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REGFIN INSIGHT

JUNE 2026

I. SEBI UPDATES

I. SEBI releases consolidated Master Circular for Alternative Investment Funds

The Securities and Exchange Board of India ("SEBI") vide master circular dated June 03, 2026, has issued an updated and consolidated Master Circular for Alternative Investment Funds ("AIFs"), replacing and superseding the previous iteration issued on May 07, 2024.

The master circular systematically consolidates all regulatory frameworks, operational instructions, and compliance obligations issued under the SEBI (Alternative Investment Funds) Regulations, 2012, up to May 31, 2026. It provides comprehensive clarity across critical operational dimensions, including standardized Private Placement Memorandum ("PPM") disclosures, portfolio valuation norms aligned with IPEV guidelines, mandatory Key Investment Team ("KIT") NISM certifications, and streamlined co-investment vehicle structures. Further, the circular incorporates detailed governance, due diligence, and regulatory reporting frameworks through the SEBI Intermediary Portal to strengthen investor protection and oversight. Additionally, all underlying circulars consolidated within this document stand rescinded on a forward-looking basis, providing market participants with a singular, comprehensive compliance reference.

The master circular can be accessed *here*.

II. SEBI extends timelines for compliance with certain provisions of the merchant banking circular dated January 02, 2026.

SEBI, *vide* circular dated June 11, 2026, has extended the timelines for implementation of the circular dated January 02, 2026 (**"Erstwhile Circular"**). The Erstwhile Circular provided for an operational framework, implementation timelines and compliance requirements for Merchant Bankers. However, based on the representations received from the industry highlighting operational challenges in establishing the necessary systems and processes for implementation of the SBU framework and seeking alignment of the compliance timeline for net worth and liquid net worth requirements with the end of the financial year, it has been decided to grant additional time for compliance with the aforesaid requirements. Thus, the extended timelines are as follows:

S. No.	Requirement	Existing Timeline	New Timeline
1	Transfer of activities to Separate Business Unit(s) in terms of Regulation 13A(2) of the MB Regulations and Clause 11.2.1 of the MB Circular	July 03, 2026	December 31, 2026
2	Compliance with Clause 11.2.10 of the MB Circular	July 03, 2026	December 31, 2026

S. No.	Requirement	Existing Timeline	New Timeline
3	Compliance with net worth requirements under Regulation 7 of the MB Regulations – Phase I	January 02, 2027	March 31, 2027
4	Compliance with net worth requirements under Regulation 7 of the MB Regulations – Phase II	January 02, 2028	March 31, 2028
5	Compliance with liquid net worth requirements under Regulation 7A of the MB Regulations – Phase I	January 02, 2027	March 31, 2027
6	Compliance with liquid net worth requirements under Regulation 7A of the MB Regulations – Phase II	January 02, 2028	March 31, 2028
7	Intimation to SEBI regarding categorisation as Category I or Category II Merchant Banker	January 02, 2027	March 31, 2027

The circular can be accessed *here.*

III. SEBI revises norms for base price, price bands, call auction in pre-open session and close-out procedure for Exchange Traded Funds ("ETFs")

SEBI *vide* circular dated June 15, 2026, has revised the framework governing the determination of base price, price bands, call auction in the pre-open session, and close-out procedure for Exchange Traded Funds ("**ETFs**"). The circular seeks to address the operational issues arising from the use of T-2 day Net Asset Value ("**NAV**") as the base price for ETFs and align the price movement limits of ETFs with those of their underlying assets. The revised framework has been introduced based on the recommendations of the Working Group of Stock Exchanges, discussions with the Secondary Market Advisory Committee ("**SMAC**"), and stakeholder consultations.

Base price for ETFs: Given the operational challenges with using T-1 day closing NAV as base price, it has been decided that the base price for determining the price bands of ETFs shall initially be the T-1 day closing price, i.e., the last 30 minutes of Volume Weighted Average Price ("**VWAP**") of the ETF. In case there is no trading during the last 30 minutes of T-1 day, the Last Traded Price ("**LTP**") of the day shall be considered. If there is no trade on T-1 day, the latest available closing NAV of the ETF shall be used as the base price. Stock Exchanges and Asset Management Companies ("**AMCs**") have also been directed to address the operational challenges involved in implementing the use of T-1 day closing NAV as the base price with effect from April 1, 2027.

Price bands for ETFs: For equity and debt ETFs (excluding overnight and liquid ETFs), SEBI has introduced dynamic price bands with an initial range of ±10%, expandable up to ±20% following a cooling-off period. Overnight and liquid ETFs will continue to be subject to a fixed band of ±5%. For commodity ETFs tracking gold and silver, SEBI has prescribed dynamic price bands with an initial limit of ±6%, expandable in stages of 3% following a cooling-off period, with no upper or lower cap on the band and no restriction on the number of expansions permitted within a trading session.

Close-out procedure: For Overnight ETFs and Liquid ETFs, the close-out price shall be the higher of the highest price recorded during the relevant settlement period up to the date of auction or close-out, or 5% above the latest available closing price of the ETF on the date on which auction offers are called. The existing close-out provisions shall continue to apply to all other ETFs.

Call auction for Commodity ETFs: SEBI has introduced a call auction mechanism in the pre-open session for Commodity ETFs (Gold/Silver) to facilitate efficient price discovery, considering that the underlying commodities trade continuously in international markets while the ETFs trade only during domestic market hours. The mechanism shall be aligned with the existing framework applicable to securities traded on stock exchanges.

The provisions of the circular shall come into effect from September 1, 2026. Stock Exchanges, Clearing Corporations and other Market Infrastructure Institutions ("MIIs") have been directed to implement the necessary systems and amend their relevant byelaws, rules and regulations for implementation of the revised framework.

The circular can be accessed here.

IV. SEBI issues guidelines for winding up of Alternative Investment Funds ("AIFs") with respect to retention of proceeds and 'Inoperative Fund' status.

SEBI *vide* circular dated June 16, 2026, has issued guidelines specifying the framework for retention of liquidation proceeds beyond the permissible fund life of Alternative Investment Funds ("**AIFs**"), grant of 'Inoperative Fund' status, and surrender of AIF registration, pursuant to the amendments made to the SEBI (Alternative Investment Funds) Regulations, 2012.

Retention of liquidation proceeds: SEBI has accordingly permitted AIFs/schemes to retain liquidation proceeds beyond the permissible fund life where: (i) the AIF/scheme has received a litigation notice, tax demand, regulatory communication or other official communication indicating a potential legal, regulatory or tax liability; (ii) investors holding at least 75% of the investment value by value have consented to retention of monies against anticipated litigation or tax liabilities, with the investment manager required to disclose the amount proposed to be retained and the estimated retention period while seeking such consent; or (iii) amounts are required for residual winding-up operational expenses, supported by invoices or comparable historical expense records, subject to a cap of three years from the end of the permissible fund life. SEBI has directed the Standard Setting Forum for AIFs to formulate implementation standards for eligible operational expense heads in consultation with SEBI. Monies retained under the framework are required to be invested only in instruments permitted under Regulation 15(1)(f) of the AIF Regulations, and distributed to investors upon discharge of the relevant liabilities.

'Inoperative Fund' status: SEBI has further introduced a new "Inoperative Fund" status, available to an AIF that has one or more schemes with retained monies and intends to surrender its registration, as well as to an AIF seeking to retain its registration without retaining any liquidation proceeds, solely in anticipation of a favourable outcome in pending litigation. Applications for such status are required to be filed in the prescribed format at Annexure A.

An AIF granted Inoperative Fund status shall not launch new schemes, shall not charge management fees in respect of its schemes, and shall be granted substantial exemptions from routine compliance obligations, including periodic activity updates, portfolio valuation audits, custodian requirements and investment team certifications, save that it shall continue to report the valuation of retained investments and updated NAV of AIF units annually. Registration may be surrendered only once all liabilities are settled and retained monies are distributed to investors across all schemes.

Annual reporting: SEBI has mandated that AIFs retaining monies beyond the permissible fund life, as well as AIFs tagged as Inoperative Funds, submit an Annual Retention Status Report to SEBI and investors within 30 calendar days from the end of each financial year, disclosing, inter alia, details of retained amounts, outstanding liabilities, reasons for non-winding up, progress on resolution of pending matters, expected distribution timelines, and investments made using retained proceeds.

The above framework shall also apply to Venture Capital Funds ("**VCFs**") registered under the erstwhile SEBI (Venture Capital Funds) Regulations, 1996.

The circular can be accessed *here*.

V. SEBI relaxes certification requirements for Persons Associated with Investment Advice ("PAIA") engaged in sales and other non-core services.

SEBI, *vide* circular dated June 24, 2026, has relaxed the certification requirements applicable to Persons Associated with Investment Advice ("**PAIA**") under the SEBI (Investment Advisers) Regulations, 2013 ("**IA Regulations**"), with the objective of promoting ease of doing business. The relaxation has been introduced based on feedback received from market participants and is applicable to PAIA, such as sales staff, relationship managers, and other personnel who interact with clients but are not directly involved in investment advisory activities.

Under Regulation 7 of the IA Regulations, PAIA are required to obtain relevant certification from the National Institute of Securities Markets ("**NISM**"). Further, pursuant to the Gazette Notification dated January 02, 2025, under the SEBI (Certification of Associated Persons in the Securities Markets) Regulations, 2007, PAIA were required to obtain certification by passing the "NISM Series-X-A: Investment Adviser (Level 1) Certification Examination" and the "NISM Series-X-B: Investment Adviser (Level 2) Certification Examination".

SEBI has now prescribed a lighter certification module for PAIA performing only sales and other non-core services, considering that such personnel have client interactions but are not directly associated with investment advice-related activities. Accordingly, such PAIA shall obtain certification by passing the "**NISM Series–XXV-B: Persons Associated with Investment Advice (Sales and Other Non-Core Services) Certification Examination**" as specified by NISM.

PAIA other than those engaged exclusively in sales and other non-core services shall continue to obtain certification by passing the existing "NISM Series-X-A: Investment Adviser (Level 1) Certification Examination" and "NISM Series-X-B: Investment Adviser (Level 2) Certification Examination". Further, PAIA who have already obtained the NISM Series-X-A and Series-X-B certifications as on the date of the circular shall not be required to obtain the NISM Series-XXV-B certification immediately. Such PAIA shall obtain the Series-XXV-B certification only upon expiry of the validity of their existing certifications.

The circular can be accessed *here*.

II: OTHER REGULATORY UPDATES

VI. International Financial Services Centre Authority ("IFSCA") issues a new advisory for cybersecurity risks arising from frontier artificial intelligence ("AI") models

IFSCA, vide its circular dated June 4, 2026, issued a fresh advisory in addition to the principles enumerated in past circulars for a principles-based cyber security resilience framework applicable to all Regulated Entities ("REs"). Owing to recent advances in the capabilities of frontier AI models that can expose and exploit cyber security lapses, REs have been encouraged to strengthen their security posture by following the following principles:

- REs are to presume that newly disclosed vulnerabilities are exploitable within hours of publication, thus requiring vulnerability patch wave preparations.
- Cyber risk assessments must include the capabilities and risks arising from frontier AI models as a defined scenario, with periodic review of such assessments. These assessments are then to be placed before the Board (or the Standing Committee on Technology in case of Market Infrastructure Institutions).
- A Software Bill of Materials must be maintained for open source components to enable timely and effective impact assessment during a vulnerability patch wave.
- Anti-phishing multi-factor authentication should be enabled for all internet-facing systems, with strong identity controls for critical and production systems.
- REs should prioritize the patching of vulnerabilities most likely to be exploited.
- REs must maintain a comprehensive inventory of all APIs and the applications consuming them with appropriate rate-limiting and throttling controls, with restriction of API connectivity to a whitelist of authorised entities.
- Critical service providers shall assess the risks arising from frontier AI models and furnish evidence of preparedness, and REs shall ensure timely and scalable remediation of vulnerabilities attributable to third-party systems and dependencies.
- REs must build capabilities for monitoring and detecting activity indicative of AI-driven attacks.
- REs should establish rapid response mechanisms for credential compromise situations.
- REs should also employ AI for vulnerability identification and remediation with appropriate human oversight.

The circular can be accessed *here*.

VII. Ministry of Finance amends the Foreign Exchange Management (Non-Debt Instrument) Rules, 2019 ("NDI Rules") to broaden scope of individuals regulated

The Ministry of Finance, vide a gazette notification dated June 12, 2026, has changed the scheme of the NDI Rules concerning investments by overseas citizens of India ("OCIs") and non-resident Indians ("NRIs") to include "persons resident outside India", thus expanding its ambit to include foreign individuals. An overview of the amended provisions is as follows:

- Rule 9(1) now states that a person resident outside India, except OCIs and NRIs, may transfer equity instruments of an Indian company to any person resident outside India.

- Chapter V now concerns investments by an individual person resident outside India, including an NRI or an OCI.

- Rule 12(1) now allows individual persons resident outside India to sell or purchase equity instruments of a listed Indian company and other securities on a repatriation basis (subject to Schedule III).

- Rule 13 now allows individual persons resident outside India to transfer equity instruments of an Indian company on a repatriation basis by way of sale or gift to any person resident outside India, subject to government approval where necessary.

- Schedule III now reads that the total holding by any individual person resident outside India shall be less than 10% of the total paid-up equity capital of a company, or 10% of the paid-up value of issuances of debentures, preference shares, or share warrants by an Indian company. Furthermore, the total holdings of individual persons resident outside India put together shall not exceed 24% of the total paid-up equity capital of a company or 24% of the paid-up value of issuances of debentures, preference shares, or share warrants by an Indian company. In case of breach of investment limits, the same shall be required to be divested within five trading days from the date of settlement of the trades causing the breach.

The e-gazette notification can be accessed *here*.

VIII. IFSCA modifies AML/KYC and SNRR Account operational frameworks for IFSC units

The International Financial Services Centres Authority ("IFSCA") vide circulars dated June 19, 2026, has introduced aligned amendments to both its AML/KYC exemption framework and the operational guidelines governing Special Non-Resident Rupee ("SNRR") accounts.

Under the modified AML/KYC Exemption Circular, IFSCA has mandated that all Financial Institutions—including those otherwise exempted under the framework—must transact or receive monetary consideration (such as funds, fees, or transaction amounts) emanating from business transactions exclusively through an account maintained with a Banking Unit in IFSC ("IBU") or an SNRR account. Concurrently, through its companion circular on SNRR accounts, IFSCA has clarified that while IFSC units are permitted to open an SNRR account with an authorized dealer in India (outside IFSC) for business transactions outside IFSC, any monetary consideration received in such SNRR accounts must be remitted to the institution's account maintained with an IBU in a specified foreign currency within 30 (thirty) working days. Further, the authority has expressly exempted funds credited to the SNRR account specifically for meeting administrative expenses from this mandatory 30-day foreign currency remittance requirement.

The circulars can be accessed here and here.

IX. IFSCA proposes integration of regulated entities ("REs") with KYC Registration Agencies ("KRAs")

IFSCA, vide its consultation paper dated June 26, 2026, proposed the mandatory integration of REs with at least one KRA registered with IFSCA to operationalize requirements under Regulation 25 of the IFSCA (KYC Registration Agency) Regulations, 2025 ("KRA Regulations"). The proposal outlines the following requirements:

- REs shall integrate with at least one KRA within 2 months of the date of notification of such circular.
- REs shall ensure that all clients onboarded on or after September 1, 2026, are duly logged onto the KRA system per KRA Regulations, along with due verification of any clients that may already be on the KRA system.
- REs shall also ensure that clients onboarded before September 1, 2026, are uploaded to the KRA system on or before October 30, 2026.
- KRAs shall ensure that each client is given a unique identification number.
- KRA and RE shall be responsible for compliance with KRA Regulations and circulars issued by the IFSCA.

The Consultation Paper can be accessed *here*.

III: CONSULTATION PAPER

X. SEBI seeks public comments on the review of the framework for calculation of Net Distributable Cash Flows for InvITs.

SEBI, *vide* consultation paper dated June 01, 2026, released a draft circular on a proposal to allow payments made towards major maintenance expenses for road projects of InvITs, to the extent funded by external debt, to be added back for computation of Net Distributable Cash Flow (“**NDCF**”).

SEBI noted that Section F (Para 3.19) of Chapter 3 of the Master Circular for Infrastructure Investment Trusts ("**InvITs**") dated July 11, 2025, provides the framework for computation of NDCF at the SPV/HoldCo and Trust level, and that Note 6 to the said framework expressly prohibits any Trust or SPV from distributing cash flows obtained through external debt, save for certain clarified exceptions and working capital/OD facilities squared off within the quarter.

SEBI has received a representation from Bharat InvITs Association ("**BIA**"), stating that major maintenance ("**MM**") expenses incurred on road projects, despite extending the life and quality of the road, cannot be capitalised under general accounting principles, and that any MM expense funded through debt is consequently deducted from operational cash flow, thereby reducing NDCF, increasing WACC for SPV acquisitions and potentially discouraging developers from monetising road projects through InvITs.

Considering the representation of BIA and the recommendations of the Hybrid Securities Advisory Committee ("**HySAC**"), SEBI has proposed that payments made towards MM expense for road projects, to the extent funded by external debt, be allowed to be added back for NDCF computation, subject to safeguards including prior unitholder approval under Regulation 22(5) of the InvIT Regulations, specified disclosures in the explanatory statement to the notice for such unitholder meeting, a statutory auditor's certificate confirming that the MM expense is funded by external borrowing, and periodic disclosure of debt maturity profiles, Net Borrowing Ratio and aggregate MM debt raised/outstanding in the Annual, Half Yearly and Quarterly Reports of the InvIT.

The consultation paper can be accessed *here.*

XI. SEBI seeks public comments on the review of provisions on disclosure of executive remuneration by Asset Management Companies (AMCs)

SEBI, *vide* consultation paper dated June 10, 2026, has proposed a review of the framework governing disclosure of executive remuneration by Asset Management Companies ("**AMCs**"), with a view to replacing individual, name-wise disclosures with consolidated compensation data.

Presently, disclosure requirements relating to executive remuneration for AMCs are prescribed under Para 6.13 of the SEBI Master Circular for Mutual Funds dated March 20, 2026, and, in the case of listed AMCs, additionally under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“**LODR**”) read with the Companies Act, 2013 (“**Companies Act**”). Under the existing framework, unlisted AMCs are required to disclose on their websites, on a name-wise basis, the remuneration of the Chief Executive Officer, Chief Investment Officer and Chief Operating Officer, the top 10 employees by remuneration, and all employees earning above prescribed thresholds, ratio of the CEO’s remuneration to the median remuneration of MF/ AMC employees and MF's total AAUM, debt AAUM and equity AAUM and rate of growth over last three years. Further, the LODR read with the Companies Act requires similar disclosures with more granular, component-wise disclosures for directors and key managerial personnel.

SEBI has received representations from industry participants, highlighting inherent structural differences between listed companies and mutual funds, privacy and data protection issues with disclosing individual remuneration, and limited incremental value to investors from such disclosure.

In view of the above, SEBI has proposed two changes to Para 6.13 of the SEBI Master Circular for Mutual Funds. First, instead of individual, name-wise disclosure of remuneration, AMCs may be required to disclose consolidated remuneration figures along with the total number of employees covered under each disclosure head, namely the CEO/CIO/COO, the top ten employees by remuneration, and employees crossing the prescribed remuneration threshold. Second, scheme-level consolidated disclosure of total remuneration paid to fund manager(s) may be made available only upon specific request of unitholders, and limited to the scheme(s) in which such unitholder has invested as on the date of the request.

The consultation paper can be accessed *here.*

XII. SEBI seeks public comments on the review of Margin Trading Facility ("MTF") Framework

SEBI, *vide* consultation paper dated June 18, 2026, has invited public comments on proposals to review the Margin Trading Facility Framework, with a view to enhance operational efficiency and ease of doing business for stockbrokers, and to strengthen the calibration of risk and margining in the MTF segment.

The MTF framework was first introduced in 2004 and was comprehensively reviewed in 2017 to enable greater participation. In 2022, units of Equity ETFs categorized as Group I securities were permitted as eligible securities and collateral under MTF. Further, SEBI vide circular dated September 11, 2024, permitted cash collateral of the client to be used as pay-in for the MTF position with the securities equivalent to such cash collateral used as margin for the position. On account of the resultant wrong-way risk, i.e., the funded stock itself being used as margin, such structure was allowed only subject to a higher margin of Value at Risk **("VaR")** + 5 times Extreme Loss Margin **("ELM"),** instead of VaR + 3 ELM.

In light of the growing volumes of trade under MTF, SEBI, based on suggestions received from the Brokers' Industry Standards Forum and recommendations of the Secondary Market Advisory Committee, has proposed several changes to the framework. These, inter-alia, include: (a) making collaterals eligible to be accepted as CCs in the normal cash market uniform for Cash and MTF transactions, and permitting EPI sell credits as collateral for fresh MTF positions for unencumbered portion of sale value and post recovery of the outstanding lending amount for such stocks, if any, from its sales proceed; (b) providing a 30-day rebalancing period where a security funded or given as collateral by client moves out of the Group I category, is shifted to Trade-for-Trade, or is suspended from trading; (c) mandating a uniform Rights and Obligations Document to be jointly prepared by all stock exchanges within 30 days; (d) expanding permissible sources of funds for MTF to include borrowing through issuance of Non-Convertible Debentures or other debt instruments; (e) revising the maximum allowable broker exposure by ring-fencing lower of the twice of minimum net-worth required for broking operations and other activities or 50% of the net worth; and permitting the remainder to be used for MTF within an overall exposure limit of 5.5 times of its net worth; (f) treating passive breaches of the client-level exposure limit (arising from a reduction in the broker's overall MTF exposure) as non-violations, provided the breach is cured within 30 days; (g) increasing the minimum net-worth threshold for brokers offering MTF to INR 5 crore, and permitting LLPs to offer MTF in addition to corporate brokers; (h) revising the timeline and manner of disclosure of MTF details to stock exchanges;

(i) permitting fungibility of unencumbered funds/securities between the normal and MTF ledgers, along with periodic running account settlement of excess cash collateral; and (j) continuing the existing higher maintenance margin (VaR plus 5 ELM) where funded stock is considered towards maintenance margin to the extent of cash collateral used as pay-in, given the wrong-way risk involved.

The consultation paper can be accessed *here*.

XIII. SEBI seeks public comments on the Common Advertisement Code for Specified SEBI Regulated Entities ("CAC")

SEBI, *vide* a consultation paper dated June 23, 2026, has invited public comments on a proposal to consolidate the fragmented advertisement regulatory framework applicable to Stockbrokers, Depository Participants, Investment Advisers (IAs), Research Analysts (RAs), Online Bond Platform Providers(OBPPs), Portfolio Managers and Mutual Funds/AMCs ("**Specified Regulated Entities**") into a single, common Advertisement Code.

Presently, advertisement guidelines applicable to various SEBI-regulated entities such as stockbrokers, investment advisers, research analysts, mutual funds, portfolio managers and OBPPs are governed through multiple regulations and circulars issued by SEBI/Stock Exchanges, with varying prescriptions, terminology, approval mechanisms and compliance expectations across entities.

The consultation paper states that an entity registered under various capacities is required to comply with multiple guidelines/codes, and in the digital era, subjecting each item to approval causes unnecessary delays. Additionally, it increases the cost for smaller entities.

The consultation paper proposes to permit celebrity endorsements at the brand/entity level while continuing to prohibit endorsement of specific products or services. Further, the prior approval from exchanges and the supervisory body is proposed to be replaced by a post-issuance reporting model. Additionally, SEBI has proposed to permit the use of ratings/rankings assigned by a "Past Risk and Return Verification Agency" (PaRRVA), subject to conditions ensuring proper explanation and comparability. Further, SEBI has proposed to allow abbreviated details/ disclaimers (with a hyperlink to full disclosures) through short-format messaging such as SMS, pop-ups, and push notifications. The paper further proposes to carve out purely educational or investor-awareness content carrying no promotional intent from the ambit of "advertisement," and provides an illustrative list of communications (such as responses to client queries, festive greetings and product demonstrations) that shall not be regarded as advertisements. A prohibition on engaging in dark patterns, as specified under the Guidelines for Prevention and Regulation of Dark Patterns, 2023, has also been proposed to be introduced across all Specified Regulated Entities.

The consultation paper can be accessed *here.*

XIV. IFSCA seeks public comments on mandatory integration of Regulated Entities with KYC Registration Agencies

The International Financial Services Centres Authority ("IFSCA") on June 26, 2026, issued a Consultation Paper inviting public comments on a draft circular governing the mandatory integration of Regulated Entities ("REs") in the IFSC with registered KYC Registration Agencies ("KRAs").

The draft circular aims to eliminate duplication in client onboarding and enhance the ease of doing business across the IFSC framework in line with the IFSCA (KYC Registration Agency) Regulations, 2025.

Under the proposed framework, all REs operating in the IFSC—excluding specific entities exempted under the IFSCA AML/KYC Guidelines—must integrate with at least one IFSCA-registered KRA within 2 (two) months of the issuance of the final circular. Further, REs are required to ensure that all new clients onboarded on or after September 01, 2026, are integrated with a KRA and their records uploaded within 3 (three) working days of KYC completion. Additionally, the framework mandates that legacy KYC details for all active clients onboarded prior to September 01, 2026, must be fully uploaded to the KRA system on or before October 30, 2026, with KRAs assigning a unique identification number to each client to facilitate seamless multi-entity onboarding across the IFSC.

The consultation paper can be accessed *here*.

XV. SEBI seeks public comments on rationalizing the requirement of obtaining investor consent and ambit of conflicted transactions requiring investor consent under SEBI (Alternative Investment Funds) Regulations, 2012 ("AIF Regulations")

SEBI, *vide* consultation paper dated June 30, 2026, invited public comments on proposals to standardize the process of obtaining investor consent under the AIF Regulations, bring consistency in the approval thresholds prescribed thereunder, and rationalize the ambit of conflicted transactions requiring investor consent.

Currently, the AIF Regulations mandates investor consent for various material decisions/changes relating to the governance and operations of an AIF, including specified conflicted transactions, with varying thresholds (two-thirds or seventy-five percent) prescribed for different requirements, without providing guidance on the manner or methodology for obtaining such consent. SEBI has observed diverse market practices adopted by AIFs for obtaining investor consent, including deemed consent, present and voting, and express voting methodologies, resulting in identical approval thresholds yielding different outcomes depending on the methodology followed. Further, SEBI has received representation regarding lack of response and selective non-voting by investors.

In this regard, SEBI has proposed to allow fixed timelines for deemed consent, or only count votes of investors actively casting votes, or consider proposals in which the value of votes explicitly cast in favour of the favour (digital or physical) is considered. AIFs to adopt one of the three methodologies at the fund level, subject to adequate disclosure in the PPM and consistent application across investors of the same scheme. This shall include the manner of communicating, the manner of reaching out to investors, the manner of conducting meetings, etc.

Further, SEBI has observed that the current definition of "associate" under the AIF Regulations is narrow, limiting the ambit of conflicted transactions that would require investor consent. To address this gap, SEBI has proposed to replace the term "associate" with "related party" (borrowing from the definition under Section 2(76) of the Companies Act, 2013, suitably modified) for provisions pertaining to conflicted transactions, while retaining the reference to "associate" in other provisions not related to conflicts of interest.

The consultation paper can be accessed *here.*

IV. REGULATORY ORDERS

XVI. SEBI issues a settlement order concerning Kae Capital Fund II for alleged failure to comply with continuing interest requirements

SEBI, *vide* its settlement orders dated June 4, 2026, resolved regulatory proceedings against Kae Capital Fund II, as an SEBI-registered Alternative Investment Fund ("AIF") managed by Kae Capital Management Private Limited. SEBI's examination of the fund's Quarterly Activity Reports (QARs) for early 2024 revealed that the Manager or Sponsor failed to maintain the minimum continuing interest required by law. Specifically, the continuing interest stood at 2.44% of the fund's corpus, falling short of the mandatory minimum requirement of 2.5% (or five crore rupees, whichever is less).

This failure constituted a violation of Regulation 10(d) of the SEBI (Alternative Investment Funds) Regulations, 2012, and the associated Code of Conduct. As a result, the fund, its manager, and its Key Managerial Personnel opted to resolve the matter through SEBI's settlement mechanism and paid a consolidated settlement amount of INR 12,75,000 without admitting or denying the findings. The fund rectified the non-compliance on February 9, 2026.

This order can be accessed *here*.

XVII. SEBI issues a settlement order with Angel One Limited for various alleged infringements by its Authorised Persons

SEBI *vide* its settlement order dated June 15, 2026, settled adjudication and enquiry proceedings against Angel One Limited ("**AOL**"), a SEBI-registered Stock Broker, initiated under Section 15-I of the SEBI Act, 1992 and Regulation 27 of the SEBI (Stock Brokers) Regulations, 1992 read with Chapters V and VI of the SEBI (Intermediaries) Regulations, 2008. The applicant herein filed two separate settlement applications, pertaining to the adjudication and enquiry proceedings respectively.

SEBI's examination found that AOL had failed to identify unauthorised fund collection activity and disproportionate trading by its Authorised Persons, had failed to scrutinise unauthorised social media activity by an Authorised Person promising assured returns and misusing AOL's brand name and logo, and had failed to identify that its Authorised Persons were trading through other stock brokers and that multiple clients were mapped to an Authorised Person through the same IP/Mac addresses. This was in alleged contravention of various SEBI circulars and certain NSE circulars, read with Regulations 9(b), 9(f) and 30 of the SEBI (Stock Brokers) Regulations, 1992. SEBI issued an Adjudication Show Cause Notice and an Enquiry Show Cause Notice to the applicant.

AOL filed its settlement applications proposing to settle the proceedings without admission of liability or guilt, in accordance with the SEBI (Settlement Proceedings) Regulations, 2018. AOL proposed a settlement amount of INR 4,28,01,600. The matter was thereafter placed before the High Powered Advisory Committee, which recommended acceptance of the settlement amount, and the recommendation was approved by the Panel of Whole-Time Members.

This order can be accessed *here*.

XVIII. 1.SEBI issues a settlement Order in respect of HDFC Property Fund concerning alleged delay in winding up schemes

SEBI, vide its settlement order dated June 17, 2026, settled proceedings against HDFC Property Fund, a SEBI-registered venture capital fund, regarding a seven-year delay in the winding up of two schemes, HIREF and HITCF. The schemes had allegedly exceeded their maximum permitted tenure without being formally wound up or obtaining the necessary investor consents for extensions, which would be in violation of Regulation 24(2) of the SEBI (Venture Capital Funds) Regulations, 1996. The matter was resolved through SEBI's settlement mechanism upon the payment of INR 26,01,000.

This order can be accessed *here*.

XIX. SEBI reprimands Citrus Check Inns Limited for its unauthorized Collective Investment Scheme

SEBI, vide its order dated June 30, 2026, imposed monetary penalties on the directors of Citrus Check Inns Limited for operating an unregistered Collective Investment Scheme (CIS). The investigation revealed that the company mobilised approximately INR 2,722 crore from over 12 lakh investors through various holiday plans without obtaining a certificate of registration. The regulator found that these plans fulfilled the criteria of a CIS as defined under Section 11AA of the SEBI Act, 1992, where funds were pooled with a promise of returns while investors had no day-to-day control over management. SEBI held the directors responsible for these activities, which were deemed fraudulent and designed to mislead the public. Penalties included INR 35 lakhs on Omprakash Basantlal Goenka and INR 25 lakhs each on directors Prakash Ganpat Utekar, Venkatraman Natarajan, and Narayan Shivram Kotnis.

This order can be accessed *here*.

XX. SEBI disposes of proceedings concerning compliance lapses against Reliance Securities Limited in light of intensive corrective actions

SEBI, *vide* its order dated June 30, 2026, disposed of a show cause notice against Reliance Securities Limited (now IndusInd Securities Limited) without further directions. A joint inspection in late 2022 had identified several compliance lapses, including discrepancies in the settlement of funds for inactive clients, incorrect reporting of daily margin statements, and failure to maintain complete KYC records, which violated Regulations 9 (e) and Regulation 9 (b) read with the Code of Conduct under Schedule II of the SEBI (Stock Brokers) Regulations, 1992. While a regulatory censure was initially recommended, SEBI noted that the company had taken extensive corrective actions. Furthermore, the firm had already paid a monetary penalty of INR 7 lakhs in separate adjudication proceedings for identical allegations, leading the regulator to determine that no further penalty was warranted.

This order can be accessed *here*.

XXI. SEBI cancels registrations of various AIFs for failure to comply with periodic reporting requirements

SEBI, through a series of separate orders passed in June 2026, cancelled the certificates of registration for various AIFs as a result of continuing regulatory non-compliance. Regulation 28 read with Regulation 35(1)(d) of the SEBI (Alternative Investment Funds) Regulations, 2012, empowers SEBI to cancel the registration of AIFs that fail to comply with periodic reporting requirements, as all registered AIFs are mandated to submit Quarterly Activity Reports (QARs) within 15 calendar days from the end of each quarter through the SI Portal.

SEBI rejected explanations such as technical portal issues or fund dormancy, stating that the obligation to file reports is absolute and remains even if a fund has no business activity.

One such order can be accessed *here*.

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