

Strong banks require capital and technology, but they also require judgment, governance, accountability and institutions that learn: resilience is not only about withstanding the last shock, but about building the capacity to respond well to the next one.

-Shri Swaminathan J, Deputy Governor, Reserve Bank of India

Foreign Exchange Management (Authorised Persons) Regulations, 2026

The RBI has issued Foreign Exchange Management (Authorised Persons) Regulations, 2026. These regulations consolidate the framework for authorisation, eligibility, activities, governance, and oversight of Authorised Persons (APs) dealing in foreign exchange under FEMA. Entities must obtain RBI authorisation to act as APs under categories such as AD Category-I, II, III, and existing entities may continue till expiry of current approval. Applications and renewals should be arerouted through the PRAVAAH portal with prescribed eligibility conditions including company incorporation, minimum net worth, fit and proper criteria, and regulatory clearances. The regulations define permitted activities for each AP category, introduce ongoing compliance requirements relating to net worth, turnover, governance, reporting, and operational conditions, and provide grounds for rejection, revocation, and appeal. A new Forex Correspondent Scheme (FCS) enables AD Category-I and II entities to appoint Forex Correspondents under a principal-agent model for undertaking specific activities with specified controls and outsourcing requirements. Existing franchisee arrangements are to be phased out within two years and transitioned to the FxC framework. The regulations also discontinue fresh FFMC applications except those already

under process and prescribe transitional provisions for existing entities.

Operating framework for facilitating Outward Remittance services by non-bank entities through Authorized Dealer (Category I) banks in India

RBI has issued an operating framework for facilitating outward remittance services through tie-ups between non-bank entities and Authorised Dealer (AD) banks, removing the earlier requirement for prior RBI approval for such arrangements. Under the revised framework, AD banks remain solely responsible for FEMA compliance, KYC requirements, customer protection, and oversight of third-party arrangements used for online outward remittances for non-trade current account transactions. The framework mandates enhanced transparency through disclosure of exchange rates, charges, timelines, beneficiary credit details, and grievance mechanisms. ADs are required to establish clear agreements with third parties covering responsibilities, data privacy, compliance, audit rights, and risk management measures. Further, ADs must ensure strong internal controls relating to cybersecurity, operational resilience, customer data protection, and grievance redressal. Customer funds must remain safeguarded, remittances should occur only through bank-to-bank channels, and third parties must not handle remitter funds in India. The framework also prescribes safeguards for arrangements involving overseas third parties and extends customer protection

requirements to doorstep delivery services for forex cards and foreign currency notes.

Consolidated overview of RBI Directions Amedments

RBI has issued amendments to various directions during May 2026, including Prudential Norms on Capital Adequacy, Classification, Valuation and Operation of Investment Portfolio, and Financial Statements – Presentation and Disclosures, with the objective of strengthening prudential regulation, enhancing transparency, and aligning regulatory frameworks with evolving risk management practices.

Advisory on Emerging Advanced Artificial Intelligence (AI) Tools for Vulnerability Detection

The Securities and Exchange Board of India issued an advisory on May 5, 2026, highlighting the growing use of advanced Artificial Intelligence (AI) tools for vulnerability detection in systems and applications. The advisory cautions regulated entities about the dual-use nature of such AI tools, which can be leveraged both for strengthening cybersecurity and for identifying and exploiting system weaknesses. Entities are advised to adopt robust cybersecurity frameworks, continuously monitor AI-driven threats, and ensure timely patching of vulnerabilities. SEBI emphasizes the need for strong governance, risk assessment, and controlled usage of AI tools, along with employee awareness and access controls. The advisory aims to enhance cyber resilience across market participants and ensure protection of critical systems and investor data in an evolving technological landscape.

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

The Securities and Exchange Board of India has clarified the framework for identifying 'Significant Indices' under the SEBI (Index Providers) Regulations, 2024. An index will be classified as 'Significant' if the average cumulative AUM of mutual funds tracking it exceeds ₹20,000 crore over the past six months (reviewed semi-annually). Once designated, an index will remain 'Significant' unless it fails to meet the threshold for three consecutive years. SEBI has also published an initial list based on AUM data for July–December 2025. Index Providers offering such indices must register with SEBI within six months, unless exempt (e.g., RBI-recognized benchmarks). Existing providers may continue operations during this period. Entities registered with SEBI in other capacities must set up a separate legal entity for index activities within two years.

Discontinuation of Investor Risk Reduction Access (IRRA) platform

SEBI has decided to discontinue the Investor Risk Reduction Access (IRRA) platform with effect from May 7, 2026. IRRA was introduced in December 2022 and operationalized from October 2023 to provide investors an alternative trading access point during stock broker service disruptions. However, subsequent enhancements such as stronger Business Continuity Planning (BCP-DR), cyber resilience measures, Market Security Operations Centre (M-SoC), improved technical glitch frameworks, and brokers' advanced disaster recovery capabilities have significantly strengthened operational continuity. Additionally, stock exchanges already provide a Contingency Pool Trading Facility that enables brokers to manage client positions during disruptions. Since IRRA has not been utilized by stock brokers since its launch and has become operationally redundant, stock exchanges unanimously recommended its discontinuation. Accordingly, SEBI has withdrawn the platform and directed exchanges to review and strengthen the Contingency Pool Trading Facility framework.

Norms for sharing and usage of price data for educational purposes

The Securities and Exchange Board of India has revised the norms for sharing and usage of market price data for educational purposes. Earlier, price data could be shared with a one-day lag, while entities engaged solely in education could use data only after a three-month lag. Based on stakeholder feedback, SEBI has now prescribed a uniform time lag of 30 days for both sharing and usage of price data for educational and awareness activities to reduce misuse risks while supporting effective learning. An exception has been provided to the National Institute of Securities Markets (NISM), which may access market price data with a one-day lag exclusively for simulation lab purposes. MIIs and intermediaries must conduct due diligence, maintain audit trails, and execute legal agreements to prevent misuse of shared data.

Permitted use of fresh borrowings for InvITs where Net Borrowings exceeds forty-nine percent of the value of InvIT assets

The Securities and Exchange Board of India has clarified the permitted use of fresh borrowings by InvITs where

Penalty corner

Imposed a monetary penalty of ₹10.10 lakh on **City Union Bank Limited** for non-compliance with certain provisions of directions issued by RBI on 'Priority Sector Loan accounts' and 'Reporting of Self Help Group (SHG) member level data to Credit Information Companies (CICs)'. The Bank:

- Levied loan related charges on certain agriculture priority sector loans up to ₹25,000/-.
- Did not report Self Help Group member level data to Credit Information Companies.

Imposed a monetary penalty of ₹31.80 lakh on **Yes Bank Limited** for non-compliance with certain provisions of directions issued by RBI on 'Know Your Customer'. The bank failed to put in place a system of using KYC Identifier assigned by Central KYC Records Registry for the purpose of establishing an account-based relationship with customers.

Imposed a monetary penalty of ₹1.80 lakh on **Hinduja Housing Finance Limited** for non-compliance with certain directions issued by RBI, relating to 'Governance'. The company had failed to take prior written permission of the RBI for effecting change in management, resulting in change of more than 30 per cent of its directors, excluding independent directors.

Imposed a monetary penalty of ₹3.10 lakh on **HFL Finance Limited** for non-compliance with certain provisions of the 'Master Direction- Reserve Bank of India (Non-Banking Financial Company - Scale Based Regulation) Directions, 2023' issued by RBI. The company had failed to pay the surplus amount realised from the auction of pledged gold articles, over and above the loan outstanding, to certain borrowers.

Imposed a monetary penalty of ₹5.80 lakh on **Appnit Technologies Private Limited** for non-compliance with certain directions issued by RBI on 'Know Your Customer (KYC)' and 'Prepaid Payment Instruments (PPI)'. The company:

- Allowed PPI accounts, opened using Aadhaar OTP based e-KYC, to continue for more than one year without carrying out identification as per KYC Directions
- Failed to put in place a system of periodic review of risk categorisation of accounts

Imposed a monetary penalty of ₹1.80 lakh on **AKG Infin Private Limited**, for non-compliance with certain directions issued by RBI on 'Acquisition of Shareholding or Control'. The company had failed to obtain prior written permission of RBI for change in shareholding in excess of 26 per cent of its paid-up equity capital.

Imposed a monetary penalty of ₹3.10 lakh on **Mintifi Finserve Private Limited** for non-compliance with certain provisions of directions issued by RBI on 'Know Your Customer (KYC)'. The company did not upload KYC records of certain customers onto Central KYC Records Registry within the prescribed timeline.

Imposed a monetary penalty of ₹2.70 lakh on **Newa Investments Private Limited** for non-compliance with certain provisions of directions issued by RBI on 'Governance'. The company did not take prior written permission of RBI while appointing directors, which resulted in change in its management on account of change in more than 30 per cent of its directors, excluding independent directors.

Imposed a monetary penalty of ₹3.10 lakh on **CreditAccess Grameen Limited** for non-compliance with certain provisions of the 'Reserve Bank of India (Know Your Customer (KYC)) Directions' issued by RBI. The company failed to put in place a robust software, throwing alerts when the transactions are inconsistent with risk categorization and updated profile of customers, as a part of effective identification and reporting of suspicious transactions.

net borrowings exceed 49% of the value of InvIT assets. Permissible uses include capital expenditure for enhancing asset performance or capacity augmentation, major maintenance expenses for road projects, and refinancing of eligible debt. For refinancing, only the principal portion of debt can be refinanced, provided the original borrowing was used for permitted purposes under InvIT Regulations. Accrued interest, charges, or fees cannot be refinanced.

Status of SPVs post conclusion or termination of Concession Agreement

The Securities and Exchange Board of India has clarified the status of Special Purpose Vehicles (SPVs) held by InvITs after completion or termination of concession agreements. Such SPVs will continue to qualify as SPVs under InvIT Regulations, subject to specified conditions. The Investment Manager must either exit the SPV through sale, liquidation, winding-up, merger, or acquire a new infrastructure project in the SPV within one year from completion/termination of the concession agreement, conclusion of related claims/litigations, or expiry of defect liability period, whichever is later. Time taken for regulatory approvals will be excluded from this timeline. Till the InvIT exits the SPV, detailed disclosures must be made in annual reports regarding project status, assets and liabilities, contingent liabilities, debt repayment, pending litigations, and exit strategy.

Revision of Monthly Cumulative Report (MCR) Format

SEBI, revised the Monthly Cumulative Report (MCR) format applicable to Mutual Funds, AMCs, Trustees, and AMFI. The revision aligns the reporting framework with the updated mutual fund categorisation and rationalisation guidelines issued earlier in 2026. The revised MCR format aims to improve transparency, standardisation, and granularity of industry reporting by incorporating new scheme categories and updated disclosure requirements. AMCs are required to submit the revised MCR from June 2026 onwards. All other reporting conditions under the existing SEBI Master Circular for Mutual Funds remain unchanged.

Ease of doing investments - Modified Norms for Nomination in Demat Accounts and Mutual Fund Folios

SEBI has revised the nomination framework for demat accounts and mutual fund folios to simplify investor onboarding, improve succession planning, and reduce unclaimed assets. For single-holder accounts opened on or after the implementation date, nomination is mandatory unless the investor explicitly opts out. Nomination remains optional for jointly held accounts, though all joint holders must consent to add or change nominees. Investors may appoint up to three nominees and submit nominations online or offline using simplified procedures. Witness signatures are no longer required for physical forms signed manually, except where a thumb impression is used. Only basic nominee details, such as name and relationship, are mandatory, while other details remain optional. Investors can modify or cancel nominations any number of times, and regulated entities must provide acknowledgements for every nomination-related request. Depository Participants and Mutual Fund RTAs must periodically encourage investors without nominations through emails, SMSs, and platform pop-up messages. The revised framework applies to both new

and existing accounts/folios and will come into effect on September 1, 2026, superseding all earlier SEBI circulars on nomination in demat accounts and mutual fund folios.

Removal of difficulties for on-boarding for FPIs - PAN allotment related issues

SEBI, in consultation with CBDT, issued clarifications on 15 May 2026 to address PAN allotment difficulties faced by Foreign Portfolio Investors (FPIs) under the new Income-tax Rules, 2026. The measures simplify PAN application requirements by allowing the Authorized Signatory's details in the Common Application Form (CAF) to suffice without additional documentation. FPIs may use registration numbers where PAN/Aadhaar/passport details are unavailable, enter "0000000000" where Taxpayer Identification Numbers (TINs) are not applicable, and provide landline numbers if mobile numbers are unavailable. The changes aim to facilitate smoother onboarding and ease of doing business for FPIs.

Consultation paper on amendments to the SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008

SEBI's consultation paper (May 4, 2026) proposes changes to the securitisation regulations to align them with the RBI's 2021 framework and remove regulatory gaps. The key proposals include permitting single-asset securitisation for RBI-regulated entities, shifting disclosure and reporting responsibilities to servicers, limiting originator control over SPDE boards, allowing certain intra-group securitisation transactions, and ensuring continuity of schemes through trustee replacement instead of mandatory winding-up.

Consultation paper on Modification in the regulatory framework for Online Bond Platform Providers (OBPPs)

SEBI's consultation paper (May 5, 2026) proposes easing rules for Online Bond Platform Providers (OBPPs) by allowing them to offer IFSCA-regulated products and tax-saving bonds, subject to applicable regulations and disclosures. It also seeks to simplify compliance requirements by aligning the Compliance Officer criteria with those applicable to stock brokers. The proposals aim to improve ease of doing business and expand investment options for investors.

Consultation Paper on Draft Circular on Clarification with respect to Applicability of the benefit of Early Pay-In in Commodity Derivatives Segment

SEBI's consultation paper (May 5, 2026) proposes extending the Early Pay-In (EPI) facility to commodity options contracts, in addition to futures contracts. It also proposes that Clearing Corporations, instead of Stock Exchanges, provide the EPI facility. The changes aim to enhance market efficiency and provide greater flexibility to participants in commodity derivatives trading.

Consultation Paper on Review and Rationalization of (Buy-Back of Securities) Regulations, 2018

SEBI's consultation paper (May 8, 2026) proposes simplifying and strengthening the buy-back framework by reintroducing open market buy-backs, enhancing shareholder communication, aligning timelines with the Companies Act, and streamlining compliance requirements. The proposals aim to improve efficiency, reduce compliance costs, ensure investor protection, and facilitate ease of doing business.

Consultation Paper on Review of utilization of interest or income from IPF Corpus of Depositories

SEBI's consultation paper (May 11, 2026) proposes allowing depositories to use up to 5% of the annual income earned on the Investor Protection Fund (IPF) corpus to meet IPF Trust

administrative and statutory expenses. Any unused amount must be returned to the IPF, while expenses beyond the limit will continue to be borne by the depositories. The proposal aims to align the treatment of depositories with stock exchanges.

[Consultation on 'Green-Channel: AIF Rollout Upon Document Acknowledgement' \(GARUDA\) Mechanism for Processing of Placement Memorandum of Alternative Investment Funds \(AIFs\) filed with SEBI](#)

SEBI's consultation paper proposes the GARUDA mechanism to speed up the launch of AIF schemes by reducing approval timelines, simplifying filing requirements, and placing greater reliance on the accountability of AIF managers and merchant bankers. The initiative aims to enhance ease of doing business while enabling faster capital deployment, with SEBI continuing risk-based post-facto oversight.

[Consultation Paper on 'Phased Introduction of Physical Settlement in Select Agricultural Commodity Derivatives Contracts'](#)

SEBI's consultation paper (May 12, 2026) proposes a phased approach for introducing physical settlement in select agricultural commodity derivatives contracts. Eligible contracts may initially be cash-settled to build liquidity and later shift to mandatory physical settlement upon meeting specified criteria. The proposal aims to support market growth while maintaining a strong link with the underlying physical commodity market.

[Consultation paper on review of position limits for clients and penalty provision for violation / breach of position limits for Commodity Derivatives Segment.](#)

SEBI's consultation paper (May 12, 2026) proposes increasing client-level position limits for agricultural commodity derivatives to improve liquidity and support genuine hedging. It also introduces a graded penalty framework, with lower penalties for minor breaches and stricter action for significant or deliberate violations.

[Consultation Paper on utilization of intraday borrowing lines by Mutual Funds.](#)

SEBI's consultation paper (May 13, 2026) proposes allowing mutual funds to use intraday borrowing lines for broader cash management needs, including settlement obligations, margin requirements, and operational payments. The proposal aims to improve liquidity management and operational efficiency while ensuring adequate investor safeguards.

[Consultation Paper on Review of price discovery mechanism through Pre-open Call Auction Session for IPO and Re-listed scrips](#)

SEBI's consultation paper proposes changes to the pre-open auction process for IPOs and re-listed shares to improve price discovery and avoid artificially low opening prices. The proposals include revising the base price methodology for re-listed stocks and introducing a more dynamic and uniform price band mechanism across exchanges.

[Consultation paper on Review of the SEBI \(Issue and Listing of Municipal Debt Securities\) Regulations, 2015](#)

SEBI's consultation paper proposes major reforms to strengthen the municipal bond market and support urban infrastructure financing. The key changes include allowing pooled financing by municipalities, permitting ESG-labelled municipal bonds, improving disclosure and governance standards, aligning rules with SEBI's Non-Convertible Securities framework, and simplifying operational requirements for issuers and intermediaries.

[Consultation Paper on Measures for ease of doing business on Exchange Traded Derivatives.](#)

SEBI's consultation paper proposes simplifying the regulatory framework for Exchange Traded Derivatives (ETDs) by removing redundant provisions, consolidating requirements, and streamlining processes. The objective is to reduce compliance burden, improve regulatory clarity, and enhance operational efficiency while maintaining market integrity and investor protection.

[Consultation paper on Relaxation in requirement of maintenance of call records for institutional clients - Amendment to the SEBI \(Research Analysts\) Regulations, 2014](#)

SEBI's consultation paper (May 18, 2026) proposes easing compliance requirements for Research Analysts by removing the need to maintain call recordings for interactions with institutional investors. However, other communication records must still be preserved, while existing record-keeping requirements, including call recordings, will continue for retail clients.

[Consultation Paper on Easing of framework for Straight Through Processing \(STP\) of trades.](#)

SEBI's consultation paper proposes replacing the centralized STP Hub with a decentralized API-based connectivity model between STP Service Providers. The change aims to improve efficiency, reduce costs and delays, enhance security, and eliminate single-point-of-failure risks in the STP framework.

[Consultation Paper on Draft Circular for Enabling Third Party Payments in Mutual Funds in certain scenarios](#)

SEBI's consultation paper (May 20, 2026) proposes allowing third-party payments in mutual funds in limited cases, such as employer contributions, commission payments in mutual fund units, and investments for social causes. The proposal includes strict KYC, audit trail, and anti-money laundering safeguards, while ensuring redemption proceeds and dividends are credited only to investors' verified bank accounts.

[Consultation Paper on Ease of Doing Business - Framework for strike prices of options contracts.](#)

SEBI's consultation paper proposes a standardized framework for managing option strike prices to ensure sufficient trading opportunities during volatile market conditions. It allows exchanges to introduce new strikes intraday when needed and periodically remove inactive strikes, while ensuring no system changes are required by brokers during market hours.

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