BEGUR & PARTNERS
ADVOCATES & SOLICITORS

BEGUR BULLETIN

INVESTMENT FUNDS

APRIL - JUNE 2026

QUARTERLY REGULATORY UPDATE

BEGUR & PARTNERS
ADVOCATES & SOLICITORS

WELCOME TO THE BEGUR BULLETIN!

India's investment funds ecosystem continues to witness sustained regulatory evolution, with the Securities and Exchange Board of India ("SEBI") and the International Financial Services Centres Authority ("IFSCA") introducing a series of measures aimed at strengthening governance, enhancing operational efficiency and facilitating ease of doing business across alternative investment funds ("AIFs"), mutual funds, REITs, InvITs, exchange traded funds (ETFs), investment advisers and IFSC-based Fund Management Entities (FMEs). The regulatory focus has increasingly shifted towards rationalising compliance obligations while preserving robust investor protection through enhanced disclosures, governance standards and technology-driven supervision. At the same time, GIFT-IFSC continues to emerge as a preferred international fund management jurisdiction, with IFSCA introducing targeted reforms relating to fund governance, implementation services, certification requirements and cross-border banking operations.

The period from April to June 2026 witnessed a broad spectrum of regulatory initiatives across the investment funds ecosystem. Key developments included SEBI's introduction of the Inoperative Fund framework and fast-track processing mechanism for AIF placement memoranda, proposals to standardise investor consent and conflicted transaction governance for AIFs, revised trading and settlement norms for ETFs, relaxation of third-party payment norms for mutual funds. Collectively, these developments reflect a concerted push toward transparency, operational efficiency, and investor protection across the investment funds ecosystem.

In this regulatory update, we explore these developments in the field of investment funds elaborating on their potential impact on stakeholders and discussing the efficacy of such developments.

We value your thoughts and suggestions. If there is feedback on how we can improve The Begur Bulletin, we'd love to hear from you on communications@begurs.com. Your input helps us keep this platform insightful.

Enjoy reading, here's to staying informed, compliant, and capital-ready.

— Team Begur

ALTERNATIVE INVESTMENT FUNDS (AIFs)

1. SEBI STRENGTHENS AIF WINDING-UP THROUGH 'INOPERATIVE FUND' FRAMEWORK AND ENHANCED OPERATIONAL FLEXIBILITY

SEBI, vide notification dated April 06, 2026, notified the SEBI (Alternative Investment Funds) (Amendment) Regulations, 2026, introducing enabling provisions for greater flexibility in the winding-up of AIFs, including the concept of an 'Inoperative Fund'. These amendments were operationalised through SEBI's circular dated June 16, 2026, which prescribes the conditions for retention of liquidation proceeds beyond the permissible fund life, the procedure for obtaining Inoperative Fund status and the corresponding regulatory framework.

Key proposals include:

a. **Enabling Amendment**: Regulation 29(7) of the SEBI (AIF) Regulations, ("AIF Regulations") 2012 has been amended to permit distribution of liquidation proceeds subject to conditions specified by SEBI, while Regulation 29(10A) of the AIF Regulations empowers SEBI to designate an AIF as an 'Inoperative Fund'.

b. **Grounds for Retention Beyond Fund Life:** AIFs may retain liquidation proceeds beyond the permissible fund life where (i) the fund has received demonstrable litigation, tax or regulatory notices, (ii) at least 75% of investors by value approve retention for anticipated liabilities, or (iii) retention is required for residual winding-up operational expenses, capped at three years from expiry of the fund life.

c. **Investor Disclosure and Investment of Retained Monies:** Managers seeking investor approval must disclose the amount proposed to be retained and the estimated retention period. Retained monies must be invested in accordance with Regulation 15(1)(f) of the AIF Regulations, with the balance distributed once liabilities are resolved and before the scheme is formally wound up.

d. **Introduction of Inoperative Fund Status:** AIFs intending to surrender registration but continuing to retain monies or maintain registration solely due to pending litigation may apply to SEBI for Inoperative Fund status and may surrender registration only after all liabilities are discharged and retained monies distributed.

e. **Restrictions and Reporting:** An Inoperative Fund is prohibited from launching new schemes or charging management fees and must submit annual reports to SEBI and investors on retained monies and outstanding liabilities until winding-up is complete.

f. **Compliance Relaxations and Extension to VCFs:** Inoperative Funds are exempted from periodic activity reports, compliance test reports, PPM audits, benchmarking disclosures, valuation requirements, periodic investor reporting, NISM certification and custodian requirements; the framework has also been extended to Venture Capital Funds registered under the erstwhile SEBI (Venture Capital Funds) Regulations, 1996.

B&P View: This circular reflects SEBI's intent to introduce proportional compliance for AIFs that have effectively ceased operations but remain technically active due to residual liabilities. By permitting the "inoperative fund" category and permitting conditional retention of funds beyond the permissible fund life, SEBI is seeking to reduce avoidable regulatory friction while preserving investor protection safeguards.

2. FAST-TRACK MECHANISM FOR PROCESSING OF PLACEMENT MEMORANDUM OF AIFS FILED WITH SEBI

SEBI, vide circular dated April 30, 2026, has introduced a fast-track mechanism for processing Placement Memoranda (PPMs) of AIFs to facilitate quicker launch of schemes and accelerate capital deployment. The circular marks a shift from SEBI's earlier practice of detailed pre-launch scrutiny towards a disclosure-based framework that relies on due diligence by SEBI-registered Merchant Bankers and the accountability of AIF Managers.

Key provisions include:

a. **Fast-Track Launch of Non-LVF Schemes:** AIFs proposing to launch schemes other than Large Value Funds for Accredited Investors (including Angel Funds) may launch a new scheme and circulate the PPM after the expiry of 30 days from filing with SEBI, unless otherwise advised; for a first scheme, launch may commence from the date of registration or expiry of 30 days, whichever is later.

b. **Timeline for First Close:** The first close of every scheme must be declared within twelve months from the date the scheme becomes eligible for launch.

c. **Enhanced Responsibility of Merchant Bankers and Managers:** Primary responsibility for the accuracy, completeness and adequacy of PPM disclosures now rests with the Merchant Banker and the Manager, marking a shift from regulator-driven scrutiny to intermediary accountability.

d. **Streamlined Filing Requirements:** PPMs for non-LVF schemes must be filed through the SEBI Intermediary Portal along with the Merchant Banker Due Diligence Certificate, fit and proper declarations, continuing interest commitment declarations, and PAN details of the AIF, Sponsor, Manager, Trustee and key investment team members.

e. **Mandatory Disclaimer:** PPMs for non-LVF schemes must include a disclaimer clarifying that the Merchant Banker has independently exercised due diligence, that filing does not imply SEBI's approval, and that responsibility for the PPM's contents rests with the Manager and Merchant Banker.

f. **Continued Regulatory Oversight:** SEBI retains full supervisory and enforcement powers, and any omission or misstatement in the PPM may attract regulatory action against the Merchant Banker, AIF or Manager. The mechanism took effect immediately and applies to pending PPM applications for non-LVF schemes.

B&P View: The circular represents a significant step towards a principles-based regulatory framework for AIFs, reducing procedural delays while strengthening accountability of Merchant Bankers and Managers. While the framework should improve ease of doing business and market efficiency, Managers and Merchant Bankers will need robust internal diligence and documentation processes given the increased regulatory responsibility.

3. SEBI PROPOSES A STANDARDISED FRAMEWORK FOR INVESTOR CONSENT AND RATIONALISES CONFLICT TRANSACTIONS FOR AIFS

SEBI, vide consultation paper dated June 30, 2026, has proposed amendments to the SEBI (Alternative Investment Funds) Regulations, 2012 to standardise the process of obtaining investor consent and rationalise the framework governing conflicted transactions in AIFs, aiming to strengthen investor protection while preserving operational flexibility.

Key proposals include:

a. **Standardised Voting Methodologies:** AIFs may adopt one of three methodologies for obtaining investor consent namely: (i) Deemed Consent, where non-responsive investors are deemed to have approved the proposal and the approval threshold is calculated with reference to the total value of investors; (ii) Present and Voting, where only votes actually cast are considered and the approval threshold is determined based on the value of participating investors; or (iii) Express Voting for Approval, where only affirmative votes are counted and the prescribed approval threshold is calculated with reference to the total value of investors, consistently applied at the scheme level and disclosed in the PPM.

b. **Disclosure and Governance Standards:** AIFs must disclose the chosen voting methodology, communication procedures, voting timelines and notice periods, and details of the proposal requiring approval. Managers must provide equal voting opportunities, respond to investor queries within a reasonable time, and maintain records of all notices and voting outcomes; existing schemes may continue under a grandfathering provision.

c. **Uniform 75% Approval Threshold:** SEBI proposes replacing multiple approval thresholds with a uniform requirement of 75% of investors by value wherever the Regulations currently require two-thirds investor consent, including for alteration of fund strategy and extension of tenure of close-ended AIFs and migrated venture capital funds.

d. **Expansion of Conflict Transaction Scope:** SEBI proposes replacing the concept of “associate” with “related party” (based on Section 2(76) of the Companies Act, 2013) for provisions governing conflicted transactions, extending coverage to relatives, key managerial personnel, controlled entities, and holding/subsidiary companies. The “related party” definition would apply only to conflicted-transaction provisions, with “associate” continuing to apply elsewhere; transactions involving related parties of trustees or the AIF’s own board would remain outside the investor consent framework.

B&P View: The consultation paper reflects SEBI’s attempt to balance operational flexibility with stronger investor governance.

MUTUAL FUNDS

1. SEBI SIMPLIFIES NOMINATION FRAMEWORK FOR DEMAT ACCOUNTS AND MUTUAL FUND FOLIOS

SEBI, vide circular dated May 29, 2026, has revised the nomination framework applicable to demat accounts and mutual fund folios, following stakeholder representations on operational challenges in implementing its January 10, 2025 circular on revamped nomination facilities.

Key proposals include:

a. **Mandatory Nomination for Single-Holder Accounts:** Nomination is compulsory for all single-holder demat accounts and mutual fund folios opened after implementation, unless the investor expressly opts out; nomination remains optional for jointly held accounts, subject to consent of all joint holders where made or modified.

b. **Flexible Nomination Process:** Investors may nominate up to three nominees through online or offline modes, including Digital Signature Certificate, Aadhaar e-sign or OTP-based two-factor authentication; a witness is no longer required for physical nominations signed with a wet signature (only for thumb impressions).

c. **Rationalised Nominee Information:** Mandatory details are limited to the nominee's name, relationship and (for minors) date of birth, with other details such as contact information and allocation percentage optional; where no allocation is specified, holdings are distributed equally, with any odd lot going to the first nominee.

d. **Simplified Opt-Out Framework:** Investors may submit a prescribed opt-out declaration or exercise the option electronically after acknowledging the consequences, including potential transfer of unclaimed assets to the IEPF; nominations may be created, modified or cancelled any number of times.

e. **Enhanced Responsibilities of Regulated Entities:** Depository Participants and Mutual Fund Registrars must reflect nomination status in account statements, send bi-annual reminders to investors without a nomination, and display educational pop-ups on first login each day.

f. **Applicability and Transition:** The framework applies to both new and existing accounts/folios from September 1, 2026, superseding all earlier SEBI circulars on nomination, with regulated entities directed to upgrade systems and amend bye-laws accordingly.

B&P View: SEBI's revised framework significantly simplifies procedural requirements while preserving the objective of minimising unclaimed financial assets. Reduced disclosures, removal of witness requirements for most physical nominations, and multiple digital authentication options make the process considerably more investor-friendly.

2. SEBI REVISES BASE PRICE AND PRICE BANDS FOR EXCHANGE TRADED FUNDS (ETFS)

SEBI, vide circular dated June 15, 2026, has revised the regulatory framework governing ETFs with respect to base price determination, price bands, pre-open call auction and close-out procedures, addressing issues arising from the existing T-2 NAV-based system and uniform price bands.

.

Key proposals include:

a. **Revised Base Price Framework:** Until March 31, 2027, the base price will be the T-1 closing price (last 30-minute VWAP), or the LTP/latest closing NAV where no trades occur; exchanges and AMCs must migrate to T-1 closing NAV as the base price from April 1, 2027.

b. **Category-Specific Price Bands:** Equity and Debt ETFs (excluding Overnight and Liquid ETFs) will have a dynamic initial band of ±10%, expandable to ±20% in stages; Commodity (Gold/Silver) ETFs will have an initial ±6% band, expandable in 3% stages; Overnight and Liquid ETFs continue under a fixed ±5% band.

c. **Revised Close-Out and Pre-Open Auction Mechanisms:** For Overnight and Liquid ETFs, the close-out price will be the higher of the highest recorded price since contract entry or 5% above the latest closing price on the auction-call date; a pre-open call auction mechanism, similar to that for equity securities, has been introduced for Commodity ETFs to improve price discovery.

d. **Implementation Timeline:** The revised framework takes effect from September 1, 2026, with Market Infrastructure Institutions directed to implement necessary systems, amend bye-laws and disseminate the framework to market participants.

B&P View: SEBI is moving toward a more risk-sensitive and dynamic price band framework for ETFs. By updating the base price methodology and tightening initial bands, the regulator aims to improve price discovery and reduce tracking gaps. The changes aim to strengthen market integrity for commodity ETFs, where recent volatility exposed gaps in the existing fixed-band regime.

3. SEBI PROPOSES RELAXATION OF THIRD-PARTY PAYMENT NORMS FOR MUTUAL FUND INVESTMENTS

On May 20, 2026, SEBI issued a consultation paper proposing a calibrated relaxation of the existing framework governing third-party payments in mutual funds. Under the current regime, investments must originate from the investor's own bank account to mitigate money laundering risks and ensure complete auditability. Based on industry representations and recommendations of the Mutual Fund Advisory Committee (MFAC), SEBI has proposed permitting third-party payments in specified scenarios while retaining robust safeguards under the Prevention of Money Laundering Act, 2002 (“PMLA”). The proposals seek to facilitate legitimate investment transactions, improve investor convenience and encourage financial inclusion without compromising regulatory oversight or investor protection.

Key Proposals

a. **Permitting Third-Party Payments in Specified Scenarios:** SEBI has proposed permitting third-party payments in three defined situations. First, employers may make consolidated payments towards mutual fund investments on behalf of employees through salary deductions, with the facility being available to listed companies, EPFO-registered establishments and Asset Management Companies (AMCs) for employees who voluntarily opt for the arrangement.

Secondly, AMCs may pay trail commissions, wholly or partly, to empanelled Mutual Fund Distributors (MFDs) in the form of mutual fund units instead of cash, provided the distributors are registered with AMFI and empanelled with the relevant AMC. Thirdly, investors may contribute or donate a portion of their subscription amount, redemption proceeds or scheme returns towards specified social causes through the mutual fund framework.

b. **Framework for Donations Through Mutual Funds:** To facilitate philanthropic contributions through a regulated mechanism, SEBI has proposed two alternative models. Under **Option A**, dedicated mutual fund schemes may permit investors to earmark a portion of their redemption or dividend proceeds towards subscription to Zero Coupon Zero Principal (ZCZP) instruments issued by Not-for-Profit Organisations (NPOs) registered on the Social Stock Exchange (SSE), or directly to specified NGOs identified in the Scheme Information Document (SID). Under **Option B**, the same facility may be extended across all existing mutual fund schemes. The framework would require prior investor consent, robust disclosures, periodic reporting on utilisation of funds and continued compliance with PMLA obligations by AMCs. Detailed operational guidelines are proposed to be issued by AMFI in consultation with SEBI.

c. **Safeguards for Third-Party Payments:** Recognising the money laundering risks associated with third-party payments, SEBI has proposed comprehensive safeguards for AMCs. These include validation of the relationship between the payer and beneficiary, robust KYC verification of both parties, clearly defined responsibilities for AMCs and Registrars and Transfer Agents (RTAs), compliance with PMLA requirements and maintenance of a complete electronic audit trail. Any redemption proceeds, dividends or other eligible payments must continue to be credited only to the beneficiary's verified bank account. AMFI, in consultation with SEBI, will prescribe detailed operational guidelines, while the responsibility for due diligence and regulatory compliance will continue to rest with AMCs.

B&P View: The proposals reflect SEBI's attempt to balance operational flexibility with strong anti-money laundering safeguards. By permitting limited third-party payments in well-defined scenarios, the regulator addresses genuine commercial and investor needs without diluting the integrity of the mutual fund ecosystem.

REAL ESTATE INVESTMENT TRUSTS

1. SEBI SPECIFIES PERMITTED USES OF FRESH BORROWINGS BY INVITS EXCEEDING THE 49% LEVERAGE THRESHOLD

SEBI , vide circular dated May 15, 2026, has specified the permissible uses of fresh borrowings by Infrastructure Investment Trusts ("InvITs") where net borrowings exceed 49% of asset value, operationalising the amendment to Regulation 20(3)(b)(ii) of the SEBI (InvIT) Regulations, 2014 notified on April 17, 2026.

Key proposals include:

a. **Scope of Permitted Uses:** Where an InvIT's net borrowings exceed the 49% threshold, fresh borrowings may only be utilised for purposes expressly permitted under the circular, providing regulatory certainty on deployment of additional leverage.

b. **Capital Expenditure:** Additional borrowings may be used for capital expenditure to enhance operational performance or increase capacity of existing infrastructure assets, rather than routine operational requirements.

c. **Major Maintenance of Road Projects:** Borrowings above the threshold may also fund major (non-routine) maintenance expenditure for road projects required under the relevant concession agreement, limited to the "Roads and Bridges" infrastructure sub-sector.

d. **Refinancing Subject to Safeguards:** Additional borrowings may be used to refinance debt at the InvIT, SPV or HoldCo level, provided the original borrowing was for a permitted purpose and only the outstanding principal (not accrued interest, fees or charges) is refinanced.

e. **Immediate Applicability:** The circular took effect immediately with stock exchanges directed to disseminate it to market participants.

B&P View: The circular provides much-needed operational clarity following SEBI's recent amendment permitting higher leverage for InvITs. By restricting borrowings above the 49% threshold to capital expenditure, specified major maintenance and tightly regulated refinancing, SEBI reinforces that additional leverage should support long-term asset creation rather than general financing, striking a balanced approach between operational flexibility and investor protection.

2. SEBI Proposes Relaxation in NDCF Framework for Debt-Funded Major Maintenance Expenses by Road InvITs

SEBI issued a consultation paper dated June 01, 2026, proposing amendments to the framework for calculation of Net Distributable Cash Flows ("**NDCF**") for Infrastructure Investment Trusts (InvITs). The proposal follows representations received from the Bharat InvITs Association highlighting practical challenges faced by road sector InvITs, where major maintenance expenses, though essential for preserving infrastructure assets, are treated as operating expenses under accounting principles and are typically financed through debt. The proposed amendments seek to facilitate ease of doing business by permitting debt-funded major maintenance expenses for eligible road projects to be added back while computing NDCF, subject to stringent unitholder approvals, disclosure obligations and regulatory safeguards.

Key Proposals

a. **Permitting Add-back of Debt-Funded Major Maintenance Expenses:** SEBI has proposed allowing payments made towards major maintenance (MM) expenses for road projects, to the extent funded through external borrowing, to be added back while computing NDCF at both the SPV/HoldCo level and the Trust level. This marks a limited exception to the existing framework, which generally prohibits the use of external debt for distributable cash flows. The relaxation is restricted to projects within the "Roads and Bridges" infrastructure sub-sector and applies only to major maintenance activities undertaken in accordance with the relevant concession agreements.

b. **Unitholder Approval and Safeguards:** The proposal requires prior approval of unitholders under Regulation 22(5) of the InvIT Regulations before borrowing for major maintenance expenses can be considered in NDCF computation. Approval may be obtained either on a one-time basis for the entire project life cycle or for specific maintenance expenditures, with any subsequent deviations requiring fresh approval. Additionally, statutory auditors must certify that the expenses qualify as major maintenance under the concession agreement and have been funded through external borrowings before any add-back is permitted.

c. **Enhanced Disclosure Requirements:** To ensure transparency, SEBI proposes extensive disclosure obligations while seeking unitholder approval. InvITs must disclose project-wise details of proposed borrowings, categories of eligible maintenance expenses, year-wise estimates based on valuation reports, impact on leverage and future growth, expected effect on distributions before and after the maintenance cycle, and alternative funding arrangements if debt is unavailable. Further, periodic financial disclosures must separately identify borrowings raised for major maintenance, disclose outstanding balances, reflect such borrowings in debt maturity profiles and segregate them within the Net Borrowing Ratio disclosures.

d. **Amendments to the Existing NDCF Framework:** The draft circular proposes corresponding amendments to Chapter 3 of the Master Circular for InvITs by inserting new line items permitting the add-back of eligible major maintenance expenses in the NDCF computation tables for both Trusts and SPVs/HoldCos. It also revises the existing prohibition on debt-funded distributions by introducing a specific carve-out for debt-funded major maintenance expenses and inserts a new explanatory note prescribing the conditions, approvals, certifications and disclosure requirements governing the proposed relaxation.

B&P View: The proposal acknowledges the unique financing structure of road InvITs, where periodic major maintenance is typically debt-funded despite being treated as an operating expense under accounting standards. By permitting a limited exception to the NDCF framework while prescribing comprehensive governance, disclosure and investor approval requirements, SEBI seeks to balance distribution flexibility with transparency and investor protection, thereby facilitating more efficient capital management for road sector InvITs.

INTERNATIONAL FINANCIAL SERVICES CENTRE

1. IFSCA SPECIFIES MANDATORY CERTIFICATION COURSE FOR FUND MANAGEMENT PERSONNEL IN IFSC

IFSCA, vide circular dated April 1, 2026, has specified a mandatory certification course for Key Managerial Personnel (KMPs) and employees engaged in core fund management activities under the IFSCA (Fund Management) Regulations, 2025, issued pursuant to Regulation 7(6) of the FM Regulations.

Key Directions:

a. **Mandatory Certification:** IFSCA has specified "Regulatory Framework for Fund Management in IFSC: AIFs and Retail Schemes", offered by the Institute of Company Secretaries of India (ICSI), as the mandatory certification for all KMPs and fund management personnel, to be completed on or before September 30, 2026.

b. **Compliance Responsibility and Voluntary Participation:** Both the FME and persons in control of the FME are responsible for continuous compliance with KMP eligibility requirements. IFSCA has also encouraged non-operational personnel and ecosystem participants such as trustees, intermediaries and fund administrators to voluntarily undertake the certification.

B&P View: The circular reflects IFSCA's continued focus on developing a skilled and globally competitive fund management ecosystem within GIFT-IFSC.

2. IFSCA CLARIFIES PERMISSIBLE CHANNELS FOR PROVIDING IMPLEMENTATION SERVICES BY INVESTMENT ADVISERS

IFSCA has issued a circular dated May 12, 2026, clarifying the permissible modes through which Investment Advisers registered under the IFSCA (Capital Market Intermediaries) Regulations, 2025 ("CMI Regulations") may provide implementation services to advisory clients, pursuant to Regulations 34(12) and 34(13) of the CMI Regulations.

Key provisions include:

a. **Scope of Implementation Services:** "Implementation services" refer to services provided to execute or give effect to investment advice, delineating the advisory function from the execution function.

b. **Prescribed Execution Channels:** Products listed on foreign stock exchanges must be executed through a Global Access Provider or Introducing Broker in the IFSC; products listed on a recognised IFSC stock exchange must be executed through a member of that exchange; and unlisted products must be offered pursuant to arrangements with platforms/AMCs regulated by a foreign financial sector regulator. The circular took effect immediately.

B&P View: The circular provides much-needed clarity on the operational framework for implementation services offered by Investment Advisers in the IFSC, reinforcing investor safeguards while enabling advisers to provide seamless end-to-end services.

3. IFSCA STRENGTHENS GOVERNANCE FRAMEWORK BY SEGREGATING

FIDUCIARY AND SERVICE PROVIDER ROLES FOR FUND SCHEMES

IFSCA, vide circular dated April 10, 2026, has clarified the governance framework applicable to schemes under the IFSCA (Fund Management) Regulations, 2025, building on Regulation 17 which requires appointment of fiduciaries subject to prescribed standards.

Key provisions include:

a. **Mandatory Segregation of Roles:** An FME may not appoint an entity acting as a scheme's fiduciary to simultaneously provide fund administration, valuation, audit, or lending and financing services to the same scheme, whether directly or through an associate, to preserve fiduciary independence.

b. **Compliance Timeline:** The circular takes effect immediately, with FMEs managing schemes already on record with IFSCA required to implement the necessary structural changes on or before September 30, 2026.

   B&P View: The circular reinforces the principle that effective oversight requires genuine independence between fiduciary and operational functions. FMEs should review existing service provider arrangements and governance structures to ensure timely compliance before the September 30, 2026 deadline.

4. IFSCA AMENDS SNRR ACCOUNT FRAMEWORK FOR IFSC UNITS TO FACILITATE BUSINESS-RELATED TRANSACTIONS

IFSCA, vide circular dated June 19, 2026, has amended its January 29, 2025 circular governing permissible transactions through Special Non-Resident Rupee (SNRR) accounts maintained by IFSC units, following consequential changes to IFSCA's AML/CFT/KYC framework notified on the same date.

Key directions include:

a. **Revised Framework for Business Transactions:** IFSC units may maintain an SNRR account with an authorised dealer in India (outside the IFSC) for business-related transactions outside the IFSC, and financial institutions may receive or transact monetary consideration, including funds and fees, through such accounts.

b. **Remittance Requirement and Exception:** Amounts received in the SNRR account from business-related transactions must be remitted to the institution's IBU account in a specified foreign currency within 30 working days, except for amounts credited towards meeting administrative expenses. The circular took effect immediately.

B&P View: The amendment provides useful operational clarity on the movement of funds through SNRR accounts while reinforcing the IFSC framework's emphasis on routing business receipts into the foreign currency ecosystem. IFSC financial institutions should review treasury and fund flow processes to ensure compliance with the revised remittance requirement.

5. IFSCA AMENDS AML/CFT EXEMPTION FRAMEWORK FOR ROUTING BUSINESS TRANSACTIONS THROUGH IFSC BANKING CHANNELS

IFSCA, vide circular dated June 19, 2026, has amended its November 18, 2024 circular exempting certain entities and activities from the International Financial Services Centres Authority (Anti Money Laundering, Counter-Terrorist Financing and Know Your Customer) Guidelines, 2022, revising the framework governing routing of monetary consideration arising from business transactions.

Key provisions include:

a. **Mandatory Routing Channels:** All financial institutions, including those otherwise exempted, must route all monetary consideration from business transactions, including funds and fees, only through an account maintained with a Banking Unit in the IFSC or an SNRR account.

b. **Continuity of Exemption Framework:** Apart from this modification, all other provisions of the November 18, 2024 exemption circular continue unchanged. The amendment took effect immediately.

B&P View: The amendment reinforces IFSCA's objective of ensuring greater transparency and traceability of business-related fund flows without altering the substantive scope of existing AML/CFT exemptions. Regulated entities should review their banking arrangements to ensure transaction routing complies with the revised framework.

.

MISCELLANEOUS

1. SEBI RELAXES CERTIFICATION REQUIREMENTS FOR SALES AND NON-CORE PERSONNEL OF INVESTMENT ADVISERS

SEBI, vide circular dated June 24, 2026, has introduced a simplified certification framework for certain Persons Associated with Investment Advice ("PAIA") under the SEBI (Investment Advisers) Regulations, 2013, following stakeholder feedback seeking rationalisation for employees who interact with clients but do not perform advisory functions.

Key Provisions:

a. **Separate Certification for Sales/Non-Core Personnel:** PAIA performing only sales and other non-core services must obtain the NISM Series-XXV-B certification introduced by NISM on May 18, 2026, while PAIA performing advisory functions must continue to obtain NISM Series-X-A and Series-X-B certifications.

b. **Transitional Relief:** Existing personnel who have already obtained Series-X-A/X-B certifications may continue relying on them until expiry, after which the Series-XXV-B certification will apply if they continue to perform only sales or non-core functions. The circular took effect immediately.

B&P View: The circular adopts a pragmatic, risk-based approach by aligning certification requirements with the nature of functions performed, reducing compliance costs while ensuring advisory personnel continue to meet higher competency standards.

2. SEBI OPERATIONALISES PARRVA FRAMEWORK AND PRESCRIBES TIMELINES FOR VERIFIED PERFORMANCE REPORTING

SEBI, vide circular dated April 29, 2026, has operationalised the framework for the Past Risk and Return Verification Agency (PaRRVA), introduced via its circular dated April 4, 2025, establishing an independent mechanism for verification of past performance and risk metrics communicated by Investment Advisers and Research Analysts.

Key amendments include:

a. **Recognition and Transition Timelines:** SEBI has recognised Care Ratings Limited as the first PaRRVA, with NSE acting as the PaRRVA Data Centre, commencing regular operations from May 4, 2026. IAs and RAs must enrol with PaRRVA by August 3, 2026, and may communicate certified pre-PaRRVA performance only up to May 3, 2028, after which only PaRRVA-verified metrics may be used.

b. **Revised Oversight Committee:** The oversight committee supervising PaRRVA and the PDC must comprise at least five members, including representatives of PaRRVA, the PDC, intermediaries, a SEBI-recognised investor association and an eminent Chairperson, with independent members constituting a majority.

B&P View: The operationalisation of PaRRVA marks an important step towards standardising performance reporting by IAs and RAs. The prescribed transition timelines and strengthened, independence-focused oversight committee composition should reinforce the credibility of the PaRRVA framework.

3. **SEBI ISSUES ADVISORY ON AI-DRIVEN VULNERABILITY DETECTION TOOLS AND STRENGTHENS CYBERSECURITY PREPAREDNESS**

SEBI has issued an advisory dated May 05, 2026, addressing cybersecurity risks arising from the rapid evolution of AI-driven vulnerability detection tools, emphasising a coordinated approach to vulnerability management, threat intelligence sharing and cyber resilience across the securities market ecosystem.

Key proposals include:

a. **Constitution of Industry Task Force:** SEBI has constituted a dedicated task force comprising representatives of Market Infrastructure Institutions, Qualified RTAs, Qualified Regulated Entities and other stakeholders, mandated to assess AI-related cybersecurity risks, share threat intelligence, report cyber incidents on a priority basis, and review the cybersecurity posture of third-party service providers.

b. **Strengthened Cybersecurity Measures:** Regulated entities have been advised to implement timely patches or virtual patching, undertake regular vulnerability assessments and security audits, strengthen API security, and maintain updated asset inventories and Software Bills of Materials for critical applications.

c. **Enhanced Monitoring and Risk Assessment:** Entities are advised to enhance SOC monitoring, investigate all security alerts, implement SOAR playbooks integrated with SIEM systems, expedite onboarding onto the Market-SOC established by NSE and BSE, and adopt system hardening measures including Zero Trust Network Architecture.

B&P View: SEBI's advisory reflects a proactive approach towards emerging cybersecurity risks posed by AI-powered vulnerability detection tools. Rather than introducing new compliance obligations, it reinforces existing cyber resilience expectations, and regulated entities should reassess their cybersecurity governance and third-party vendor oversight practices accordingly.

4. **SEBI PROPOSES A COMMON ADVERTISEMENT CODE FOR SPECIFIED REGULATED ENTITIES**

SEBI issued a consultation paper dated June 23, 2026, proposing a Common Advertisement Code ("CAC") for specified SEBI-regulated entities, including stock brokers, depository participants, investment advisers, research analysts, portfolio managers, online bond platform providers and mutual funds. The proposal seeks to consolidate the fragmented advertisement framework currently spread across multiple regulations, master circulars and exchange directions into a single harmonised code. Recognising the increasing use of digital and social media advertising, SEBI aims to promote ease of doing business while strengthening investor protection through uniform advertising standards, streamlined compliance mechanisms and technology-enabled post-issuance oversight.

Key provisions include:

a. **Introduction of a Unified Advertisement Code:** SEBI has proposed replacing the multiple advertisement codes applicable to different regulated entities with a single Common Advertisement Code to be incorporated into the SEBI (Intermediaries) Regulations, 2008. The CAC would apply uniformly to specified regulated entities while retaining limited product-specific carve-outs where necessary. The proposal also introduces common definitions of "advertisement", "celebrity" and "supervisory body", thereby eliminating inconsistencies across the existing regulatory framework.

b. **Shift from Prior Approval to Post-Issuance Reporting:** A significant proposal is the replacement of the existing prior approval regime with a post-issuance reporting framework. Advertisements would no longer require prior approval from stock exchanges or supervisory bodies, except advertisements featuring celebrity endorsements. Instead, regulated entities would be required to report advertisements within 24 hours of issuance, after which SEBI or the relevant supervisory body would undertake post-issuance monitoring. This proposal is intended to reduce compliance costs and facilitate timely digital marketing while preserving regulatory oversight.

c. **Revised Framework for Celebrity Endorsements and Ratings:** The consultation paper proposes permitting celebrity endorsements across all specified regulated entities, subject to important safeguards. Celebrity endorsements would be restricted to promoting the regulated entity or its brand and would not be permitted for individual products or services. Such advertisements would continue to require prior approval from the relevant supervisory body and associated costs cannot be passed on to investors or mutual fund schemes.

d. **Rationalisation of Disclosure Requirements:** Recognising the operational realities of digital communications, SEBI proposes allowing abbreviated disclosures for short-format communications such as SMSs, push notifications and pop-ups, provided hyperlinks directing investors to complete disclosures are included.

e. **Strengthened Conduct Standards and Prohibition of Dark Patterns:** The proposed CAC prescribes uniform advertising principles requiring advertisements to be true, fair, accurate, complete and not misleading. It prohibits misleading comparisons, exaggerated claims, guaranteed or risk-free return claims, inappropriate use of testimonials, unauthorised use of SEBI or MII logos, inducements to trade, and misleading references to past performance except as specifically permitted.

   In addition, SEBI proposes an express prohibition on the use of dark patterns, requiring regulated entities to comply with the Central Consumer Protection Authority's Guidelines for Prevention and Regulation of Dark Patterns, 2023. Practices such as false urgency, forced actions and subscription traps would therefore be prohibited in advertisements and digital interfaces.

f. **Mandatory Disclosures and General Compliance Obligations:** The proposed framework standardises mandatory disclosures by requiring every advertisement to prominently display the regulated entity's name, SEBI registration number and prescribed disclaimers. Advertisements containing statistical information must disclose data sources, while examples of securities or schemes must carry appropriate cautionary statements clarifying that such examples do not constitute recommendations.

B&P View: The proposed Common Advertisement Code represents a significant step towards harmonising marketing regulations across SEBI-regulated intermediaries. By replacing fragmented approval mechanisms with a uniform post-issuance reporting framework, SEBI seeks to reduce compliance burden while preserving investor safeguards through standardised disclosures, restrictions on misleading practices and technology-enabled supervision.

BEGUR & PARTNERS
ADVOCATES & SOLICITORS

MUMBAI

The Capital, B/513, Bandra Kurla Complex, Bandra (East), Mumbai, Maharashtra 400051

(+9122) 40049800 | 40049801

communications@begurs.com

BENGALURU

236 Sumitra, 2'C Cross, 1st Main Rd, 2nd Stage, Domlur, Bengaluru, Karnataka 560071

(+91-80) 4123 9800 | 40936801

communications@begurs.com

UAE

A4-115, Building No. A4, Al Hamra Industrial Zone – FZ, RAK – United Arab Emirates.

(+971) 502234052

communications@begurs.com

Latest Awards and Recognitions

RSGI Resight (RSG India)

IBLJ A List
A List (2023-2024)

ALB India Law Awards 2025
Notable Firm (2024)

Legal 500
Private Equity (including Venture Capital) - Tier 5 (2025)

IFLR1000 (34th Edition) 2024

1. Rajesh Begur B Ranking: Leading Lawyer – Highly Regarded
2. Firm Ranking: Recommended Firm
3. Southern Asia, Australasia and Central Asia Ranking: Highly Regarded

Corporate INTL Global Awards
Cross Border Private Equity Transactions Law Firm of the Year in India - 2025

Forbes India - Legal Powerlist 2023
Top Law Firm (above 10 years' experience)

Asia Law 2022
Notable Firm – Private Equity, Investment Funds, Banking and Finance, Corporate and M&A

Global Law Expert 2021
Cross Border Private Equity Transactions Law Firm of the year

RSG Consulting 2019
Top 40 Indian Law Firm