

# Capital Markets Unriddled

*Newsletter - February 2026*



# Summary

*This edition presents a data-driven overview of the investment landscape, analysing key metrics across Assets Under Custody (AUC), Foreign Portfolio Investments (FPI), and Foreign Direct Investment (FDI) flows, along with country-wise contributions from major global investors.*

*The edition tracks month-on-month shifts in capital allocation across equity, debt, and hybrid segments, capturing trends in investor participation, inflows, and outflows.*

*It also provides an update on regulatory developments in Singapore, Mauritius, Cayman Islands, Bermuda and India, including GIFT City.*



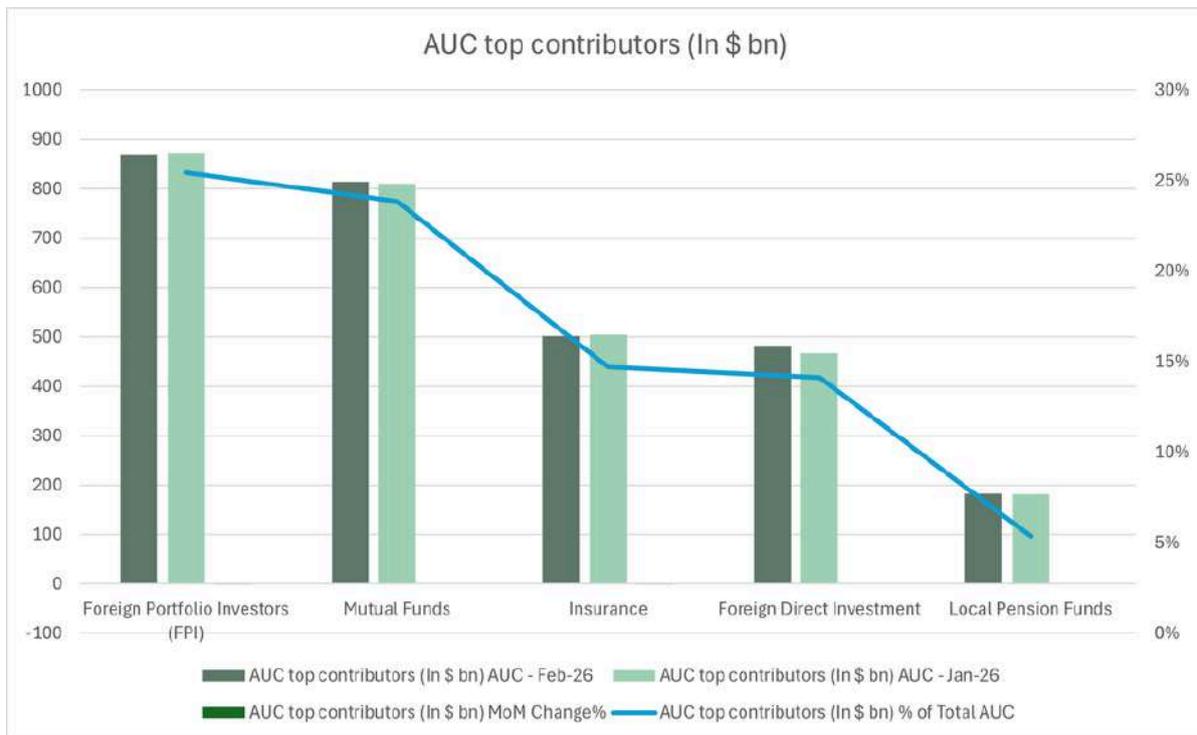
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## AUC TOP CONTRIBUTORS

- Foreign portfolio investors (FPIs) remain the largest contributor to total AUC in the country, with ~25% share, in the recent months FPIs have pulled out from Indian equities driven by currency volatility, global trade tensions, potential US tariffs, and high market valuations. Rising US bond yields and a stronger dollar have improved risk-adjusted returns in developed markets, prompting capital reallocation away from emerging markets.

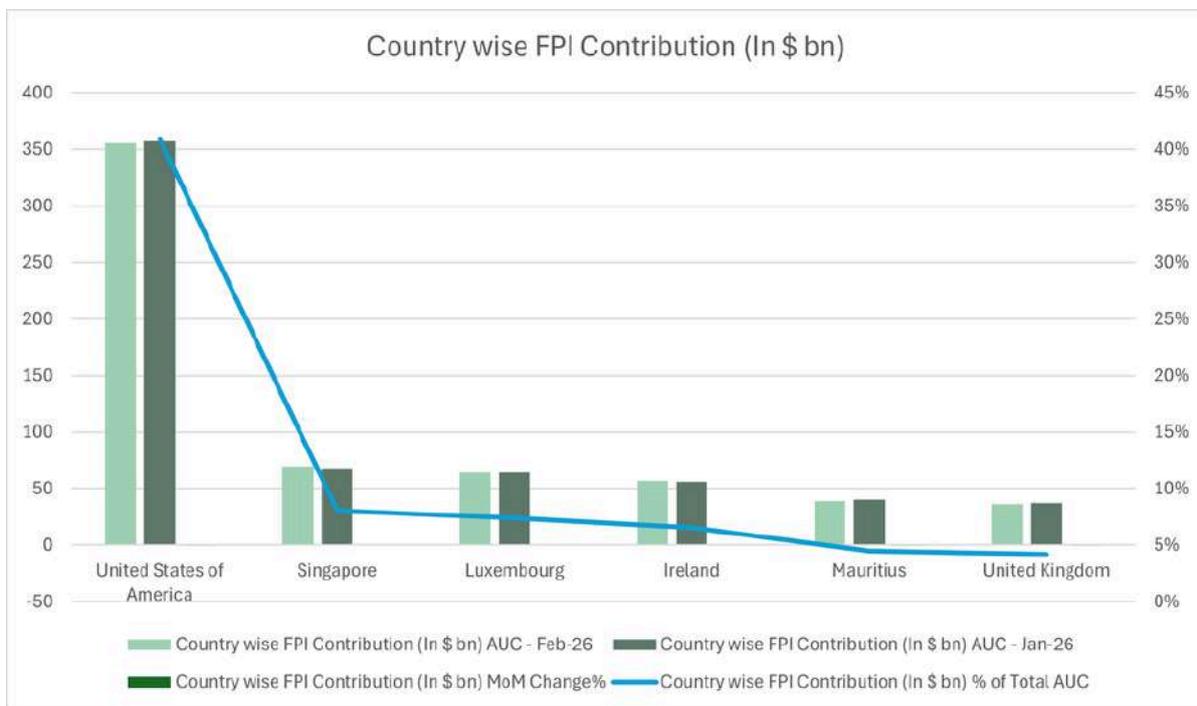


Source: NSDL FPI data



## COUNTRY WISE FPI CONTRIBUTION

- ✔ United States continues to have lion share in the total FPI AUC with over 40% contribution.



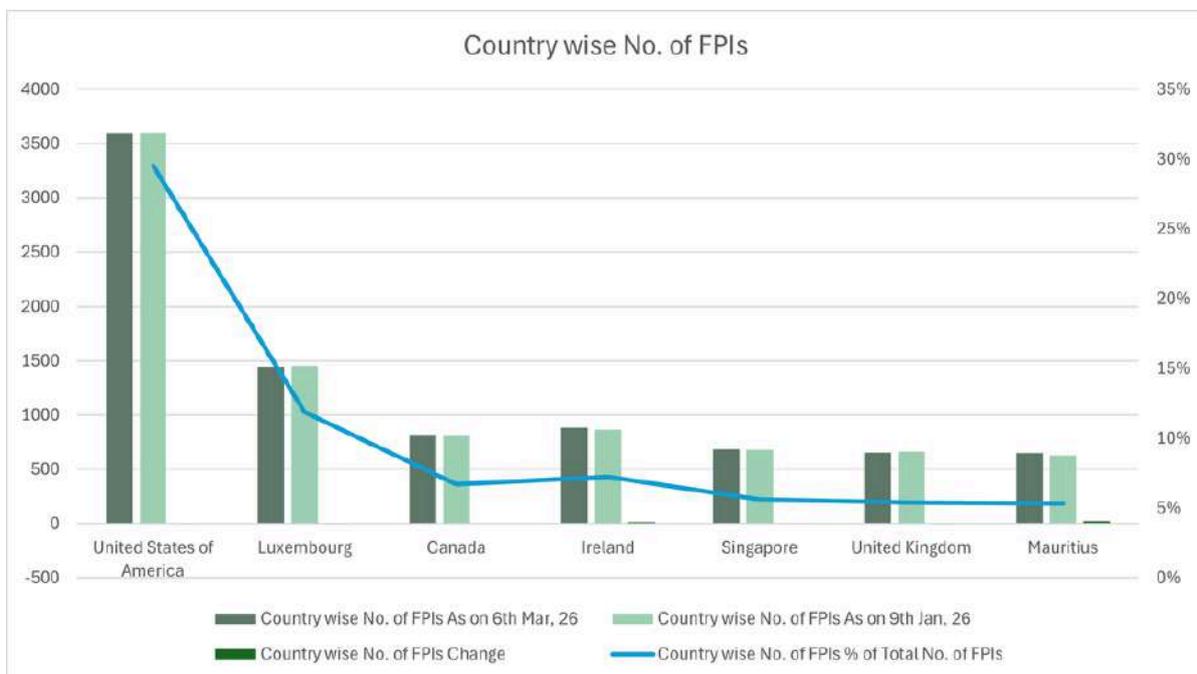
Source: NSDL FPI data

## TOTAL FPIs

- ✔ FPI nos. have grown at a marginal rate of 2% since Nov-25, majority of them coming from United States, Luxembourg and Singapore



## COUNTRY WISE NO. OF FPIs

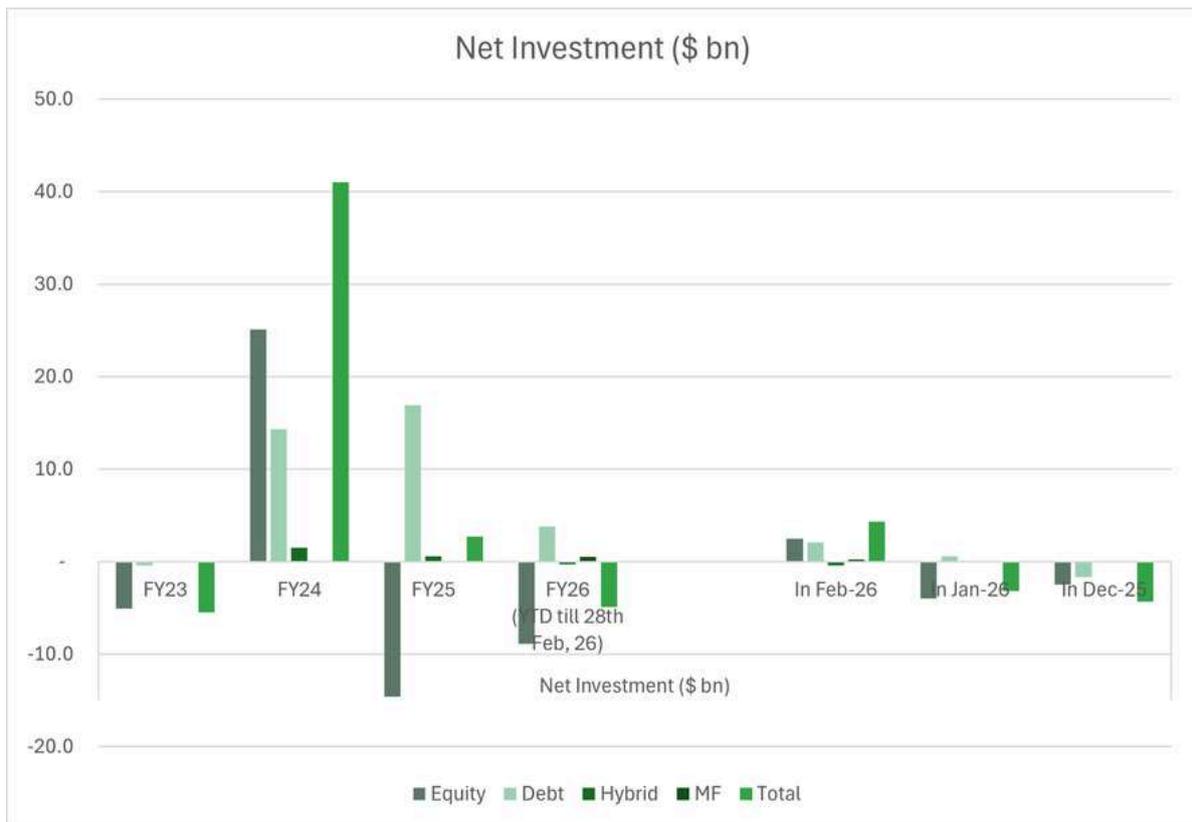


Source: NSDL FPI data



## FPI INFLOWS/OUTFLOWS

- ✔ Net Investment by FPIs turned positive for the month of Nov-25 after recording outflows from June-25, however again in last few months, FPIs have turned net sellers as geopolitical tensions, rising US bond yields and a stronger dollar have improved risk-adjusted returns in developed markets, making emerging markets less attractive.

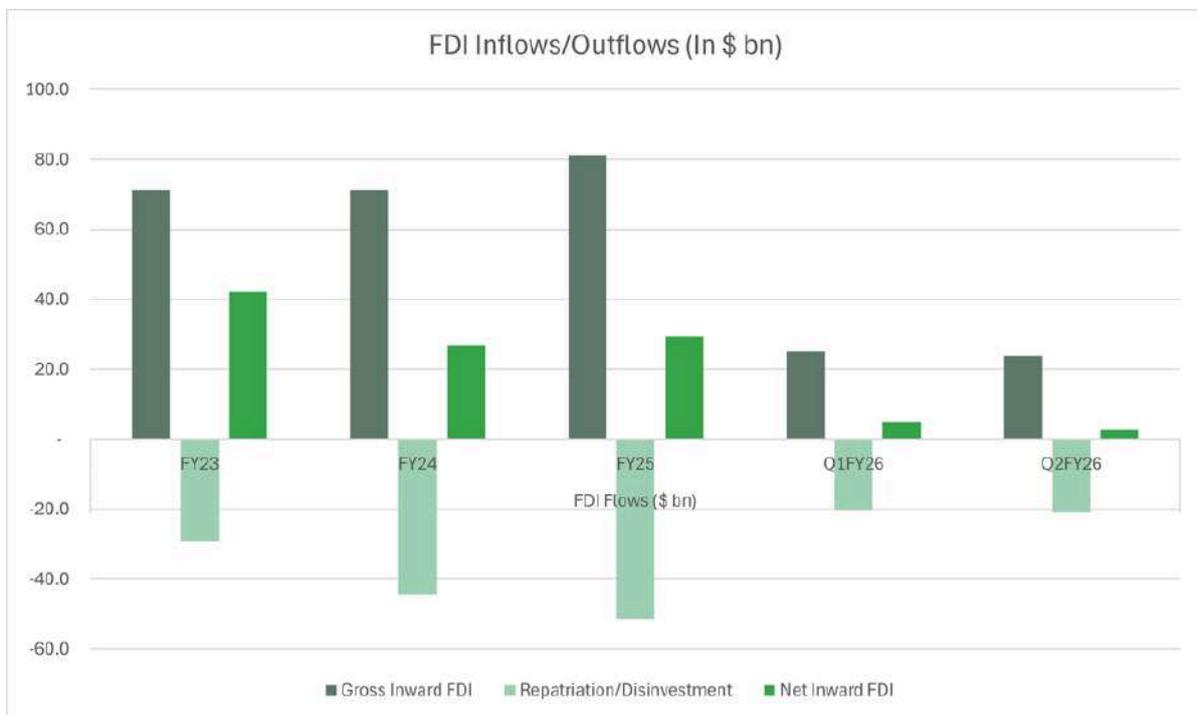


Source: NSDL FPI data



## FDI INFLOWS/OUTFLOWS

- ✓ Singapore, Mauritius, the UAE, the Netherlands, and the US, were the top investment sources, accounting for more than 75 per cent of the flows during the period

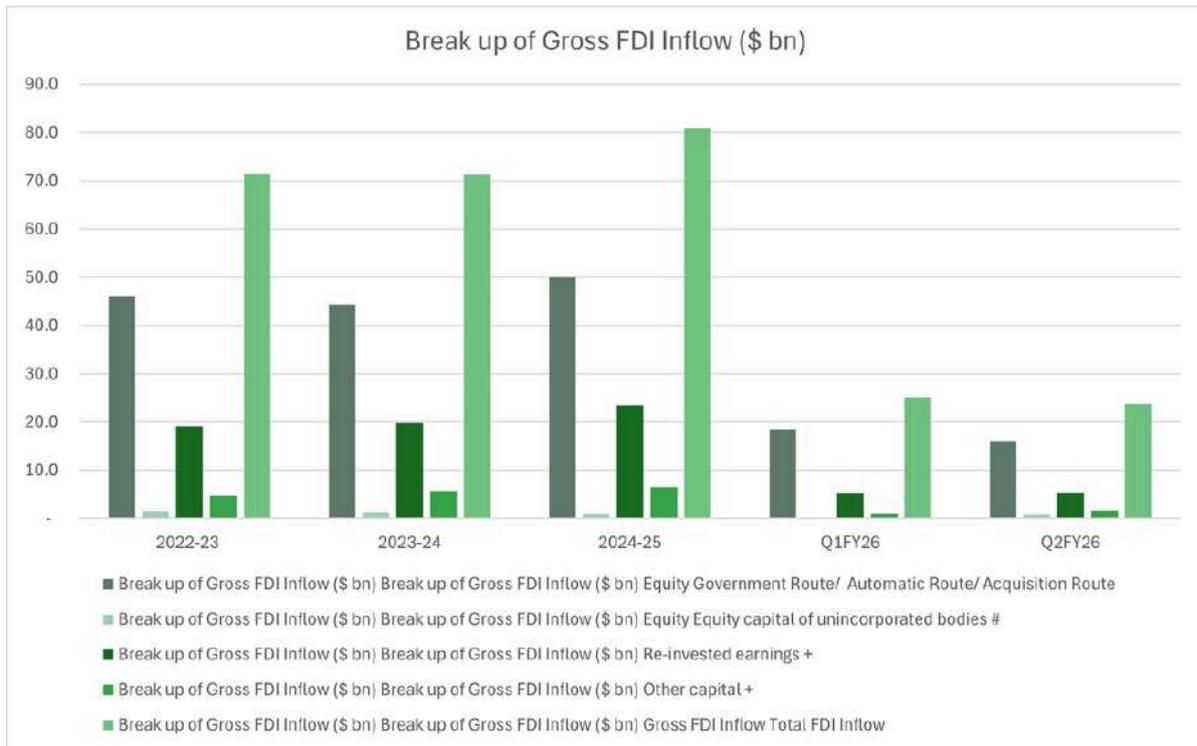


Source: RBI monthly bulletin

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## BREAK UP OF GROSS FDI INFLOW

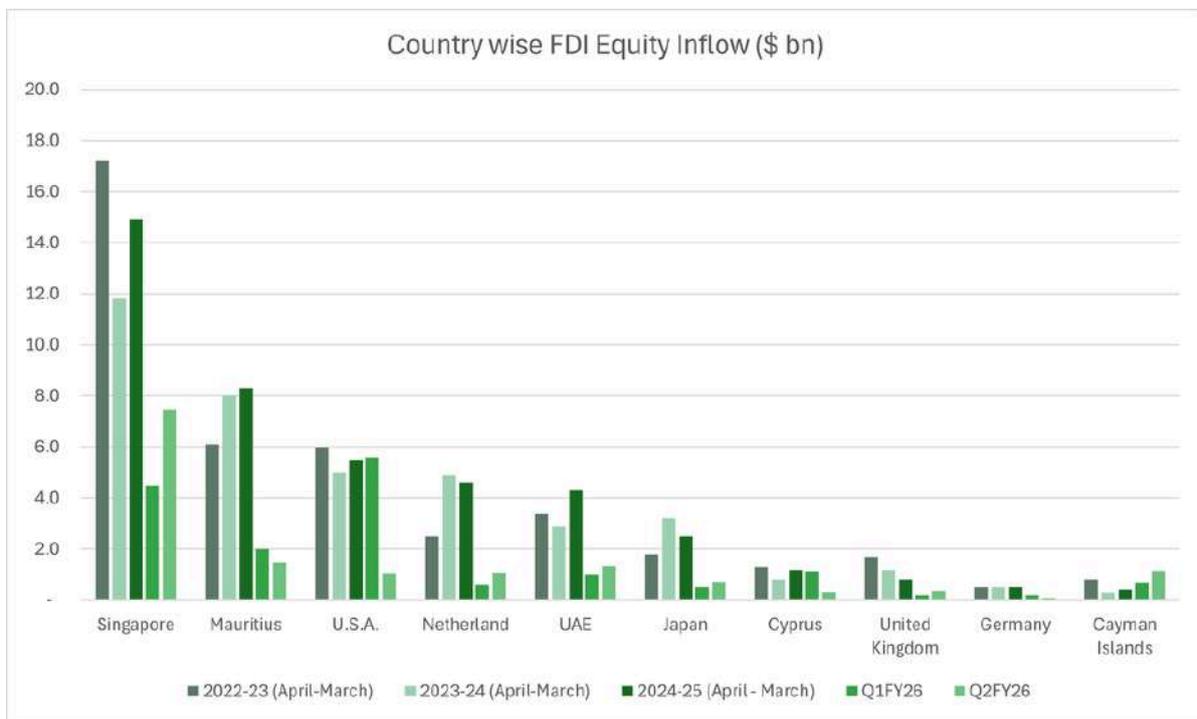


Source: RBI monthly bulletin

- "Equity capital of unincorporated bodies" refers to the investment made by a foreign entity in a non-corporate business structure, like a partnership or sole proprietorship
- "Reinvested earnings" refers to the portion of profits that are not distributed as dividends but are instead retained and reinvested in the business by the foreign direct investor.
- "Other capital" typically includes other forms of financial flows, such as inter-company loans or debt transactions between related entities, that are not classified as equity capital or reinvested earnings.



## COUNTRY WISE FDI EQUITY INFLOW



Source: RBI monthly bulletin



# REGULATORY UPDATES

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## MINISTRY OF COMMERCE & INDUSTRY

*LOA in Form GA for IFSC Units*

- ✔ The Central Government vide notification dated 3rd February 2026, has amended SEZ Rules, 2006. As per the amendment, the Administrator (IFSCA) shall issue a LoA in “Form GA” for setting up a unit in an IFSC. It has also added standardized format titled “Letter of Approval – Form GA” after Form G in the principal rules.

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## MINISTRY OF COMMERCE & INDUSTRY

*Revised user charges for SEZ-Online services*

- ✔ The Department of Commerce, Ministry of Commerce & Industry has issued a notification dated 12th February 2026, revising the user charges for SEZ-Online services with effect from 01.01.2026.

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## RESERVE BANK OF INDIA (RBI)

*Voluntary Retention Route – Imparting predictability and increasing ease of doing business*

- ✔ On February 6, 2026, the Reserve Bank of India revised the Voluntary Retention Route (VRR) framework for FPI debt investments. Effective April 1, 2026, VRR limits will be merged with the General Route limits, and investments in government and corporate debt made under VRR will count toward the respective General Route caps.
- ✔ FPIs that chose retention periods longer than the minimum may exit, fully or partly, after completing the minimum period. Existing VRR investments will be transitioned to the General Route limits.

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# INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

*IFSCA (Fund Management) (Amendment) Regulations, 2026*

- ✔ The Amendment Regulations, 2026 introduced revised eligibility criteria requiring a minimum of five years' relevant experience in the securities market or financial products in an eligible institution, with relaxed post-qualification experience requirements for certain key managerial personnel holding professional qualifications and specified certifications, while also clarifying the scope of eligible institutions.
- ✔ It further provide that where the minimum corpus (including USD 3 million for open-ended schemes investing in unlisted securities) is not achieved within the prescribed timeline, the validity of the placement memorandum may be extended in six-month increments upon payment of 25% of the fresh scheme filing fee for the first extension and 50% for each subsequent extension.
- ✔ Additional grounds for winding up are introduced. It also allow schemes to appoint a custodian in IFSC within 24 months from commencement, with provision for interim appointment of a regulated independent custodian in India or a foreign jurisdiction.

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## INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

*Modifications under the IFSCA (AML, CTF and KYC) Guidelines, 2022*

- ✓ IFSCA vide Circular no. IFSCA-DAC/7/2024-AMLCFT, dated 26 February 2026 has expanded the permitted methods for customer identification during V-CIP by allowing OTP-based Aadhaar e-KYC authentication as an additional legally valid method.

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## BERMUDA MONETARY AUTHORITY (BMA)

*Regulatory Updates: October–December 2025*

- ✔ The Bermuda Monetary Authority (BMA) issued several significant regulatory updates in Q4 2025, including consultation papers on Corporate Service Provider Business Rules, the proposed Payment Services Act, and a discussion paper on asset tokenisation.
- ✔ The Authority also released updated AML/ATF guidance and a wide range of year-end filing requirements and BSCR models for insurers.
- ✔ Key reports published during the quarter covered macroprudential risk, long-term and P&C insurance stress testing, cyber underwriting, catastrophe risk modelling and captive market insights.
- ✔ Legislatively, amendments were enacted to enhance group supervision under the Insurance Act and revise information-sharing and fee structures under the BMA Act.
- ✔ The quarter also featured extensive international engagement across IAIS, IOSCO, FATF and multiple bilateral meetings.

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## **BERMUDA MONETARY AUTHORITY (BMA)**

*AML-ATF Ministerial Advisory 1/2026. Money Laundering and Terrorist Financing.*

- ✔ The Bermuda Ministry of Justice issued AML-ATF Ministerial Advisory 1/2026 on 24 February 2026, highlighting elevated money-laundering and terrorist-financing risks in several jurisdictions and reiterating the requirement for all regulated entities to apply enhanced customer due diligence when dealing with high-risk countries.
- ✔ The advisory reinforces obligations under the Proceeds of Crime (AML/ATF) Regulations 2008, particularly Regulations 11(1)(aa) and 11(1)(ab), which mandate risk-sensitive enhanced due diligence for jurisdictions identified by the FATF or those posing heightened risks of money laundering, corruption, terrorist financing or international sanctions.

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## **BERMUDA MONETARY AUTHORITY (BMA)**

*Discussion Paper on the Responsible Use of Artificial Intelligence in Bermuda's  
Financial Services Sector*

- ✔ The Bermuda Monetary Authority issued a stakeholder letter addressing feedback on its discussion paper on the responsible use of AI in the financial services sector, noting that industry participants supported an outcomes-based, principles-led approach while cautioning against duplicative AI-specific regulatory structures. Stakeholders emphasised integrating AI oversight within existing enterprise risk-management frameworks—covering governance, conduct, cyber-risk, operational resilience and third-party oversight—rather than creating stand-alone requirements.
- ✔ The BMA confirmed it will maintain a technology-neutral, fit-for-purpose supervisory approach, acknowledging both the transformative potential of AI and the need for proportional, risk-anchored governance expectations.

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## **CAYMAN ISLANDS MONETARY AUTHORITY (CIMA)**

### *Revisions to Fees Payable by Regulated Mutual Funds and Regulated Private Funds*

- ✔ The Cayman Islands Monetary Authority has implemented revisions to the fees payable by regulated mutual funds and private funds effective 1 January 2026, increasing annual fees for registered funds and master funds, as well as sub-fund and AIV fees.
- ✔ The updated framework maintains the annual fee deadline of 15 January, with entities required to ensure any shortfalls from previously remitted amounts are settled by 15 February 2026.
- ✔ For the 2026 cycle, the revised fees will appear as separate payments on the REEFS portal before transitioning to a consolidated payment format from 1 January 2027.

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## **CAYMAN ISLANDS MONETARY AUTHORITY (CIMA)**

*Extension of Penalties Application for Revised Fund Fees*

- ✔ The Cayman Islands Monetary Authority has extended the application of penalties related to the revised annual fees for regulated mutual funds and private funds from 15 February 2026 to 15 March 2026, allowing industry participants additional time to complete internal reconciliations and payment arrangements.
- ✔ All outstanding balances must be settled in full by the revised deadline, after which non-compliant entities will be subject to penalties under the applicable legislation.

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## **DUBAI INTERNATIONAL FINANCIAL CENTRE (DIFC)**

*DIFC Announces Enactment of new Variable Capital Company Regulations*

- ✔ The Variable Capital Company (VCC) Regulations in the Dubai International Financial Centre were enacted on 9 February 2026 to introduce a flexible corporate vehicle for proprietary investment activities.
- ✔ The regulations allow a VCC to operate as a standalone company or an umbrella structure with segregated or incorporated cells, enabling separation of assets and liabilities for different investment strategies.

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## FINANCIAL INTELLIGENCE UNIT (FIU)

### *Jurisdictions under Increased Monitoring*

- ✔ Financial Intelligence Unit (FIU) of Mauritius issued an update highlighting the latest FATF list of jurisdictions under increased monitoring, commonly referred to as the grey list.
- ✔ These jurisdictions are actively working with the FATF to address identified strategic deficiencies in their AML/CFT/CPF frameworks, with the FATF reiterating that enhanced due diligence is not automatically required and that de-risking is discouraged in favour of a risk-based approach.
- ✔ The update also notes recent progress evaluations for several countries, including Algeria, Bolivia, Bulgaria, Cameroon, Côte d'Ivoire, Kenya, Monaco, Nepal, Venezuela, Vietnam, and Yemen, among others, while newly identified jurisdictions such as Kuwait and Papua New Guinea were also added to the monitoring scope.

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## FINANCIAL INTELLIGENCE UNIT (FIU)

*AML/CFT Insights January-December 2025*

- ✔ Established under the Financial Intelligence and Anti-Money Laundering Act (FIAMLA) 2002, the FIU is committed to enhancing the effectiveness of the country's anti-money laundering and countering the financial of terrorism (AML/CFT) framework.
- ✔ The aim of this report is to provide insight on reporting trends and scenarios related to potential typologies relevant to Mauritius.

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## MAURITIUS REVENUE AUTHORITY (MRA)

*Common Reporting Standard (CRS): List of Participating Jurisdictions and Reportable Jurisdictions*

- ✔ Mauritius Revenue Authority (MRA) published updated lists of Participating Jurisdictions and Reportable Jurisdictions under the Common Reporting Standard (CRS). The Participating Jurisdictions list—used by Financial Institutions (FIs) for due diligence—now includes Nigeria, Thailand and Uganda.
- ✔ Additionally, the Reportable Jurisdictions list, which guides FIs in identifying reportable account holders, has been expanded to include Côte d’Ivoire, Fiji and Zimbabwe.
- ✔ These updates form part of Mauritius’ ongoing compliance with Automatic Exchange of Information (AEOI) commitments and apply to CRS reporting for the upcoming filing cycle.

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## MAURITIUS REVENUE AUTHORITY (MRA)

*Common Reporting Standard (CRS): Timing of Self-Certification for CRS*

- ✔ Mauritius Revenue Authority (MRA) issued updated guidance on the timing of self-certification under the Common Reporting Standard (CRS), emphasizing that all Financial Institutions (FIs) must obtain and validate self-certification forms at the time of account opening for all new individual and entity account holders, as well as controlling persons of Passive NFEs.
- ✔ Validation must be completed before any financial activity occurs, and the previously accepted 90-day “day-two” approach is now restricted solely to the limited circumstances outlined in FAQ 22 of the CRS Implementation Handbook.
- ✔ Accounts lacking valid Day-One self-certification may not be opened or activated, and non-compliance may lead to account closure, freezing, or penalties under the Income Tax (CRS) Regulations 2019.

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## MAURITIUS REVENUE AUTHORITY (MRA)

*Common Reporting Standard (CRS): Companies treated as Non-Resident in Mauritius for CRS Purposes*

- ✔ Mauritius Revenue Authority (MRA) clarified that companies incorporated in Mauritius but centrally managed and controlled abroad—typically Authorised Companies (ACs)—are treated as non-resident under Section 73A of the Income Tax Act for Common Reporting Standard (CRS) purposes.
- ✔ Where an AC qualifies as a Financial Institution (FI), it may be deemed resident in multiple participating jurisdictions based on incorporation, central management, or financial supervision criteria.
- ✔ In such cases, the FI must fulfil CRS due diligence and reporting obligations in the jurisdiction where its financial accounts are maintained, meaning ACs maintaining accounts in Mauritius must register and file CRS reports locally.
- ✔ The MRA will amend the CRS Guidance Note to reflect these requirements.

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# INLAND REVENUE AUTHORITY OF SINGAPORE (IRAS)

*Budget 2026: Tax Changes and Enterprise Disbursements*

- ✔ Singapore's FY2026 Budget introduces several significant policy changes, including a 40% Corporate Income Tax rebate for YA2026 (capped at \$30,000), enhanced internationalisation support for companies, and major investments in innovation such as \$1 billion for Startup SG Equity and a \$1.5 billion top-up to the Anchor Fund to strengthen capital markets.
- ✔ The Government also announced new national AI initiatives, including the National AI Council and expanded support for enterprise AI adoption, alongside workforce policies such as raising the Employment Pass minimum qualifying salary to \$6,000 from 2027 and raising the Local Qualifying Salary to \$1,800.
- ✔ Families will benefit from additional support measures, including \$500 in Child LifeSG credits, broader preschool subsidies, and enhanced ComLink+ benefits for lower-income households.

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# INLAND REVENUE AUTHORITY OF SINGAPORE (IRAS)

## *Preparing a Tax Computation*

- ✔ A tax computation is a statement showing the tax adjustments to the accounting profit to arrive at the income that is chargeable to tax. Tax adjustments include non-deductible expenses, non-taxable receipts, further deductions and capital allowances.
  
- ✔ Company should prepare its tax computation annually before completing its Form C-S/ Form C-S (Lite)/ Form C.
  
- ✔ **Amendments:**  
The updated Exchange Rate Search Function (covering financial years ending 2021 to 2025) has been uploaded. The search function allows taxpayers that prepare tax computations in functional currencies other than Singapore dollars to retrieve the average exchange rate and convert the foreign currency amount to Singapore dollars.

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## MONETARY AUTHORITY OF SINGAPORE (MAS)

*MAS Announces Expansion of Equity Market Development Programme*

- ✓ The Monetary Authority of Singapore has expanded its Equity Market Development Programme (EQDP), increasing its funding from S\$5 billion to S\$6.5 billion to further develop the domestic fund management industry and deepen investor participation in Singapore equities.
- ✓ MAS has already allocated S\$3.95 billion across nine asset managers and expects the next round of manager appointments around mid-2026. The expanded programme aims to support high-quality asset managers investing significantly in Singapore-listed companies and to catalyse more third-party capital inflows, strengthening market depth and vibrancy.

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