from IPF Corpus of Depositories

SEBI *vide* consultation paper dated May 11, 2026 has proposed to allow depositories for the utilization of maximum of 5% of interest or income received out of any investments of Investor Protection Fund **("IPF")** of Depositories to meet expenses related to dedicated employees of IPF Trust of depositories, other administrative and statutory expenses related to such IPF Trust such as applicable taxes, audit fees and charity commissioner's fee, etc. Any expense above the aforementioned threshold shall be borne by the depository.

Under the existing regulatory framework, 100% of income or interest from the IPF is treated as the corpus of the IPF, and all expenses are to be incurred by the depositories from their own income, even if such expenses are directly related to the IPF Trust.

The consultation paper can be accessed ***here.***

12. SEBI issues consultation paper on utilization of intraday borrowing lines by mutual funds

SEBI *vide* consultation paper dated May 13, 2026, has proposed expanding the scope of utilisation of intraday borrowing lines by Mutual Funds, to recognise intraday borrowing as a broader cash management tool for scheme operations. A carve-out for intraday borrowings was introduced under the SEBI (Mutual Funds) Regulations, 2026 ("**MF Regulations**"), which came into effect from April 1, 2026, following representations by the Association of Mutual Funds in India ("**AMFI**"). Under the existing framework, intraday borrowings are permitted only for the limited purpose of bridging timing gaps between redemption or unitholder payouts and the receipt of guaranteed receivables due

on the same day from entities such as the Government of India, RBI, and Clearing Corporation of India Limited ("**CCIL**"). The implementation of these intraday borrowing rules has since been deferred to July 15, 2026, following operational concerns raised by AMFI and the Asset Management Companies ("**AMCs**"). SEBI has noted that in practice, AMCs also avail intraday borrowing facilities for a wider range of purposes, including trade settlement obligations (pay-ins), forex settlements, derivative margin requirements, and repayment of existing borrowings, and that limiting such borrowings to only redemption payouts constrains fund management flexibility and may adversely impact scheme returns.

The key proposals set out in the consultation paper are as follows:

- *Expansion of permissible purposes:* AMCs may be permitted to avail intraday borrowings not only for redemption or unitholder payouts but also for other operational liquidity needs, including trade settlements, forex obligations, derivative-related payments, and repayment of existing borrowings.

- *Borrowings in excess of guaranteed receivables:* Intraday borrowings may be permitted to exceed guaranteed receivables, i.e., receivables due from GoI, RBI, and CCIL, provided that any intraday borrowing shall be paid by the end of the day or any borrowing converted to overnight borrowing remains within the regulatory cap permitted under the MF Regulations. The responsibility for the cost or charge levied for availing intraday borrowings would continue to rest with the AMC.

The consultation paper can be accessed ***here***.

13. SEBI issues consultation paper on relaxation in the requirement of maintenance of call records for institutional clients

SEBI *vide* consultation paper dated May 18, 2026 has proposed relaxing the requirement for maintenance of call records by Research Analysts ("**RAs**") and research entities in respect of their interactions with institutional clients, by way of amendments to the SEBI (Research Analysts) Regulations, 2014 ("**RA Regulations**") and the Master Circular for Research Analysts dated February 06, 2026 ("**Master Circular for RAs**").

The Regulation 25(1)(vii) of the RA Regulations requires RAs and research entities to maintain records of all communications with clients and prospective clients, including emails, call recordings, SMS, and other verifiable documents, in the manner specified by SEBI. Paragraph 33(iii) of Annexure I of Chapter VII of the Master Circular for RAs further clarifies that this record-keeping obligation applies even in respect of clients who are institutional investors or Qualified Institutional Buyers ("**QIBs**").

Representations have been received from stakeholders seeking a review of this requirement insofar as it applies to institutional clients, on the grounds that such investors are sophisticated entities with specialised knowledge, stronger due diligence capabilities, and a greater awareness of legal and regulatory protections, and are therefore better positioned to independently assess research inputs and manage associated risks.

SEBI has thus proposed that RAs and research entities be exempted from the requirement to maintain telephone call recordings in respect of their communications with institutional investors and QIBs. All other communication records, including emails, written records, and SMS, would continue to be required to be maintained for such clients. The existing record-keeping requirements, including call recordings, would be fully retained for interactions with retail clients.

The consultation paper can be accessed ***here.***

14. SEBI issues consultation paper on draft circular for enabling third-party payments in mutual funds in certain scenarios

SEBI *vide* consultation paper dated May 20, 2026, has proposed enabling third-party payments in Mutual Funds in certain specified scenarios, based on recommendations of the Mutual Fund Advisory Committee **("MFAC")** and representations received from the mutual fund industry. The proposal seeks to balance ease of investing in genuine cases with continued compliance with the Prevention of Money Laundering Act **("PMLA")** and investor protection objectives.

The existing regulatory framework requires all payments for mutual fund investments to originate exclusively from the investor's own bank account and to be routed through RBI-authorised payment aggregators or SEBI-recognised clearing corporations. This requirement, aimed at maintaining a clear audit trail and preventing misuse, has been flagged by industry participants as creating operational friction in certain well-defined and legitimate scenarios. SEBI has accordingly proposed permitting third-party payments in the following three specific cases:

- *Payroll deductions by employers:* Employers who are listed companies or EPFO-registered entities, as well as AMCs themselves, would be permitted to make consolidated payments for mutual fund investments on behalf of their employees through payroll deductions. Employee participation in the scheme would remain voluntary. SEBI has noted that this mechanism would offer employees a seamless and disciplined way of investing in mutual fund units, analogous to existing payroll-based savings avenues.

- *Commission payments to Mutual Fund Distributors ("**MFDs**") in the form of MF units*: AMCs would be permitted to pay trail commissions to their empanelled MFDs in the form of mutual fund units rather than in cash. SEBI has noted that such an arrangement would provide a convenient and disciplined avenue for MFDs to invest for the long term, while encouraging greater alignment of distributor interests with fund performance.

- *Donations to social causes*: Investors would be permitted to mandate a portion of their subscription amount, dividend, or redemption proceeds to be directed towards social causes, specifically to NGOs or Not-for-Profit Organisations registered on the Social Stock Exchange via Zero Coupon Zero Principal ("**ZCZP**") instruments. SEBI has proposed two possible approaches for implementing this: either through the launch of dedicated mutual fund schemes with a built-in social contribution feature or by enabling existing schemes to offer such an option.

SEBI has proposed that the following safeguards be implemented across all permitted third-party payment scenarios: robust KYC verification of both the payee and the beneficiary; validation of the relationship between the payee and beneficiary; maintenance of a non-cash electronic fund trail through segregated accounts; and clear allocation of PMLA compliance and due diligence responsibilities between AMCs and Registrar and Transfer Agents **("RTAs")**.

The consultation paper can be accessed ***here***.

15. SEBI issues consultation paper on framework for strike prices of options contracts

SEBI *vide* consultation paper dated May 25, 2026, has proposed a framework for governing the introduction and continuous management of strike prices for options contracts in the derivatives segment with the objective to ensure that these strikes are predictable and accessible even when markets experience sharp intraday price swings.

The existing regulatory framework covers only 'Rationalisation of strike intervals for long dated index options and framework to disable existing long dated strikes'. Beyond this, each stock exchange follows its own rules for introducing and managing strike prices, leading to inconsistency. SEBI has accordingly proposed the following:

- *Comprehensive framework for options contract management:* All stock exchanges shall establish a comprehensive framework covering the introduction of a minimum number of In-The-Money and Out-of-The-Money options contracts, daily review of strike price availability to ensure trading continuity, and daily elimination/purging of contracts that are far from the prevailing market price.

- *Introduce new strike price:* The framework shall include a provision to add new option strike prices during market hours on an intraday basis, in the direction of the price movement in the underlying.

- *No change in system of stockbrokers and market participants:* The introduction of new strike prices during market hours shall not require any real-time changes to the systems of stockbrokers or market participants, ensuring seamless market operations.

- *Stock Exchange discretion:* Each stock exchange shall have discretion to determine the specific rules and formulas for implementing the framework, including decisions on strike intervals for contracts farther from the prevailing market price and the minimum number of options contracts to be issued, etc.

- *Publication and Periodic Review:* Stock exchanges shall publish the framework on their website and review the framework periodically in consultation with market participants.

- *Applicability across all segments:* The framework shall apply to options across all segments, including equity, currency, commodities, etc. The specific rules and formulas may vary across sub-segments based on their respective liquidity levels and degree of market participation.

- *Discontinuation of Master Circular:* Upon implementation of this framework, Clause 2.1.7.3 of Chapter 5 pertaining to rationalisation of strike intervals for long-dated index options and framework to disable existing long-dated strikes, of the SEBI Master Circular on Stock Exchanges and Clearing Corporations dated December 30, 2024, shall be discontinued.

The consultation paper can be accessed ***here***.

IV. REGULATORY ORDERS AND INFORMAL GUIDANCES

16. SEBI issues a settlement order concerning Unicorn India Ventures Fund III

SEBI *vide* its order dated May 04, 2026, has settled proceedings in the matter of Unicorn India Ventures Fund III, the only active scheme under Unicorn India Ventures Debt Fund-I, a SEBI-registered Category II AIF. The applicants in the settlement proceedings were Unicorn India Ventures Debt Fund-I, its manager Unicorn India Ventures Services LLP, and its Key Managerial Personnel, namely Mr. Anil Joshi and Mr. Bhaskar Majumdar.

SEBI's examination found that uninvested funds of the scheme had been temporarily parked in the Aditya Birla Sun Life Savings Fund – Regular Growth Plan, a savings mutual fund scheme, during the period May 15, 2023, to May 24, 2023. This was in contravention of the SEBI (Alternative Investment Funds) Regulations, 2012, which permit uninvested funds to be deployed only in liquid mutual funds, bank deposits, or other high-quality liquid assets.

The applicants filed a settlement application proposing to settle the proceedings without admitting or denying the findings of fact and conclusions of law. Upon acceptance of the settlement terms by SEBI's High Powered Advisory Committee, the applicants paid an aggregate settlement amount of INR 25,50,000.

The settlement order can be accessed ***here.***

17. SEBI issues a settlement order concerning Indiabulls Real Estate Limited

SEBI *vide* its settlement order dated May 07, 2026, has settled enforcement proceedings against four entities in connection with its investigation into alleged diversion, siphoning, and misappropriation of funds involving erstwhile Indiabulls Real Estate Limited **("IBREL")**, now known as Embassy Developments Limited. The applicants in the settlement proceedings were Agnes Developers Private Limited, Everlast Projects Private Limited, Lincoln Developers Private Limited, and Deneb Developers Private Limited, each of which had been identified as a conduit entity in SEBI's investigation.

SEBI examined the consolidated financial statements of IBREL for FY2014-15 to FY2016-17 and subsequently conducted a detailed investigation covering the period from FY2009-10 to FY2016-17. The investigation focused on alleged layered diversion of funds from Albasta Infrastructure Limited, a wholly owned subsidiary of IBREL, to promoter-connected entities through the four applicant entities acting as conduits.

Based on its investigation, SEBI issued a show-cause notice in 2023 to the applicant entities. The applicants filed their respective settlement applications in January 2024 under the SEBI (Settlement Proceedings) Regulations, 2018, proposing to settle the proceedings without admitting or denying the findings of fact and conclusions of law.

The settlement applications were reviewed by SEBI's Internal Committee and thereafter by the High Powered Advisory Committee ("HPAC"), which recommended settlement upon payment of the agreed amounts. The panel of Whole-Time Members of SEBI approved the recommendations in March 2026. The applicants collectively remitted an aggregate settlement amount of INR 10.49 crore in April 2026, with Agnes Developers, Everlast Projects, and Deneb Developers each paying approximately INR 2.60 crore and Lincoln Developers paying approximately INR 2.69 crore (inclusive of legal costs of INR 9.12 lakhs).

The settlement order can be accessed ***here.***

18. SEBI issues informal guidance to Avenue Supermarts Limited concerning certain provisions of the Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015.

SEBI *vide* informal guidance dated February 06, 2026 (published on May 08, 2026) addressed to Avenue Supermarts Limited **("the Company")**, has responded to queries regarding the applicability of insider trading restrictions under SEBI (Prohibition of Insider Trading) Regulations, 2015 ("**PIT Regulations**") to pledge transactions by Designated Persons ("**DPs**") for the purpose of exercising Employee Stock Options ("**ESOPs**").

SEBI has addressed the following queries in its informal guidance:

(i) Query 1: Whether creation of pledge over the Company's shares by DPs for availing financial assistance from banks/financial institutions for exercising ESOPs, and subsequent invocation/revocation of such pledge within a period of six months, would be construed as a contra trade?

Response to Query 1: SEBI referred to its earlier informal guidance dated August 04, 2025, issued in the matter of Welspun Corp Limited on the applicability of contra trade restrictions to pledge and revocation transactions. SEBI clarified that while invocation of pledge (which entails a change in beneficial ownership) may be considered akin to a sale of shares, it would not by itself constitute a contra trade, provided that the DP does not undertake any acquisition of shares (other than via ESOP exercise) within a period of not less than six months before or after such invocation. Accordingly, invocation of the pledge within six months of the original pledge creation may attract countertrade restrictions depending on the nature of other transactions undertaken in the surrounding six-month window.

(ii) Queries 2 & 3: Whether creation and revocation of pledge by DPs during a trading window closure period for purposes such as exercising ESOPs, buying a house, repaying a home loan, or meeting a medical emergency would qualify as a *bona fide* transaction eligible for pre-clearance by the Compliance Officer?

Response to Queries 2 & 3: Clause 4(3)(a) of the Schedule read with Regulation 9(1) of the PIT Regulations exempts pledge of shares from trading window restrictions where the pledge is made for a *bona fide* purpose such as raising of funds, subject to pre-clearance by the Compliance Officer. SEBI noted that the phrase 'such as' is illustrative and not exhaustive, and therefore, the Regulations do not provide a closed list of *bona fide* purposes. Thus, whether a transaction qualifies as *bona fide* must be determined on a case-by-case basis by the Compliance Officer in accordance with the Company's Code of Conduct ("CoC"). However, any transaction classified as *bona fide* under the CoC must not violate the PIT Regulations or any other applicable SEBI regulations.

The informal guidance can be accessed ***here***.

19. SEBI issues an order concerning Future Retail Limited

SEBI *vide* its order dated May 12, 2026, has imposed a total penalty of INR 50 lakhs on three former senior executives of Future Retail Limited ("**FRL**") for violations related to disclosure norms and related-party transactions under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("**LODR Regulations**"). The order was passed by SEBI's Quasi-Judicial Authority pursuant to proceedings initiated against promoters, key managerial personnel, audit committee members, and persons linked to FRL's statutory audit function.

SEBI commenced an investigation in June 2022 to examine whether FRL's books of accounts had been manipulated and whether funds had been siphoned off through undisclosed related-party transactions and misleading disclosures, covering the period from FY2019-20 to FY2021-22.

SEBI found that FRL had failed to disclose certain related parties and related-party transactions ("**RPTs**") in its annual reports, and had also failed to obtain requisite approvals from the audit committee and/or shareholders for such transactions, as mandated under Regulations 23(2) and 34(3) read with Clause 1 of Part A of Schedule V of the LODR Regulations. SEBI further noted that the top management had allegedly continued to assure the audit committee that all compliance requirements were being met, notwithstanding persistent lapses on the ground.

SEBI declined to invoke the more stringent fraud-related provisions under the SEBI (Prohibition of Fraudulent and Unfair Trade Practices) Regulations, 2003, observing that the allegations of fund diversion and fraudulent conduct could not be conclusively established on the available material. SEBI also rejected allegations relating to valuation mismatches, store count disclosures, and certain disclosures in connection with FRL's proposed scheme of arrangement with the Reliance Group, finding insufficient material to sustain those charges.

SEBI imposed a penalty of INR 20 lakhs on Mr. Kishore Biyani, former Chairman and Managing Director, holding him vicariously responsible for FRL's disclosure lapses by virtue of his leadership role. A penalty of INR 15 lakhs each was imposed on Mr. Rakesh Biyani, former Managing Director, and Mr. C.P. Toshniwal, former Chief Financial Officer, the latter being held liable for aiding and facilitating the occurrence of the defaults.

The order can be accessed ***here***.

20. SEBI issues an order concerning suspected insider trading by certain entities in the scrip of Religare Enterprises Limited

SEBI *vide* its order dated May 13, 2026, has held Ms. Rashmi Saluja, former Executive Chairperson of Religare Enterprises Limited ("**REL**"), guilty of insider trading in the scrip of REL and directed her to disgorge unlawful gains of INR 1.99 crore along with applicable interest, in addition to imposing a monetary penalty of INR 40 lakhs.

SEBI initiated its investigation following a complaint received in November 2023 from investment entities linked to the Burman Group, seeking an examination of trades executed by Ms. Saluja in REL shares. The Burman Group had publicly announced an open offer to REL's shareholders on September 25, 2023, for the purpose of acquiring additional shares and obtaining management control of REL. SEBI identified the UPSI period as September 8 to September 25, 2023, i.e., from the date on which the proposed open offer was in formulation to the date of its public announcement.

SEBI found that Ms. Saluja had sold REL shares on September 21 and 22, 2023, i.e., within the UPSI period, while allegedly in possession of unpublished price-sensitive information ("UPSI") pertaining to the impending open offer. SEBI noted that Ms. Saluja had generally remained inactive in trading REL shares, and that the timing and nature of her trades were consistent with access to UPSI. SEBI also cited WhatsApp exchanges dated September 25, 2023, in which Ms. Saluja allegedly shared drafts of REL's press release regarding the open offer with a representative of the Burman Group before such information had been formally disseminated to the stock exchanges.

SEBI's investigation established that Ms. Saluja had met with Mr. A.C. Burman, Chairman Emeritus of Dabur India, and Mr. Arjun Lamba, a Burman Group representative, on August 25 and September 20, 2023. Mr. Lamba reportedly stated to investigators that Ms. Saluja had been informed about the plan to acquire control of REL during these meetings.

Ms. Saluja denied the allegations, contending that she became aware of the open offer only on September 25, 2023, when news reports about the transaction surfaced. She further alleged that the complaint by the Burman Group was motivated by the ongoing corporate control dispute over REL.

SEBI, however, rejected these contentions and concluded that Ms. Saluja had traded in REL shares in violation of the SEBI (Prohibition of Insider Trading) Regulations, 2015.

The order can be accessed ***here***.

21. SEBI cancels registrations of four AIFs for failure to file mandatory Quarterly Activity Reports

SEBI *vide* four separate orders passed in May 2026 has cancelled the registrations of five SEBI-registered Alternative Investment Funds, namely Domus Capital LLP, Indostar Credit Fund, Indostar Recurring Return Credit Fund, India Electronic Development Fund, and Ventureland Asia Advisors Services LLP, for failure to file Quarterly Activity Reports **("QARs").**

Under Regulation 28 of the SEBI (Alternative Investment Funds) Regulations, 2012 **("AIF Regulations")**, read with Clause 15.1.1 of the SEBI Master Circular for AIFs dated May 7, 2024, all registered AIFs are required to submit QARs to SEBI within 15 calendar days from the end of each quarter, through the designated SI Portal.

All four entities failed to file QARs for multiple quarters in 2025. The AIFs failed to file QARs for all four quarters ending March, June, September, and December 2025. The AIFs attributed the non-filing to a range of factors, including the absence of business activity and investment, pending surrender of registration applications, and administrative or technical difficulties. Domus Capital LLP submitted that no funds had been raised since inception and furnished a CA certificate evidencing a NIL balance, and stated that it had attempted to file the QARs after receiving the show-cause notice. India Electronic Development Fund similarly contended that it had not yet raised any funds and therefore had not filed quarterly returns. The two Indostar funds stated that they had been inactive and that any reports would in any case have reflected NIL activity. Ventureland Asia Advisors Services LLP claimed to have emailed the reports to SEBI and sought assistance for filing through the SI Portal.

SEBI rejected all explanations, observing that the Master Circular for AIFs does not carve out any exception for AIFs that have not launched schemes or have no business activity, and that such entities remain obligated to file NIL reports within the prescribed timelines. On the question of email submissions, SEBI held that filing through the SI Portal is a mandatory statutory requirement, and that emailing reports cannot constitute compliance in substitution thereof, relying on the settled legal principle that when a statute requires a thing to be done in a particular manner, it must be done in that manner alone. SEBI further held that subsequent attempts to rectify defaults after receipt of the show-cause notice do not cure past violations. SEBI accordingly cancelled the registration certificates of all four AIFs with immediate effect.

The orders in the matters of Domus Capital LLP, Indostar Credit Fund, Indostar Recurring Return Credit Fund, India Electronic Development Fund, and Ventureland Asia Advisors Services LLP can be accessed ***here***, ***here***, ***here***, ***here***, and ***here***, respectively.

22. SEBI issues an informal guidance to Geojit Financial Services Limited concerning pledging of securities purchased under Non-Discretionary Portfolio Management services ("ND-PMS")

SEBI *vide* informal guidance dated May 18, 2026 addressed to Geojit Financial Services Limited **("the Company")** has responded to queries regarding the applicability of SEBI (Portfolio Managers) Regulations, 2020 **("PM Regulations")** in allowing client to pledge securities held in their demat account under the ND-PMS framework wherein the borrowing arrangement would be between the client and the lender and the portfolio manager will not be a party to the borrowing transaction.

SEBI has addressed the following queries in its informal guidance:

Query 1: Whether Portfolio Manager may permit client to pledge securities held in the client's demat account (Securities purchased under the ND-PMS framework) either directly by the client or through an instruction routed via the Portfolio Manager to the Custodian, considering that these securities are the client's property and remain in the client's beneficiary account and that such pledge is initiated solely at the client's discretion for the client's own benefit, not for the Portfolio Manager's benefit.

Query 2: Whether such a pledge by the client would in any manner be construed as borrowing of funds or securities by the portfolio manager on behalf of the client, as restricted under Regulation 23(8) of the SEB! (Portfolio Managers) Regulations, 2020.

Response to Queries 1&2: Under Regulation 23(1) of the PMS Regulations, a Non-Discretionary Portfolio Manager is bound to manage client funds strictly as per the client's instructions, meaning all investment decisions ultimately rest with the client. SEBI noted that as the beneficial owner of the securities held under PMS, the client retains the right to pledge those assets as collateral for loans. Further, the borrowing restrictions under Regulation 23(8) do not bar ND-PMS clients from creating a pledge, so long as the pledge is initiated solely at the client's own discretion.

Query 3: Whether the market value of securities pledged by the client may continue to be included in the Portfolio Manager's Asset Under Management (AUM) and reflected in regulatory reporting, given that the beneficial ownership of the securities remains with the client and the act of pledging does not alter such ownership.

Response to Query 3: A pledge does not transfer beneficial ownership of the securities from the client (pledger) to the lender (pledgee) unless and until the pledge is formally invoked. SEBI thus noted that as the pledged securities continue to remain with the client, their market value shall be included in the Portfolio Manager's AUM and reflected in regulatory reporting, right up until the point of invocation.

Query 4: Whether any specific disclosure or risk warnings are required to be provided by the Portfolio Manager to the client regarding the risks associated with pledging of securities, including but not limited to the risk of invocation of pledge and loss of securities.

Query 6: Any other precautions that we have to take to be compliant with SEBI Regulations?

Response to Queries 4 and 6: SEBI noted that since the queries are general in nature and do not cite applicable legal provisions, the responses to the same are not being provided in terms of paragraph 11(a) and 11(d) of the Securities and Exchange Board of India (Informal Guidance) Scheme, 2025.

Query 5: Whether the Portfolio Manager is required to inform SEBI or the Custodian regarding such pledging arrangements entered into by the client.

Response to Query 5: The Portfolio Manager may take guidance from the applicable provisions of the PMS Regulations, along with any Circulars or Master Circulars issued thereunder from time to time.

The informal guidance can be accessed ***here***.

23. SEBI issues an order concerning First Global Finance Private Limited

SEBI *vide* its final order dated May 27, 2026, has imposed a total penalty of INR 42 lakhs on First Global Finance Private Limited ("**FGF**"), a SEBI-registered Portfolio Manager, its Chairperson, Ms. Devina Mehra, and its Director, Mr. Neeraj Khanna, following an inspection of FGF's operations for the period April 1, 2021, to December 31, 2023. The order was passed pursuant to a show-cause notice issued following the inspection conducted by SEBI on August 21, 2024.

SEBI found that FGF had outsourced core portfolio management and investment-related activities to Algo One AI Private Limited ("**Algo One**"), an external technology firm, and had invested client funds based on the advice and recommendations of Algo One and its representative, Mr. Achin Agarwal, in violation of Regulation 24(10) of the SEBI (Portfolio Managers) Regulations, 2020 ("**PMS Regulations**"), the SEBI Circular dated December 15, 2011 on outsourcing of activities by intermediaries, and Clauses 1, 3, and 13(a) of Schedule III (Code of Conduct) read with Regulation 21 of the PMS Regulations. SEBI noted that Mr. Agarwal had been included as a member of FGF's investment committee, and that basket files generated through the Algo One system, which determined portfolio allocation and execution workflows, were subject to approval by Ms. Mehra and Mr. Khanna before execution. SEBI found this arrangement to be a clear instance of the prohibited outsourcing of core investment decision-making to an unregistered external entity.

SEBI also found that FGF had made misleading disclosures in relation to the performance of its PMS in violation of Regulation 22(10) of the PMS Regulations and the relevant provisions of the Master Circular for Portfolio Managers.

SEBI held that Ms. Mehra and Mr. Khanna were directly involved in and aware of the operational arrangement with Algo One and Mr. Agarwal, including the latter's inclusion in the investment committee and his role in approval and implementation processes, and accordingly held them personally liable for the violations established against FGF.

SEBI imposed a monetary penalty of INR 14 lakhs each on FGF, Ms. Mehra, and Mr. Khanna, aggregating to INR 42 lakhs. In addition, SEBI restrained FGF from onboarding any new PMS clients for a period of 21 days.

The order can be accessed ***here***.

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