FEBRUARY 2026

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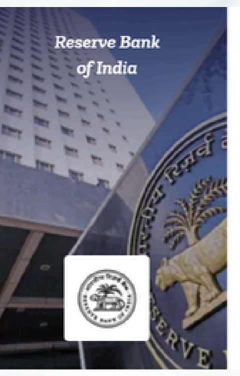
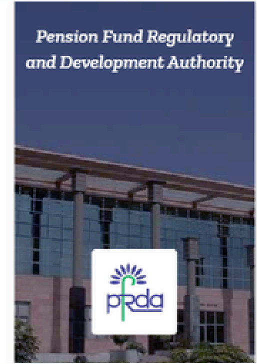
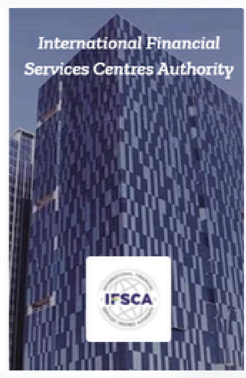
REGSTREET LAW ADVISORS' MONTHLY NEWSLETTER







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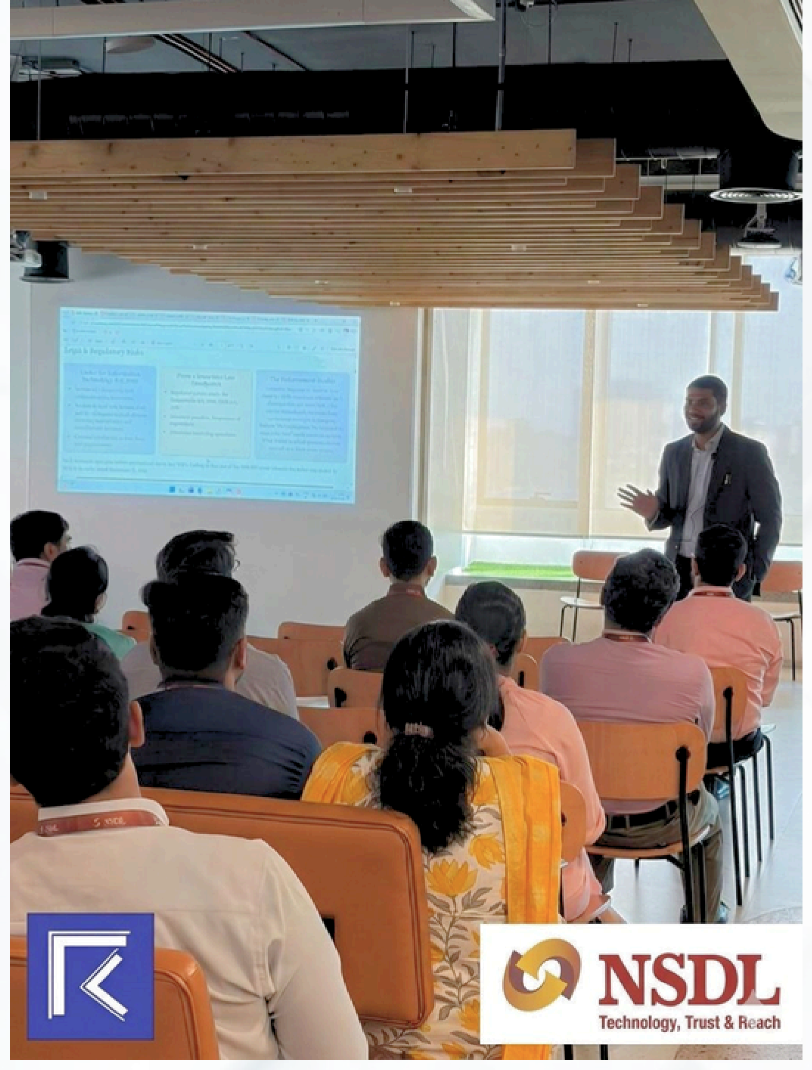
HIGHLIGHTS

Regstreet Law Advisors had the privilege of conducting a regulatory training programme at the Head Office of National Securities Depository Limited (NSDL), where our team, led by Managing Partner and former SEBI Officer Mr. Sumit Agrawal, engaged with over 100 officers and employees of the institution. As a key Market Infrastructure Institution operating under the Depositories Act, 1996 and the SEBI (Depositories and Participants) Regulations, 2018, NSDL plays a foundational role in India's securities market architecture.

The session focused on practical regulatory dilemmas encountered by depository professionals, examining real-world ethical, operational and supervisory scenarios through the lens of regulatory expectations, board accountability and stakeholder responsibilities. The discussions also explored potential regulatory and operational shifts that may arise upon enactment of the proposed Securities Market Code Bill, along with learnings from challenges historically faced by other MIIs.



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HIGHLIGHTS

Mr. Sumit Agrawal, Founder & Managing Partner at Regstreet Law Advisors and former SEBI Officer, was featured in Mint alongside Mr. M Damodaran, former Chairman of SEBI, UTI, and IDBI, analyzing a significant shift in India's securities enforcement.

Commenting on three landmark rulings by the Securities Appellate Tribunal (SAT)-Varun Beverages, Bombay Dyeing, and DroneAcharya, the authors highlighted that these decisions move the regulatory needle from technical compliance to substantive accountability.

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VIEWS

GUEST VIEW

Three SAT rulings that reshape the grammar of accountability

Recent orders by the Securities Appellate Tribunal mark an inflection point that all boards and investors must take note of

M. DAMODARAN & SUMIT AGRAWAL
are, respectively, chairperson, Excellence Enablers, and former chairman, Sebi, UTI and IDBI; and managing partner, Regstreet Law Advisors and a former Sebi officer.

ISTOCKPHOTO

Three recent orders of the Securities Appellate Tribunal (SAT) mark an inflection point in Indian securities law. Individually, they address disclosure lapses, alleged accounting manipulation, fraud under Sebi's Prohibition of Fraudulent and Unfair Trade Practices relating to Securities Market (PFUTP) Regulations, initial public offering (IPO) fund utilization and interim relief. Collectively, they pose a larger question: What model of corporate governance enforcement is India converging towards—the letter of the law, substantive transparency or calibrated market pragmatism?

The first ruling, in the *Varun Beverages* case, sharpens the meaning of disclosure. The company had prominently announced board approval of a share purchase agreement to acquire SBC Tanzania. When the transaction collapsed because the conditions precedent were not met, no standalone disclosure followed. Instead, the termination was mentioned in the notes to its quarterly results. SAT rejected that as adequate compliance. Its message: material information buried in fine print is no disclosure at all.

This is not a technical reprimand; it is a doctrinal clarification. Regulation 30 of the Listing Obligations and Disclosure Requirements (LODR) framework is intended to ensure that material events reach the market in a timely and intelligible manner. An acquisition signals strategic direction and capital-allocation intent. Its failure is equally price-sensitive. To headline the deal's approval and footnote its collapse distorts market understanding. By insisting that prominence and clarity are integral to compliance, SAT has elevated disclosure requirements from a mechanical inclusion to substantive communication.

The underlying principle is symmetry. Markets operate on full narratives, not curated optimism. If companies seek visibility when news is favourable, they must also accept equal visibility when developments reverse. Continuous disclosure cannot be reduced to textual inclusion in dense financial notes; it must be meaningful in presentation. With this ruling, SAT has made it clear that drafting ingenuity cannot defeat regulatory purpose.

Second, the *Bombay Dyeing* ruling drew a hard line around enforcement limits. The Securities and Exchange Board of India (Sebi) alleged revenue inflation through arrangements with Scal Services and argued that effective control over it triggered consolidation and related-party disclosure obligations, with non-compliance amounting to fraud under PFUTP regulations. The tribunal's majority disagreed. With a 19% holding, below the 20% statutory threshold, Scal was not an associate company of Bombay Dyeing. The numerical line was decisive.

This was a clear endorsement of form over function. Despite indicators of economic integration—funding support, operational overlap, an eventual merger—the tribunal held that statutory benchmarks prevail. This approach promotes certainty, but also risks creating safe harbours for structures calibrated to sit just below bright-line thresholds.

Modern governance focuses on effective control, not equity arithmetic. Influence often flows through contractual leverage, financial dependence or operational alignment. But if substance is to override form, the statute must say so. Sebi, as both drafter and enforcer of the regulatory framework, cannot reinterpret thresholds to suit enforcement needs. If the law draws the line at 20%, it cannot be redrawn at 19%.

Equally significant was the tribunal's restraint under PFUTP rules. Accounting treatment alone, absent a demonstrable securities nexus or inducement, does not automatically constitute fraud. Fraud demands clear linkage and rigorous proof; commercially suspect intra-group arrangements are not, by default, sham transactions. While this safeguards due process, it narrows PFUTP's reach against aggressive financial reporting untethered to a specific trading event. Also, liability cannot rest on designation alone—culpability must be individually established.

Third, the *DroneAcharya* ruling reveals another balancing exercise—between deterrence and economic continuity. Sebi had barred the company and its promoters for alleged mis-utilization of IPO proceeds and misleading disclosures. Pending appeal, the company sought permission to pledge shares, liquidate investments and raise fresh capital. SAT permitted capital raising through a preferential issue subject to prominent disclosure of Sebi's findings and the pendency of appeal.

The tribunal's approach reflects faith in informed investor choice. Rather than impose a blanket exclusion pending final adjudication, it opted for conditional access, relying on disclosure to mitigate asymmetry. This signals an informational model of investor protection: ensuring transparency and allowing capital to flow where investors are willing to assume risk.

Yet, this raises legitimate concerns. When serious allegations of IPO fund diversion are under challenge, should market access resume before appellate scrutiny concludes? Does disclosure sufficiently offset reputational advantages or informational gaps? Or does it transfer regulatory uncertainty squarely onto investors?

Taken together, these three decisions outline a discernible trajectory. Disclosure has been elevated from procedural compliance to substantive duty. Camouflage will not suffice; prominence matters. At the same time, PFUTP compliance ought to be confined within definitional and evidentiary limits; accounting controversies will not automatically translate to fraud. And in interim contexts, tribunals may favour calibrated access over categorical prohibition, provided transparency is robust. The common thread is reliance on disclosure as the central regulatory currency.

For boards, the message is clear. Materiality must be assessed symmetrically. Structural arrangements that merely avoid statutory thresholds may survive formal scrutiny but invite deeper examination. Independent directors cannot assume insulation, although liability will hinge on their demonstrable role and oversight failure. Transparency is no longer defensive choreography; it is the foundation of governance credibility.

Capital markets survive on credibility—of disclosure, enforcement and adjudication. The *Varun Beverages* decision demands honest transparency; *Bombay Dyeing* draws a firm boundary to prevent regulatory overreach; and *DroneAcharya* signals conditional faith in market choice.

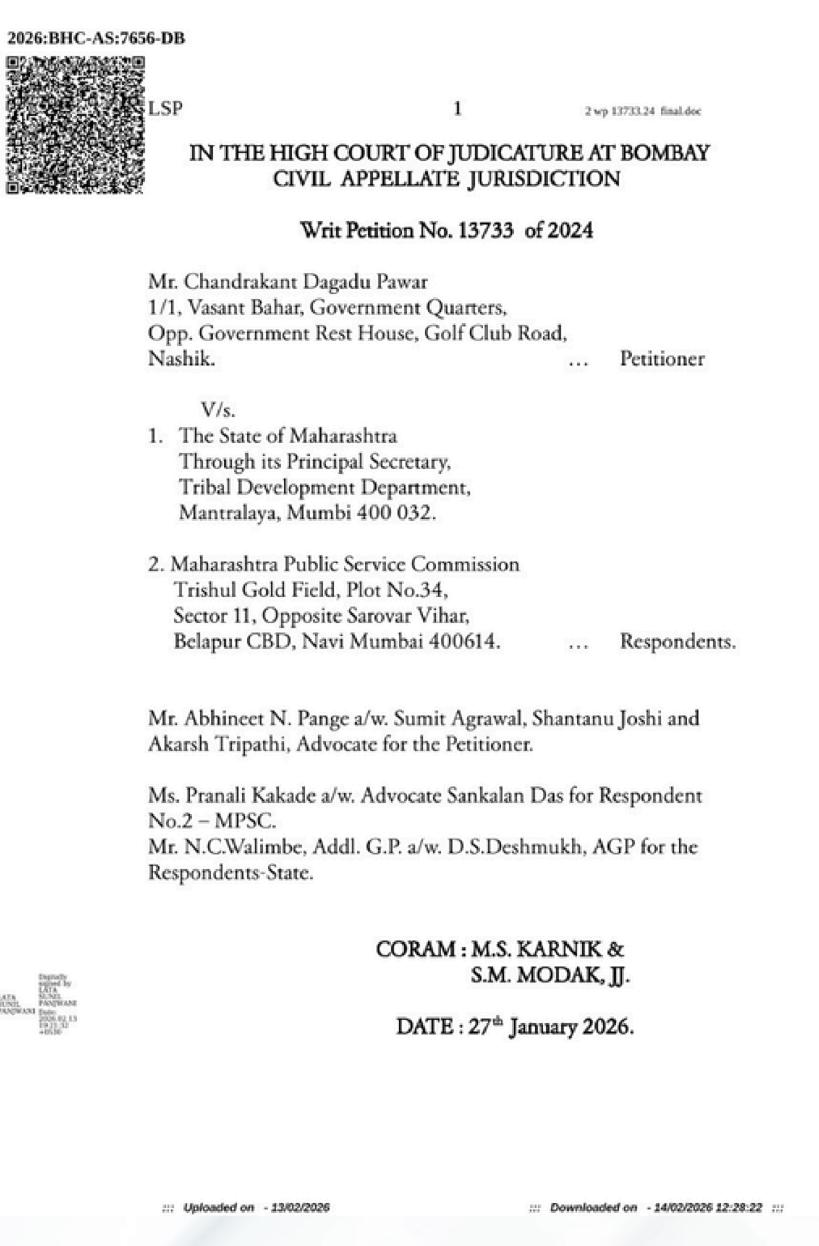
As the appellate authority across India's financial sector, SAT is not merely reviewing orders but shaping the grammar of financial accountability. Whether this jurisprudence improves governance or reduces it to technical compliance will be determined by how firmly these principles hold when the stakes are high.

These are the authors' personal views.

HIGHLIGHTS

Regstreet Law Advisors represented the Petitioner before the Hon'ble High Court of Bombay in Writ Petition No. 13733 of 2024, challenging an order of the Maharashtra Administrative Tribunal (MAT) which had condoned a delay of nearly 12 months in the filing of a Review Application. The challenge centred on the application of Section 5 of the Limitation Act, 1963, specifically whether the merits of a case can substitute the statutory requirement of "sufficient cause" for delay.

The High Court, by order dated February 20, 2026, set aside the MAT's order, reiterating that the law of limitation is a rule of public policy intended to ensure certainty and finality in litigation. The Court held that once a Tribunal finds a lack of "substantial reason" or "proper explanation" for a delay, the merits of the underlying dispute cannot be used to bypass statutory compliance. While acknowledging the Tribunal's concerns regarding reservation policy, the Court remanded the matter to grant the Respondent a limited opportunity to file an additional affidavit explaining the delay.



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IN THE HIGH COURT OF JUDICATURE AT BOMBAY
CIVIL APPELLATE JURISDICTION

Writ Petition No. 13733 of 2024

Mr. Chandrakant Dagadu Pawar
1/1, Vasant Bahar, Government Quarters,
Opp. Government Rest House, Golf Club Road,
Nashik. ... Petitioner

V/s.

1. The State of Maharashtra
Through its Principal Secretary,
Tribal Development Department,
Mantralaya, Mumbi 400 032.

2. Maharashtra Public Service Commission
Trishul Gold Field, Plot No.34,
Sector 11, Opposite Sarovar Vihar,
Belapur CBD, Navi Mumbai 400614. ... Respondents.

Mr. Abhineet N. Pange a/w. Sumit Agrawal, Shantanu Joshi and Akarsh Tripathi, Advocate for the Petitioner.

Ms. Pranali Kakade a/w. Advocate Sankalan Das for Respondent No.2 – MPSC.
Mr. N.C.Walimbe, Addl. G.P. a/w. D.S.Deshmukh, AGP for the Respondents-State.

CORAM : M.S. KARNIK &
S.M. MODAK, JJ.

DATE : 27th January 2026.

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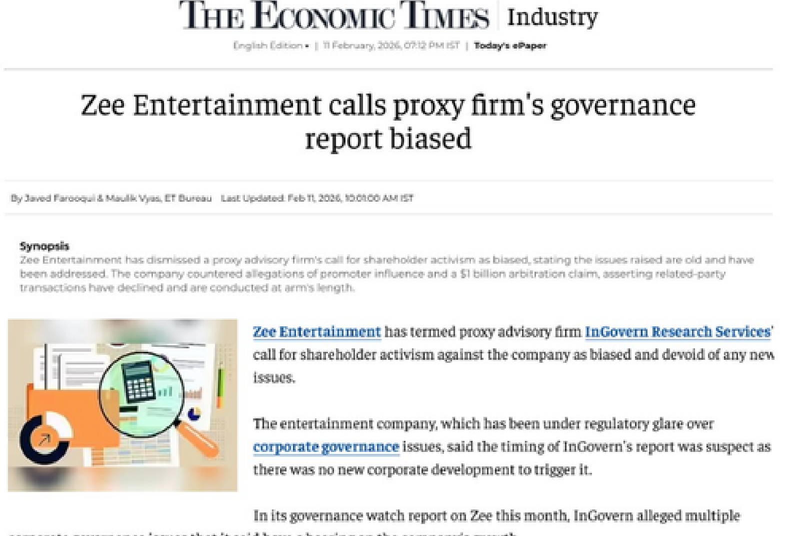
HIGHLIGHTS

Mr. Sumit Agrawal, Senior Partner at Regstreet Law Advisors and a former SEBI Officer, was quoted in The Economic Times regarding the governance debate surrounding Zee Entertainment. The article, co-authored by Javed Farooqui and Maulik Vyas, examines promoter influence and shareholder activism in the context of a recent report by InGovern Research Services.

Commenting on the alignment of power and responsibility, Mr. Agrawal highlighted that markets prioritize a clear link between ownership, control, and accountability. He noted that corporate governance concerns arise when promoters exert significant control without holding a proportional financial stake, stating that confidence weakens when this balance is not maintained.The discussion follows regulatory scrutiny and shareholder pushback on key resolutions, reflecting a shift in market expectations toward transparency and "skin in the game”.



THE ECONOMIC TIMES | Industry

English Edition • | 11 February, 2026, 07:12 PM IST | Today's ePaper

Zee Entertainment calls proxy firm's governance report biased

By Javed Farooqui & Maulik Vyas, ET Bureau Last Updated: Feb 11, 2026, 10:01:00 AM IST

Synopsis
Zee Entertainment has dismissed a proxy advisory firm's call for shareholder activism as biased, stating the issues raised are old and have been addressed. The company countered allegations of promoter influence and a $1 billion arbitration claim, asserting related-party transactions have declined and are conducted at arm's length.

Zee Entertainment has termed proxy advisory firm InGovern Research Services' call for shareholder activism against the company as biased and devoid of any new issues.

The entertainment company, which has been under regulatory glare over corporate governance issues, said the timing of InGovern's report was suspect as there was no new corporate development to trigger it.

In its governance watch report on Zee this month, InGovern alleged multiple corporate governance issues that it said have a bearing on the company's growth.

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ARTICLES

Mr. Sumit Agrawal, Founder of Regstreet Law Advisors and former SEBI Officer, authored two articles for the 2nd Annual Magazine (2025–2026) of the Association of Investment Bankers of India (AIBI). The articles examine the evolving regulatory and enforcement landscape of India's primary capital markets, focusing on the accountability and due diligence framework for merchant bankers and market intermediaries. Commenting on SEBI's current enforcement approach,

The articles observe that while "reasonable due diligence" remains the guiding principle, enforcement trends now demand higher evidentiary standards and more defensible compliance practices from investment bankers.

These insights were shared following the 14th Annual AIBI Convention, attended by Mr. Agrawal and Mr. Kavish Garach, which featured addresses by Shri Tuhin Kanta Pandey, Chairman of SEBI, and the leadership of the NSE and BSE.

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ARTICLES

Mr. Sumit Agrawal, Managing Partner of Regstreet Law Advisors and former SEBI official, co-authored an article in the January 2026 issue of The Chartered Secretary with CS (Dr.) M. S. Sahoo, Former Chairperson of the IBBI and SEBI Whole-Time Member. The article, titled "Reimagining SEBI's Consent Settlement Framework", evaluates the evolution of negotiated enforcement in India since its introduction in 2007.

The authors analyse the current settlement regime, noting that while it serves as a tool for regulatory efficiency, it faces structural challenges regarding proportionality, transparency, and predictability. Mr. Agrawal and Dr. Sahoo highlight that the existing formula-driven approach to settlement terms can occasionally undermine market trust and enforcement effectiveness.

To address these concerns, the article proposes a "Settlement Regulations 2.0", advocating for a more evidence-based and principled framework. The authors suggest that transitioning toward a more transparent settlement regime will better align enforcement speed with the core objectives of fairness, deterrence, and investor protection.

ARTICLE

Reimagining SEBI's Consent Settlement Framework

This article traces the journey of SEBI's consent settlement framework from an administrative innovation in 2007 to a central pillar of securities enforcement. It situates the regime in the broader global and domestic context of negotiated enforcement, analyses how the current formula-driven approach to settlement terms operates in practice, and highlights structural concerns around proportionality, transparency, timelines, and the limited use of non-monetary remedies. Building on nearly two decades of data and experience, the article proposes a set of regulatory reforms to create a more evidence-based, principled, and forward-looking 'Settlement Regulations 2.0' that better aligns efficiency with deterrence and market integrity.

CS (Dr.) M. S. Sahoo, FCS

Sumit Agrawal

INTRODUCTION

An enforcement authority generally has two broad pathways to address a regulatory contravention: the traditional adjudicatory proceeding, grounded in principles of natural justice, and a negotiated consent settlement, a more recent institutional innovation offering equally effective outcomes. Consent settlement conserves valuable resources, provides swift resolution, and enables innovative, forward-looking remedies that, in many cases, surpass the efficacy of formal adjudication. In essence, it achieves the public good, that is, an end of litigation. *Expedit reipublicae ut sit finis litium.*

Recognising these advantages, regulators worldwide have institutionalised settlement frameworks designed to deliver timely, equitable, and resource-efficient enforcement outcomes without compromising regulatory objectives. Increasingly, both regulators and regulated entities utilise settlements, with or without admissions of guilt, to strike a balance between deterrence and efficiency, while promoting real-time compliance enhancements.

In the United States, for instance, the Securities and Exchange Commission has, for decades, relied extensively on consent settlements to resolve most enforcement matters. These settlements typically record consent to orders, injunctions, disgorgement, monetary penalties, undertakings, and compliance obligations, while parties neither admit nor deny the allegations.

Globally, the rise of negotiated enforcement reflects a decisive shift from positive formalism to responsive regulation. Far from weakening the rule of law, settlements bolster it by upholding accountability, transparency, and deterrence. For regulators, consent settlements present a form of regulatory diplomacy: enforcement that blends deterrence with dialogue, and punishment with problem-solving, enabling markets to self-correct quickly without compromising integrity.

India's trajectory mirrors this global evolution, though shaped by constitutional imperatives, institutional capacity, and market realities. Confronted with the twin challenge of mounting enforcement backlogs and limited institutional bandwidth, the market regulator, Securities and Exchange Board of India (SEBI), introduced consent settlements through a circular in 2007. What began as an administrative innovation has since evolved into an integral pillar of SEBI's enforcement architecture, reinforced by statutory enablement and supported by detailed subordinate legislation.

The consent framework has largely delivered value: expedited enforcement, reduced backlogs, enabled swift and meaningful remedies, and preserved deterrence without overwhelming adjudicatory forums. Nonetheless, challenges remain. Critics highlight issues such as limited transparency in settlement negotiations, a lack of proportionality in settlement terms for comparable violations, and unpredictable outcomes that risk

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Orders / Judgments

1. Nirmal Bang Securities Pvt. Ltd. v. Shashi Mehra HUF, Arbitration Petition No. 304 of 2024 - BHC- 03.02.2026

In this Section 34 petition, the Hon'ble Bombay High Court set aside concurrent arbitral findings directing refund of 100% brokerage to the investor, despite holding that the trades were authorised.

The Respondent HUF had voluntarily handed over login credentials to one Mateen (who was not a registered AP), resulting in massive trading. All three fora (IGRC, Arbitral Tribunal, Appellate Tribunal) held the trades were not blatantly unauthorised and that the investor was grossly negligent because he received contract notes, SMS alerts, confirmations, and even signed ledger balances without protest.

Yet, they ordered refund of brokerage on the reasoning that the trades were executed recklessly to "generate brokerage". The High Court found this conclusion perverse and based on surmise. Once trades are authorised, losses and incidentally brokerage cannot be unwound merely by pointing to regulatory lapses. Regulatory violations may invite disciplinary consequences but do not automatically create restitutionary liability in favour of the client.

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2. Dealmoney Commodities P. Ltd. v. Vijay Vithal Sawant (Comm. Arb. Petition (L) No. 1665 of 2025) – BHC – 17.02.2026

The Hon'ble Bombay High Court upheld the arbitral finding that the F&O trades executed in the respondents' accounts were blatantly unauthorised, distinguishing cases where trades are merely irregular from those initiated by the broker's employees without client consent.

The Court noted that the relationship managers initiated trades and obtained perfunctory "yes/ok" responses through scripted calls, failed to align trades with the investors' profile, and misrepresented F&O risks to senior citizen clients unfamiliar with derivatives. Unlike cases such as Erach Khavar (Judgment dated August 25, 2025 passed in Arbitration Appeal No. 12 of 2025), this was not a situation of post-facto confirmation or authorised delegation, but one where the initiation itself was by the broker's employee without authority. The Appellate Tribunal's conclusion that the trades were unauthorised was held to be a plausible view based on call transcripts and attendant circumstances and therefore immune from interference under Section 34.

However, the Court partly allowed the petitions by setting aside the Appellate Tribunal's modification granting the prevailing market value of the scrips as on the date of award, holding that arbitral tribunals cannot grant equitable relief beyond the pleadings in the absence of express authorisation under Section 28(2). The relief was confined to reinstatement/original portfolio value with 18% interest as awarded by the Sole Arbitrator. The judgment thus draws a clear doctrinal line: while courts will not disturb arbitral findings of unauthorised trading grounded in evidence, tribunals cannot travel beyond the claim under the guise of "fairness, equity and justice."

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3. Dhruv Agrawal & Anr. v. SEBI (Appeal No. 811 of 2022) – SAT - 12.02.2026

On February 12, 2026, the Securities Appellate Tribunal allowed Appeal filed by Dhruv Agrawal and Nishi Agrawal against a SEBI adjudication order (by AO and CGM) dated August 18, 2022 imposing a joint penalty of INR 10 lakh for alleged insider trading violations under the SEBI Act and the SEBI (Prohibition of Insider Trading) Regulations, 2015. SEBI had alleged that Dhruv Agrawal, a Non-Executive Director and Audit Committee member of Manpasand Beverages Ltd., was privy to unpublished price sensitive information (UPSI) relating to the company's failure to provide information to its statutory auditor (Deloitte), leading to the auditor's resignation, and that his niece Nishi Agrawal traded in the company's shares during the UPSI period through a jointly held demat account to avoid losses.

SAT examined the timeline of events and held that the relevant UPSI arose only upon Deloitte's resignation on May 26, 2018, which was disclosed to stock exchanges on May 27, 2018 and triggered a sharp fall in the share price. The Tribunal rejected SEBI's contention that the earlier delay in financial reporting itself constituted UPSI, noting that meetings between the company and the auditor were ongoing and that the decisive price-sensitive event was the resignation. Since the impugned share sale occurred on May 18, 2018, prior to the commencement of the UPSI period, the allegation of trading on UPSI could not be sustained. Accordingly, SAT set aside the penalty order, allowed the appeal, directed refund of the amount deposited by the appellants with SEBI, disposed of pending applications, and made no order as to costs.

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4. 3M Team Research Pvt. Ltd. & Anr v. SEBI (Appeal No.748 of 2022) – SAT - 12.02.2026

Hon'ble SAT partly allowed the Appeal filed by 3M Team Research Pvt. Ltd., its Director Mr. Rakesh Sethi, and Mr. Pramod Jain against a SEBI Whole Time Member order dated August 4, 2022 imposing a total penalty of INR 10 lakh for violations of securities laws. SEBI had found that the appellants, while registered as investment advisers, were allegedly acting as unregistered portfolio managers in violation of Section 12(1) of the SEBI Act read with the Portfolio Managers Regulations, and had also offered assured returns and misled investors, violating the SEBI Act, PFUTP Regulations, and the Investment Adviser Regulations. It was further alleged that the appellants had collected approximately INR 89 lakh during the investigation period through such activities.

Before SAT, the appellants did not challenge the findings on merits but sought leniency, submitting that the company had been closed since 2019, Mr. Rakesh Sethi was a senior citizen facing financial hardship, and they were unable to produce detailed financial records for the relevant years (FY 2014–2019). SEBI opposed the plea, arguing that multiple opportunities had been granted to furnish certified accounts distinguishing advisory income from portfolio management income, which the appellants failed to do.

SAT noted that the violations were not contested but considered the mitigating circumstances, particularly the closure of the company and the financial condition of its director. Accordingly, the Tribunal reduced the penalty from INR 8 lakh to INR 5 lakh under Section 15HA of the SEBI Act and from INR 2 lakh to INR 1 lakh under Section 15HB.

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5.Pace Stock Broking Services Pvt. Ltd. v. SEBI (Appeal No. 116 of 2025) - SAT - 13.02.2026

The Securities Appellate Tribunal dismissed the appeals filed by several stock broking entities including Pace Stock Broking Services Pvt. Ltd., challenging SEBI show cause notices issued in August–September 2023 and subsequent emails relating to alleged violations of the SEBI Act and PFUTP Regulations in connection with the NSE co-location matter. The appellants contended that the proceedings were based on stale allegations from 2010–2014, that SEBI had already conducted multiple investigations and prior adjudication proceedings (in which fraud charges were not established), and that reopening the matter on the basis of a fresh ISB report and new methodology for computing alleged unlawful gains was arbitrary, barred by delay, res judicata, and procedural violations. SEBI opposed the appeals on the ground of maintainability, arguing that the impugned communications were merely show cause notices, internal administrative decisions, and procedural emails that did not determine rights or impose civil consequences.

SAT accepted SEBI's contention, holding that under Section 15T of the SEBI Act only quasi-judicial orders affecting rights and liabilities are appealable, whereas a show cause notice is merely a step in the decision-making process. The Tribunal further held that internal file notings and the decision to appoint an expert body (ISB) were administrative actions beyond its appellate jurisdiction, and emails indicating that objections would be considered in the final order were procedural communications. Relying on precedents including National Securities Depositories Ltd. v. SEBI (2017 SCC OnLine SC 256) and Shiv Dayal Gupta HUF v. SEBI (SAT Appeal No.45 of 2023), Hon'ble SAT concluded that the appeals were not maintainable, also noting significant delay in filing them. Accordingly, the Tribunal dismissed the appeals while clarifying that the appellants were free to seek relief before an appropriate forum, disposed of pending applications, and made no order as to costs.

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6. Onepaper Research Analysts Pvt. Ltd. v. SEBI (Appeal No. 452 of 2025) - SAT - 13.02.2026

The issue was whether SEBI's refusal to grant inspection of multiple internal documents, including file notings, WTM approvals, and investigation authorisations, violated principles of natural justice in ongoing adjudication proceedings.

Hon'ble SAT held that a noticee is entitled only to documents that are relevant and necessary to respond to the SCN, and that internal administrative records and file notings need not be disclosed; however, since Regulation 28(2) of the RA Regulations mandates a written order for conducting a surprise inspection without notice, the appellant was entitled to inspection of that specific order. Accordingly, the appeal was partly allowed with a direction to SEBI to provide inspection of the surprise inspection order, while all other disclosure requests were rejected.

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7. Shreedhar Yellaiah Kodam v. Adjudicating Officer, SEBI (Appeal No. 435 of 2025) - SAT - 13.02.2026

The issue was whether the penalty order dated 16 February 2015 imposing INR 5 lakhs under Section 15HA of the SEBI Act for alleged circular and self-trades in the scrip of Well Pack Papers was vitiated for violation of natural justice due to non-service of the SCN, hearing notice, and final order.

SAT held that though SEBI produced postal acknowledgments, there was no material to establish valid service on the appellant or his authorised agent as required under the Rule 7 of SEBI (Procedure for Holding Inquiry) Rules, 1995, nor proof of service of the final order; consequently, the plea of non-service had merit and the adjudication stood vitiated. The impugned order was set aside qua the appellant with a direction to SEBI to reconsider the matter afresh after granting him an opportunity of hearing, and the appellant was directed to appear before SEBI on the specified date.

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8. Final order in the matter of GDR Issue by Winsome Textile Industries Ltd - SEBI QJA - 05.02.2026

The issue pursuant to SAT's remand was limited to re-determination of the quantum of penalty on Arun Panchariya, whose role in the first leg of the fraudulent GDR subscription (using GDR proceeds as collateral to fund subscription) had been upheld, while findings relating to the second leg and disgorgement were set aside.

Ld. QJA held that although the noticee was involved in the fraudulent structuring of the USD 9.99 million GDR issue, SAT had emphasized proportionality and parity with similar GDR cases where substantially lower penalties were imposed; accordingly, applying 15HA and 15J factors and aligning with the benchmark indicated by SAT, SEBI reduced the penalty from INR 67 crore to INR 20 lakh. By direction, a penalty of INR 20 lakh under Section 15HA was imposed in modification of the earlier order, payable within 45 days, with all other findings of the original order remaining intact.

Read more.

9. Adjudication order in the matter of Ashapura Minechem Limited - SEBI AO - 05.02.2026

SEBI has passed an adjudication order against Ashapura Minechem Limited for failure to make timely and adequate disclosures of material regulatory actions and penalties, in violation of the disclosure framework under the LODR Regulations.

The proceedings were initiated for breach of Regulation 30(2) read with Sub-para 20 of Para A of Part A of Schedule III, Regulation 30(4)(i)(a) of the SEBI (LODR) Regulations, 2015 and SEBI Circular dated July 13, 2023. SEBI found that the company did not disclose six orders passed by the Government of Gujarat imposing penalties aggregating to INR 48.91 crore, despite these being material events requiring disclosure to stock exchanges.

The Adjudicating Officer rejected the company's contention that the orders were routine, sub-judice, or below materiality thresholds, holding that liabilities of such magnitude are inherently material and must be disclosed upon receipt, irrespective of appeal status. SEBI reiterated that disclosure obligations arise immediately to prevent information asymmetry and enable informed investor decision-making.

With respect to the CBI court order and arrest of the promoter-chairman, SEBI took a lenient view since disclosure was eventually made within the prescribed timeline, though not under the correct sub-clause.

Accordingly, SEBI held that the company violated Section 15A(b) of the SEBI Act, 1992 for failure to furnish material information within the stipulated time. While no disproportionate gain or investor loss was quantified and the default was treated as a single instance triggered by the post-amendment disclosure requirement, SEBI imposed a monetary penalty of INR 2 Lakh on the company.

Read more

10. Final order in the matter of Unregistered Investment Advisor, Mr. Madhav Tiwari (Divinecommodity.co) – SEBI QJA - 06.02.2026

SEBI has passed a final order re-quantifying the unlawful gains of Madhav Tiwari, who operated the website Divinecommodity.co, pursuant to directions of the Securities Appellate Tribunal.

SEBI had earlier held that the noticee acted as an unregistered Investment Adviser, falsely represented himself as SEBI-registered, and collected money from investors by promising assured returns. The original order directed refund of approximately INR 1.70 crore, along with market restraint and other directions. The noticee accepted the finding of violation but challenged the quantification of the amount, leading to a remand by SAT limited to re-examination of bank entries.

On remand, SEBI undertook a detailed examination of the bank statements, ledgers, and invoices submitted by Madhav Tiwari, who contended that the majority of the credits pertained to SEO services, website development, astrology, property commission, and loan transactions. SEBI rejected these explanations on evidentiary grounds, observing that the invoices did not contain essential particulars such as client identities, tax details, payment linkage, or acknowledgement of services rendered. The ledgers were not supported by primary books of account, and the alleged loan and contra entries lacked any documentary trail such as agreements, sanction records, or corresponding banking movement. Further, multiple bank credits were found to match the exact subscription package amounts advertised for investment advisory services, indicating a clear nexus with advisory activity. Applying the standard of preponderance of probability, SEBI treated such receipts as consideration for unregistered investment advisory services.

Based on this analysis, SEBI re-quantified the unlawful gains and determined that the noticee had received INR 17,48,675 towards investment advisory services, noting that no refunds had been made to investors.

SEBI has directed the noticee to refund INR 17,48,675 to investors within three months and also to submit a CA-certified compliance report upon completion. Further, the noticee has been restrained from accessing the securities market until refund compliance.

Read more.

11. Adjudication Order in the matter of Cyquator Media Services Private Limited – SEBI AO - 10.02.2026

The issue was whether the promoter of ZEEL violated Regulations 31(1) & 31(2) read with 31(3), and Regulation 29(2) of the SAST Regulations by (i) failing to disclose creation of encumbrance over 60,50,000 shares pursuant to a 2016 pledge agreement, (ii) failing to disclose invocation and transfer of 52,94,000 shares in January 2019, and (iii) incorrectly disclosing the off-market transfer as an open market sale.

Ld. Adjudicating Officer of SEBI held that despite the noticee’s contention that no valid pledge was created under depository procedure, the agreement created an encumbrance requiring disclosure; demat records and lender confirmations established

invocation and disposal; and the February 2, 2019 disclosure was false and incorrect, attracting Section 15A(b), with the plea on delay and pre-amendment scope rejected (treated as a continuing violation). Accordingly, a penalty of INR 4 lakh was imposed under Section 15A(b) of the SEBI Act.

Read More

12. In the matter of Adjudication Order against Shilush Trading Pvt. Ltd. - SEBI - 13.02.2026

SEBI passed an adjudication order against Shilush Trading Pvt. Ltd. in relation to dealings in illiquid stock options on BSE Ltd. for the period April 1, 2014 to September 30, 2015. SEBI had observed large-scale reversal trades in the stock options segment creating artificial volumes. Out of 2,91,744 trades in the segment, 81.41% involved reversal trades.

The Noticee executed one reversal trade through two non-genuine trades in the contract 'UNIT15APR18.00PE' on April 29, 2015. At 14:33:31, it bought 72,000 units at INR 1.8 per unit from Dabriwal Investment & Financiers Pvt. Ltd. At 14:35:41, it sold 72,000 units at INR 2.8 per unit to the same counterparty. These two trades generated artificial volume of 1,44,000 units, constituting 25.81% of the total market volume in that contract. SEBI held that the matching quantity, price variation, and near-simultaneous execution indicated a prior meeting of minds and pre-determined pricing in an illiquid contract lacking genuine price discovery.

The Noticee contended that trades were executed on an anonymous screen-based system, denied any connection with the counterparty, argued that the derivative market is a zero-sum game, and claimed absence of intent or investor loss. It also on other SEBI orders for parity. SEBI rejected these defences, holding that synchronized reversal trades with identical quantities and negligible time gaps could not be mere coincidence. Reliance was placed on judicial precedents including SEBI v. Kishore R. Ajmera, Ketan Parekh v. SEBI, and SEBI v. Rakhi Trading Pvt. Ltd., affirming that manipulation can be established on preponderance of probabilities.

SEBI concluded that the Noticee violated Regulations 3(a), 3(b), 3(c), 3(d), 4(1) and 4(2)(a) of the PFUTP Regulations, 2003. Accordingly, monetary penalty of INR 5,00,000 was imposed under Section 15HA of the SEBI Act.

Read More

13. In the matter of Investigation in the Financial Statements of Oriental Trimex Limited – SEBI AO - 18.02.2026

The issue was whether Oriental Trimex Limited (OTL), its promoters/directors, and connected entities had manipulated financial statements for FY18–FY20 by booking fictitious sales and purchases through 22 dubious counterparties, thereby publishing false financial results in violation of Section 12A of the SEBI Act, PFUTP Regulations, and multiple provisions of the LODR Regulations.

The Adjudicating Officer held that the overwhelming evidence including GST cancellations, struck-off entities, non-existent addresses, circular fund trails among group-linked entities, and round-tripping of funds on the same day in identical denominations, established that the reported revenues were sham transactions designed to inflate financials and mislead investors, amounting to fraudulent and unfair trade practices and

breach of disclosure and corporate governance norms. Accordingly, the AO concluded that OTL and responsible directors were liable under Sections 15HA and 15HB (and 15A(a), where applicable), and imposed monetary penalties commensurate with their respective roles, holding them jointly and severally accountable where statutory responsibility under Section 27 was attracted.

14. Adjudication Order in the matter of ANS Pvt. Ltd - SEBI AO - 23.02.2026

SEBI conducted a thematic onsite inspection of Bhavesh Natvarlal Sheth, an Authorized Person of ANS Pvt. Ltd., on the theme of Authorized Persons having no clients but high turnover and significant pay-in and pay-out activity. Based on the inspection findings, adjudication proceedings were initiated. The primary allegations were that certain CTCL terminals mapped to the Authorized Person were not found at the reported location, that some terminals were allegedly operated from unauthorized locations, and that certain terminals were operated by unapproved users without requisite NISM certification.

In response, the Noticee submitted that there was no mismatch in terminal details and explained that some users were on medical or personal leave on the inspection date. Supporting documents such as medical certificates, attendance records, NSE emails confirming no trades during the relevant period, login records, and affidavits were furnished. It was also clarified that one of the terminals cited by SEBI actually belonged to another trading member and not to ANS Pvt. Ltd. About the allegation of unauthorized users, the Noticee produced appointment letters to establish that the concerned individuals were employees of the Authorized Person and stated that NISM certification was was not required for terminals used only in the Capital Market segment. Upon examining the material on record, the Adjudicating Officer accepted the explanations and the adjudication proceedings were disposed of without imposing any penalty.

Read more

15. Order in respect of Motisons Shares Limited – SEBI QJA – 23.02.2026

Motisons Shares Limited is a SEBI-registered stock broker, member of BSE and NSE, clearing member of ICCL and NCL, and depository participant of CDSL and NSDL. SEBI conducted a joint inspection with BSE and NSE from April 01, 2021, to August 31, 2022 (Inspection 1). SEBI also carried out a limited-purpose inspection from April 01, 2023, to June 30, 2024 (Inspection 2). These inspections led SEBI to initiate adjudication proceedings under Section 15-I and intermediary proceedings under Section 12(3) of the SEBI Act, read with SEBI (Intermediaries) Regulations, 2008.

On August 12, 2025, the Adjudicating Officer imposed a penalty of INR 12 lakhs on the Noticee based on conclusive findings. On the same date, the Designated Authority recommended prohibiting the Noticee from new assignments, contracts, or schemes for 15 days under Regulation 26(1)(iv) of the Intermediaries Regulations.

The current proceedings were initiated against Motisons Shares Limited pursuant to a Show Cause Notice dated September 3, 2025, under the Intermediaries Regulations. Although the Noticee filed detailed replies, attended a personal hearing, and later submitted post-hearing submissions, and despite having paid a penalty of INR 12 lakh imposed by the Adjudicating Officer under

protest, the Authority proceeded to examine the matter after the Noticee's settlement application was returned by SEBI.

Two allegations relating to net worth certification and engagement in non-securities business were dropped by the Designated Authority; however, multiple serious violations were found to be established. These included misuse of client funds, where the 'J' value was positive in 8 out of 20 instances with an average misuse of INR 3.06 crore; failure to maintain proper segregation between client and own funds along with non-maintenance of daily reconciliation statements; incorrect margin reporting and short collection of margins; and impermissibly passing short margin penalties to clients in violation of regulatory provisions. Further violations included discrepancies in stock reconciliation and demat holdings, failure to properly record certain trade details, lack of adequate proof of client order placement, incorrect reporting under Enhanced Supervision requirements involving significant misstatements, discrepancies in Risk-Based Supervision submissions, and failure to correctly tag certain bank accounts.

The findings of the Designated Authority were largely upheld, particularly in respect of serious violations such as misuse of client funds and reporting failures. It was noted that steps claimed by the Noticee were not supported by evidence. It was held appropriate to prohibit the Noticee from soliciting or accepting any new clients for a period of one month. Motisons Shares Limited was restrained from taking on new clients for one month.

Read more

16. Order in the matter ofcotech Ltd. – SEBI AO – 27.02.2026

SEBI investigated Arcotech Limited (AL) and its promoters/directors for FY 2016-17 to 2020-21 to examine (i) alleged diversion of INR 14.15 crore routed through promoter entity Sidhant Distributors Pvt. Ltd. and layered entities before being brought back as "loan" and converted into preference shares, (ii) fictitious and circular purchase/sale transactions with entities such as NSPL, AMPL and Good Value to inflate revenue and misrepresent financial statements, (iii) failure to disclose seizure of AL's factory by IFCI Ltd., and (iv) delayed SAST disclosures on pledge invocation. The Noticees contended that transactions were bona fide commercial dealings supported by invoices, GST filings and banking trails, and that temporal proximity of fund flows could not establish fraud; non-executive directors and CFOs denied knowledge or intent.

SEBI held that the pattern of fund transfers, round-tripping through connected entities, absence of commercial substance in key legs, and the conversion of routed funds into preferential allotment established diversion and fraudulent misrepresentation of financials, thereby violating Section 12A of the SEBI Act and Regulations 3 & 4 of the PFUTP Regulations, along with breaches of LODR disclosure obligations; certain promoter entities were also found liable for SAST disclosure lapses. Concluding that the conduct distorted the true financial position of a listed company and misled investors, SEBI issued directions under Sections 11 and 11B, including market access restraints on key noticees, debarment for specified periods, and monetary penalties proportionate to their roles, while granting limited relief where liability was not substantiated or tenure did not overlap with the impugned transactions.

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Regulatory Updates

IBBI

1. IBBI Discussion Paper on Strengthening CoC Oversight – 16.02.2026

IBBI's discussion paper proposes a decisive shift from "commercial wisdom in principle" to "commercial wisdom on record". The Board has suggested mandatory recording of key deliberative elements while approving resolution plans, including recovery vis-à-vis fair and liquidation value, adequacy of market discovery, and the credibility and fund-availability of the resolution applicant. The paper also rationalises CIRP cost approvals by allowing limited IRP spending pre-CoC constitution, followed by mandatory post-facto approval and a structured Going Concern Assessment Report at the first CoC meeting. It clarifies that delayed but acceptable claims must go to the Adjudicating Authority irrespective of CoC recommendation and proposes exclusion of related operational creditors where CoC comprises only OCs.

Read More

2. IBBI introduces Pre-Packaged Insolvency Resolution Process (Amendment) Regulations, 2026 – 25.02.2026

The Pre-Pack amendments refine the definition of "fair value" to explicitly capture tangible and intangible assets along with their underlying synergies, aligning valuation with enterprise-level economics rather than asset-fragment logic. The framework now introduces "sets" of registered valuers across asset classes and designates a coordinating valuer responsible for computing enterprise fair value. The averaging methodology has been formalised and valuation standards will be those notified by IBBI.

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IFSCA

3. IFSCA issues Circular on Unified Registration (Master Key) for Capital Market Intermediaries – 13.02.2026

The International Financial Services Centres Authority (IFSCA) issued a circular dated February 13, 2026 introducing a unified registration framework (Master Key/MKY) under the IFSCA (Capital Market Intermediaries) Regulations, 2025 ("CMI Regulations"). The amendment permits a Unit in the International Financial Services Centre (IFSC) intending to undertake multiple capital market activities to obtain a single unified registration, in the manner specified by the Authority.

Eligible intermediaries that may apply for a Master Key include the following: Broker Dealer, Clearing Member, Credit Rating Agency, Custodian, Debenture Trustee, Depository Participant, Distributor, ESG Ratings and Data Products Provider, Investment Adviser, Investment Banker, and Research Entity.

The application must be filed through IFSCA's Single Window IT System (SWIT) portal. Only one consolidated application is required, wherein the applicant can select one or more permitted activities. The certificate of registration will be titled "Capital Market Intermediary – XXX, XXXX and XXXXX", specifying the approved activities under the CMI Regulations.

The circular comes into force with effect from February 16, 2026. It has been issued under Sections 12 and 13 of the International Financial Services Centres Authority Act, 2019 read with Regulations 4(1) and 45 of the CMI Regulations, 2025.

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4. IFSCA issues Circular on Net Worth Certificate Format and Audit Checklist for GAPs – 12.02.2026

IFSCA issued a circular dated February 12, 2026 addressed to Broker Dealers, Recognised Stock Exchanges and Global Access Providers (GAPs) in the IFSC. The circular refers to the IFSCA (Capital Market Intermediaries) Regulations, 2025 ("CMI Regulations") and the circular dated August 12, 2025 titled "Regulatory Framework for Global Access in the IFSC" (GAP Circular), particularly clauses 13 and 14 relating to minimum net worth requirements for GAPs and broker dealers accessing global markets on proprietary basis through GAPs.

IFSCA has prescribed the format of the Net Worth Certificate (Annexure I) to be submitted by GAPs and such broker dealers. The certificate must:
(a) specify the net worth in USD as on the relevant date; and
(b) confirm compliance with clauses 13 and 14 of the GAP Circular dated August 12, 2025.

The certificate must be issued by an independent member of the Institute of Chartered Accountants of India (ICAI) and submitted annually via email to cmi-supervision@ifsca.gov.in by September 30 for the preceding financial year.

Further, with reference to clause 49 of the GAP Circular, GAPs and Introducing Brokers (IBs) are required to get their Global Access activities audited annually. The annual audit must be conducted by a peer reviewed member of ICAI, the Institute of Company Secretaries of India (ICSI), or the Institute of Cost Accountants of India (ICMAI), based on the indicative checklist provided in Annexure II.

The checklist is indicative and auditors are required to verify additional documents as necessary to ensure compliance with the CMI Regulations and related circulars.

Read More

5. Consultation Paper on Draft IFSCA (IFSC Financial Advisers) Regulations, 2026 – 24.02.2026

IFSCA's consultation paper dated February 24, 2026 proposes a dedicated regulatory architecture for IFSC Financial Advisers, marking a strategic shift toward advisory-led financial intermediation within GIFT IFSC. Recognising the growing participation of NRIs and retail investors and the global scale of India-linked capital flows, the draft framework seeks to formally regulate individuals and institutions engaged by IFSC financial institutions to render or solicit financial advisory services. The proposal introduces concepts such as an IFA Registry maintained through KYC Registration Agencies, eligibility and fit-and-proper criteria for Financial Institutions engaging advisers, and structured supervisory oversight. In essence, advisory functions that previously operated in regulatory grey zones are being brought squarely within a defined compliance perimeter.

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RBI

6. RBI rationalises Voluntary Retention Route (VRR) framework for FPI Debt Investments - 06.02.2026

The Reserve Bank of India, through A.P. (DIR Series) Circular No. 21 dated February 06, 2026, has announced significant reforms to the regulatory architecture governing Foreign Portfolio Investor (FPI) investments in debt instruments under the Voluntary Retention Route (VRR). The changes are aligned with the developmental and regulatory policy statement issued alongside the February 2025–26 bi-monthly monetary policy.

Key Regulatory Changes

(a) Subsuming VRR Limits into the General Route: In a major structural shift, investment limits available under the VRR will now be merged with the overall investment limits applicable to FPI debt investments under the General Route. Consequently, investments in Central Government securities (including Treasury Bills), State Government securities, and Corporate debt securities, made through the VRR will be counted within the respective General Route limits.

(b) Greater Exit Flexibility for FPIs: FPIs that had opted for retention periods longer than the prescribed minimum will now be permitted to liquidate their portfolio either fully or partially, and exit the VRR after completion of the minimum retention period.

Read More

7. RBI mandates Unique Transaction Identifier for OTC Derivative Transactions (effective from January 01, 2027) – 18.02.2026

RBI, through its circular dated February 18, 2026, has mandated the generation and reporting of a Unique Transaction Identifier (UTI) for all OTC derivative transactions reported to the CCIL Trade Repository, covering rupee interest rate derivatives, forex derivatives, forward contracts in G-secs and credit derivatives. The UTI, aligned with CPMI-IOSCO technical guidance, will be a 52-character identifier (comprising the LEI of the generating entity plus a unique code) and must remain constant throughout the lifecycle of the derivative. A structured “waterfall” mechanism determines which entity generates the UTI - prioritising CCPs, ETPs and clearing members, with CCIL-TR stepping in as a backstop if needed. For cross-border trades, special timelines apply where foreign jurisdictions have earlier reporting deadlines. Importantly, lifecycle events like novation that create a new contract will require a fresh UTI. This comes into effect from January 01, 2027.

Read More

IRDAI

8. IRDAI issues clarifications to facilitate insurers' investments in Alternative Investment Funds (AIFs) with "Excusal Rights" under the Master Circular on Actuarial, Finance and Investment Functions of Insurers – 12.02.2026

Under the existing framework, insurers are permitted to invest in AIFs subject to compliance with Section 27E of the Insurance Act, 1938, which restricts overseas exposure. Insurers could invest only through compliant Fund of Funds (FoFs), were required to ensure that AIFs did not invest in foreign securities, and were prohibited from investing in AIF structures creating layered exposure to FoFs in which the insurer already had exposure.

In response to industry representations and to broaden investment avenues while maintaining statutory safeguards, IRDAI has clarified that investments in AIFs having overseas exposure will be permissible where insurers exercise "Excusal Rights," subject to strict conditions ensuring that the insurer's capital is not deployed outside India.

Key conditions for compliance (Excusal Rights framework):

1) Insurer's investment must carry valid "Excusal Rights" under SEBI's AIF framework, and the insurer's funds must not be invested overseas.
2) The insurer must submit a formal declaration citing Section 27E of the Insurance Act, 1938, as the reason for non-participation in overseas investments.
3) The AIF's Private Placement Memorandum must explicitly state that capital contributed by the insurer will not be drawn down, utilized, or pledged for investments outside India.
4) Statutory auditors of the AIF must certify that the insurer's capital has not been invested overseas.
5) The insurer must obtain a compliance certificate from the AIF confirming disclosure of overseas investments, valid invocation of Excusal Rights, and that no overseas-related costs were charged to the insurer.
6) The insurer's concurrent auditor must certify compliance with the Excusal Rights provisions.

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PFRDA

9. PFRDA issued a circular titled Sharing of Subscriber Information with Pension Funds under NPS Vatsalya Scheme & Asset Allocation Flexibility – 23.02.2026

Through its Circular dated February 23, 2026, PFRDA has operationalised two significant changes under the NPS Vatsalya Scheme: structured sharing of subscriber data with Pension Funds and expanded asset allocation flexibility. CRAs will now share scheme-level subscriber insights with Pension Funds, strictly subject to purpose limitation, data privacy safeguards and compliance with the Digital Personal Data Protection Act, 2023 and allied laws. On the investment side, Pension Funds may either follow the Authority's indicative allocation framework or design their own strategy, including allocation across Equity, Debt and Money Market instruments with the option to go up to 100% equity, akin to MSF schemes.

Read More

SEBI

10. SEBI Consultation Paper – Proposed Amendments to 'Fit and Proper Person' Criteria – 04.02.2026

SEBI's consultation paper (dated February 4, 2026) proposes amendments to Schedule II of the SEBI (Intermediaries) Regulations, 2008 to recalibrate the 'fit and proper person' framework in light of enforcement experience and ease-of-doing-business concerns. The key proposal is to remove automatic disqualification triggered merely by pendency of a criminal complaint/FIR filed by SEBI or a pending charge sheet for economic offences (Clauses 3(b)(i) and (ii). Further, it proposes that winding-up proceedings should trigger disqualification only upon an actual winding-up order (not mere initiation), introduces an express hearing requirement before declaring someone not fit and proper, and mandates disclosure of disqualifying events within seven days.

Read More

11. SEBI 1.tightens Pledge Invocation Norms through Depositories – 05.02.2026

SEBI has aligned the depository pledge framework with Sections 176 and 177 of the Indian Contract Act, 1872, embedding statutory notice requirements into the mechanics of pledge creation and invocation. Depositories must now standardize Pledge Request Forms to include undertakings by pledgees to provide reasonable notice before sale and confirm compliance with applicable laws. Additionally, upon invocation, depositories are required to notify both pledger and pledgee and record the pledgee as beneficial owner in accordance with the DP Regulations.
Read More

12. SEBI mandates AIF NAV reporting to Depositories – 06.02.2026

SEBI, via circular dated February 06, 2026, has directed Alternative Investment Funds to upload the latest available NAV for each ISIN of their units to the depository system through their RTAs, on or before May 01, 2026, or within 30 days of valuation, whichever is later. With AIF units already required to be issued in demat form, this move integrates valuation data directly into depository infrastructure, enhancing transparency and operational efficiency. The Manager is squarely responsible for timely and accurate reporting, while depositories must build display infrastructure with prescribed disclaimers and amend bye-laws accordingly.

Read More

13. SEBI recalibrates ETF Price Bands and Base Price - 13.02.2026

ETFs (Exchange Traded Funds) are funds that track an index, debt basket, or commodity like gold, and trade on the stock exchange like shares. They let investors buy diversified exposure in a single click. In recent months, Indian markets (particularly commodities like *gold and silver*) have witnessed heightened volatility, once again bringing ETF market mechanics into focus.

Against this backdrop, SEBI's consultation paper dated February 13, 2026, proposes important changes to how ETF price bands and base prices are determined. Currently, exchanges apply price bands to ETFs using the T-2 day closing Net Asset Value (NAV) as the base price. In an instrument that trades intraday and mirrors real-time benchmarks, a two-day reference lag creates distortions, increases operational

dependency on manual corporate action adjustments, and can weaken alignment between ETF prices and underlying assets.

SEBI now proposes shifting the base/reference price to a more contemporaneous metric, such as the T-1 closing price (last 30-minute weighted average), T-1 closing NAV (if available), thereby reducing pricing lag and improving accuracy.

Equally significant is the proposed move away from the existing flat +20% price band (and +5% for Overnight ETFs). Data analysis for April - December 2025 shows that over 99% of equity and debt ETF movements were within 10%, and most commodity ETFs stayed within 9 - 10%. A uniform +20% band, therefore, appears misaligned with actual volatility. The proposed framework introduces calibrated guardrails.

(a) **Equity/Debt ETFs**: Initial ±10% band, flexing up to ±20% with cooling-off periods and liquidity thresholds.
(b) **Gold/Silver ETFs**: Initial ±6% band, flexing in 3% stages, aligned with aggregate DPL norms.
(c) **Overnight ETFs**: Continue at ±5%.

Read More

14. SEBI recategrizes Mutual Fund Schemes - 27.02.2026

SEBI's Master Circular for Mutual Funds dated June 27, 2024 consolidated all prior directions, including the 2017 categorisation framework under Clause 2.6. On February 26, 2026, SEBI has now expressly superseded Clause 2.6 and replaced the categorisation architecture through a new circular.

Below we have described some notables changes:

(a) Then vs Now
Under the earlier framework, schemes were broadly grouped into (1) Equity, (2) Debt, (3) Hybrid, (4) Solution Oriented and (5) Other Schemes (FoFs, Index Funds/ETFs). The emphasis was on minimum asset allocation thresholds and uniform descriptions.

The 2026 circular now classifies schemes under (1) Equity, (2) Debt, (3) Hybrid, (4) Life Cycle Funds and (5) Other Schemes (including Fund of Funds and Passive Schemes). The express recognition of Life Cycle Funds as a separate bucket signals regulatory comfort with age- or goal-linked allocation strategies. While the broad architecture appears similar, the internal discipline within categories has materially evolved.

(b) Portfolio Overlap
The most consequential shift lies in portfolio overlap restrictions. Sectoral and thematic equity schemes cannot have more than 50% portfolio overlap with other equity schemes (other than large cap schemes). Existing schemes are given a three-year glide path. This effectively curbs thematic duplication and "shadow strategies" masquerading as differentiated products.

Value and Contra funds may now co-exist, but portfolio overlap between the two is capped at 50%. In substance, labels must now reflect genuine strategy divergence.

(c) DebtSchemes
Debt categories continue to be duration-based, but Macaulay duration is explicitly anchored at the portfolio level. Corporate Bond Funds, Credit Risk Funds and Sectoral Debt Funds now carry sharper rating-linked minimum allocation requirements. Overnight and Liquid Funds carry explicit deployment clarifications.

(d) ControlledThematicExpansion
Sectoral and thematic funds must align with sectors/themes published and periodically updated by Association of Mutual Funds in India (AMFI) in consultation with SEBI. The era of creative theme manufacturing appears to be narrowing.

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International Updates

15. ESMA seeks input to streamline and simplify its market abuse guidelines - European Union - 19.02.2026

The European Securities and Markets Authority (ESMA) has launched a formal consultation to streamline the Market Abuse Regulation (MAR) guidelines, aiming to reduce administrative burdens for issuers following the adoption of the European Union Listing Act. Under the proposed changes, set to take effect in June 2026, issuers will no longer be required to provide immediate disclosure of inside information regarding "protracted processes" such as multi-stage merger negotiations until those processes are finalised. The updated framework also introduces new "legitimate interests" for delaying public disclosure, such as when a public authority requests confidentiality or when an issuer is simultaneously managing multiple procurement bids. Notably, the European Securities and Markets Authority plans to replace the previous "no misleading the public" condition with a more specific requirement that any delayed disclosure must not contradict the issuer's most recent public statements on the matter.

Stakeholders have until April 29, 2026, to submit feedback, with a final report expected in the fourth quarter of the year.

Read More

16. U.S. Supreme Court strikes down Presidential Tariffs under IEEPA - 20.02.2026

The U.S. Supreme Court in Learning Resources, Inc. v. Trump, that the President cannot impose tariffs under the International Emergency Economic Powers Act (IEEPA). The Court held that Article I of the Constitution vests the power to tax and lay duties exclusively in Congress. The judgment stated that the authority to "regulate importation" granted by IEEPA does not include the power to impose revenue-raising taxes. Furthermore, the Court applied the Major Questions Doctrine, ruling that economic measures of such scale require specific congressional authorization rather than executive discretion, even during national emergencies. This decision follows a series of rulings that limit the authority of federal agencies, particularly the Securities and Exchange Commission (SEC). In SEC v. Jarkesy (2024), the Court held that using in-house judges to impose civil penalties violates the 7th Amendment right to a jury trial. This trend continues in 2026 with Sripetch v. SEC, where the Court is examining whether the SEC can seek disgorgement without proving that victims suffered pecuniary harm. These U.S. developments mirror ongoing discussions in India regarding the concentration of powers within regulators like SEBI, RBI, and the CCI, highlighting a global shift toward stricter separation of powers and judicial oversight of administrative agencies.
Read more

Appointments and Vacancies

17. Mr. Ashutosh Mishra (Additional Secretary) takes charge as an ex officio member in the Insolvency and Bankruptcy Board of India to represent the Ministry of Law & Justice in the said Board. – 11.02.2026

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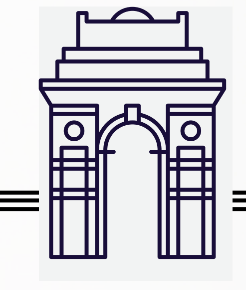
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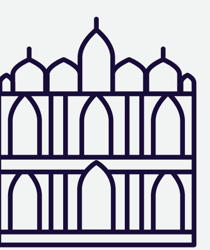
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