APRIL 2026 | ISSUE 04
INDIA REGULATORY ROUND UP
Monthly Newsletter from Compliance Matters



AI may support decision-making, but accountability must remain with humans and institutions. A bank or NBFC cannot outsource responsibility to an algorithm, a vendor or a platform. Technology may help process information at speed and scale, but judgment and responsibility must continue to reside where they belong.

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

Reporting under Foreign Exchange Management Act, 1999 – Returns pertaining to Foreign Exchange Management (Guarantees) Regulations, 2026

The RBI has introduced revised reporting requirements for guarantees under the Foreign Exchange Management (Guarantees) Regulations, 2026. Persons required to report guarantees must use specified forms—Form GRN Issue (for issuance), Form GRN Modification (for changes such as amount, tenure, or closure), and Form GRN Invocation (for invocation of guarantees) and submit them to Authorised Dealer (AD) banks. AD banks are required to submit these returns to RBI on a quarterly basis within 30 days from the end of the respective quarter through the CIMS portal and must assign a unique Guarantee Transaction Number for each issuance. For Late Submission Fees (LSF), the amount involved will be considered only for delayed reporting of guarantee invocation, while for issuance and modification forms, the amount will be treated as nil since these do not capture fund flows. The directions are effective immediately.

Overseas Investment – Submission of References to the Reserve Bank

The RBI has revised the process for submission of Overseas Investment related references by Persons Resident in India. Earlier handled centrally at the Foreign Exchange Department, Central Office, such references will now be processed at seven designated RBI Regional Offices effective April 1, 2026. Authorised Dealer (AD) banks are required to submit these references through the PRAVAAH portal based on the prescribed mapping of Unique Identification Number (UIN) prefixes to specific Regional Offices and AD banks are advised to inform their customers accordingly.

Risk Management and Inter-Bank Dealings (Revised)

The RBI has introduced additional restrictions under the Master Direction on Risk Management and Inter-Bank Dealings in view of evolving market conditions. Authorised Dealers (ADs) are now prohibited from offering non-deliverable derivative contracts involving INR to both residents and non-residents, though deliverable forex derivatives may continue for genuine hedging purposes, subject to users not undertaking offsetting non-deliverable positions. ADs are not permitted to allow rebooking of any INR derivative contracts whether deliverable or non-deliverable, once cancelled after the issuance of these instructions. Additionally, ADs are barred from undertaking foreign exchange Iderivative contracts involving INR with related parties, as defined under applicable accounting standards. These directions are effective immediately and will remain in force until further review.

Memorandum of Instructions governing money changing activities – Location of Forex Counters in International Airports in India

The RBI has amended the guidelines under the Master Direction on Money Changing Activities to permit both residents and non-residents to exchange Indian Rupee notes at foreign exchange counters located in the departure halls of international airports. This facility is specifically allowed in Duty-Free Areas or Security Hold Areas beyond the Immigration or Customs desks. The change aims to enhance convenience for travellers by expanding access to forex services within airport premises. Authorised Persons are advised to inform their customers of this update.

Limits for investment in debt and sale of Credit Default Swaps by Foreign Portfolio Investors (FPIs)

The RBI has notified the investment limits for Foreign Portfolio Investors (FPIs) in debt instruments for FY 2026–27, retaining the existing percentage limits under the General Route at 6% for Government Securities (G-Secs), 2% for State Government Securities (SGSs), and 15% for corporate bonds. Incremental changes in G-Sec limits will continue to be allocated equally between 'General' and 'Long-term' categories, while increases in SGS limits will be fully assigned to the 'General' category. Investments in specified securities will continue under the Fully Accessible Route (FAR), and all investments under the Voluntary Retention Route (VRR) will now be subject to General Route limits from April 1, 2026. Revised limits in absolute terms have been prescribed for the half-years of FY 2026–27. Additionally, the aggregate limit for Credit Default Swaps (CDS) sold by FPIs has been set at 5% of the outstanding corporate bond stock, with an additional limit of ₹3,30,464 crore. The previous circular for FY 2025–26 stands withdrawn.

Guidelines to facilitate faster cross-border inward payments

The RBI has issued guidelines to improve the efficiency of cross-border inward payments in line with its Payments Vision 2025 and the G20 roadmap, focusing on faster, transparent and accessible transactions. Banks are required to promptly inform customers upon receipt of inward payment messages, including those received after operating hours (to be notified at the start of the next business day). To reduce delays, banks must move away from end-of-day nostro reconciliation and instead adopt near real time or frequent reconciliation, with intervals not exceeding one hour. Banks should endeavour to credit funds to beneficiary accounts on the same business day if received during foreign exchange market hours, or by the next business day otherwise, subject to FEMA compliance. Banks may also implement straight through processing for individual resident accounts based on risk assessment and develop digital interfaces to facilitate documentation and transaction tracking. These directions will become effective six months from the date of the circular.

Risk Management and Inter-Bank Dealings

The RBI has issued revised instructions under the Master Direction on Risk Management and Inter-Bank Dealings, withdrawing the provisions of A.P. (DIR Series) Circular No. 03 dated April 1, 2026. As per the updated guidelines, Authorised Dealers (ADs) are prohibited from undertaking any foreign exchange derivative contracts involving INR with their related parties. However, limited exceptions are permitted, including (i) cancellation and rollover of existing contracts, and (ii) back-to-back transactions with non-related non-resident users in accordance with the Master Direction. These instructions are effective immediately.

Digital Payments – E-mandate Framework, 2026

The RBI has issued the Digital Payments – E-mandate Framework, 2026, consolidating all existing e-mandate guidelines for recurring transactions using cards, PPI, and UPI. The framework applies to all payment system providers and participants and is effective immediately. It mandates one-time registration of e-mandates with Additional Factor of Authentication (AFA), with customers being allowed to modify or revoke mandates anytime using AFA. Both fixed and variable mandates are permitted, with customer defined limits. The first transaction requires AFA, while subsequent recurring transactions up to ₹15,000 can be processed without AFA (up to ₹1 lakh for specific categories like insurance, mutual funds, and credit card bills). Issuers must send pre-transaction notifications at least 24 hours prior (except for FASTag and NCMC auto-replenishment) and post-transaction alerts with full details. Customers must be given opt-out and grievance redressal mechanisms, and no charges can be levied for availing the e-mandate facility. Acquirers are responsible for ensuring merchant compliance.

Consolidated Overview of RBI Directions and Amendments

During the last week of April 2025, the Reserve Bank of India issued a significant volume of regulatory updates, primarily comprising new Directions and amendments to existing Master Directions. The key themes centered on IT governance and cybersecurity, fraud risk management, government securities operations, and bank ownership regulations. Additionally, the RBI formalized the framework for surplus transfer to the government.

Penalty corner

Imposed a monetary penalty of ₹80,000/- on **Muthoot Housing Finance Company Limited** for non-compliance with certain directions issued by RBI on 'Fair Practice Code'. The company failed to disclose the approach for gradation of risk and rationale for charging different rate of interest to different categories of borrowers in the application forms and in the sanction letters.

Imposed a monetary penalty of ₹80,000/- on **Ebix Payment Services Private Limited** for non-compliance with certain directions issued by RBI on 'Know Your Customer'. The company had failed to carry out risk categorisation of its customers.

Imposed a monetary penalty of ₹10.30 lakh on **Exclusive Capital Limited** for non-compliance with certain directions issued by RBI on 'Leverage Ratio', 'Filing of Supervisory returns' and 'Submission of the balance sheet'. The company had:

i. breached the permissible limit of leverage ratio;

ii. failed to submit certain Supervisory returns to RBI as per prescribed frequency and within the stipulated timelines; and

iii. failed to furnish its balance sheet to RBI within the stipulated period.

Imposed a monetary penalty of ₹41.80 lakh on **Bandhan Bank Limited** for contravention of the provisions of section 20(1)(b)(iii) of the Banking Regulation Act, 1949 (BR Act) and non-compliance with certain directions issued by RBI on 'Know Your Customer'. The Bank:

i. Failed to carry out periodic review of risk categorisation of certain categories of accounts, and

ii. Had sanctioned director related loans.

Cancelled the banking licence issued to **Paytm Payments Bank Limited** under Section 22(4) of the Banking Regulation Act, 1949 ('BR Act') effective from close of business on April 24, 2026. The Reserve Bank cancelled the licence of the Paytm Payments Bank Limited as:

i. The affairs of the bank were conducted in a manner detrimental to the interest of the bank and its depositors. Thus, the bank is not complying with Section 22 (3) (b) of the BR Act.

ii. The general character of the management of the bank is prejudicial to the interest of depositors as also the public interest. Thus, the bank is not complying with provisions of Section 22 (3) (c) of the BR Act.

iii. No useful purpose or public interest would be served by allowing the bank to continue as envisaged in Section 22 (3) (e) of the BR Act.

iv. The bank failed to comply with the conditions stipulated in the Payments Bank license issued to it, thereby violating the provisions of Section 22 (3)(g) of the BR Act.

These directions consolidate and modernize existing regulatory guidelines, aligning them with current operational realities and global best practices. Amendments to recently issued 2025 Master Directions focused on clarifications, threshold adjustments, and procedural refinements across various regulatory domains.

One-time relaxation with respect to validity of SEBI Observations | Relaxation from the applicability of SEBI Master Circular for compliance with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 on non-compliance with the Minimum Public Shareholding (MPS) requirements

Temporary Market Relief Measures: SEBI granted one-time relaxations relating to validity of observation letters for public issues and compliance with Minimum Public Shareholding (MPS) norms, citing geopolitical tensions and volatile market conditions.

Extension of timeline for compliance with terms and conditions by Debenture Trustees for carrying out activities outside the purview of SEBI

Debenture Trustees received an extension till October 27, 2026 for segregation of non-SEBI regulated activities.

Operationalisation of Past Risk and Return Verification Agency ("PaRRVA")

SEBI operationalised the Past Risk and Return Verification Agency framework with CARE Ratings as PaRRVA and NSE as the data centre, aimed at standardising verified performance reporting by investment advisers and research analysts.

Securities and Exchange Board of India (Mutual Funds) Regulations, 2026

SEBI notified the SEBI (Mutual Funds) Regulations, 2026, consolidating and modernising the regulatory framework governing mutual funds with enhanced governance, disclosure, valuation, and investor protection norms.

Securities and Exchange Board of India (Intermediaries) (Amendment) Regulations, 2026

The Securities and Exchange Board of India (Intermediaries) (Amendment) Regulations, 2026 introduce key changes to the "fit and proper person" criteria and related compliance requirements under the 2008 regulations.

The amendment clarifies that "days" refer to calendar days unless specified otherwise. It revises disqualification conditions by redefining them as "events" and expands coverage to include economic offences and securities law violations. Certain earlier disqualifications have been removed or modified. New provisions require intermediaries to inform SEBI within 15 working days if any such event occurs. SEBI will declare a person as not "fit and proper" only after providing an opportunity to be heard.

The amendments also reduce certain timelines (e.g., from one year to six months) and clarify that actions against group entities do not automatically impact intermediaries unless directly linked.

Securities and Exchange Board of India (Infrastructure Investment Trusts) (Amendment) Regulations, 2026

SEBI has notified the SEBI (Intermediaries) (Amendment) Regulations, 2026 and SEBI (Infrastructure Investment Trusts) (Amendment) Regulations, 2026. Key changes to the InvIT framework include revised definitions of liquid assets permitting investment in liquid mutual fund units with specified credit risk thresholds, changes to the treatment of SPVs, including continuation of SPV status post termination of concession agreements subject to conditions, and rationalisation of investment norms through expanded eligible categories and lower credit risk thresholds. The amendments also provide greater flexibility in utilisation of funds and aim to strengthen operational efficiency and regulatory clarity.

Securities and Exchange Board of India (Real Estate Investment Trusts) (Amendment) Regulations, 2026

The Securities and Exchange Board of India (Real Estate Investment Trusts) (Amendment) Regulations, 2026 amend provisions of the REIT Regulations, 2014.

Key changes include reducing the minimum credit risk value threshold from 12 to 10 and expanding eligibility by including instruments classified as "Class B-I" along with "Class A-I" in the potential risk class matrix. These amendments are reflected in Regulations 2 and 18. Minor wording standardizations for government securities have also been made.

Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2026

The Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2026 introduce key changes to the AIF framework. The minimum investment threshold under Regulation 10(c) is significantly reduced from ₹2 lakh to ₹1,000. Regulation 29 is amended to allow the Board to prescribe conditions for fund winding-up. A new provision enables AIFs to be classified as "inoperative funds" subject to SEBI conditions.

Launch of various IT platforms by Chairman, SEBI to improve ease-of-doing business

The SEBI launched three IT platforms on March 24, 2026, to enhance ease of doing business and regulatory efficiency. SUPCOMS centralizes communication with external entities, replacing email-based interactions and creating an audit trail. The e-adjudication portal enables paperless, faster quasi-judicial proceedings with features like submission of replies, document access, and virtual hearings. C-SAC, an AI-enabled system, automates analysis of cyber audit reports, identifies risks, and strengthens cybersecurity supervision.

Shri K.V.R. Murty takes charge as Whole Time Member, SEBI

K. V. R. Murty assumed charge as Whole Time Member of SEBI on April 15, 2026. He brings over three decades of experience across defence, corporate law, and regulatory governance, having previously served in the Ministry of Defence, Indian Air Force, DRDO, and Ministry of Corporate Affairs. He has contributed significantly to e-governance reforms and corporate law decriminalisation, and has served on the boards of several regulatory and professional bodies including SEBI, NFRA, ICAI, ICSI, and ICMAI. He was awarded the Raksha Mantri Award for Excellence in 2024.

Securities and Exchange Board of India (SEBI) signed a Memorandum of Understanding with Department of Telecommunications (DOT), Government of India | Securities and Exchange Board of India (SEBI) signed a Memorandum of Understanding with Financial Intelligence Unit India (FIU-India)

Regulatory Coordination:
SEBI entered into MoUs with the Department of Telecommunications and FIU-India to strengthen intelligence sharing, anti-fraud mechanisms, and anti-money laundering supervision.

SEBI operationalises Past Risk and Return Verification Agency ("PaRRVA")

Operationalisation of PaRRVA:
SEBI operationalised the Past Risk and Return Verification Agency framework with CARE Ratings as PaRRVA and NSE as the data centre, aimed at standardising verified performance reporting by investment advisers and research analysts.

SEBI operationalises Fast-Track Mechanism for Processing of Placement Memorandum of AIFs filed with SEBI

The Securities and Exchange Board of India has introduced a fast-track mechanism for processing Placement Memorandums (PPMs)

of Alternative Investment Funds (AIFs) to enhance ease of doing business. AIFs (excluding LVFs) can now launch schemes and circulate PPMs to investors after 30 days of filing with SEBI, unless advised otherwise.

Re-introduction of Open Market Buy-Back of Shares or Other Specified Securities through Stock Exchange | Consultation paper on Review of variable net worth for stock brokers | Consultation Paper on Ease of Doing Investment and Ease of Doing Business- Handling of unpaid securities of clients by Trading Members / Clearing Members

Consultation Papers Issued:
SEBI released consultation papers on:

- Re-introduction of open market buy-backs through stock exchanges;
- Review of variable net worth requirements for stock brokers; and
- Handling of unpaid securities by trading/clearing members.

Ease of doing business - mechanism for lock-in of pledged shares under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 | Framework for net settlement of funds for transactions done by Foreign Portfolio Investors (FPIs) in cash market | Fast-Track Mechanism for Processing of Placement Memorandum of AIFs filed with SEBI

Ease of Doing Business Initiatives:
- Introduced a mechanism for lock-in of pledged shares through "non-transferable" marking by depositories.
- Operationalised a fast-track framework for processing AIF Placement Memorandums, enabling scheme launches after 30 days of filing unless otherwise advised by SEBI.
- Introduced net settlement of funds for FPIs in the cash market to improve operational efficiency and reduce liquidity costs.

Review of requirement relating to registration for a Not for Profit Organization on Social Stock Exchange and minimum subscription requirement for issuance of Zero Coupon Zero Principal Instruments

Social Stock Exchange Reforms:
- Extended validity of NPO registration on SSE from 2 years to 3 years (without fundraising).
- Reduced minimum subscription threshold for Zero Coupon Zero Principal instruments from 75% to 50%, subject to safeguards.

Compliance Matters is an independent advisory firm on regulatory compliance to Banks and other regulated financial institutions. We are a group of senior ex-banking regulators/compliance officers/bankers combining several decades of experience and expertise around banking and financial service regulations and related compliance frameworks. We engage with Banks/Financial Institutions and with Digital/FinTech innovators, to help them embrace and navigate emerging and increasingly complex regulations as well as design and implement adherence to frameworks and systems.

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