What's Buzzing!

REGFIN INSIGHT

JULY 2026

SEBI UPDATES

1. SEBI notifies the Securities and Exchange Board of India (Buy-Back of Securities) (Amendment) Regulations, 2026

SEBI, *vide* notification dated July 01, 2026, has notified the Securities and Exchange Board of India (Buy-Back of Securities) (Amendment) Regulations, 2026 (**"Amendment Regulations"**), further amending the SEBI (Buy-Back of Securities) Regulations, 2018 (**"Buy-Back Regulations"**). The Amendment Regulations shall come into force on August 01, 2026.

Key changes introduced are set out below:

- **Cap on open market buy-back:** With effect from August 01, 2026, any buy-back undertaken through the open market via the stock exchange mechanism shall be less than fifteen percent of the paid-up capital and free reserves of the company, computed with reference to both standalone and consolidated financial statements.
- **Cooling-off period:** The existing prescription on the period for which a company may not make a fresh offer of buy-back has been aligned with the corresponding period prescribed under the Companies Act, 2013, in place of the specific period earlier stated in the Buy-Back Regulations.
- **Minimum public shareholding safeguard:** A company is now expressly barred from undertaking any buy-back that would result in a breach of the minimum public shareholding requirements prescribed under the Securities Contracts (Regulation) Rules, 1957 or the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.
- **Revised offer timelines (open market route):** With effect from August 01, 2026, the buy-back offer shall open within four working days from the date of the public announcement, and shall close within sixty-six working days from the date of opening of the offer.
- **Escrow arrangements:** Provisions governing the escrow account (including bank guarantees, cash deposits and approved securities placed in escrow) have been recasted, including that a bank guarantee furnished in favour of the merchant banker must remain valid for thirty working days after the later of expiry of the buy-back period or completion of all obligations under the Buy-Back Regulations, and shall be released only upon completion of such obligations.
- **Freeze on promoter holdings:** Shares or other specified securities held by the promoter(s) and promoter group (including their associates) that are the subject of the buy-back shall remain frozen at the ISIN level from the date of the board or special resolution, as applicable, until closure of the offer, subject to a carve-out for tendering in a tender-offer buy-back and for transfers pursuant to invocation of pre-existing encumbrances; companies are required to instruct depositories accordingly.
- **Electronic intimation to shareholders:** In case of an open market buy-back, the company must send an electronic intimation of the offer, within one working day of the public announcement, to persons who were shareholders as on the date of such announcement.
- **Option to dispense with a merchant banker:** A new regulation 24A has been inserted, granting companies the discretion not to engage a merchant banker for a buy-back. Where a merchant banker is not engaged, the obligations ordinarily discharged by the merchant banker are required to be reassigned as follows:

Activity / Responsibility	Reassigned to (where no merchant banker is engaged)
Filing of letter of offer and public announcement (with fees) and ensuring accuracy and adequacy of contents	Company

Certifying compliance of the buy-back offer with the Regulations; due diligence certification	Secretarial Auditor
Oversight and operation of escrow accounts (bank guarantees, cash deposits, approved securities, invocation and release/forfeiture directions)	Statutory Auditor
Certification of adequacy of sell orders and VWAP of securities	Stock Exchanges
Presence during extinguishment of securities (open market buy-back)	Compliance Officer
Certification/verification of extinguishment of securities	Compliance Officer
Submission of final report	Company
Ensuring availability of funds and firm financial arrangements for the buy-back	Company
Compliance with relevant provisions of the Companies Act, 2013	Company

- Consequential amendments have also been made to regulations 4, 8, 9, 11, 16, 17, 20, 21, 22A and Schedule V of the Buy-Back Regulations to align terminology (including replacing references to a "delay account" with "escrow account") and cross-references consequent to the above changes.

Further, SEBI, vide circular dated July 21, 2026, has issued operational guidelines regarding the freezing of equity shares and specified securities held by promoters, promoter groups, and their associates ("promoter holdings") at the International Securities Identification Number ("ISIN") level during buy-back offers.

Key highlights of the operational framework include:

- **Mandatory ISIN-Level Freeze:** Depositories shall enforce an automated freeze on promoter holdings at the ISIN level, commencing from the date of the Board Resolution or Special Resolution approving the buy-back until the formal closure of the offer.

- **Permitted Exemptions:**

o Tendering of shares by promoters under buy-backs conducted specifically via the tender offer route continues to be permitted.
o Invocation or release of encumbrances created prior to the buy-back period is permitted, provided that any invoked or released securities remain subject to the ongoing ISIN-level freeze.

- **System Infrastructure:** Depositories are instructed to formulate operational modalities, standardized company instruction formats, and necessary technical enhancements to operationalize the framework. Full system readiness to be completed before August 01, 2026.

The notification can be accessed here and the circular can be accessed here

2. SEBI notifies revised framework for Handling Clients' Unpaid Securities by Trading Members

The Securities and Exchange Board of India ("SEBI") vide circular dated July 03, 2026, has amended Paragraph 46 of the Master Circular for Stock Brokers dated June 17, 2025 ("**Master Circular**"), governing the operational mechanism for handling unpaid client securities.

The amended circular provides that for trades not covered under the Margin Trading Facility ("MTF"), unpaid securities shall be directly credited to the client's demat account, followed by an automatic pledge with the reason "unpaid" in favor of the "Client Unpaid Securities Pledgee Account" ("CUSPA") maintained by the Trading Member ("TM"). Further, TMs are required to formulate a transparent policy defining the funding period (capped at a maximum of five trading days from payout) and perform daily assessments to release excess pledged quantities on or before the next trading day if the pledge value exceeds the determined maximum liability.

Additionally, in exceptional scenarios such as lower circuit freezes or trading halts, TMs may request depositories by 6:00 PM on the fifth trading day after payout to extend the pledge by up to one additional calendar week and if such conditions continue, additional extensions may be sought.

Further, the stock exchange shall release operational guidelines within 30 days from the date of the circular. Revised paragraph 46.1 to 46.11 of the Master Circular shall come into effect from three months from the date of issuance of operational guidelines by the stock exchanges. Amended paragraph 46.12 to 46.14 of the Master Circular shall come into effect six months from the date of issuance of the circular.

The circular can be accessed here.

3. SEBI notifies Intraday Borrowing Framework for Mutual Fund Schemes to manage timing mismatches

The Securities and Exchange Board of India ("SEBI") vide Gazette Notification dated July 03, 2026, amended Regulation 42(2) of the SEBI (Mutual Funds) Regulations, 2026, enabling mutual funds to utilize intraday borrowings to address timing mismatches between scheme inflows and outflows. To operationalize this amendment, SEBI issued a follow-up circular dated July 10, 2026, superseding existing borrowing guidelines and setting out a detailed operational framework effective September 01, 2026.

Under the revised framework, mutual funds are permitted to avail intraday borrowings for specific operational needs—including unitholder payouts (redemptions, IDCW, interest), investment pay-ins, MTM/FX settlements, and repayment of existing borrowings. Borrowing limits are tied to guaranteed receivables (e.g., RBI/Clearing Corporation inflows, subscription collections) and sighted non-guaranteed receivables (e.g., secondary market settlement proceeds due by end-of-day, inflows from maturity proceeds), with additional borrowings restricted exclusively to unitholder redemption/payout obligations under Regulation 42(1).

Further, Asset Management Companies ("AMCs") must ensure all intraday borrowings are fully repaid by the end of the day, with any rollover into overnight borrowings remaining strictly within statutory caps. Additionally, AMCs are required to publish a board-approved policy on their websites, maintain scheme-wise liquidity records, and absorb all borrowing costs, delay-related losses, or expenses without passing them on to scheme unitholders.

The notification and circular can be accessed here and here, respectively.

4. SEBI amends FPI and FVCI Regulations to revise fee structures and remittance timelines

The Securities and Exchange Board of India ("SEBI") vide Gazette Notifications dated July 03, 2026, issued the SEBI (Foreign Portfolio Investors) (Amendment) Regulations, 2026, and the SEBI (Foreign Venture Capital Investors) (Amendment) Regulations, 2026. Both amendments are scheduled to come into force 180 (one hundred and eighty) days from their publication in the Official Gazette, with the exception of the updated FPI background disclosure requirements, which take effect immediately.

Under the revised framework, SEBI has transitioned the payment structure for FPI and FVCI registrations, extensions, late fees, and offshore derivative instruments ("ODIs") from USD-denominated amounts to fixed Indian Rupee ("INR") values payable in eligible foreign exchange equivalents. Under the updated fee schedule, FPI registration fees are set at ₹2,30,000 and ₹23,000 based on the applicable category, ODI regulatory fees are fixed at ₹75,000, and FVCI initial registration and renewal fees are set at ₹2,30,000 and ₹9,000, respectively. The amendments also adjust payment timing so that fees must be paid prior to the grant of registration rather than at the time of application submission.

Additionally, Designated Depository Participants ("DDPs") are now required to remit collected fees to SEBI in INR within 5 (five) working days of granting registration (for initial registrations) or receiving funds (for subsequent blocks and late fees). The FPI amendment further requires foreign portfolio investors to explicitly disclose their date of birth, incorporation, agreement, deed, or formation on record.

The notifications can be accessed here and here.

5. SEBI notifies the SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2026 and operationalises the 'GARUDA' mechanism for filing of Placement Memoranda

SEBI vide notification dated July 10, 2026, has notified the Securities and Exchange Board of India (Alternative Investment Funds) (Second Amendment) Regulations, 2026 ("Second Amendment Regulations"), amending the SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations"). Pursuant thereto, SEBI, vide circular dated July 30, 2026, has specified the operational modalities for filing of Placement Memorandum ("PPM") of Alternative Investment Funds ("AIFs") under the 'Green-Channel: AIF Rollout Upon Document Acknowledgement' ("GARUDA") mechanism, by substituting paragraphs 2.4 and 2.5, and modifying paragraph 21.4.4, of the SEBI Master Circular for AIFs dated June 03, 2026 ("AIF Master Circular").

Regular schemes (i.e., schemes other than AI only funds, LVFs and Angel Funds):

- In terms of regulation 12 of the AIF Regulations, AIFs may launch a new scheme after ten working days from filing of the relevant application with SEBI, unless otherwise advised by SEBI; the first scheme of an AIF may be launched from the later of the date of grant of SEBI registration or expiry of ten working days from filing of the application.
- The PPM of a Regular scheme is required to be filed on the SEBI Intermediary Portal, at the time of registration or prior to launch of a new scheme, together with a Merchant Banker due diligence certificate, Fit and Proper declarations (in terms of Schedule II of the SEBI (Intermediaries) Regulations, 2008) with respect to the AIF, Sponsor and Manager, Sponsor/Manager declarations on minimum continuing interest, and PAN details of the AIF, its scheme, Sponsor, Manager, Trustee and key investment team members.
- The Merchant Banker engaged for this purpose (which must not be an associate of the AIF, its Sponsor, Manager or Trustee) is required to independently exercise due diligence on the PPM disclosures and furnish a due diligence certificate, with a prescribed disclaimer clause to be carried in the PPM disclosing that the Merchant Banker has independently verified the veracity and adequacy of disclosures.

AI only Funds and Large Value Funds for Accredited Investors ("LVFs"):

- In terms of the proviso to regulation 12(3A) of the AIF Regulations, schemes restricted to Accredited Investors ("AI only funds") and LVFs (an AI only fund where each investor commits not less than INR 25 crore) are exempted from filing the PPM through a Merchant Banker and from incorporating SEBI's comments thereon, and may accordingly launch immediately upon filing of the PPM with SEBI (the first scheme may be launched from the date of grant of registration).

Angel Funds:

- Pursuant to the Second Amendment Regulations, Angel Funds are similarly exempted from filing the PPM through a Merchant Banker and from incorporating SEBI's comments, and may circulate the PPM to investors for soliciting funds from the date of grant of SEBI registration.

In lieu of the Merchant Banker due diligence certificate, the PPM of AI-only funds, LVFs and Angel Funds is required to be filed on the SEBI Intermediary Portal together with a duly signed and stamped undertaking of the Chief Executive Officer (or equivalent) and the Compliance Officer of the Manager, in the prescribed format, along with a corresponding disclaimer clause in the PPM. Any new scheme launched as an AI only fund is required to carry the suffix 'AI only fund' or 'AIOF', and any new LVF the suffix 'LVF', in its scheme name.

Changes to PPM terms: Paragraph 21.4.4 of the AIF Master Circular has been modified to exempt AI only funds, LVFs and Angel Funds from routing changes to PPM terms through a Merchant Banker; such changes are to be filed directly with SEBI along with a CEO and Compliance Officer undertaking in the prescribed format.

The circular clarifies that filing of the PPM with SEBI does not amount to approval by SEBI, and that the Manager (together with the Merchant Banker, where applicable) remains responsible for the truth, accuracy and completeness of all disclosures made in the PPM. The GARUDA mechanism applies with immediate effect to PPMs of all schemes/funds filed with SEBI on or after the date of notification of the Second Amendment Regulations, and the AIF Master Circular dated June 03, 2026 stands updated to reflect these changes.

The notification and circular can be accessed here and here, respectively.

6. SEBI issues updated Master Circular for Merchant Bankers registered with SEBI

The Securities and Exchange Board of India ("SEBI"), vide Master Circular dated July 14, 2026, has consolidated all applicable circulars issued in relation to Merchant Bankers ("MBs") registered under the SEBI (Merchant Bankers) Regulations, 1992 ("MB Regulations").

The Master Circular has been updated to reconcile with the amendments to the MB Regulations notified on December 5, 2025 (effective January 3, 2026), and to incorporate the provisions of circulars dated May 02, 2017, January 02, 2026 and June 11, 2026. With the issuance of this Master Circular, all directions and instructions contained in the circulars listed in its Appendix stand rescinded to the extent they relate to Merchant Bankers, save that actions already taken, applications pending, and rights, liabilities and proceedings arising under the rescinded circulars remain unaffected and enforceable as before.

Key operational and compliance requirements consolidated under the Master Circular include the following:

- Phased compliance with revised net worth and liquid net worth requirements and timelines for existing MBs to categorise themselves as Category I or Category II, as extended vide the circular dated June 11, 2026:

Category	Net worth – Phase I (by Mar 31, 2027)	Liquid net worth – Phase I	Net worth – Phase II (by Mar 31, 2028)	Liquid net worth – Phase II
Category I	Rs. 25 crore	Rs. 6.25 crore	Rs. 50 crore	Rs. 12.5 crore
Category II	Rs. 7.5 crore	Rs. 1.875 crore	Rs. 10 crore	Rs. 2.5 crore

- MBs are required to intimate SEBI, on or before March 31, 2027, of the category (Category I or II) they intend to continue as from April 01, 2027, along with a Chartered Accountant-certified net worth certificate.
- Existing employees and compliance officers to obtain NISM Series-IX: Merchant Banking Certification (and, for compliance officers, NISM Series-IIIA certification) on or before January 02, 2027; new appointees within ninety days of appointment.
- Requirement that the compliance officer be independent of the principal officer and the two professionally qualified employees under regulation 6(b) – existing MBs to comply on or before April 03, 2026.
- Principal officer to possess at least five years' experience in the financial markets – existing MBs to comply on or before January 02, 2027.
- Total underwriting obligations of an MB capped at twenty times its liquid net worth – existing MBs to comply on or before January 02, 2028.
- Minimum revenue from permitted activities, assessed cumulatively over the preceding three financial years (Category I: at least Rs. 25 crore; Category II: at least Rs. 5 crore), with the first assessment to be carried out with effect from April 01, 2029, failing which registration is liable to be cancelled under summary proceedings, subject to specified force-majeure-type exceptions.
- MBs are prohibited from outsourcing core merchant banking activities; existing open mandates for outsourced core activities to be closed on or before April 03, 2026.
- Non-SEBI-regulated activities to be conducted only through a separate business unit ("SBU"), segregated by a Chinese wall – timeline for such segregation extended to December 31, 2026 (from the earlier timeline of July 03, 2026).

The Master Circular can be accessed here.

7. SEBI extends standing instructions for SWP and STP to demat-held Mutual Fund units

SEBI, vide circular dated July 17, 2026, taking into account recommendations from its Working Group and Secondary Market Advisory Committee, has extended the facility of creating standing instructions for Systematic Withdrawal Plans ("SWP") and Systematic Transfer Plans ("STP") to Mutual Fund units held in demat form.

The framework provides that the facility shall be implemented in two phased stages, starting with Phase I for "Unit-based SWP/STP" (fixed unit redemptions/transfers) followed by Phase II for "Amount-based SWP/STP" (fixed cash payout/transfer mandates). Further, Depositories have been designated as the nodal facilitators responsible for operationalizing Phase I by January 31, 2027, and Phase II by April 30, 2027.

Additionally, Depositories are directed to jointly publish a standard operating framework on their official websites by October 31, 2026, and execute the necessary technical and systemic enhancements.

The circular can be accessed here.

8. SEBI streamlines Certification Requirements for Specialized Investment Fund Distributors

SEBI, vide circular dated July 21, 2026, has modified Paragraph 21.10 of the Master Circular for Mutual Funds dated March 20, 2026, to revise the mandatory certification criteria for distributors of Specialized Investment Funds ("SIFs").

The circular introduces a dedicated "NISM Series-V-D: Mutual Fund Specialized Investment Fund Distributors Certification", specifying that individuals holding this credential are qualified to distribute both traditional Mutual Funds and SIF products without needing a separate Series V-A certification. Further, the framework mandates that the previous requirement to hold the "NISM Series XIII: Common Derivatives Certification" for selling SIF products shall stand discontinued after September 21, 2026.

Additionally, to facilitate a smooth operational transition, existing SIF distributors who obtain the Series XIII certification on or before September 21, 2026, will be permitted to continue using it alongside their valid NISM Series V-A certification until its expiration.

Further, the requirement to obtain such "NISM Series-V-D: Mutual Fund Specialized Investment Fund Distributors Certification" stands extended to any person employed or engaged or to be employed or engaged in sales and distribution of SIFs, and it shall be the responsibility of AMFI and AMC to ensure compliance with this circular by distributors and agents.

The circular can be accessed here.

9. SEBI Standardizes Framework for Transmission of Securities and Introduces Quick Transmission Processing (QTP)

The Securities and Exchange Board of India ("SEBI"), vide circular dated July 23, 2026, has issued a comprehensive framework to streamline, standardize, and simplify the process of transmission of securities. The revised framework has been introduced in furtherance of Regulation 40(7) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, aiming to enhance ease of dealing in securities while maintaining risk-based compliance standards.

Key highlights of the revised framework include:

- **Quick Transmission Processing ("QTP"):** Introduced as a fast-track category for low-value claims made by immediate relatives (parents, spouse, children, and parents-in-law). Claimants can apply via a simplified Transmission Request Form-cum-Undertaking on plain paper alongside primary proof of relationship and basic KYC documents.

- **Revision of Monetary Thresholds:**

o **QTP Limits:** Up to ₹10,000 for physical securities (per listed entity/SOA units per AMC) and up to ₹30,000 for dematerialised securities (per beneficial owner).
o **Simplified Documentation Limits:** Up to ₹10 Lakhs for physical securities (listed entities retain discretion to enhance this limit) and up to ₹30 Lakhs for dematerialised securities.
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- **Documentation Streamlining:** Mandatory submission of Probate of Will, Letters of Administration, or Succession Certificate has been eliminated for claims within threshold limits. A single Affidavit-cum-NOC format has been introduced, and death certificates bearing QR codes as well as foreign death certificates (authenticated via overseas bank branches/correspondent banks) are now accepted.

- **Processing Timelines & Reporting:** Processing entities must execute complete claims within 21 calendar days. Regulated entities are mandated to submit monthly status reports to SEBI for an initial period of 6 months.

The circular can be accessed here.

OTHER REGULATORY UPDATES

10. RBI, in consultation with IFSCA, clarifies reporting of Foreign Direct Investment received by regulated entities in IFSC

The Reserve Bank of India ("RBI"), in consultation with the Authority, has vide press release dated July 01, 2026, revised the answers to question nos. 43, 44 and 45 of, and inserted a new question no. 46 into, the "FAQs on Annual Return on Foreign Liabilities and Assets (FLA) under FEMA, 1999". The FAQs, inter alia, clarify that while FDI norms do not apply to investments made in IFSC-regulated entities ("REs"), data relating to such investments continues to be required for compilation of India's balance of payments data.

Accordingly, REs are not required to file the FLA return with the RBI; the Authority is instead expected to issue instructions to REs for submission of the necessary data for balance of payments compilation. REs have been advised to await further instructions of the Authority in this regard.

The press release can be accessed here.

11. IFSCA Authority approves key regulatory decisions in its 29th meeting held on July 24, 2026

The Authority of the International Financial Services Centres Authority ("IFSCA"), at its 29th meeting held on July 24, 2026, approved, inter alia, the following:

A. Amendment to IFSCA (Capital Market Intermediaries) Regulations, 2025 – Credit Rating Agencies
The Authority approved a proposal to amend the IFSCA (Capital Market Intermediaries) Regulations, 2025 with respect to withdrawal of credit ratings by Credit Rating Agencies registered with IFSCA, so as to align the regulatory framework governing such withdrawal with global best practices.

B. IFSCA (Prohibition of Market Abuse in Securities Markets) Regulations, 2026
The Authority approved the IFSCA (Prohibition of Market Abuse in Securities Markets) Regulations, 2026, providing a unified framework for the prohibition of insider trading and fraudulent, manipulative and unfair trade practices in the securities market in the IFSC.

C. Amendments to IFSCA (Fund Management) Regulations, 2025
The Authority approved a set of amendments to the IFSCA (Fund Management) Regulations, 2025, aimed at promoting ease of doing fund management business in GIFT IFSC, strengthening investor protection through enhanced disclosures, and providing regulatory clarity, based on industry feedback, supervisory experience and recommendations of the Fund Management Advisory Committee.

Key changes include:

- Periodicity for computation/disclosure of NAV by close-ended Restricted Schemes may be enhanced from semi-annual to annual, subject to prior approval of at least 75% of investors by value; independent valuation of underlying investments may be dispensed with where the underlying scheme is itself independently valued.

- FME/associate contribution limit for Venture Capital Schemes ("VC Schemes") and Restricted Schemes investing only in IFSC or foreign jurisdictions raised from 10% to 25% of scheme corpus; the exemption from minimum FME/associate contribution extended to Restricted and Retail Schemes that are Index Schemes, or Fund of Funds investing in Index Schemes/passive ETFs, subject to disclosure, and clarified to apply to Fund of Funds only where no active fund management is involved.
- VC Schemes permitted to participate in subsequent funding rounds of investee companies even after completion of ten years from incorporation, subject to specified conditions.
- Sectoral concentration limits for Retail Schemes exempted for Fund of Funds investing in underlying schemes regulated by, and permitted for retail offering in, their home jurisdiction.
- A common auditor may be appointed for an FME and its schemes where such FME/schemes are established by, and sole contributors are, Governments or Government-related investors (e.g., Sovereign Wealth Funds).
- AUM of Fund of Funds Schemes to be excluded while computing the USD 3 billion AUM threshold that triggers ESG/sustainability disclosure requirements for FMEs.
- Timeline for submission of the Annual Report of Schemes extended from four to six months from the end of the financial year.
- Investor approvals for certain matters may be obtained through disclosures in the PPM and the investor agreement, rather than separate consent processes.
- Offer Document disclosures for Retail Schemes expanded to cover NAV computation methodology and conflicts of interest; internal policies/frameworks under the FM Regulations to be approved by the FME's governing body or its delegate; temporary deployment of monies prior to a scheme achieving minimum corpus permitted in capital-preserving, liquid instruments, with PPM disclosure; and the definition of "associate" expanded to cover natural persons and non-corporate juridical persons with a direct economic interest.
- Timeline for appointment of key service providers (Fund Administrator, Auditor, and now also Valuer and Custodian) relaxed to require completion before execution of the agreement with any investor in the scheme.

D. Regulatory framework for differential distribution in Restricted Schemes and VC Schemes (blended finance)

The Authority approved an enabling provision under the FM Regulations and an accompanying regulatory framework to facilitate blended finance and other fund structures through differential distribution, developed on the recommendations of the Expert Committee on Sustainable Finance, industry representations, public consultation and the Fund Management Advisory Committee. Key features include:

- VC Schemes and Restricted Schemes may issue multiple classes of units with differential distribution rights, with junior/subordinate classes bearing lower returns or higher losses relative to their entitlement.
- **Minimum investment in junior classes:** USD 1 million from non-individual Accredited Investors, or USD 2 million from other investors; ESG Schemes may additionally accept grant funding, subject to conditions.
- The FME and its Key Managerial Personnel are required to carry out specific due diligence to ensure compliance with Indian law and applicable regulatory requirements, and the PPM must adequately and prominently disclose the terms of, and risks associated with, the multiple unit classes.

E. IFSCA (Electronic Trading Platform) Regulations, 2026

The Authority approved a dedicated regulatory framework for Electronic Trading Platforms ("ETPs") in the IFSC, issued in exercise of powers under section 45W of the Reserve Bank of India Act, 1934 read with section 13(1) of the IFSCA Act, 2019, aimed at enabling technology-driven trading venues with sound governance, transparency, market integrity and oversight, aligned with global norms and India's domestic ETP framework.

F. Revamped draft IFSCA (Setting up and Operation of International Branch Campuses) Regulations, 2026

The Authority approved a revamped draft framework for International Branch Campuses ("IBCs"), which will replace the IFSCA (Setting up and Operation of International Branch Campuses and Offshore Education Centres) Regulations, 2022. Notable changes include introduction of the concept of "Foreign Higher Educational Institutions" (covering both universities and other degree/qualification-awarding institutions), explicit recognition of the Academic Infrastructure Service Provider model, a defined scope for "Course" (including non-degree executive programmes), expanded eligibility criteria based on global rankings, mandatory applications through IFSCA's SWIT Portal, stipulated processing and extended in-principle approval timelines, registration validity until suspension / cancellation / surrender, clarity on permissible online/virtual course delivery, a mandated Grievance Redressal Committee, and permission for IBCs to receive student fees in INR subject to timely conversion to permitted foreign currencies.

The press note on the 29th Authority meeting can be accessed here.

CONSULTATION PAPERS

12. IFSCA seeks public comments on the proposal to expand the list of jurisdictions for distribution activities

The International Financial Services Centres Authority ("IFSCA") has issued a consultation paper dated July 17, 2026, proposing to expand the list of foreign jurisdictions from which capital market products and/or services may be distributed to any category of client (including retail investors) by distributors registered under the IFSCA (Capital Market Intermediaries) Regulations, 2025 ("CMI Regulations") and the Master Circular for Distributors in the IFSC dated August 5, 2025.

Existing Framework

Under Regulation 32(1) of the CMI Regulations, Registered Distributors may distribute: (a) products of regulated entities set up in India, the IFSC, or jurisdictions identified in the Gazette notification dated November 28, 2019 (presently the USA, Japan, South Korea, UK, France, Germany and Canada) — to any client in the IFSC or a foreign jurisdiction; and (c) the same categories of products — to any client in India. However, products originating from any other (non-identified) foreign jurisdiction may presently be distributed only to "sophisticated investors" (i.e., accredited or equivalent investors in their home jurisdiction), whether the client is in India, the IFSC, or abroad.

Basis for the Proposal

IFSCA has received representations that Luxembourg and Ireland — leading global domiciles for UCITS-equivalent retail funds — along with jurisdictions such as the Cayman Islands and Cyprus, remain outside the identified list, even though comparable funds from the UK, France and Germany are already permitted. Market participants have submitted that expanding the identified list would enhance GIFT IFSC's competitiveness relative to other international financial centres. IFSCA has referenced IOSCO's 2025 Investment Funds Statistics Report (published March 2026), which ranks Luxembourg 2nd globally by number of open-ended funds and 2nd by NAV (USD 5,169 billion), and 1st globally for closed-ended funds by both count and NAV (USD 1,636 billion); Ireland ranks 4th for open-ended funds by NAV (USD 3,819 billion) and 10th for closed-ended funds.

Proposed Expansion

Rather than adopting a fund-domicile-specific list, IFSCA has proposed to align the distribution framework with the jurisdictions already recognised under its Video Customer Identification Process ("V-CIP") framework (as amended October 31, 2025) for onboarding NRIs. Accordingly, it is proposed to add the following jurisdictions to the identified list under a new clause 5.1A of the Master Circular:

- United Arab Emirates;
- Singapore;
- Australia; and
- European Union, excluding Croatia.

Products/services originating from these jurisdictions would thereby become distributable to any category of client (not merely sophisticated investors), subject at all times to the applicable laws of both the originating jurisdiction and the client's jurisdiction.

The consultation paper can be accessed here.

13. Ministry of Finance places draft Foreign Exchange Management (Foreign Investment) Rules, 2026 to replace the NDI Rules, 2019

The Ministry of Finance (Department of Economic Affairs) has released a draft notification dated July 21, 2026 proposing the Foreign Exchange Management (Foreign Investment) Rules, 2026, which would be issued in exercise of powers under Section 46 of FEMA, 1999 and would supersede the existing Foreign Exchange Management (Non-Debt Instrument) Rules, 2019 ("NDI Rules") in their entirety (other than in respect of things already done or omitted before supersession). This is distinct from — and more comprehensive than — the Ministry's June 12, 2026 gazette notification amending specific provisions of the extant NDI Rules to widen their scope from OCIs/NRIs to "persons resident outside India" generally (covered at Item VII above); the draft 2026 Rules propose to recast the entire non-debt foreign investment framework.

Scope and Key Definitions

The draft Rules apply to foreign investment in the equity of an "eligible investee entity" — defined to include Indian companies/bodies corporate (excluding societies/trusts), LLPs, SEBI-registered investment vehicles (REITs, InvITs, AIFs, VCFs, mutual funds/ETFs investing over 50% in equity), and registered partnership firms/proprietary concerns — but expressly excludes investment in IFSC-incorporated financial institutions. "Equity" is defined broadly to cover instruments so classified under applicable accounting standards, units of investment vehicles, and participating interests in oil fields or mines. "Foreign investment" covers both direct and indirect investment (including through a "Foreign Controlled Entity" or "FCE", or entities under common ownership/control), with "ownership" defined as beneficial holding above 50% and "control" defined to include rights over board appointments, management/policy decisions, or 10%-or-more voting rights under shareholder/voting agreements.

The Rules retain the existing distinction between "Foreign Direct Investment" (10% or more of equity) and "foreign portfolio investment" (less than 10%), and continue to reference the Government's foreign investment policy (FDI policy) at Annexure-II for entry routes, sectoral caps and sectoral conditions. Interpretation of the Rules generally vests with the Reserve Bank of India, while interpretation of the foreign investment policy itself remains with DPIIT.

Modes of Acquisition and Transfer

Foreign investment (on a repatriation or non-repatriation basis) may be made by way of subscription, purchase, gift between natural persons (subject to a close-relative requirement and LRS-linked value limits where the gift moves from non-repatriation to repatriation basis), or pledge (with post-invocation transactions required to meet ordinary foreign-investment conditions). Legacy Overseas Corporate Bodies may transfer equity per the applicable 2003 OCB regulations. Other permissible routes include acquisition/transfer of depository receipts under the Depository Receipts Scheme 2014, subscription to the National Pension System by NRIs/OCIs (with repatriable annuity/accumulated savings), and foreign investment through direct listing on an international stock exchange under the new Annexure-I scheme (discussed below).

A person resident outside India may also transfer equity to a person resident in India by way of sale, gift, pledge, or swap of equity/equity capital of a foreign company, and an investment vehicle may issue units in swap for equity of an SPV it proposes to acquire.

Conditions, Pricing and Reclassification

- Foreign investment must comply with the entry route, sectoral cap and sectoral conditions prescribed under the foreign investment policy (with FCEs required to comply only where specifically prescribed for that sector), except that bonus/rights issues that do not alter an investor's shareholding pattern are exempted from these conditions.
- Save for individuals, foreign central banks, or persons notified by RBI, investment on a recognised Indian stock exchange requires the necessary SEBI registration.
- Foreign portfolio investment on a recognised Indian exchange that results in a holding of 10% or more of a company's equity may be reclassified as FDI, subject to compliance with applicable FDI conditions.
- Pricing norms must follow SEBI regulations (for listed companies/investment vehicles), the Annexure-I pricing norms (for companies listed on international exchanges), or, in all other cases, an internationally accepted arm's-length methodology certified by a Chartered Accountant, SEBI-registered Merchant Banker, or Cost Accountant; pricing guidelines do not apply to rights-basis subscriptions.
- Foreign investment on a non-repatriation basis is exempted from these conditions altogether, except that it remains barred in sectors prohibited for such investment under the foreign investment policy.

Annexure-I: Direct Listing on International Stock Exchanges

A dedicated scheme is proposed to govern direct listing of Indian public companies' equity (or offers by existing shareholders) on permitted international stock exchanges. Eligibility conditions bar companies, promoters, directors or offering shareholders who are debarred from capital markets, wilful defaulters, under Companies Act investigation, or fugitive economic offenders (subject to a carve-out where a past debarment period has already lapsed). Equity must be INR-denominated, dematerialised, and, for companies already listed in India, must rank pari passu with domestically listed equity and comply with applicable SEBI regulations.

Foreign portfolio investment on an international exchange is permitted subject to entry-route/sectoral-cap conditions, provided the beneficial owner of the investment is not resident in India (a condition the investor and company must ensure and disclose, though beneficial owners of authorised broker-dealers/investment bankers dealing only on behalf of constituents are exempted). A 10% or more resultant holding (aggregated with any India-held equity) must be divested per the concerned international exchange regulator's guidelines, or SEBI's guidelines in their absence. Transfers between persons resident outside India are permitted per applicable entry-route conditions, while transfers to persons resident in India are restricted to specified events — delisting offers, IBC resolution plans, buy-backs, mergers/amalgamations, or transmission on succession/inheritance. Voting rights must be exercised directly by the overseas holder or via custodian on their express instruction. Pricing for an initial listing follows the exchange's book-building process; for companies already listed in India, issue/transfer price must not be less than the price applicable to a corresponding domestic issuance, with post-listing follow-on issuances following the international exchange regulator's own pricing norms.

The onus of compliance under the draft Rules rests jointly on the foreign investor and the eligible investee entity (or the transferor and transferee, as applicable). As released, the draft does not specify a public comment deadline; stakeholders are advised to monitor the Ministry of Finance's official gazette notifications for the final notified text and any window for representations.

The draft rules can be accessed here.

14. SEBI seeks public comments on the Comprehensive Review of SEBI (Portfolio Managers) Regulations, 2020

SEBI, vide consultation paper dated July 23, 2026, has sought public comments on a comprehensive review of the SEBI (Portfolio Managers) Regulations, 2020 ("PM Regulations") and the circulars issued thereunder, along with a full draft of the proposed Portfolio Managers Regulations, 2026 (Annexure A), a comparative table of changes (Annexure B), and details of exposure computation for derivatives (Annexure C).

Based on a survey conducted through the Association of Portfolio Managers of India ("APMI") and subsequent stakeholder consultations, SEBI has proposed changes across four broad themes: (i) enabling more investment avenues; (ii) ease of compliance; (iii) consolidation and simplification of the regulatory text; and (iv) deletion of redundant, replicative and transitory provisions, in addition to certain other proposals placed for consultation.

1. Enabling More Investment Avenues

- **To-be-listed securities:** Regulation 24(3) presently permits investment only in securities listed and traded on recognised stock exchanges. It is proposed to expand the permissible investment universe to specifically include "to be listed" securities, with a corresponding definition proposed to be inserted.
- **Unlisted securities under DPMS:** While non-discretionary portfolio managers ("NDPMS") may presently invest up to 25% of client AUM in unlisted securities under Regulation 24(4), discretionary portfolio managers ("DPMS") are currently barred from unlisted investments altogether. It is proposed to permit DPMS providers to invest up to 10% of client AUM in investment-grade unlisted debt securities, with existing conditions otherwise unchanged.
- **Foreign securities under DPMS and NDPMS:** Portfolio managers are currently not permitted to invest client funds in foreign securities, even though resident Indian clients may separately invest abroad under the Liberalised Remittance Scheme (up to USD 250,000 per financial year). To bring such exposure under professional management and achieve parity with Mutual Funds, AIFs, and IFSC-based portfolio managers, it is proposed to permit investment in listed foreign equity shares, listed foreign debt securities, and units of overseas regulated funds/unit trusts investing in listed equity, listed debt, or listed REITs. Such investment will be governed by FEMA, 1999, subject to applicable limits, and will require explicit positive client consent at onboarding (or by addendum for existing clients).
- **"MF-only PMS" (MF-PMS):** A new, lighter-touch registration category is proposed for portfolio managers dealing exclusively in direct plans of Mutual Fund schemes (including ETFs and Specialised Investment Funds), intended to serve mass-affluent investors. Proposed relaxations include: reduction of minimum ticket size from INR 50 lakh to INR 25 lakh; reduction of minimum net worth from INR 5 crore to INR 2 crore; simplified Principal Officer certification and qualification norms (graduation plus two years' relevant market experience); optional additional employee and dealing room requirements; a simplified disclosure document; waiver of exit-load provisions (to avoid double-charging); a fixed management fee capped at 2.5% of AUM (with performance fees permitted in combination, subject to client consent); and mandatory arm's-length, client-level segregation between an entity's MFD and MF-PMS activities. Existing portfolio managers may offer MF-PMS through a separate investment approach.
- **Exchange traded derivatives:** Greater flexibility is proposed for use of derivatives beyond hedging/rebalancing, subject to: (i) a total exposure cap of 1.25 times client AUM; (ii) an unhedged short exposure limit of 50% of AUM, restricted to equity derivatives; (iii) an options exposure cap (premium paid and received) of 10% of AUM; and (iv) explicit positive client consent. Detailed methodology for computing exposure and offsetting is proposed at Annexure C of the consultation paper.

2. Ease of Compliance Measures

SEBI has proposed sixteen specific ease-of-compliance measures, the more significant of which are summarised below:

Particulars	Proposed Measure
Related Party [Reg. 2(pa)] and Networth (Reg. 9)	Definition of related party realigned with the Companies Act, 2013, for consistency. Networth redefined to include securities premium reserve and exclude loans/advances to related parties; at least 10% of net worth to be held in specified liquid, unencumbered assets, with 12 months to comply for existing managers.
Principal Officer qualification	Rationalised to a graduation degree in any discipline, or a finance-related professional qualification (CFA, CA, etc.).
Disclosure document (Reg. 22(3), (7))	May be shared digitally; filing timeline for material changes extended from 7 working days to 10 calendar days.
Change in identity of Principal Officer (Reg. 22(9))	Filing timeline extended from 7 working days to 10 calendar days.
Holding of client securities (Reg. 24(15))	Anchor clause added clarifying short-term deployment into liquid mutual funds held in the manager's name remains permitted.
Operating expense cap (Master Circular, Para 6.1.3.3)	Clarified that the 0.50% p.a. cap is exclusive of statutory levies.
Corporate Governance Report timeline	Aligned with firm-level reporting/compliance certificate timeline of 60 calendar days (from 30 calendar days).
Dealing room (Master Circular, Para 2.7.2)	Clarified requirement for a dedicated, segregated dealing room, with a carve-out proposed for smaller managers (see Para 6.1 below).

Geographical scope of operations	Explicitly restricted to India, except for execution of trades in permitted overseas securities.
Commencement of business	Registered managers must establish business (minimum 10 clients or INR 5 crore AUM) within 3 years of registration, subject to a transitional clause for existing managers.
Compliance Officer eligibility	Must hold NISM Series-III-C: Securities Intermediaries Compliance (Fund) certification.
Surrender of registration	New provision introduced to permit surrender of certificate of registration, for parity with other intermediaries.

3. Consolidation & Simplification / Deletion of Redundant Provisions

SEBI has proposed to consolidate provisions relating to application for registration (Regulations 3–6, 10, 12, 13, 15) under a single head, tabulate eligibility criteria (Regulations 7–9), consolidate Co-investment portfolio manager provisions into a separate chapter, and reorganise general obligations (Chapter IV) with anchor clauses for valuation, advertisement code, performance benchmarking, and a written-down policy for management of client funds/securities. Disclosure document formats (Form A/B/C) are proposed to move to the Master Circular. Separately, redundant, replicative or transitory provisions, including the compliance-timeline provisos to Regulations 7(2) and 9, the litigation/disciplinary-action criteria at Regulation 7(2)(f)/(h) (superseded by the SEBI (Intermediaries) Regulations, 2008 'fit and proper' standard), and Regulation 14 on refusal of certification, are proposed to be deleted.

Notably, the existing grandfathering provisions are proposed to be modified rather than retained: all clients (other than MF-PMS clients) would be required to comply with the enhanced INR 50 lakh minimum investment threshold within 36 months of the new Regulations coming into force, and all portfolio managers would be required to comply with the prudential/credit-rating investment limits at Regulation 24(3E) within 12 months.

4. Other Proposals for Consultation

- **Dealing room relaxation:** Proposed for portfolio managers with fewer than 10 clients or AUM below INR 100 crore, subject to maintenance of an audit trail of order-placement communication and adequate internal controls; a further question is raised on relaxation for algo-based order generation.
- **Global fund management:** Consultation on whether 'Eligible Fund Managers' (registered under the Income Tax Act, 1961 'safe harbour' regime) should now be permitted to manage/advise overseas clients in overseas securities, given that portfolio managers are now proposed to be allowed to invest in foreign securities, and whether the dealing room/execution platform must remain located in India.

- **Independent fund managers:** A model is proposed under which independent fund managers could bring their own clients and generate investment signals/orders while operating under the infrastructure, KYC/AML, and centralised dealing desk of a single SEBI-registered portfolio manager, with fee/revenue sharing governed by mutual agreement.
- **Demat account portability:** Proposal to enable seamless portability of KYC data, custodial arrangements, and demat holdings when investors migrate between portfolio managers or custodians, relying on KRA-registered KYC to avoid duplication.
- **Power of Attorney relaxation:** Proposal to relax the current requirement for portfolio managers to obtain a POA (in addition to the client agreement) to undertake transactions on a client's behalf, to reduce administrative friction and facilitate asset transfers between managers, while continuing to comply with RBI banking norms.

The consultation paper can be accessed here.

15. SEBI seeks public comments on Streamlining the Online Dispute Resolution Framework in the Indian Securities Market

SEBI, vide consultation paper dated July 23, 2026, has proposed a draft circular to streamline the Online Dispute Resolution ("ODR") framework established by its circular dated July 31, 2023 (as consolidated in the Master Circular updated December 28, 2023). The review follows representations from Market Infrastructure Institutions ("MIIs"), investors and other stakeholders citing difficulties in the appointment of arbitrators, delays in payments between intermediaries/listed entities, ODR institutions and arbitrators, enforceability gaps (since intermediaries do not fall within the regulatory purview of ODR institutions), and general delay in proceedings.

Grievance Redressal at SCORES

Under the proposed framework, an investor first files a grievance against a regulated entity, listed company, or MII on the SCORES platform, which must be resolved with an Action Taken Report ("ATR") within 21 calendar days. Complaints are simultaneously routed to the relevant Designated Body ("DB") — for instance, Stock Exchanges for listed companies and stockbrokers, AMFI for mutual funds, APMI for portfolio managers, and Depositories for depository participants — which conducts a pre-Conciliation review where the complainant is dissatisfied or the entity fails to file the ATR in time. If unresolved by the DB within its own timeline, or where no DB exists for the category (as is presently the case for AIFs, VCFs, KRAs and CRAs), the grievance may proceed directly to the Conciliation stage of the ODR mechanism. Complaints against MIIs themselves remain outside the scope of escalation to ODR.

Shift of ODR Administration to MIIs

The central proposal is to shift responsibility for the ODR mechanism — including empanelment of Conciliators and Arbitrators, case allocation, and administration of Conciliation and Arbitration — from ODR institutions to the MIIs, reviving elements of the pre-ODR mechanism where MIIs had greater control over neutral appointment and enforceability against registered intermediaries. Cases will be allocated on the ODR Portal based on the nature of the dispute: trading-member/listed-company disputes to the relevant exchange, depository participant disputes to the relevant depository, and other intermediary disputes on a round-robin basis among MIIs (excluding commodity-only exchanges).

Conciliation and Arbitration Process

- A Conciliator is appointed by the MII from its empanelled list upon payment of fees and submission of documents; Conciliation becomes 'successful' only on confirmed mutual consent to settlement terms (via digital signature/electronic confirmation), failing which it is treated as 'unsuccessful' and the Conciliator records an Admissible Claim Value ("ACV") for use in computing arbitration fees.
- For arbitrator appointment, both parties are first invited to propose three preferred names each from the panel; a common name nearest to both preferences is appointed. Failing consensus, the MII appoints a sole arbitrator through a pre-defined Centralised Arbitrator Appointment Process ("CAAP"), excluding the six names already proposed by the parties.
- A sole arbitrator is appointed for claims (aggregate of claim and counter-claim) up to INR 30 lakh; a three-member Arbitral Tribunal is constituted above that threshold, with each party nominating one arbitrator and the MII appointing the third via CAAP.
- The arbitral award is to be passed within 3 months of appointment (extendable by a further 2 months on recorded reasons), with an ex-parte order permitted after 10 calendar days' notice to a non-cooperative party. Certain categories of disputes — including inter-entity claims, recovery of dues from investors, claims above INR 1 crore, and defaulting-member matters — are proposed to be escalated directly to arbitration, bypassing Conciliation.

Investor Protections

- **AIF investors' choice:** Investors in Alternative Investment Funds would be given the choice to pursue dispute resolution under any pre-existing agreement with the AIF, rather than being confined to the ODR platform.
- **Faster escalation:** Grievances unresolved by a Designated Body may be escalated directly to the ODR Conciliation stage, expected to shorten the overall timeline by 21 calendar days.
- **Extension of trust-level liability protection:** Under the AIF Regulations, investor monies held in a Trust-form AIF are presently shielded from fund-manager liability arising out of dispute resolution costs; SEBI has proposed amending the AIF Regulations to extend this protection to AIFs structured as companies or LLPs as well.
- **Interest-free deposits and interim relief:** A party appealing an award under Section 34 of the Arbitration and Conciliation Act, 1996 must deposit 100% of the award amount (interest-free) with the MII; where the award favours the investor, the MII may release up to 50% of the award (capped at INR 5 lakh) as interim relief pending appeal, subject to an undertaking of repayment, failing which the investor's trading access and securities/mutual fund holdings may be frozen.

Proposed ODR Fee Structure

Admissible Claim Value / Aggregate Claim	Arbitration Fee (INR)
0 – 1 lakh	5,400

1 lakh – 10 lakh	9,000
10 lakh – 20 lakh	13,500
20 lakh – 30 lakh	18,000
30 lakh – 50 lakh	67,500*
50 lakh – 100 lakh	1,35,000*
1 crore and above	1% of claim value or INR 1,20,000, whichever is higher (ad valorem)

*Split 40:30:30 among a three-member tribunal, with the higher share payable to the arbitrator authoring the award. Conciliation fees of INR 6,000 (flat, irrespective of claim value) are payable upfront by the concerned regulated entity; investors bear no Conciliation fee. Fees are exclusive of applicable GST and stamp duty.

The consultation paper can be accessed here.

REGULATORY ORDERS

16. SEBI settles proceedings against I3E Trust and CIIE Initiatives for delay in winding up of a Venture Capital Fund scheme

SEBI, vide settlement order dated July 14, 2026, has settled proceedings against I3E Trust ("Fund") and CIIE Initiatives ("Investment Manager") for violation of regulation 23(1)(a) read with regulations 23(3) and 24(2) of the SEBI (Venture Capital Funds) Regulations, 1996 ("VCF Regulations").

The Fund's scheme, Infuse Capital, had an initial eight-year tenure commencing May 21, 2013, extendable by two years, with the extended tenure ending May 21, 2023. However, liquidation of assets and distribution of proceeds was completed only on March 31, 2025, resulting in a delay of approximately two years in winding up the scheme. Pursuant to recommendations of the Internal Committee and the High Powered Advisory Committee, the Panel of Whole Time Members approved settlement of the matter on payment of a consolidated amount of Rs. 10,87,500 (Rupees Ten Lakh Eighty-Seven Thousand Five Hundred only), payable jointly and severally by the Applicants, which has since been remitted.

The settlement order can be accessed here.

17. SEBI settles proceedings against Nippon India Event Opportunities Trust, its Manager and Key Managerial Personnel for shortfall in continuing interest

SEBI, vide summary settlement order dated July 15, 2026 has settled proceedings against Nippon India Event Opportunities Trust ("AIF"), its manager Nippon Life India AIF Management Limited ("Manager"), and certain Key Managerial Personnel, in relation to Nippon India Equity Opportunities AIF – Scheme 9.

An examination of the scheme's Quarterly Activity Reports for the quarters ended March 2024, June 2024 and September 2024 revealed that the drawdown by the Manager/Sponsor against its commitment (ranging between 30% and 47.5% across the three quarters) was consistently lower than the corresponding drawdown from other investors (ranging between approximately 39% and 52%), resulting in the Manager/Sponsor failing to maintain its continuing interest pro-rata to funds raised from other investors, in violation of regulation 10(d) of the SEBI (Alternative Investment Funds) Regulations, 2012 read with clause 11.1.2 of the Master Circular for AIFs dated May 07, 2024, and the Code of Conduct under the Fourth Schedule to the AIF Regulations. Pursuant to Notices of Summary Settlement dated April 21, 2026 and remittance of the settlement amount, SEBI settled the proceedings for a consolidated amount of Rs. 14,66,250 (Rupees Fourteen Lakh Sixty-Six Thousand Two Hundred and Fifty only), payable jointly and severally by the Applicants.

The settlement order can be accessed here.

18. SEBI issues informal guidance clarifying applicability of Portfolio Manager prudential limits to transfer of AIF units held with an associate

SEBI, vide informal guidance dated July 17, 2026 issued to Sundaram Alternate Assets Limited under the SEBI (Informal Guidance) Scheme, 2025, has clarified the applicability of the prudential limits specified in paragraph 3.4 of the Master Circular for Portfolio Managers dated July 16, 2025 ("Master Circular"), read with regulation 24(3A) of the SEBI (Portfolio Managers) Regulations, 2020, to the transfer of Alternative Investment Fund ("AIF") units held with an associate of the Portfolio Manager.
The applicant had sought confirmation that, with investor consent, AIF units held in schemes of an associate AIF could be transferred to a separate account under the Portfolio Manager's discretionary PMS or LVAI strategy without attracting the 30% prudential limit on investment in associates' securities under paragraph 3.4.2 of the Master Circular, on the premise that AIF units are akin to mutual fund units (a pooled investment vehicle) which are exempted under paragraph 3.4.3.

SEBI clarified that the exemption under paragraph 3.4.3 of the Master Circular is expressly restricted to investments in mutual funds and does not extend to AIF units. Since an AIF is a privately pooled investment vehicle that is expressly excluded from the definition of "mutual fund" under regulation 2(1)(b) of the SEBI (Alternative Investment Funds) Regulations, 2012, it is not akin to a mutual fund for this purpose. Accordingly, the 30% prudential limit on investment in securities of associates/related parties continues to apply to the transfer of AIF units of an associate to a separate account held with the Portfolio Manager.

The informal guidance can be accessed [here.]

19. IFSCA issues informal guidance on acceptance of e-wallet accounts issued by authorised Payment Service Providers for subscription and redemption of fund units and securities

IFSCA, vide informal guidance dated July 20, 2026 issued to Betafront Financial Services IFSC Pvt Ltd under the IFSCA (Informal Guidance) Scheme, 2024, has clarified that Fund Management Entities ("FMEs") and other regulated financial institutions in the IFSC may accept subscription amounts from, and credit redemption proceeds of units in funds and securities to, a customer's e-wallet account issued by a Payment Service Provider ("PSP") authorised by IFSCA, subject to the authorised PSP having carried out the applicable AML/CFT/KYC compliances.

On the question of regulatory equivalence between a PSP-issued e-wallet account and a customer's bank account, IFSCA clarified that "account issuance service" under regulation 2(1)(a) of the IFSCA (Payment Services) Regulations, 2024 is one of the payment services a PSP may undertake, and that an IFSC Banking Unit ("IBU") or IFSC Banking Company ("IBC") is exempt from the authorisation requirement for providing such services under the proviso to regulation 4(1) read with Schedule IV of those regulations. Accordingly, while both an IBU/IBC and a PSP may offer account issuance service, only the PSP is required to seek authorisation for the same, and a PSP-issued account may be regarded as equivalent to an IBU/IBC-issued account only to the extent of activities falling within the definition of "account issuance service".

The informal guidance can be accessed [here].

20. SEBI imposes monetary penalty on Pace Stock Broking Services Private Limited in a front-running matter concerning trades of Axis Mutual Fund

SEBI's Adjudicating Officer, vide order dated July 22, 2026, has imposed a monetary penalty on Pace Stock Broking Services Private Limited ("Noticee"), a SEBI-registered stock broker, pursuant to an investigation (covering the period April 01, 2020 to March 31, 2022) into trades placed through the Noticee suspected of front-running trades of Axis Mutual Fund.

The Adjudicating Officer found that the Noticee had failed to furnish IP addresses mapped to the specific user ID/dealer/trader for 93 trade instances, as mandated under SEBI's circular dated November 06, 2013; that credentials (including KYC details and a NISM certificate) of an individual who was neither a dealer nor an approved person of the Noticee had been used to obtain trading terminal and user IDs from NSE for its Chennai and Ghaziabad branches, which were in fact operated by another dealer; and that the Noticee had furnished incorrect information to SEBI regarding the registration status of that other dealer for a specific user ID. These findings were held to constitute violations of regulations 9(b) and 9(f) of the SEBI (Stock Brokers) Regulations, 1992 read with clauses A(1), A(2) and A(5) of the Code of Conduct for Stock Brokers, section 11C(3) of the SEBI Act, 1992, and the corresponding NSE circulars on maintenance of terminal/user ID records.

Having regard to the factors under section 15J of the SEBI Act, the Adjudicating Officer imposed a monetary penalty of Rs. 4,00,000 (Rupees Four Lakh) on the Noticee – comprising Rs. 1,00,000 each under sections 15A(a) and 15A(c), and Rs. 2,00,000 under section 15HB of the SEBI Act – payable within 45 days of receipt of the order.

The adjudication order can be accessed here.

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