Capital Markets **Unriddled**

Newsletter - June 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.

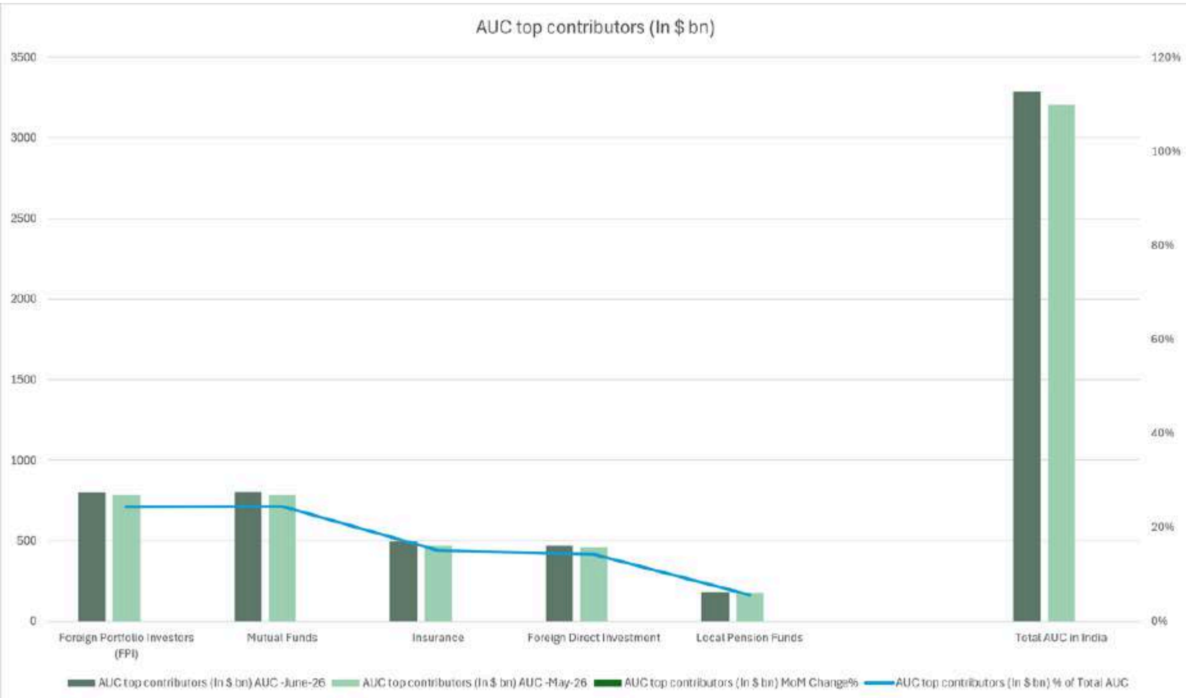
The edition tracks month-on-month shifts in capital allocation across equity, debt, and hybrid segments, capturing trends in investor participation, inflows, and outflows.

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

Content

AUC TOP CONTRIBUTORS

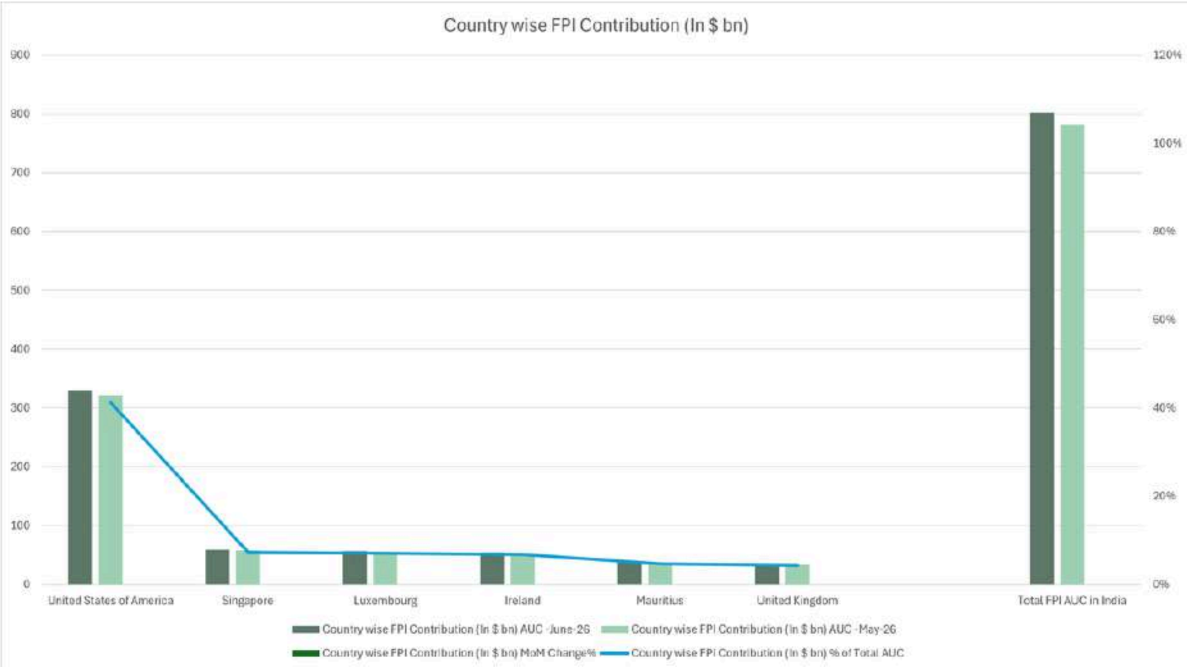
- Foreign portfolio investors (FPIs) remain the largest contributor to total AUC in the country, with ~25% share, in the recent months FPIs have pulled out from Indian equities driven by currency volatility, global trade tensions, potential US tariffs, and high market valuations. Rising US bond yields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



Source: NSDL FPI data

COUNTRY WISE FPI CONTRIBUTION

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

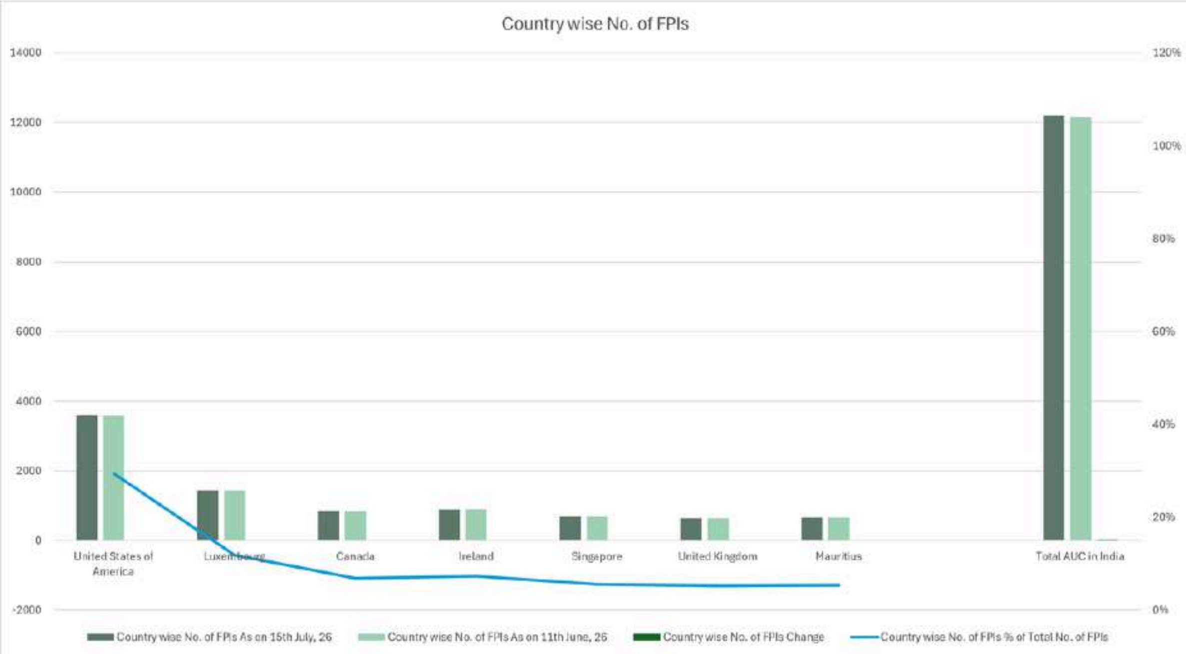


Source: NSDL FPI data

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

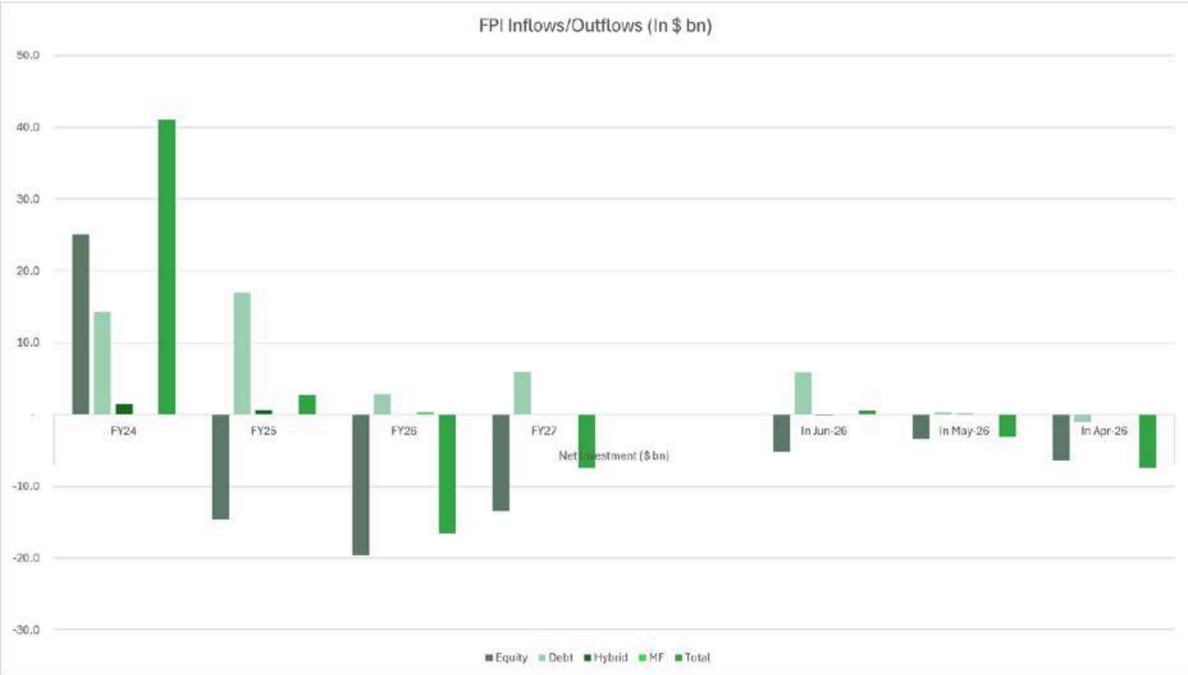
COUNTRY WISE NO. OF FPIs



Source: NSDL FPI data

FPI INFLOWS/OUTFLOWS

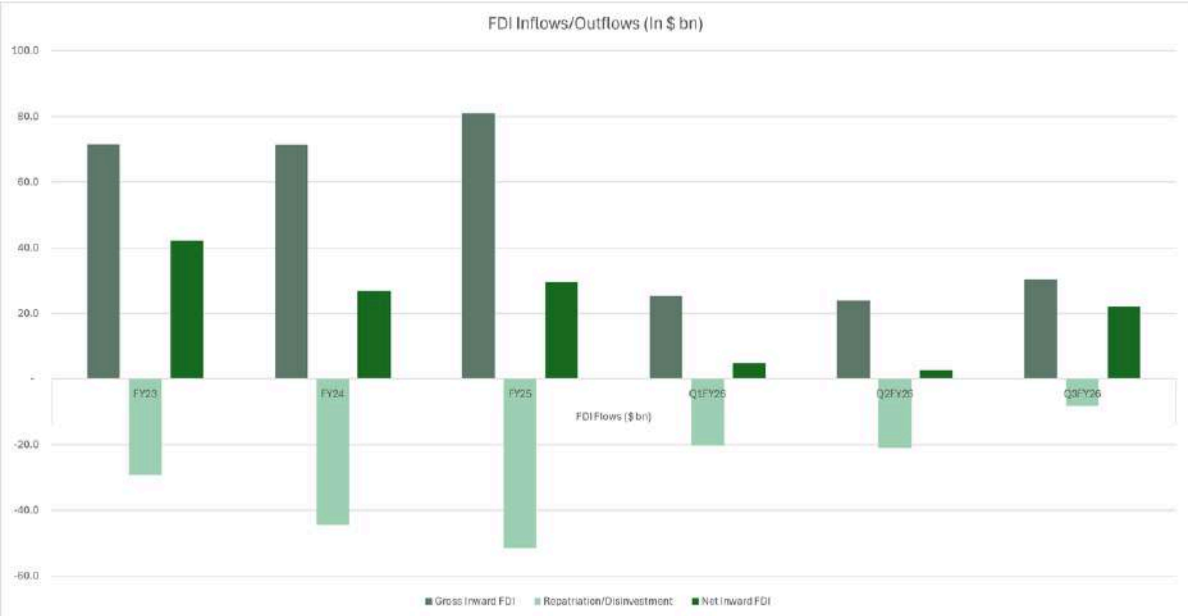
- Net Investment by FPIs turned positive for the month of Nov-25 after recording outflows from June-25, however again in last few months, FPIs have turned net sellers as geo-political tensions, rising US bond yields and a stronger dollar have improved risk-adjusted returns in developed markets, making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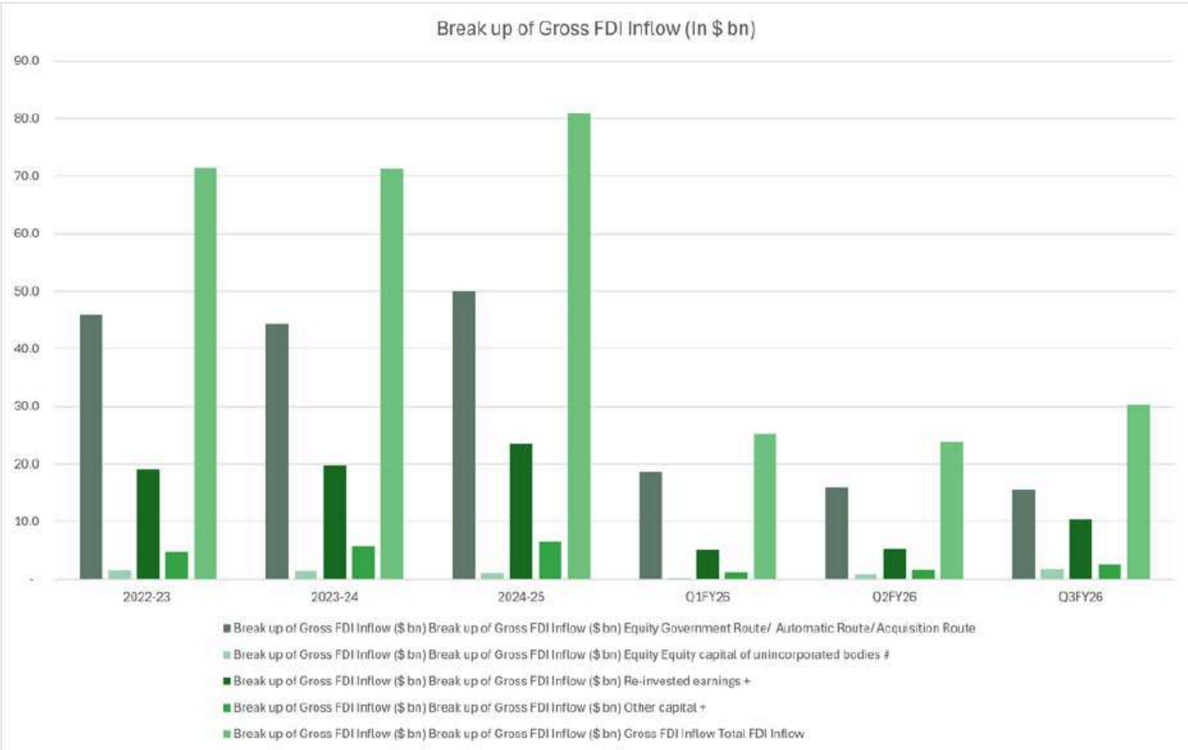
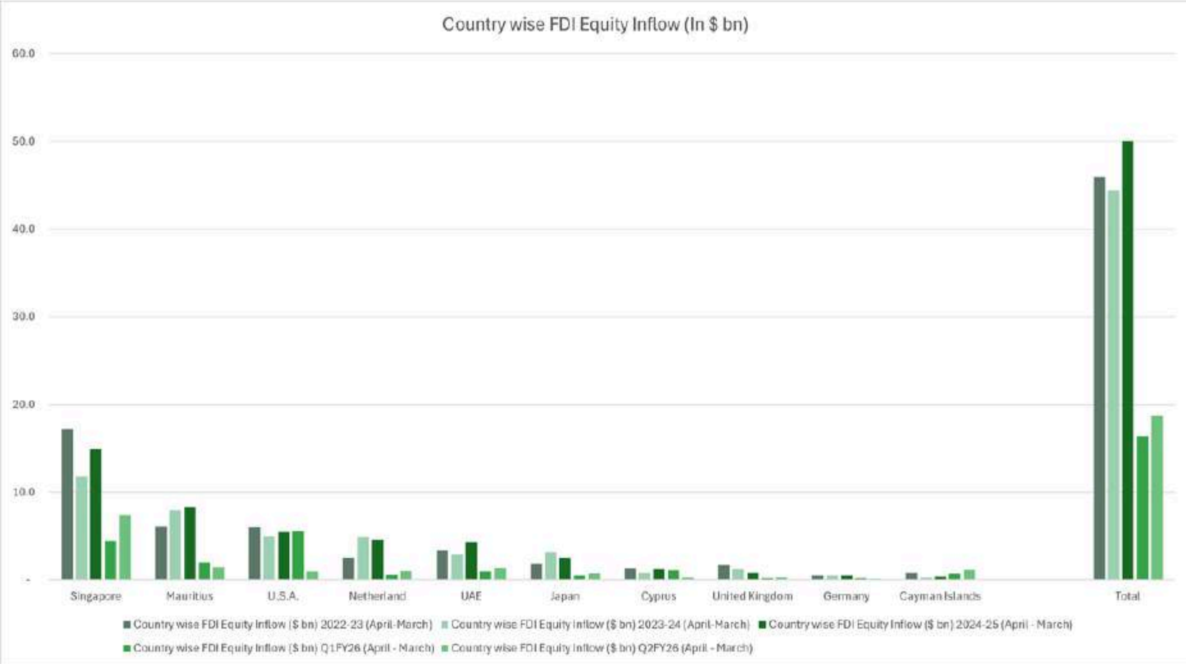
BREAK UP OF GROSS FDI INFLOW



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')

Exemption of Income earned from Government Securities

The Central Government has issued the Income-tax (Amendment) Ordinance, 2026, effective from 1 April 2026, exempting Foreign Institutional Investors (FIIs) from tax on:

- Interest income earned from Government Securities; and
- Capital gains arising from the sale, exchange, or transfer of such Government security.

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GOVERNMENT OF INDIA (GOI)

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

- The Foreign Exchange Management (Non-Debt Instruments) (Third Amendment) Rules, 2026 liberalize India's portfolio investment framework by extending the Portfolio Investment Scheme (PIS) from only NRIs and OCIs to all individual Persons Resident Outside India (PROIs), including foreign citizens, allowing direct investment in listed Indian equity instruments without requiring FPI registration.

- The amendment also increases the individual investment limit from 5% to less than 10% and the aggregate limit from 10% to 24% of a company's fully diluted paid-up capital, while requiring investors who breach the 10% threshold to divest excess holdings within five trading days or face reclassification of their entire investment as FDI.

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RESERVE BANK OF INDIA (RBI)

Investments by Foreign Portfolio Investors in Government Securities – Amendments to the regulatory framework

- The RBI circular dated June 5, 2026 significantly liberalizes the investment framework for Foreign Portfolio Investors (FPIs) in Government Securities.
- Under the General Route, FPIs are no longer required to comply with the short-term investment limit, security-wise limit, and concentration limit, making investment in Indian government debt easier.
- The RBI has also merged the earlier “general” and “long-term” investment categories into a single investment limit for Central Government Securities and State Government Securities.
- Additionally, the Fully Accessible Route (FAR) has been expanded to include all new issuances of 15-year, 30-year, and 40-year Government Securities, all new issuances of Sovereign Green Bonds.

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RESERVE BANK OF INDIA (RBI)

Master Direction - Reserve Bank of India (Secondary Market Transactions in Government Securities) Directions, 2026 – Draft

- RBI's Draft Master Direction on Secondary Market Transactions in Government Securities (2026) consolidates and updates the regulatory framework governing secondary market trading in Government Securities.
- It expands access by allowing resident and eligible non-resident investors to transact through NDS-OM, stock exchanges, and Retail Direct platforms.
- The draft also streamlines rules relating to outright trades, When-Issued transactions, and short-selling of government securities, while prescribing reporting, settlement, and risk-management requirements.
- Public comments are invited till 17 July 2026.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

Advisory on Heightened Cyber Security Risks arising from Frontier Artificial Intelligence Models.

- IFSCA, vide circular dated March 10, 2025, issued the 'Guidelines on Cyber Security and Cyber Resilience for Regulated Entities in IFSCs', as amended vide circular IFSCA-CSD/MSC/1/2026-DCS dated March 10, 2026, prescribing a principles-based minimum baseline framework applicable to all Regulated Entities.

- Advised to regulated entities in IFSCs to strengthen cybersecurity measures against risks from frontier AI models and rapid vulnerability exploitation.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

Permissible transactions through the Special Non-Resident Rupee (SNRR) accounts of IFSC units – Amendment.

- IFSCA, vide its Circular dated June 19, 2026, has clarified that a unit set up in an IFSC may undertake transactions or receive monetary consideration arising from business-related transactions outside the IFSC through an SNRR account maintained with an authorised dealer in India.

- Such amounts shall be remitted to the financial institution's account maintained with an IBU in a specified foreign currency within 30 working days from the date of receipt.

- However, this requirement shall not apply to amounts credited for the purpose of meeting administrative expenses

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BERMUDA MONETARY AUTHORITY (BMA)

2025 Annual Report

- The Bermuda Monetary Authority (BMA) Annual Report 2025 highlights continued strengthening of Bermuda's regulatory framework across insurance, banking, digital assets, and investment funds.

- Key developments included enhanced insurance group supervision, implementation of recovery planning requirements for insurers, introduction of operational resilience standards, publication of guidance on the responsible use of AI, and initiatives to modernise digital asset and payment services regulation.

- The BMA also advanced sustainability-related disclosure requirements for investment funds, strengthened AML/CFT oversight in preparation for Bermuda's 2027 mutual evaluation, and reported that Bermuda's insurance and banking sectors remained well-capitalised and resilient despite global economic and geopolitical challenges.

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DEPARTMENT FOR INTERNATIONAL TAX COOPERATION (DITC)

June Updates Bulletin

- Cayman Islands regulators issued several important compliance updates.
- The Department for International Tax Cooperation (DITC) reminded financial institutions of the 31 July 2026 CRS and FATCA reporting deadline, announced the upcoming transition to CRS XML Schema v3.0, and advised that the DITC portal will temporarily close for CRS submissions in August 2026 as part of the upgrade.
- The DITC also released updated CRS self-certification forms, confirmed enhanced portal security through mandatory two-factor authentication, provided guidance on FATCA US TIN relief requirements, and announced that Economic Substance (ES) filing reminders will no longer be sent by email, with notifications available only through the DITC portal.

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FINANCIAL SERVICES COMMISSION (FSC) - MAURITIUS

Notes on the Monitoring of Substance Requirements

- The FSC Mauritius has launched a data survey to monitor compliance with substance requirements applicable to Global Business Licence (GBL) holders under Section 71(3)(a)(i) of the Financial Services Act.

- GBCs are required to provide information on whether they claimed a partial tax exemption in 2025 and, for investment holding activities, whether investments relate solely to equity holdings or include other assets.

- The survey is based on data as at 31 December 2025, with submissions due by 20 July 2026, as part of the FSC's efforts to assess compliance with core income-generating activity requirements in Mauritius.

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FINANCIAL SERVICES COMMISSION (FSC) - MAURITIUS

Updated Guidelines for Management Companies

- The FSC Mauritius updated its Guidelines for Management Companies on 5 June 2026, strengthening governance, client due diligence, safeguarding of client assets, anti-money laundering controls, conflict-of-interest management, and oversight of Global Business Companies (GBCs).

- A key regulatory change requires that, from 19 June 2026, each GBC bank account must include at least one authorised signatory who is an approved officer of the Management Company, with existing GBCs given a three-month transition period to comply, subject to certain exemptions for development finance institutions and qualifying multinational enterprises.

- The updated guidelines also reinforce requirements relating to know-your-client (KYC) procedures, source-of-funds verification, board oversight, complaints handling, record-keeping, and regulatory reporting to enhance transparency, accountability, and the integrity of Mauritius' global business sector.

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FINANCIAL SERVICES COMMISSION (FSC) - MAURITIUS

Guidelines on Frequency of Customer Due Diligence

- The FSC Mauritius issued Guidelines on the Frequency of Customer Due Diligence (CDD) on 5 June 2026, effective 8 June 2026, requiring financial institutions to apply periodic reviews of existing customer and beneficial owner information based on a risk-based approach.

- Licensees must conduct CDD reviews at least annually for high-risk customers, every three years for medium-risk customers, and every four years for low-risk customers, while also performing reviews whenever trigger events occur, such as changes in ownership, identification of a politically exposed person (PEP), adverse media findings, or requests for higher-risk products.

- Existing customer reviews must be completed within one year of the guidelines' effective date, and non-compliance may result in regulatory action, fines, or other sanctions by the FSC.

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FINANCIAL SERVICES COMMISSION (FSC) - MAURITIUS

Renewal of Annual Fees – 2026/2027

- The Financial Services Commission (FSC) Mauritius has announced an extension of the deadline for payment of annual licence fees for the 2026/27 financial year.
- All licensed, registered, authorised, and approved persons required to pay annual fees will now have until 30 September 2026 to complete the payment.
- The FSC will communicate further details regarding the payment process in due course.
- Regulated entities should take note of the revised deadline and ensure timely compliance, while insurance companies are requested to inform their intermediaries of this update.

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MONETARY AUTHORITY OF SINGAPORE (MAS)

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

- This Compliance Toolkit serves as a guide to capital market services licensees (other than fund managers and REIT managers), exempt financial institutions (e.g. banks and finance companies) and other exempt entities (e.g. exempt corporate finance advisers) on the various approval and reporting requirements and timelines under the SFA and its subsidiary instruments.

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MONETARY AUTHORITY OF SINGAPORE (MAS)

FAQs on Licensing of Fund Management Companies

- FAQs provides guidance on the requirements and procedures to apply to be a fund management company, and to appoint representatives to carry out fund management activities.

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MONETARY AUTHORITY OF SINGAPORE (MAS)

Business Conduct Requirements for Corporate Finance Advisers

- The Notice sets out specific requirements for corporate finance advisers to manage conflicts of interest and ensure proper governance and supervision.

- It also imposes detailed requirements on the conduct of due diligence, which apply to advisers acting in the capacity of an issue manager, sponsor or financial adviser (as the case may be) for initial public offers and reverse takeovers, including business combinations.

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Dovetailed to Elevate

Over the past decade, we have built Dovetail around a simple idea: offering best-in-class asset servicing to enable our partners navigate an increasingly sophisticated investment landscape. All while staying conflict-free.

To that end, Dovetail has just raised a ₹100 crore Series A investment from Elev8 Venture Partners. And while this is an important milestone, what comes next is more significant.

- **Access, Elevated**
  Broader access to alternatives, private markets and global manager partnerships.

- **Service, Elevated**
  Deeper client coverage, stronger relationships and a more seamless experience.

- **Innovation, Elevated**
  Technology and infrastructure upgrades to deliver greater efficiency and transparency.

- **Expertise, Elevated**
  Build more expertise in research, distribution, technology and client servicing.

Our purpose remains unchanged: to be a globally respected, independent asset-servicing partner.

The first decade was about building.
The next decade is about elevating.

FUNDS PLATFORM | DERIVATIVE CLEARING | FUNDS ADMINISTRATION

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