

Capital Markets Unriddled

Newsletter - January 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.

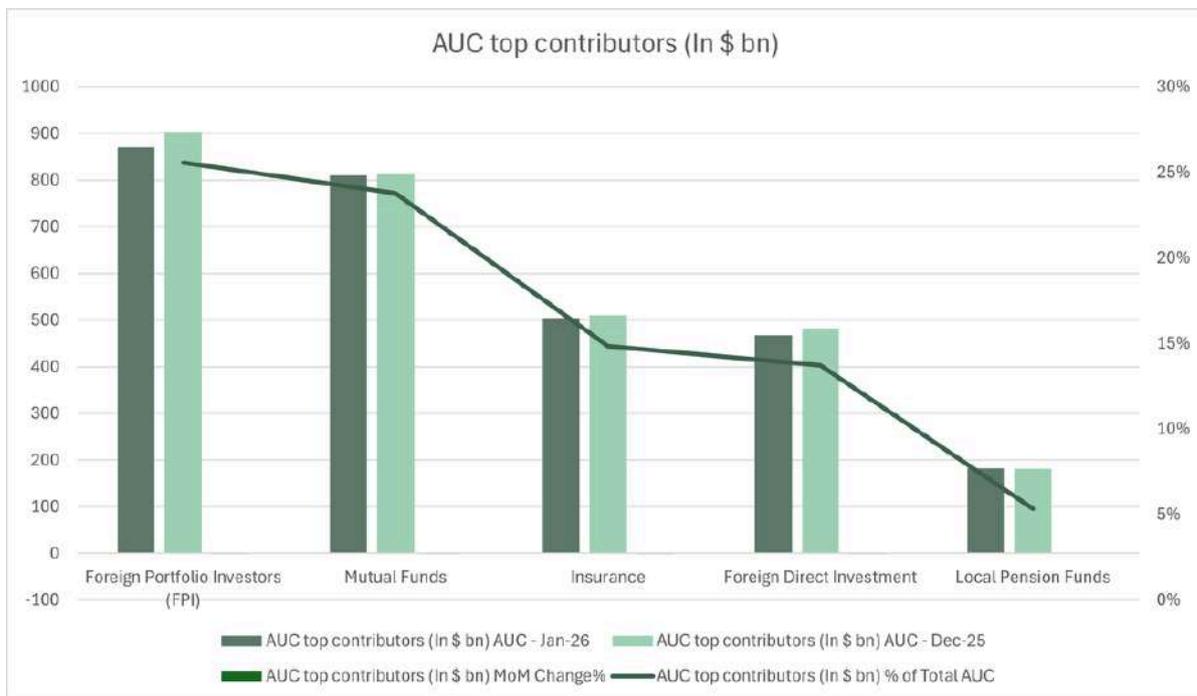


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AUC TOP CONTRIBUTORS

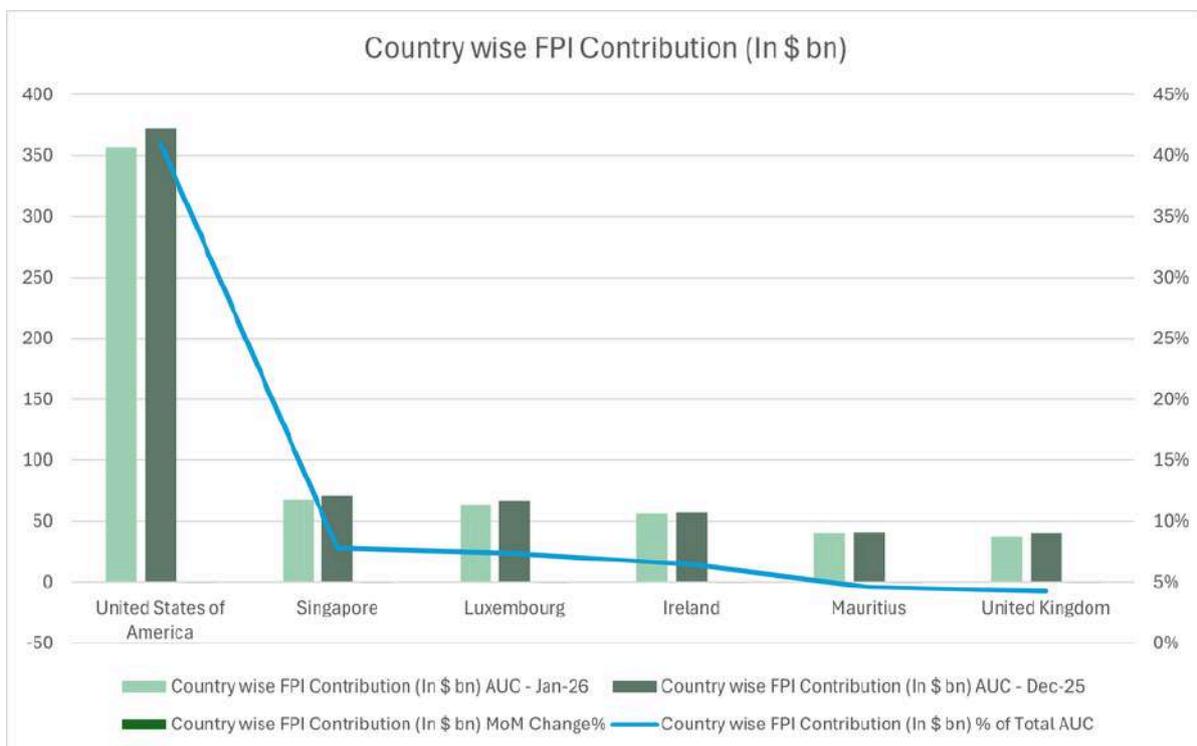
- ✓ Foreign portfolio investors (FPIs) remain the largest contributor to total AUC in the country, with ~26% share, in the recent months FPIs have pulled out from Indian equities driven by currency volatility, global trade tensions, potential US tariffs, and high market valuations. Rising US bond yields 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 FPIs AUC with over 40% contribution.

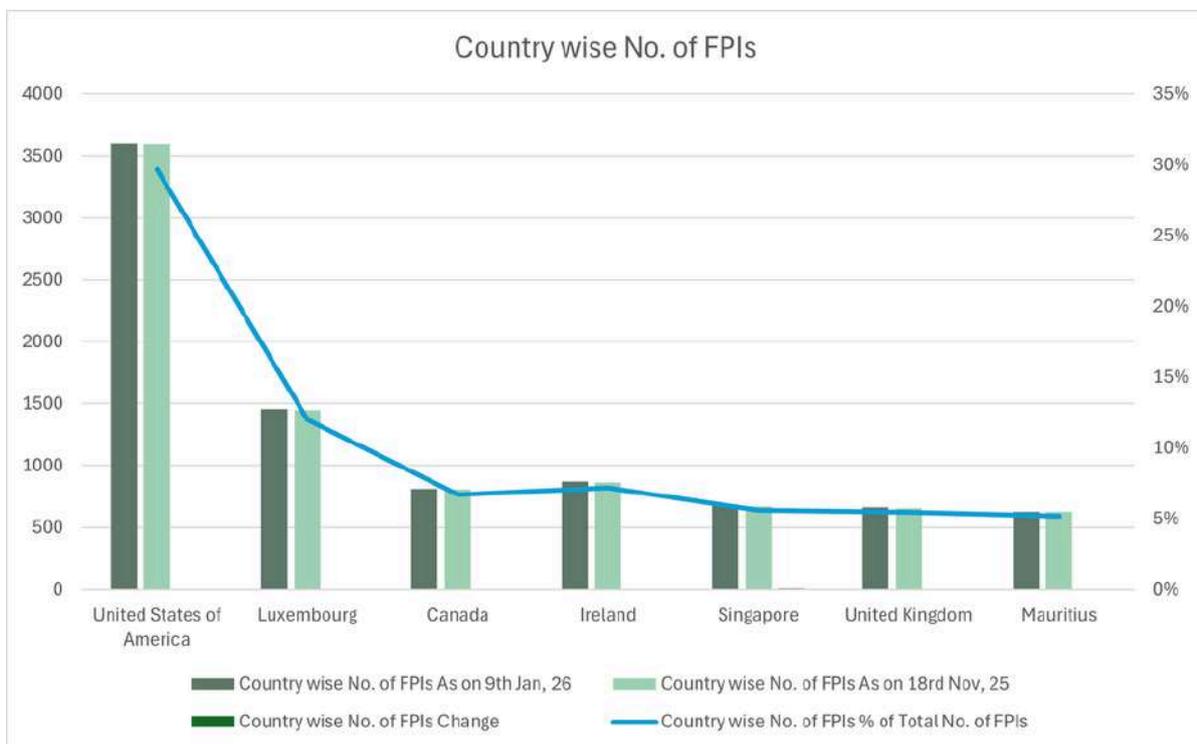


Source: NSDL FPI data

TOTAL FPIS

- ✔ FPI numbers have grown at a marginal rate of 0.4% since Nov-25, majority of them coming from United States, Luxembourg and Singapore

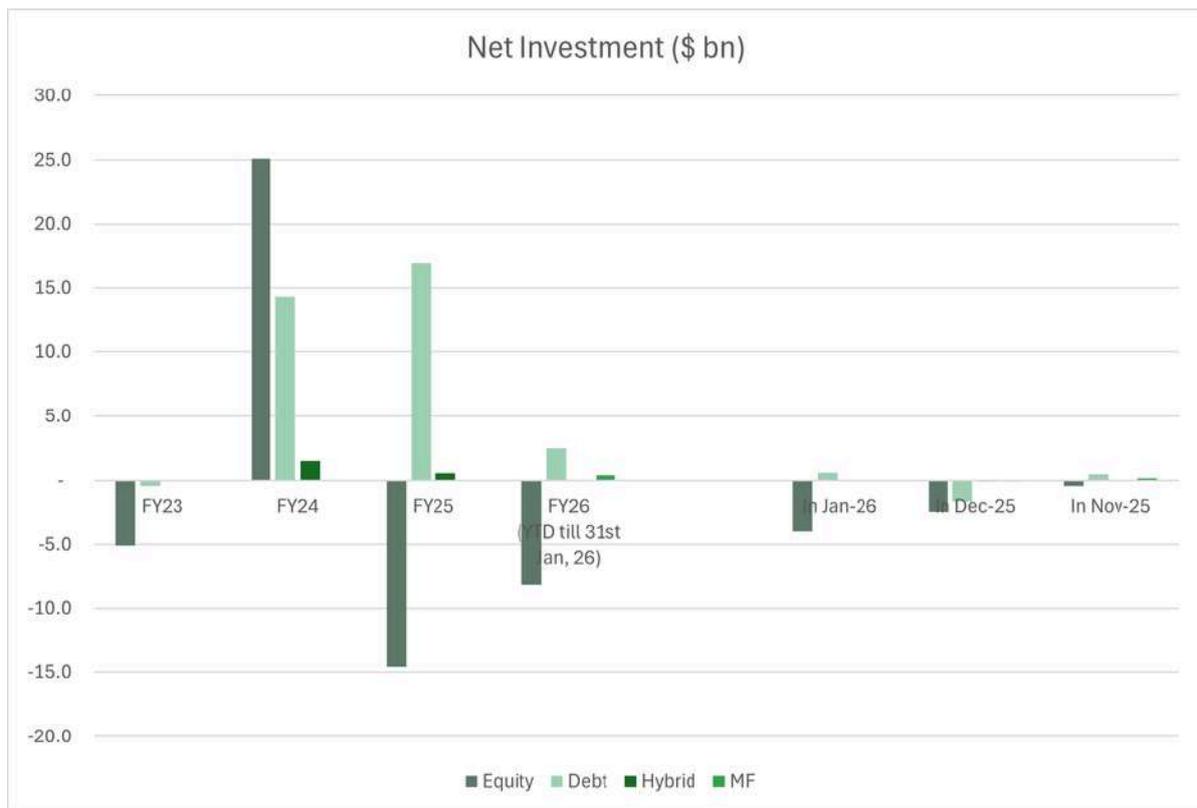
COUNTRY WISE NO. OF FPIs



Source: NSDL FPI data

FPI INFLOWS/OUTFLOWS

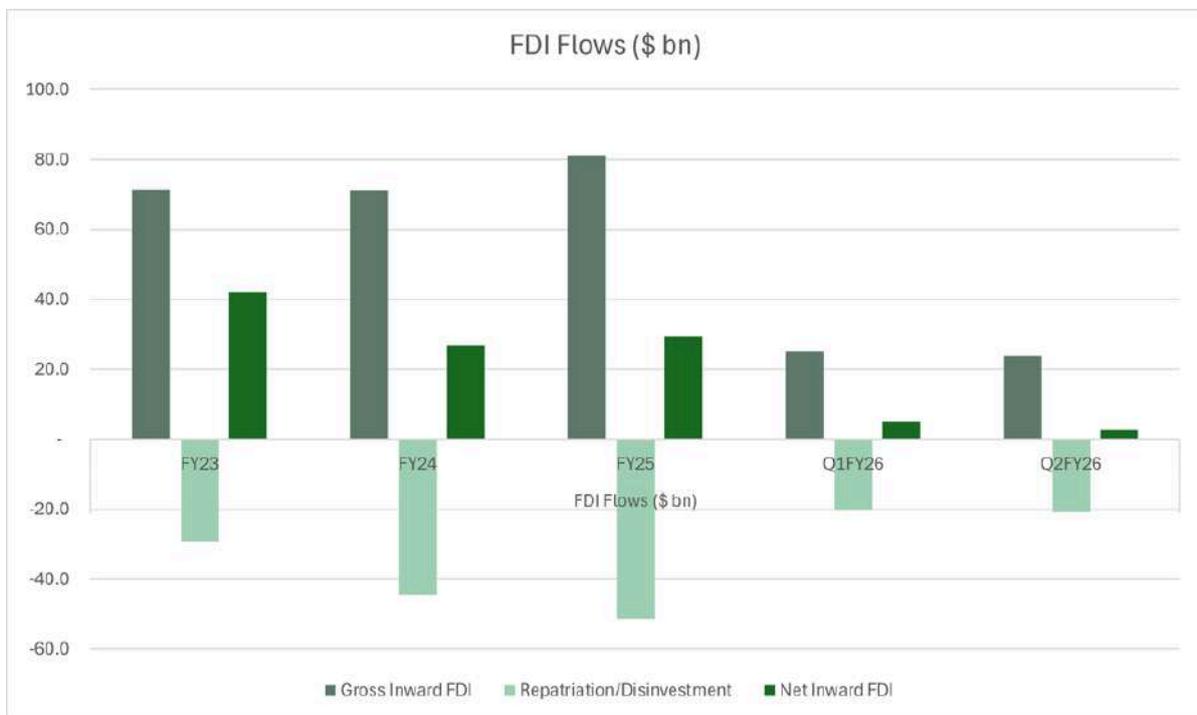
- ✓ Net Investment by FPIs turned positive for the month of Nov-25 after recording outflows from June-25, however again in last few months, FPIs have turned net sellers as geopolitical tensions, rising US bond yields and a stronger dollar have improved risk-adjusted returns in developed markets, making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



Source: NSDL FPI data

FDI INFLOWS/OUTFLOWS

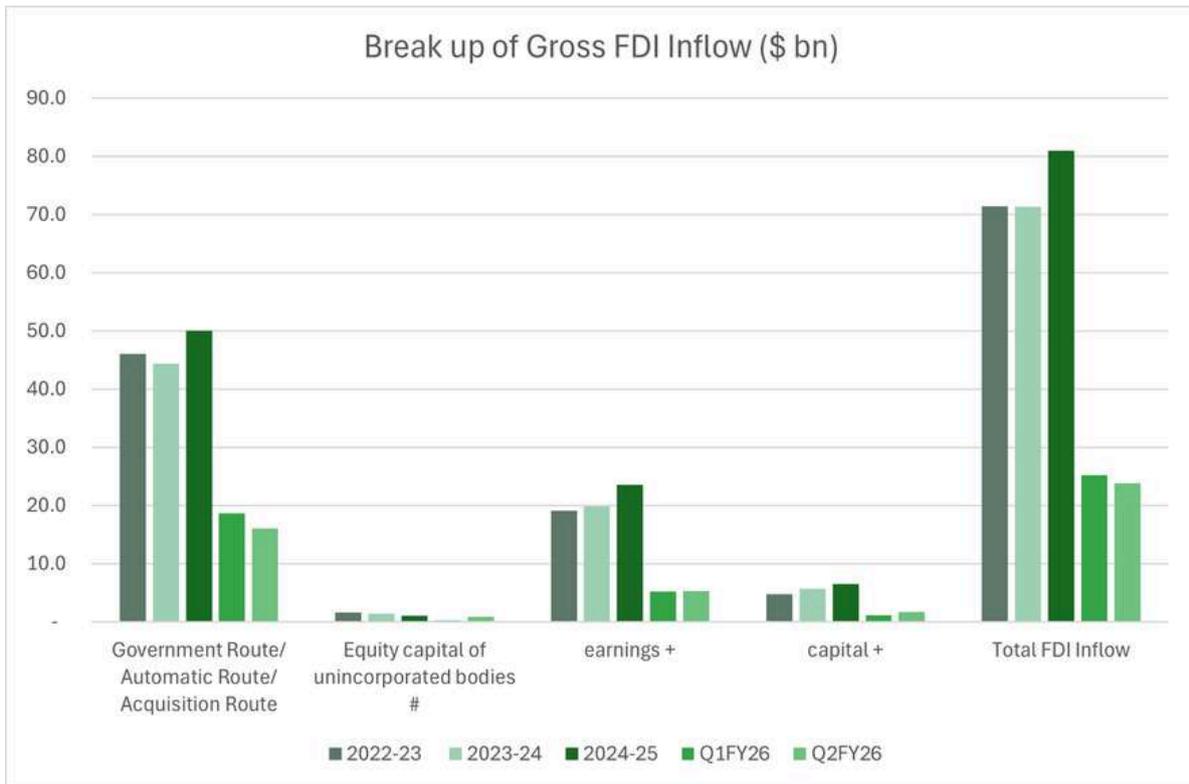
- ✓ Singapore, Mauritius, the UAE, the Netherlands, and the US, were the top investment sources, accounting for more than 75 per cent of the flows during the period



Source: RBI monthly bulletin

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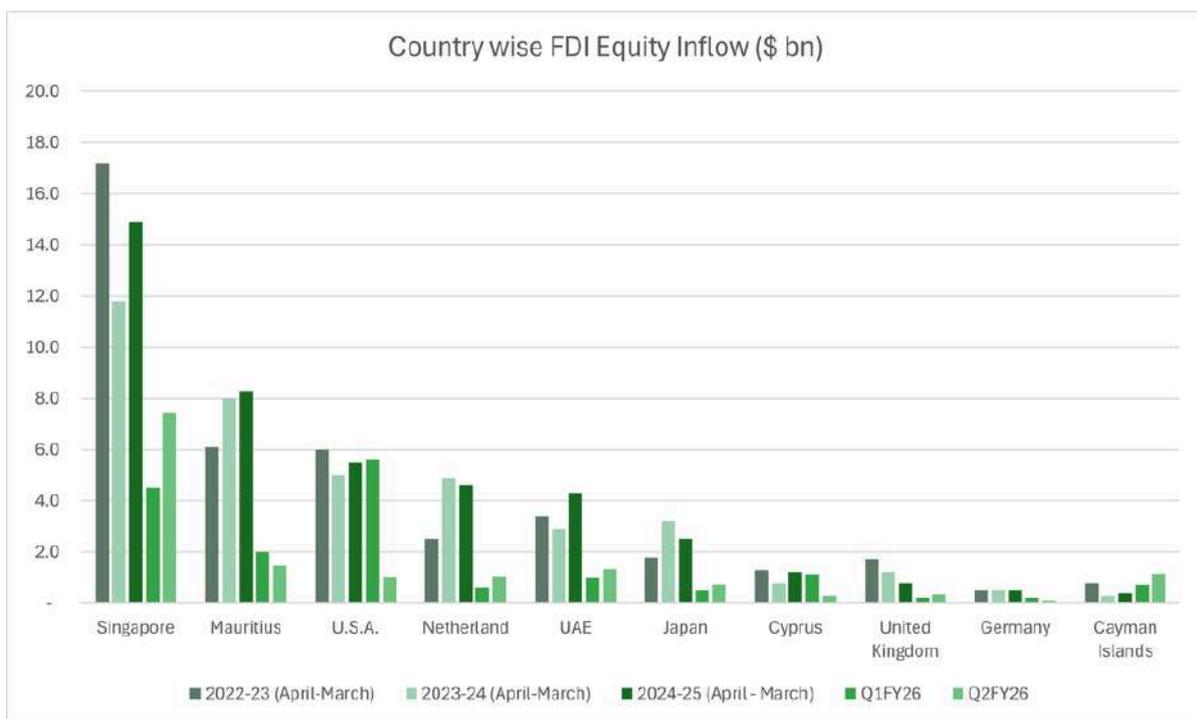
BREAK UP OF GROSS FDI INFLOW



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 intercompany 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



RESERVE BANK OF INDIA (RBI)

Reserve Bank of India (RBI) and European Securities and Markets Authority (ESMA) sign a Memorandum of Understanding (MOU) on cooperation and exchange of information related to Central Counterparties (CCPs)

- ✔ RBI and ESMA signed an MoU to enable ESMA's formal recognition of CCIL and other RBI-regulated CCPs.
- ✔ They'll cooperate, consult, and share information on supervision and compliance of these CCPs. The MoU is non-binding, respects domestic laws, and is effective indefinitely from signing.

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SECURITIES EXCHANGE BOARD OF INDIA (SEBI)

Compliance Reporting Formats for Specialized Investment Funds (SIFs)

- ✔ SEBI's circular dated January 8, 2026 standardises compliance reporting for Specialized Investment Funds (SIFs) by integrating them into the existing mutual fund reporting framework.
- ✔ Asset Management Companies managing SIFs are required to report SIF-specific regulatory compliance through an expanded Compliance Test Report, which now includes a dedicated section covering eligibility norms, investment conditions, expenses, disclosures, and risk management requirements applicable to SIFs.

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SECURITIES EXCHANGE BOARD OF INDIA (SEBI)

SEBI Facilitates Seamless Digital Signature Certificate Functionality for FPIs

- ✔ SEBI has introduced a new Digital Signature Certificate (DSC) functionality within the Common Application Form (CAF) portal to further digitize and streamline the Foreign Portfolio Investor (FPI) onboarding process.
- ✔ This enhancement integrates FPI registration and DSC application into a single, unified workflow, allowing applicants to obtain a DSC directly while submitting their CAF.

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SECURITIES EXCHANGE BOARD OF INDIA (SEBI)

*Single Window Automatic and Generalised Access for Trusted Foreign Investors
(SWAGAT-FI) framework for FPIs and FVCIs*

- ✔ The SEBI circular dated January 16, 2026 operationalises the SWAGAT-FI framework for Foreign Venture Capital Investors by simplifying registration, renewal and KYC requirements for trusted foreign investors.
- ✔ It allows eligible SWAGAT-FI applicants to obtain FVCI registration alongside FPI registration through a single application, without separate forms or documentation, subject to appointment of the same custodian and DDP, and also permits existing FVCIs to convert to SWAGAT-FI status.
- ✔ The circular extends the registration validity and renewal cycle to ten years for SWAGAT-FI FVCIs, aligns renewal timelines accordingly, and increases the periodicity of KYC review to ten years.
- ✔ Depositories, custodians and DDPs are required to update their systems to implement these changes, which will come into effect from June 1, 2026.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

Modifications and clarifications under the IFSCA (AML, CFT and KYC) Guidelines, 2022.

- ✔ This circular streamlines and strengthens the IFSCA AML/KYC framework by formally introducing exemptions for specified low-risk entities, while still requiring a documented business risk assessment.
- ✔ It updates KYC norms by recognising IFSCA-regulated KRAs, permitting equivalent e-documents and biometric e-KYC, and mandating confidentiality of customer risk classification.
- ✔ The circular also enhances beneficial ownership and due diligence requirements, prescribes clearer KYC onboarding and periodic updation timelines, clarifies STR and FIU-IND reporting processes, expands NPO compliance requirements, mandates routing of IFSC transactions through IFSC banking units, and updates V-CIP norms for onboarding NRI customers.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

*Brief – Circular on Filing of Scheme Applications under Third-Party Fund
Management Arrangement*

- ✔ The circular clarifies the procedural requirements for Registered Fund Management Entities authorised to provide Third-Party Fund Management Services under the IFSCA (Fund Management) Regulations, 2025.
- ✔ It requires such FMEs to follow the existing scheme filing framework prescribed under the April 5, 2024 Ease of Doing Business circular, while additionally submitting specified disclosures and documents relating to the third-party fund manager, including regulatory status, ownership and UBO details, management and track record information, compliance declarations, details of the fund management arrangement, conflict and remuneration disclosures, and any changes in key personnel. All scheme applications are to be filed electronically through the IFSCA Single Window IT System.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

One-time window to extend the validity of the Placement Memorandum

- ✔ IFSCA has provided a one-time three-month window, alongside the proposed FM (Amendment) Regulations, 2026, to extend the validity of expired or soon-to-expire PPMs due to fundraising delays.
- ✔ The relief applies to Venture Capital Schemes and Restricted Schemes that have not commenced investments, as well as open-ended Restricted Schemes that began investing after raising USD 1 million but failed to achieve the USD 3 million minimum corpus within the PPM validity period.
- ✔ Eligible schemes must apply within three months of the circular, pay 50% of the fresh filing fee, and make no material changes to scheme features, in return for a six-month extension, with further extensions permitted as per the FM Regulations.

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DEPARTMENT OF INTERNATIONAL TAX COOPERATION (DITC)

*Deadline Extension: Principal Point of Contact (PPoC) information under the
Amended Common Reporting Standard*

- ✔ The Cayman Islands Department for International Tax Cooperation (DITC) has announced an extension of the deadline for Cayman Financial Institutions to submit certain information under the Amended Common Reporting Standard.
- ✔ While FIs that became reportable in 2025 must still complete their registration on the DITC Portal by 30 April 2026, the Authority has extended the deadline to 31 January 2027 for providing two specific items: the appointment of a Principal Point of Contact (PPoC) located in the Cayman Islands and the date on which the entity became a Financial Institution.
- ✔ This extension applies to all Cayman FIs, with the aim of ensuring locally reachable PPoCs with adequate contact details for effective regulatory communication.

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FINANCIAL INTELLIGENCE UNIT (FIU)

Guidelines on Politically exposed persons

- ✔ The Financial Intelligence Unit has issued updated guidance on Politically Exposed Persons (PEPs), reinforcing that domestic, foreign and international-organisation PEPs—as well as their family members and close associates—pose heightened ML/TF risks and therefore require enhanced due diligence.
- ✔ Reporting persons must implement robust risk-management systems to identify PEPs, obtain senior management approval for onboarding or continuing such relationships, verify source of wealth and funds, and maintain ongoing enhanced monitoring in line with FIAMLR requirements.

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FINANCIAL SERVICES COMMISSION (FSC)

Introduction of the “Known to the Commission” (“KTC”)

- ✔ The Financial Services Commission (FSC) has introduced the “Known to the Commission” (KTC) concept to streamline regulatory processes by relying on due-diligence information already held on applicants who have maintained valid FSC licences for at least three years, remain in good standing, and have no adverse findings. Initially applying to Investment Funds and Investment Adviser licensees (Restricted and Unrestricted) and their relevant officers or beneficial owners, the framework allows the FSC to deem Personal Questionnaires valid for up to two years provided no material changes have occurred, though updated PQs may still be required when necessary.
- ✔ Eligible entities must also submit a Letter of Confirmation or Undertaking as part of their ongoing regulatory obligations.

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MAURITIUS REVENUE AUTHORITY (MRA)

Revenue Appeal Tribunal

- ✔ The Mauritius Revenue Authority (MRA) informed that the Revenue Tribunal Act (RTA) has been proclaimed on 22 December 2025 and is operational as from 5 January 2026.
- ✔ The Revenue Tribunal established under the RTA replaces the Assessment Review Committee (ARC) set up under the Mauritius Revenue Authority Act.
- ✔ Any person aggrieved by a determination of the Director-General under an enactment specified in the Schedule to the RTA may henceforth appeal to the Tribunal and lodge his appeal with the Secretary to the Tribunal.

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BERMUDA MONETARY AUTHORITY (BMA)

2026 Business Plan

- ✔ The Bermuda Monetary Authority has released its 2026 Business Plan, outlining key priorities focused on strengthening Bermuda’s regulatory framework through enhanced digital infrastructure, sustainability initiatives, responsible financial innovation, and continued oversight of artificial intelligence in the financial sector.
- ✔ The plan emphasises collaboration with global regulators, support for consumer protection, and preparation for the upcoming Mutual Evaluation Report, reflecting the BMA’s commitment to transparency, accountability and forward-looking supervision.

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BERMUDA MONETARY AUTHORITY (BMA)

Personal Declaration Form for Directors/Officers

- ✔ BMA introduced Personal Declaration Form for Directors/Officers which must be completed and signed by each individual proposing to be a director or an officer of a regulated financial services entity.

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BERMUDA REVENUE AUTHORITY (BRA)

Pre-budget Report 2026-2027

- ✔ The Government of Bermuda has released its 2026/27 Pre-Budget Report, opening the public consultation period and outlining strengthened fiscal performance, including a \$29 million surplus in 2024/25—the first in more than two decades—alongside a more resilient fiscal outlook confirmed by the Fiscal Responsibility Panel.
- ✔ The report details proposals aimed at reducing the cost of living, managing incoming Corporate Income Tax revenues responsibly, lowering net debt, and supporting long-term economic sustainability, with public feedback invited to help shape the upcoming Budget.

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INLAND REVENUE AUTHORITY OF SINGAPORE (IRAS)

- ✔ Benefits to Company Directors from Interest-Free / Subsidised Loans (Third Edition)
- ✔ **Amendments:** Updated examples in Annex A for clarity
(Examples illustrating the scenarios whereby the interest-free loans are granted to the directors/shareholders in their capacity as directors)

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INLAND REVENUE AUTHORITY OF SINGAPORE (IRAS)

Record Keeping Assistant

- ✔ Addition of new Record Keeping Assistant tool to help you to keep and organise your business records for tax preparation

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MONETARY AUTHORITY OF SINGAPORE (MAS)

*MAS Proposes Legislative and Regulatory Changes to Facilitate Dual Listings on
Global Listing Board*

- ✔ The Monetary Authority of Singapore (MAS) has proposed amendments to the Securities and Futures Act and related regulations to facilitate dual listings on the new Global Listing Board, which will enable concurrent listings on SGX and Nasdaq.
- ✔ The proposals aim to reduce friction for issuers by allowing a single prospectus aligned with U.S. disclosure standards, shortening Singapore's IPO registration timelines, and introducing U.S.-style safe-harbour provisions for forward-looking statements, share repurchases, and predetermined trades. MAS also plans to permit earlier engagement of retail investors in the IPO process, supporting more efficient fundraising and market participation.

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Plugged in. Playing Now

We are thrilled to announce that we have onboarded our first client in Third-Party Fund Management, an important milestone as we continue building momentum in this segment. With our Plug-and-Play platform now fully operational, Dovetail FME offers a seamless, end-to-end solution for global asset managers catering to both inbound & outbound investments. Fund setup and tax certainty, compliance expertise, dedicated principal officers, fund administration, and management of all counterparties—we handle it all.

Advancing Our Growth in Dubai & GIFT City

As part of our growth, we have expanded our physical presence with new offices in Dubai and GIFT City, further strengthening our ability to serve clients across regional and international markets.

Meet us at:

- Dubai: Office 307, 3rd Floor, South Tower, Emirates Financial Towers, DIFC, Dubai, U.A.E.
- Opened our new office at GIFT City - 701 & 701B, Signature Building, Block 13B, Zone 1, GIFT SEZ, Gandhinagar, Ahmedabad.



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✉ marketing@dovetailindia.com

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