Dovetail

Capital Markets **Unriddled**

Newsletter - July 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.

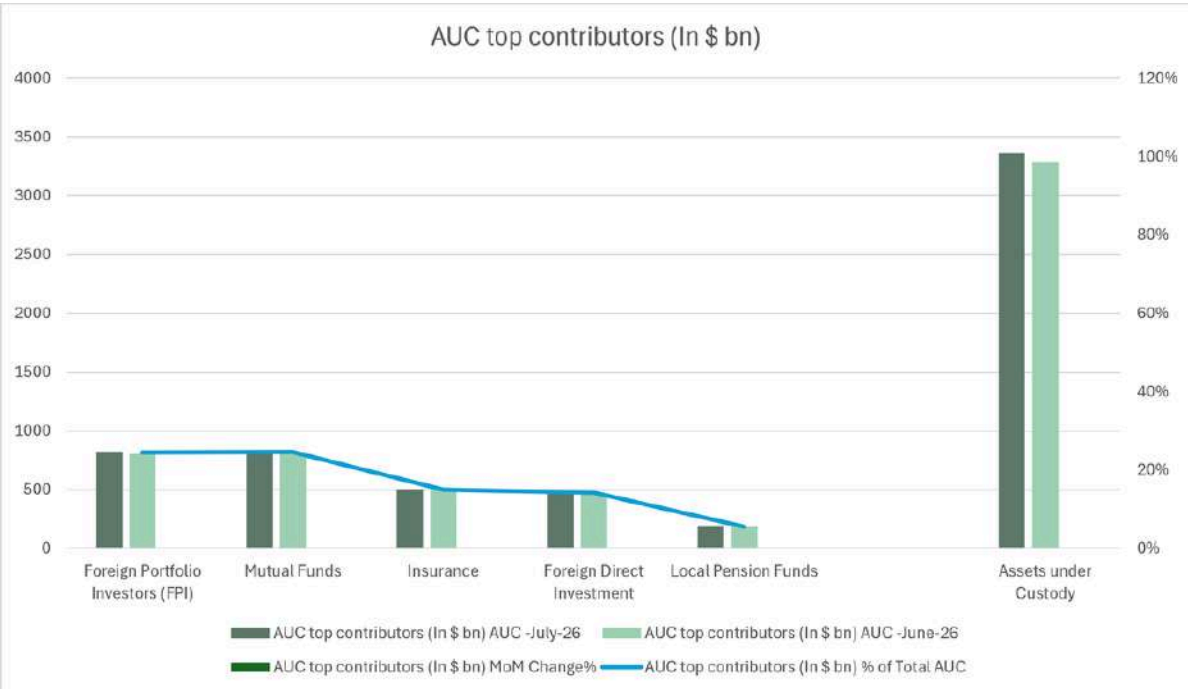
The edition tracks month-on-month shifts in capital allocation across equity, debt, and hybrid segments, capturing trends in investor participation, inflows, and outflows.

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

Content

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

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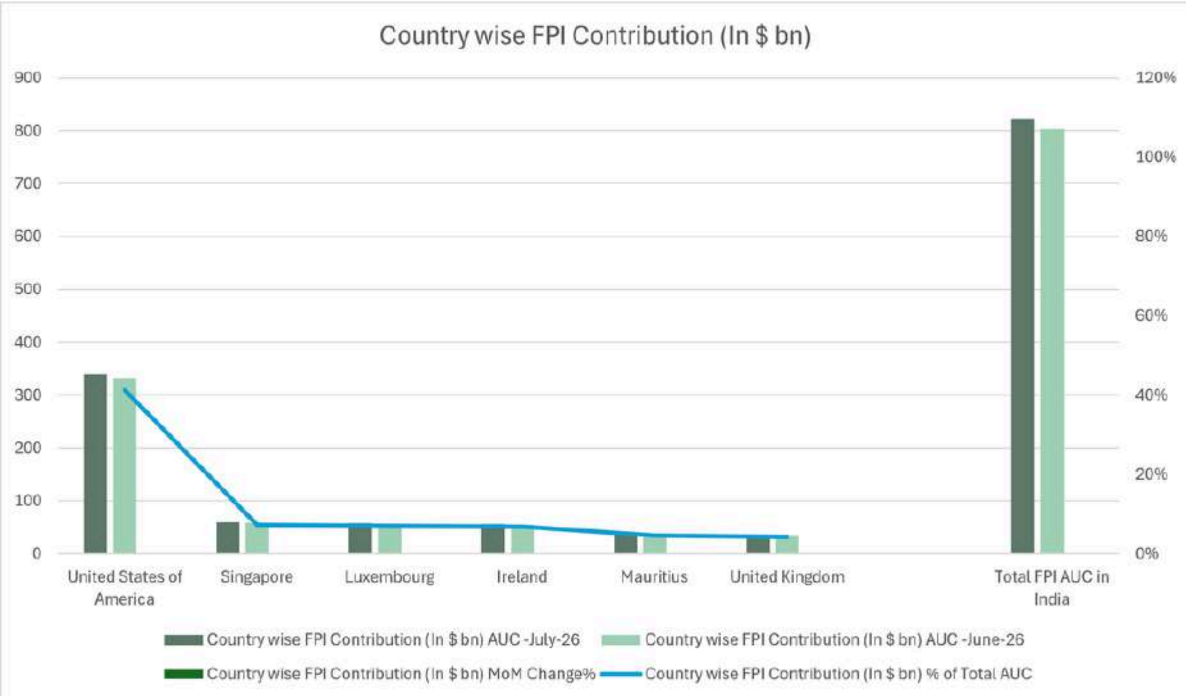
COUNTRY WISE FPI CONTRIBUTION

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

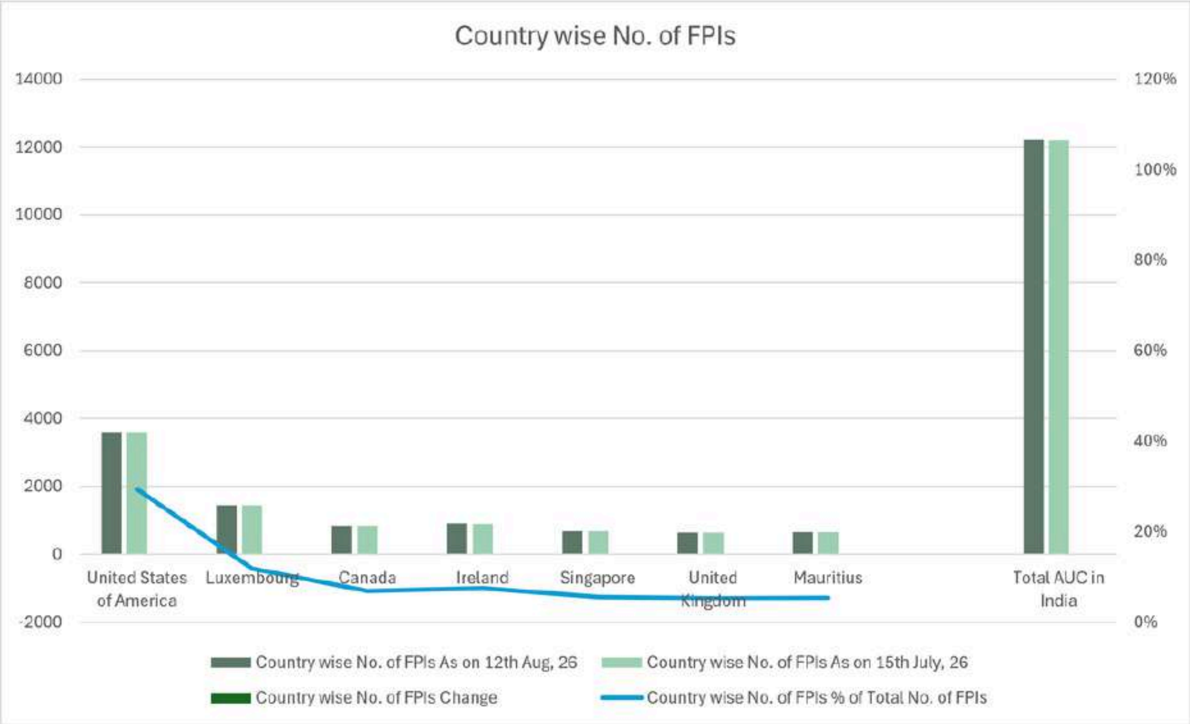


Source: NSDL FPI data

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

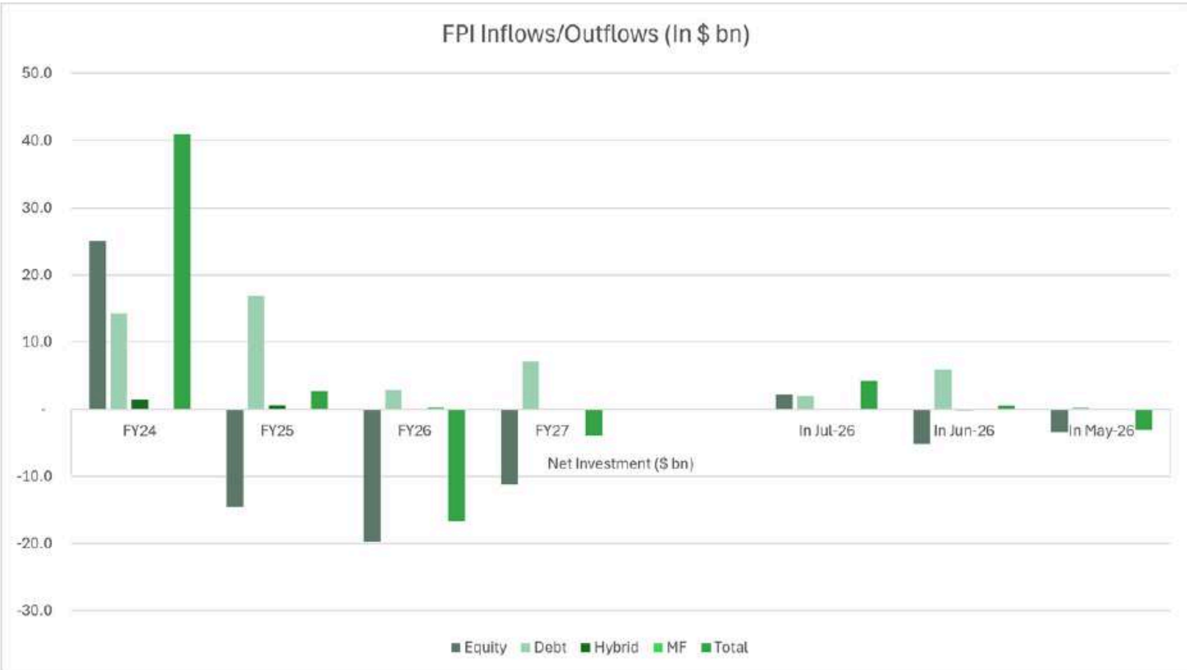
COUNTRY WISE NO. OF FPIs



Source: NSDL FPI data

FPI INFLOWS/OUTFLOWS

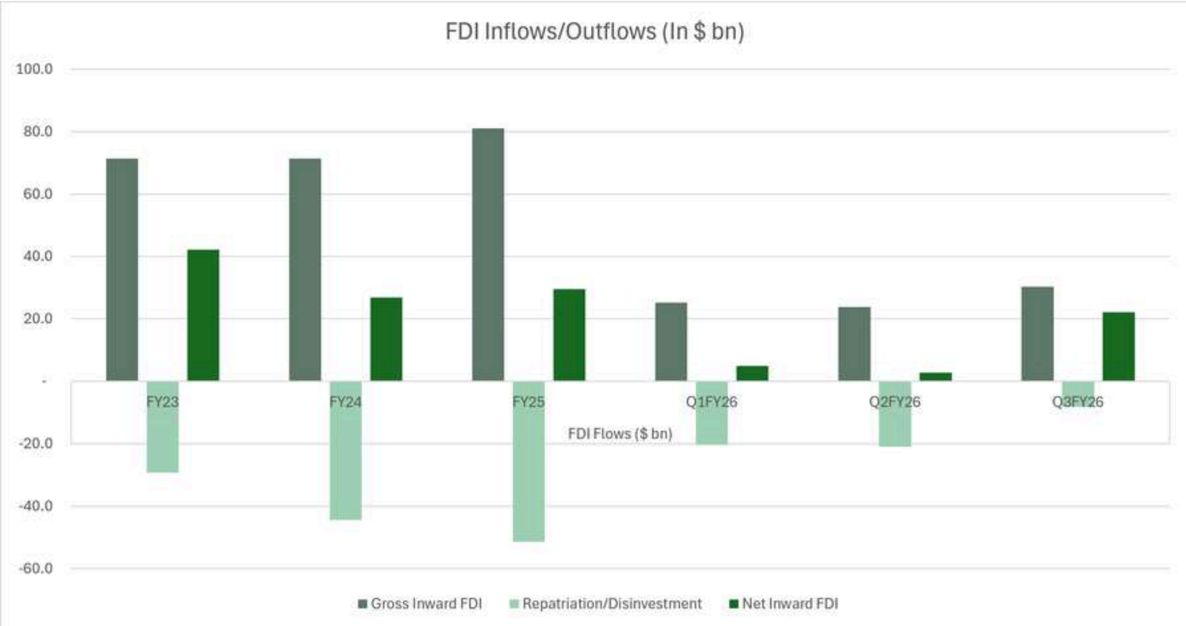
- Net Investment by FPIs turned positive for the month of Nov-25 after recording outflows from June-25, however again in last few months, FPIs have turned net sellers as geo-political tensions, rising US bond yields and a stronger dollar have improved risk-adjusted returns in developed markets, making 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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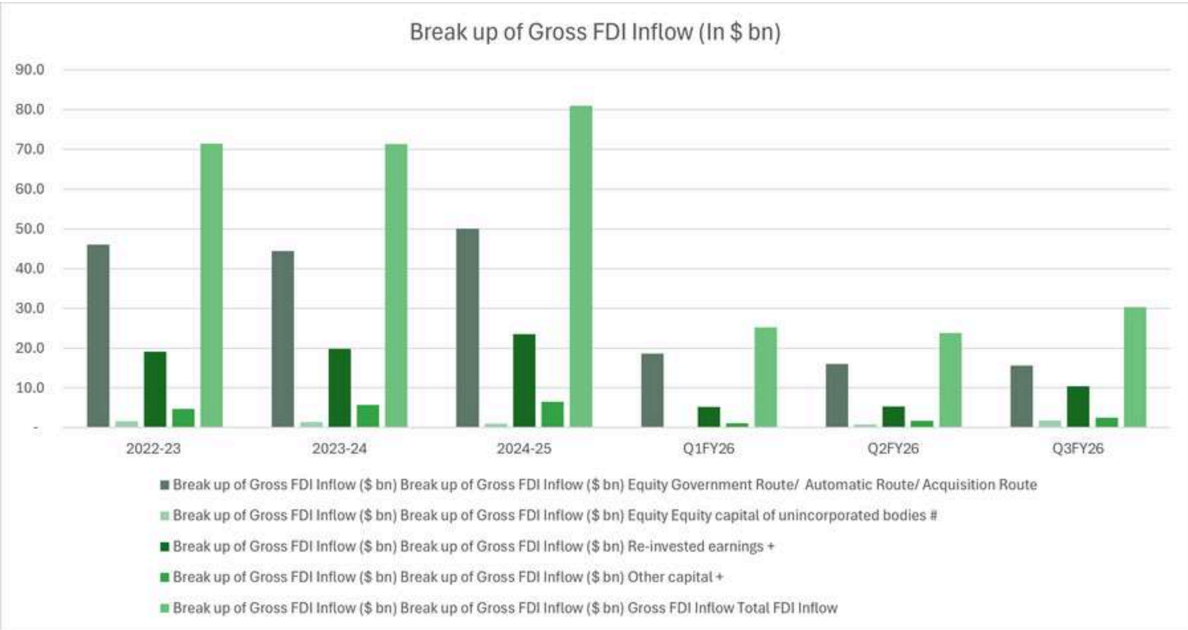
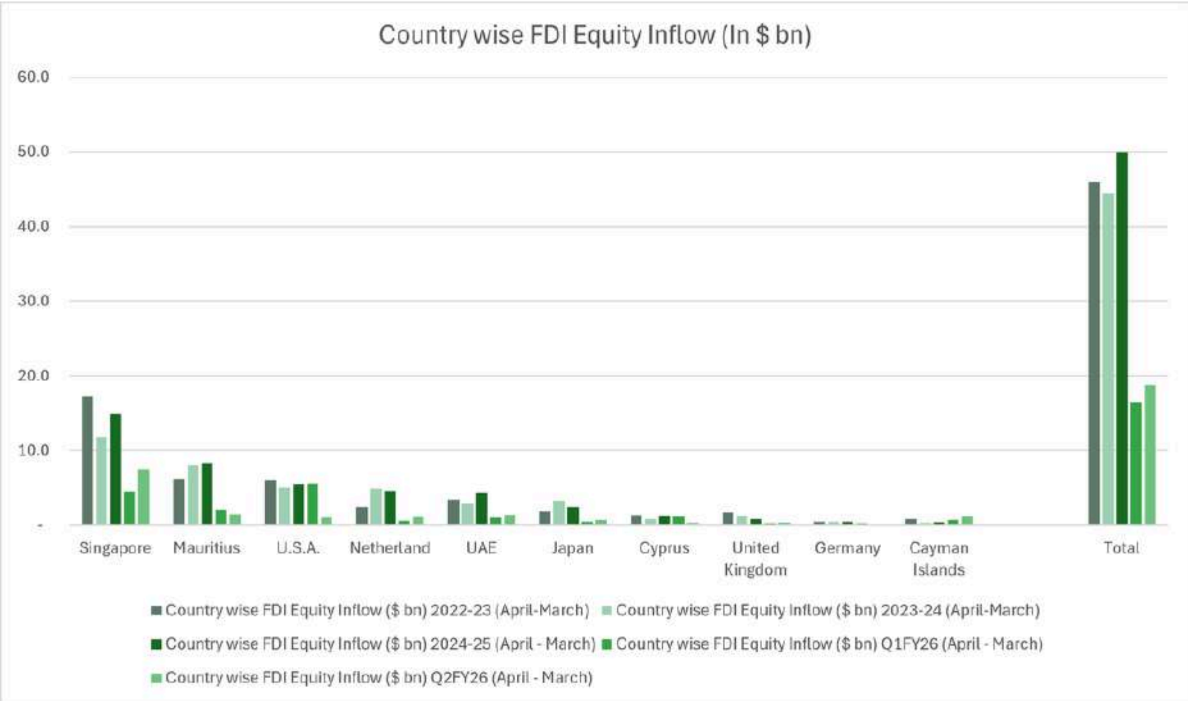
BREAK UP OF GROSS FDI INFLOW



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

CENTRAL BOARD OF DIRECT TAXES ('CBDT')

TDS Exemption for Eligible IFSC Units

- CBDT, through Notification No. 80/2026, has exempted tax deduction at source (TDS) on specified payments made to eligible IFSC units, including banking units, fund managers, finance companies, brokers, investment advisers, custodians and other regulated financial services entities.

- The move covers various income streams such as interest, professional fees, commissions, brokerage and dividends, subject to prescribed conditions and declarations.

- By reducing withholding tax friction, the notification strengthens the ease of doing business in IFSCs and further enhances the attractiveness of GIFT City as a global financial hub.

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CENTRAL BOARD OF DIRECT TAXES ('CBDT')

Government announces measures to facilitate greater Foreign Portfolio Investment (FPI) in equity segment

- The Ministry of Finance, through Notification No. 88/2026 dated 16 July 2026, has notified the protocol amending the India-Sri Lanka tax treaty.
- Effective from 19 June 2026, the protocol updates the treaty preamble and introduces a Principal Purpose Test (PPT) to deny treaty benefits where obtaining such benefits is one of the main purposes of an arrangement, unless consistent with the treaty's objectives.
- The changes will apply in India to income derived in fiscal years beginning on or after 1 April following the year of entry into force.

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CENTRAL BOARD OF DIRECT TAXES (‘CBDT’)

Significant Update for AIFs and IFSC Funds: CBDT Clarifies the Definition of Specified Fund

CBDT, revised the definition of a "specified fund." The amendment now expressly includes:

- Category I and Category II AIFs established in India and regulated by SEBI under the AIF Regulations, 2012.
- Funds located in an IFSC and regulated under the IFSCA (Fund Management) Regulations, 2022.
- And certain other eligible investment fund structures recognized under the Income-tax Act, 2025
- The change provides greater clarity on the funds eligible for the tax provisions applicable to specified funds and further aligns the tax framework with India's evolving investment fund ecosystem, including IFSC-based structures.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

Amendments to IFSCA (Fund Management) Regulations, 2025 to enhance ease of doing business.

- The Authority has approved amendments to the IFSCA (Fund Management) Regulations, 2025 to enhance ease of doing business in GIFT IFSC, strengthen investor protection through better disclosures, and provide greater regulatory clarity, based on industry feedback, supervisory experience, public consultation, and FMAC recommendations.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

Reporting of Foreign Direct Investment (FDI) received by regulated entities in IFSC

- The RBI, in consultation with the Authority, has updated certain Foreign Liabilities and Assets (FLA) FAQs, clarifying that while FDI norms do not apply to investments in IFSC regulated entities (REs), related data is still required for India's balance of payments compilation.

- Accordingly, REs are not required to file FLA returns with the RBI, and further reporting instructions will be issued by the Authority.

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BERMUDA MONETARY AUTHORITY (BMA)

Press Release - The Bermuda Monetary Authority Publishes Its 2025 Annual Report

- The Bermuda Monetary Authority (BMA) has published its 2025 Annual Report, highlighting a year of strengthened supervisory oversight, regulatory enhancements and increased international engagement.

- Key developments include the full implementation of Basel III standards for banks, enhanced insurance group supervision, the launch of an Embedded Supervision Pilot for the digital assets sector, and new initiatives to support transparency, resilience and responsible innovation in Bermuda's financial services industry.

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BERMUDA MONETARY AUTHORITY (BMA)

Regulatory Update April - June 2026

- Regulatory Update reports on activities at the Bermuda Monetary Authority (Authority or BMA) for the quarter ended 30 June 2026.

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BERMUDA MONETARY AUTHORITY (BMA)

AML-ATF Ministerial Advisory 2/2026. Money Laundering and Terrorist Financing

- The Bermuda Ministry of Justice has issued AML-ATF Ministerial Advisory 2/2026, reminding regulated entities to apply enhanced customer due diligence and, where appropriate, countermeasures for business relationships and transactions involving higher-risk jurisdictions identified by the Financial Action Task Force (FATF).

- The advisory highlights jurisdictions subject to FATF calls for action, including DPRK, Iran and Myanmar, and reinforces the need for risk-based AML/CFT controls, ongoing monitoring and compliance with applicable sanctions requirements.

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FINANCIAL SERVICES COMMISSION (FSC) - MAURITIUS

FSC Mauritius issues the Financial Services (Consolidated Licensing and Fees) (Amendment) Rules 2026

- The Financial Services (Consolidated Licensing and Fees) (Amendment) Rules 2026, issued by the Financial Services Commission on 29 June 2026 and effective from 1 July 2026, amend the Financial Services (Consolidated Licensing and Fees) Rules 2008.

- The amendments revise certain licensing thresholds and replace the First Schedule as well as Parts I and III of the Second Schedule.

- The updated schedules introduce revised processing, annual, and variable fees across a wide range of financial services, securities, insurance, pension, virtual asset, and global business activities.

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MAURITIUS REVENUE AUTHORITY (MRA)

Domestic Minimum Top-up Tax (DMT Tax) : Submission of Returns and Payment of DMT Tax

- The Mauritius Revenue Authority (MRA) has issued guidance on the Domestic Minimum Top-up Tax (DMT Tax), which applies from the Year of Assessment commencing 1 July 2025 to resident companies that are part of an in-scope multinational enterprise group (MNE).

- Pending the promulgation of the Income Tax (Qualified Domestic Minimum Top-up Tax) Regulations 2026, the MRA has extended the deadline for filing DMT tax returns and paying any tax due to one month after the regulations come into force in certain cases.

- No penalties or interest will apply provided returns are submitted and payments made by the extended deadline.

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MAURITIUS REVENUE AUTHORITY (MRA)

Filing of Corporate Tax Return : Year of Assessment 2026-2027

- The Mauritius Revenue Authority (MRA) has announced that companies with an accounting period ending in January 2026 will be granted an extension until 31 August 2026 to submit their Corporate Tax Return for the Year of Assessment 2026-2027, APS Statement for the quarter ending April 2026, and to pay any tax due.

- The extension has been provided as the electronic filing facilities will be available only after the enactment of the Finance Bill 2026, and no penalties or interest will apply if filings and payments are completed by the extended deadline.

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INLAND REVENUE AUTHORITY OF SINGAPORE (IRAS)

Getting Companies to Comply

- IRAS takes a comprehensive approach towards tax compliance by companies by conducting both risk-based and random audits across all industries to ensure good coverage across the corporate base.

- To do so, IRAS uses data analytics and other tools to profile companies according to their compliance risk.

- IRAS added a new ongoing area of focus for compliance on the timely and accurate filing of Form for Reporting Related Party Transactions (RPT Form).

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MONETARY AUTHORITY OF SINGAPORE (MAS)

Compliance Toolkit for Approvals, Notifications and Other Regulatory Submissions to MAS for Financial Advisers

- The Compliance Toolkit is to guide and facilitate financial advisers’ compliance with the various MAS approval and reporting requirements and timelines.

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MONETARY AUTHORITY OF SINGAPORE (MAS)

Code on Collective Investment Schemes

- The code sets out the best practices that managers, approved trustees, VCC directors and VCC custodians of collective investment schemes offered to retail public are expected to observe on management, operation and marketing of the schemes.

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MONETARY AUTHORITY OF SINGAPORE (MAS)

Guidelines on Liquidity Risk Management Practices (Fund Management Companies)

- These guidelines guides fund managers on sound liquidity risk management practices in fund structures.
- These guidelines apply to licensed fund management companies (FMCs).
- It provides guidance on sound liquidity risk management practices that FMCs should consider and adopt.
- They include the use of liquidity management tools and stress testing, to manage the risk mismatches in the liquidity profile of the assets and the redemption terms in collective investment schemes managed by FMCs.

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MONETARY AUTHORITY OF SINGAPORE (MAS)

MAS Proposes Regulatory Changes to Facilitate Faster Approvals of New Fund Types

- The Monetary Authority of Singapore (MAS) has proposed amendments to the Code on Collective Investment Schemes (CIS Code) to facilitate faster approvals for new retail fund types and broaden investor choice.

- The proposals include the introduction of an Alternative Funds Appendix to accommodate innovative fund structures while maintaining robust investor safeguards through tailored risk controls and enhanced disclosures.

- MAS expects to establish regulatory guardrails for new fund categories within three months, after which similar funds meeting the same requirements could be approved in as little as three weeks.

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MONETARY AUTHORITY OF SINGAPORE (MAS)

Guidelines on Fit and Proper Criteria

These guidelines set out the fit and proper criteria that apply to all relevant persons carrying out any activity regulated by MAS. The relevant person is expected to be competent, honest, to have integrity and to be of sound financial standing.

The guidelines cover:

- Definitions of 'relevant persons' and scope of application.
- Criteria for considering if a relevant person is fit and proper.

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MONETARY AUTHORITY OF SINGAPORE (MAS)

Annual Report 2025/2026

- The Annual Report outlines MAS activities and achievements in FY 2025/2026.
- It also includes MAS' financial statements and a message from MAS Chairman, Mr Gan Kim Yong.

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MONETARY AUTHORITY OF SINGAPORE (MAS)

FAQs on Licensing Exemption Framework for Single Family Offices

- The Monetary Authority of Singapore (MAS) has updated its FAQs on the Licensing Exemption Framework for Single Family Offices (SFOs), providing further clarity on eligibility criteria, notification and annual return filing requirements, ownership structures, and AML/CFT obligations.

- The guidance confirms that SFOs must meet prescribed conditions, submit a notice of commencement within 14 days of starting operations, and comply with ongoing reporting requirements, while existing SFOs have until 15 June 2027 to transition to the new framework.

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Inside Dovetail

Join industry experts **Soundararajan Venkatadas, COO, MCXCCL** and **Ameet Mane, CEO, Funds Business, Dovetail Capital** for a discussion on recent developments and regulatory proposals related to FPI participation in ETCDs.

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