

Capital Markets Unriddled

Newsletter - September 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.



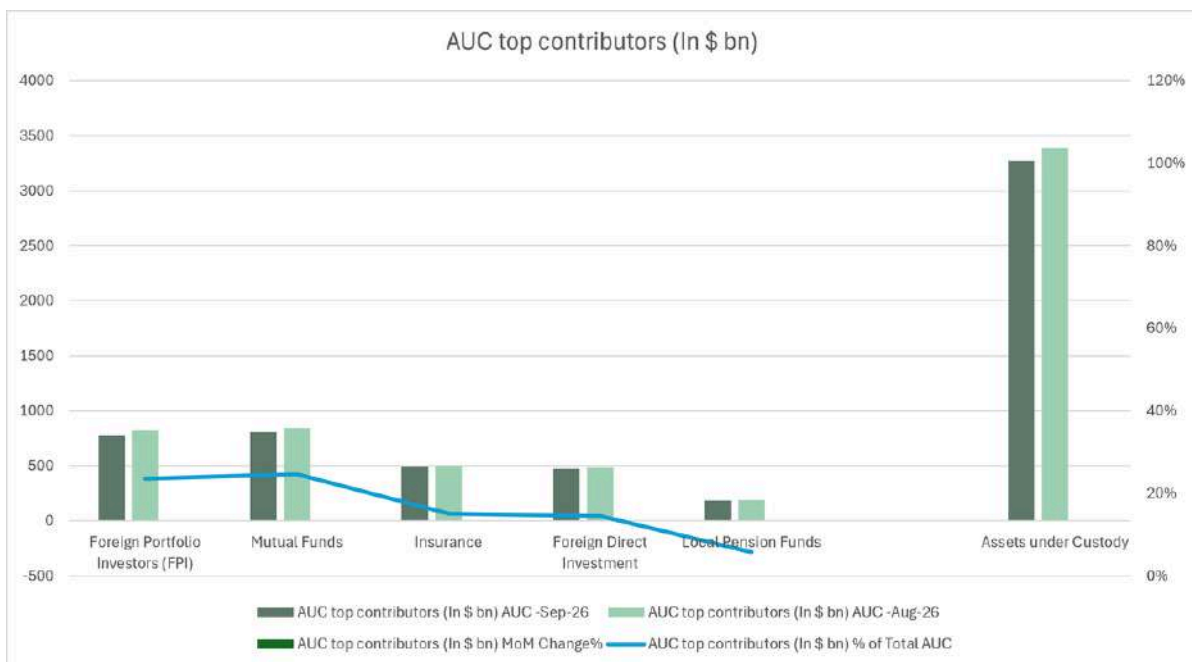
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AUC TOP CONTRIBUTORS

- ✓ Foreign portfolio investors (FPIs) share of contribution to total AUC in the country, with ~24% share has reduced over the months, with Mutual funds now being the largest contributor.
- ✓ Equities driven by currency volatility, global trade tensions, along with macro economic trends across bond markets.
- ✓ Rising US bond yields and a stronger dollar have improved risk adjusted returns in developed markets, prompting capital reallocation away from emerging markets.

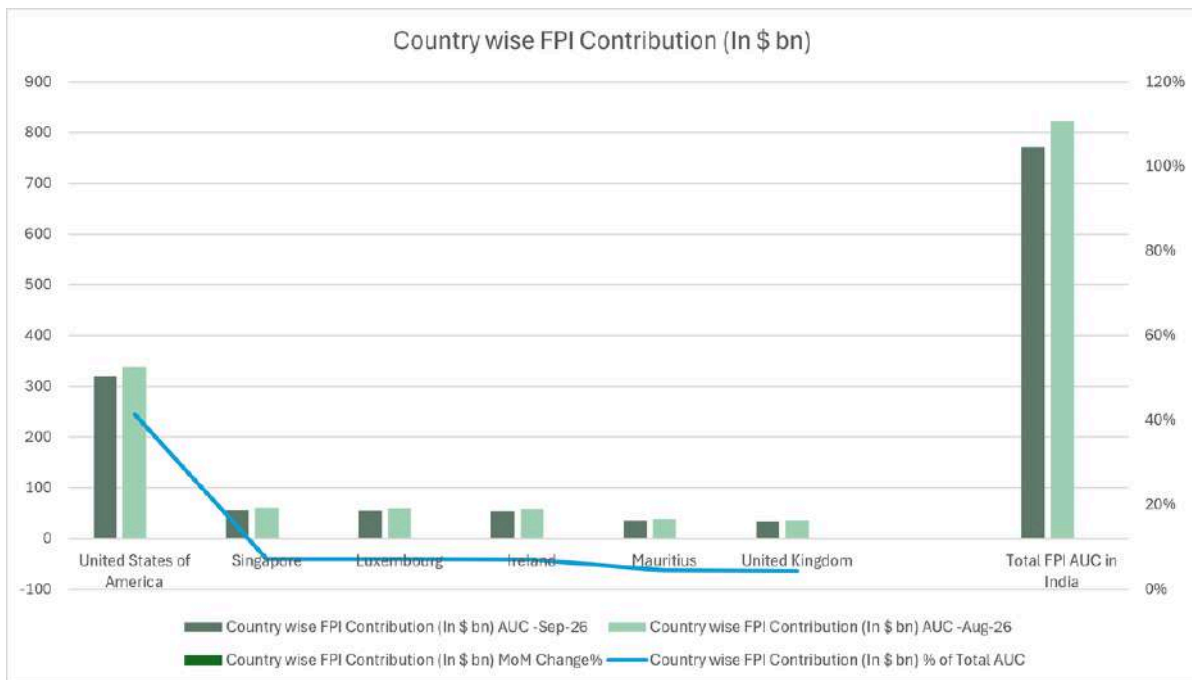


Source: NSDL FPI data



COUNTRY WISE FPI CONTRIBUTION

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



Source: NSDL FPI data

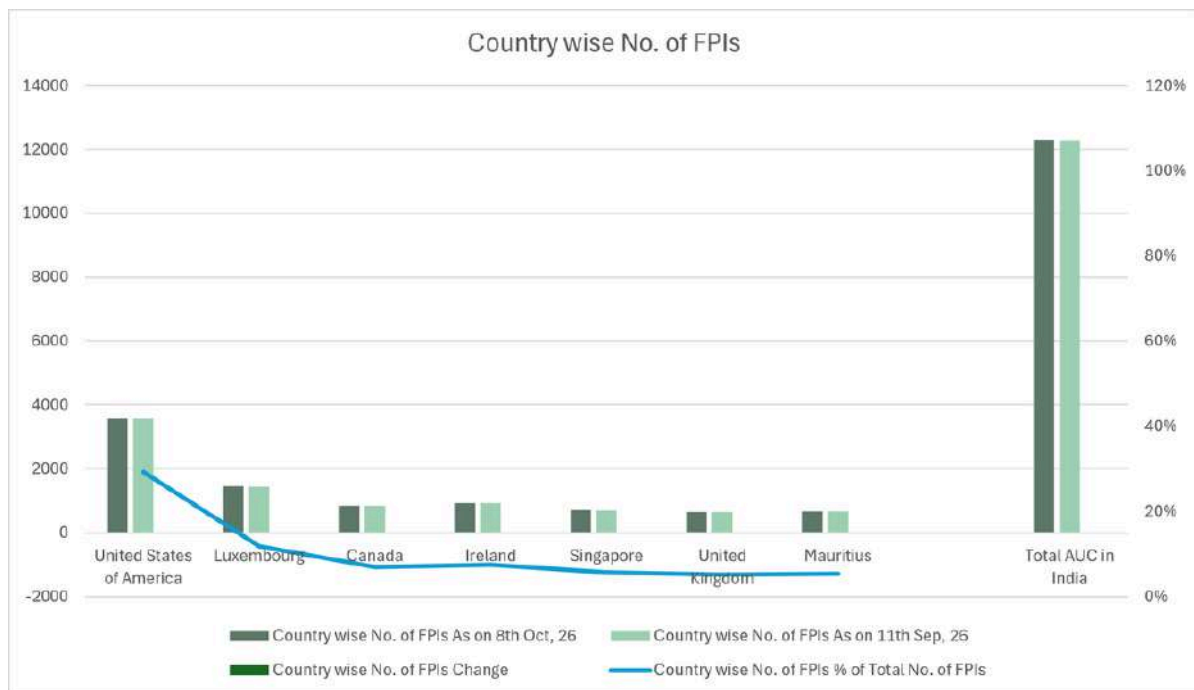
TOTAL FPIs

- ✓ 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

- ✓ FPI nos. have grown at a marginal rate of 1% since Jan-26, majority of them coming from United States and Luxembourg. Macro economic headwinds continue to affect the FPI growth in India

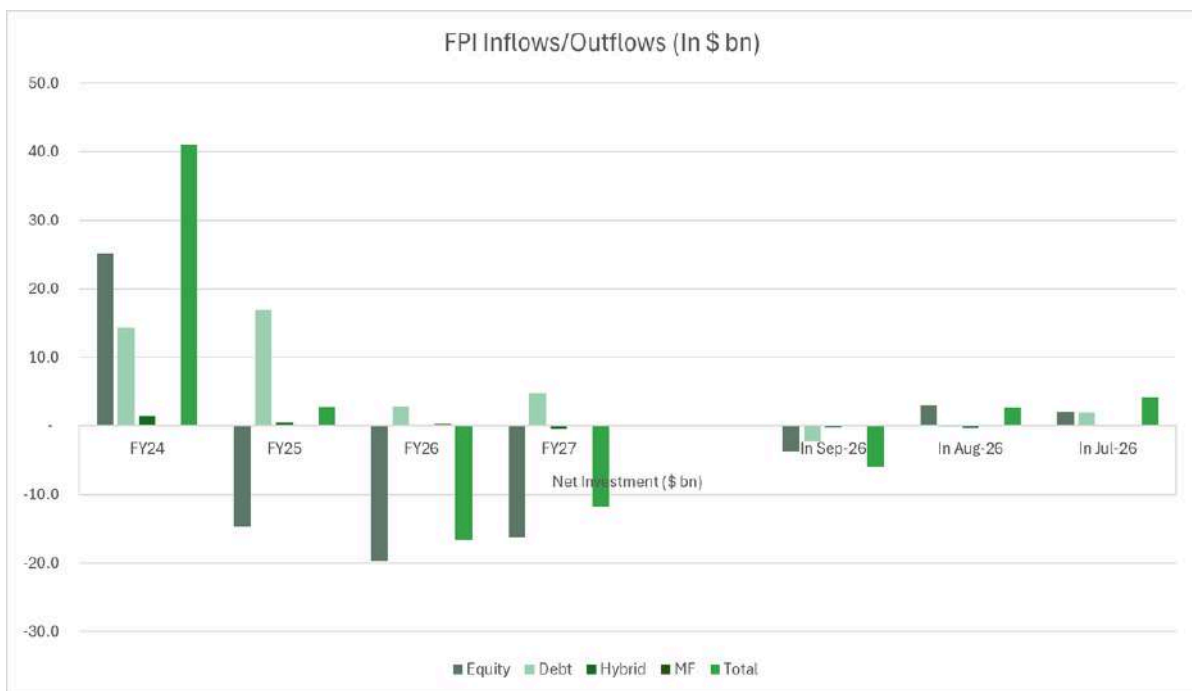


Source: NSDL FPI data



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.

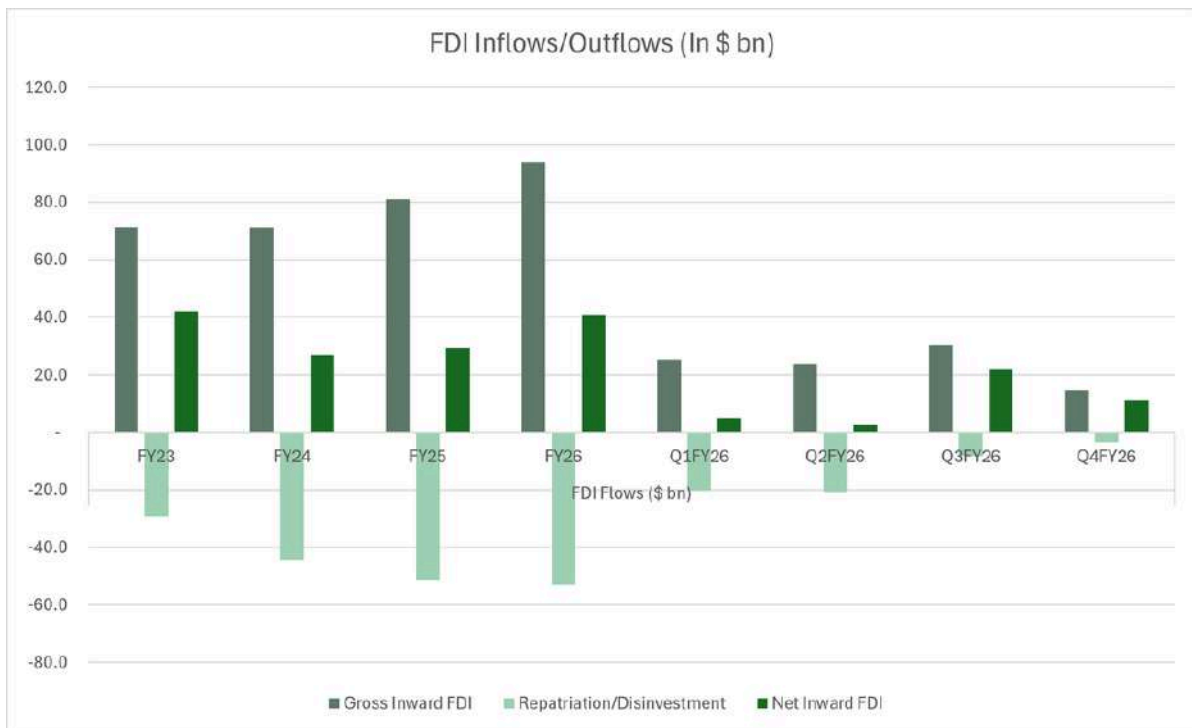


Source: NSDL FPI data



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

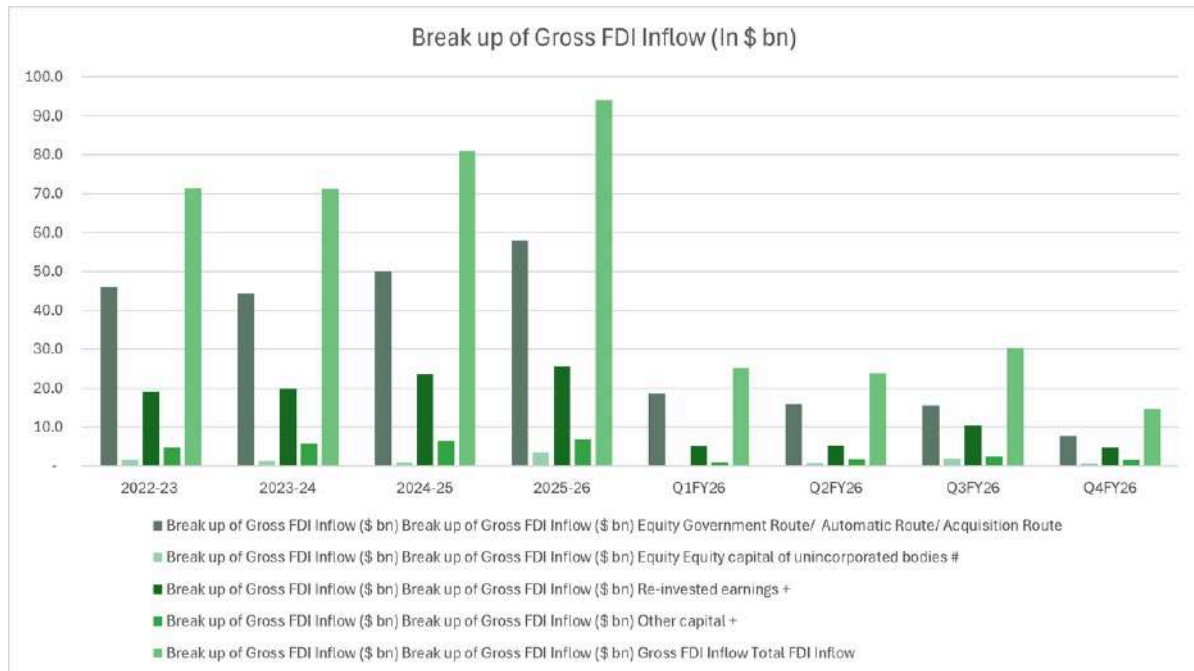


Source: RBI monthly bulletin

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BREAK UP OF GROSS FDI INFLOW

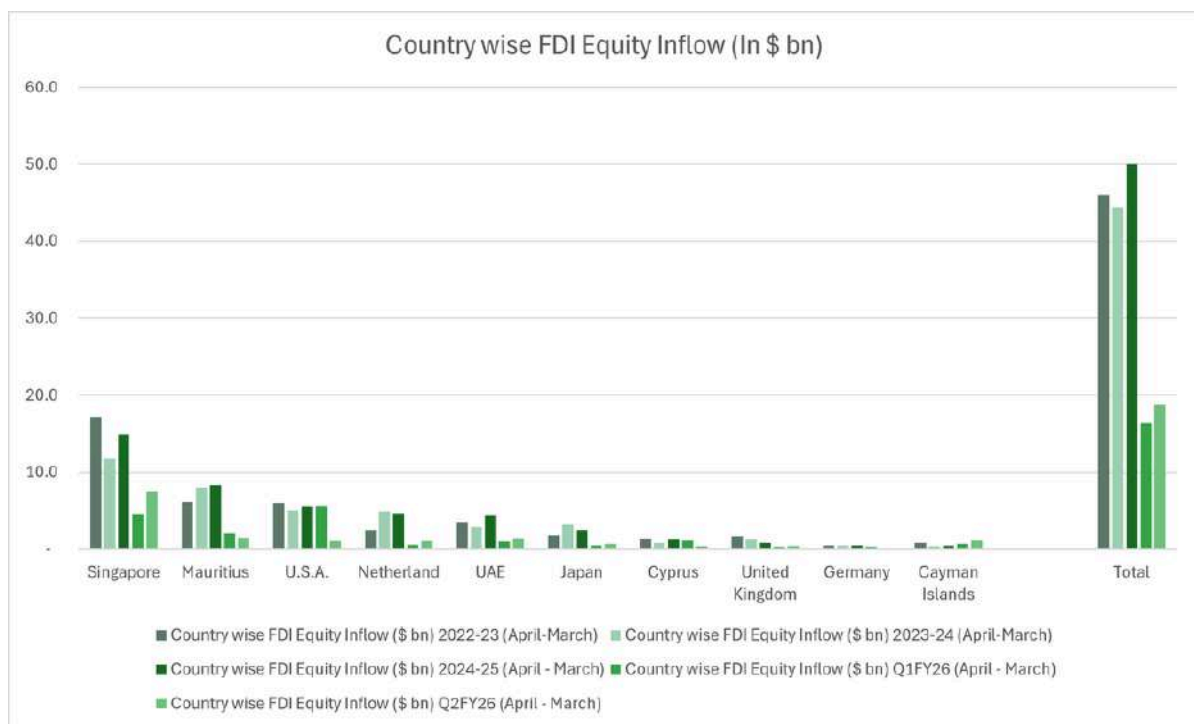


Source: RBI monthly bulletin

- "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)

Extension of timelines for filing of various reports of audit and Income Tax Returns (ITRs) for the Assessment Year 2026-2027

- ✓ For AY 2026-27, CBDT has extended the due date for furnishing the tax audit report to 21 October 2026 and the ITR filing due date to 21 November 2026 for taxpayers covered by the extension.
- ✓ This includes companies, assessees (other than companies) whose accounts are required to be audited under the Income-tax Act or any other law, and partners of firms whose accounts are required to be audited, provided Section 92E does not apply.

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SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

Ease of regulatory compliances for FPIs investing only in Government Securities

- ✓ SEBI has further eased compliance requirements for Foreign Portfolio Investors (FPIs) investing exclusively in Government Securities. Earlier, only FPIs investing in Government Securities under the Fully Accessible Route (FAR) were exempt from providing investor group details.
- ✓ Following the RBI's withdrawal of concentration limit requirements for FPIs investing in Government Securities through the General Route, SEBI has now extended this exemption to all FPIs investing only in Government Securities, irrespective of the route used. Consequently, such FPIs are no longer required to furnish investor group details, and the change is effective immediately.

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SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

*Consultation paper on “Review of certain aspects of the Closing Auction Session,
Market Timings and Settlement Methodologies for Derivative Contracts*

- ✔ SEBI has invited public feedback on proposed changes to the Closing Auction Session (CAS), market timings and settlement methodology for derivative contracts.
- ✔ Based on market experience since the introduction of CAS, the proposals aim to improve price discovery, strengthen the link between cash and derivatives markets, and ensure a more robust settlement mechanism, particularly on expiry days.
- ✔ The objective is to enhance market efficiency and reduce the scope for price distortions around the market close.

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SECURITIES AND EXCHANGE BOARD OF INDIA (SEBI)

Key decisions taken in the SEBI Board Meeting dated 24th September, 2026

- ✓ The SEBI Board approved major reforms across Portfolio Management Services, settlement proceedings, research analyst regulations, advertising norms, FPI participation in commodity derivatives and bullion vaulting regulations, with a strong focus on growth, ease of compliance and investor protection.
- ✓ The decisions collectively aim to deepen capital markets, simplify regulations and improve operational efficiency for market intermediaries. Please refer to the board meeting minutes for more details.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

IFSCA (Prohibition of Market Abuse in Securities Markets) Regulations, 2026

- ✓ Regulations specify the framework for prohibiting market abuse in the securities market in the IFSCA, in order to protect the interests of investors.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

IFSCA (Capital Market Intermediaries) (Second Amendment) Regulations, 2026

- ✓ The first proviso to Regulation 28(5) has been amended to permit the consideration of ratings in certain situations as per the FME's approved policy, including but not limited to the specified circumstances.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

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

- ✓ The IFSCA (Fund Management) (Second Amendment) Regulations, 2026 introduce several significant changes aimed at enhancing operational flexibility, strengthening governance and investor protection measures, streamlining compliance requirements, and facilitating the growth of investment funds within the IFSC ecosystem.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

*Circular Issued by IFSCA for Extension of Validity of Expired Placement Memorandums
by IFSCA*

- ✓ The amendment now permits FMEs to obtain one or more six-month extensions even after expiry, subject to prescribed fees and conditions, thereby extending the fundraising period without requiring a fresh Placement Memorandum (provided no material changes are made).

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

*IFSCA (Capital Market Intermediaries) Regulations 2025 as amended upto 05th
September, 2026*

- ✓ Regulations provide the regulatory framework for registration, regulation and supervision of capital market intermediaries operating in international financial services centres in India with the objectives of protecting the interests of investors and maintaining the integrity of the securities market.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

*FAQs on Complaint Handling and Grievance Redressal by Regulated Entities in the
IFSC*

- ✔ Grievance Redressal Mechanism: Consumers must first approach the entity's CRO, with complaints to be resolved preferably within 15 days and ordinarily within 30 days.
- ✔ Appeals to the CRAO should be filed within 21 days and disposed of within 30 days.
- ✔ Thereafter, complaints may be escalated to IFSCA within 21 days of the CRAO's decision. IFSCA may intervene directly in exceptional cases requiring urgent action.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

Regulatory Framework for differential distribution

- ✓ Framework allowing Venture Capital Schemes and Restricted Schemes to issue Senior and Junior/Subordinate Units with differential distribution rights.
- ✓ The framework facilitates blended finance structures, permits differentiated risk and return allocation among investors, and prescribes enhanced disclosure, valuation, due diligence, and governance requirements.
- ✓ ESG Schemes may also accept grants up to 49% of the scheme corpus, subject to specified conditions.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

*IIDI Circular – Simplified Process for Shifting of IFSC Issuer Entities from Indian
Depositories to IFSC Depository*

- ✓ Recent circular issued by India International Depository IFSC Limited (IIDI) regarding the Simplified Process for Shifting of ISINs of Issuer Entities in IFSC from Indian Depositories to IIDI.
- ✓ The circular prescribes a streamlined mechanism for IFSC issuer entities having existing ISINs with Indian Depositories (NSDL/CDSL) to shift their securities and investor holdings to IIDI.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

*Extension of timeline for completion of Certification Course by KMPs and employees of
FMEs under the IFSCA (FM) Reg, 2025*

- ✓ Circular issued by IFSCA extending the timeline for completion of the mandatory certification course by KMPs and employees of Fund Management Entities (FMEs) under the IFSCA (Fund Management) Regulations, 2025.
- ✓ The revised deadline for successful completion of the certification course is **December 31, 2026**. All other provisions of the earlier circulars remain unchanged.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

Extension of timeline for completion of Certification Course by KMPs and other employees of Capital Market Intermediaries under the IFSCA (Capital Market Intermediaries) Regulations, 2025

- ✓ IFSCA has extended the deadline for KMPs and other employees of CMIs in IFSC to complete the prescribed certification course until **December 31, 2026**. All other requirements remain unchanged.

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CAYMAN ISLANDS MONETARY AUTHORITY (CIMA)

AML Return Requirement for Restricted Trust Companies and Private Trust Companies

- ✓ The Cayman Islands Monetary Authority (CIMA) has extended its annual Anti-Money Laundering (AML) Return requirement to Restricted Trust Companies (RTCs) and Private Trust Companies (PTCs) as part of its risk-based AML/CFT/CPF supervisory framework.
- ✓ The initial AML Return will be issued on 1 November 2026, requiring information as at 31 December 2025, and must be submitted by 31 December 2026 through CIMA's Strix platform.
- ✓ Thereafter, RTCs and PTCs will be incorporated into the existing annual AML reporting cycle for the trust and corporate services sector.

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CAYMAN ISLANDS MONETARY AUTHORITY (CIMA)

Updated AML & Sanctions Rules FAQs Now Available

- ✓ The Cayman Islands Monetary Authority (CIMA) has updated its AML & Sanctions Rules FAQs following the entry into force of the new AML and Sanctions Rules on 18 September 2026.
- ✓ The revised FAQs provide additional guidance on CIMA's risk-based supervisory approach, independent AML audit requirements, audit timing, outsourcing arrangements, and reliance on service providers.
- ✓ CIMA has also clarified that responsibility for AML compliance remains with the regulated entity, even where functions are outsourced.

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FINANCIAL SERVICES COMMISSION (FSC) MAURITIUS

*Regulatory policy on managed corporate service providers (“MCSP”) and
revocation of practice notes on MCSP*

- ✓ The Financial Services Commission (FSC), Mauritius has abolished the Managed Corporate Service Provider (MCSP) regime and revoked the related Practice Notes with immediate effect.
- ✓ New MCSP applications will no longer be accepted, while existing MCSPs must transition to a full Management Company structure within the prescribed timeframe.
- ✓ The move aims to strengthen regulatory oversight, substance requirements, and governance standards in the financial services sector.

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FINANCIAL SERVICES COMMISSION (FSC) MAURITIUS

Extension Of Transitional Period - New Authorised Bank Signatory Regime

- ✓ The Financial Services Commission (FSC), Mauritius has extended the transition period for compliance with the new authorised bank signatory requirements applicable to Global Business Corporations (GBCs).
- ✓ Affected entities now have an additional six months from the effective date of Paragraph 9.2 of the Updated Guidelines for Management Companies to comply.
- ✓ The extension is intended to facilitate an orderly implementation of the new regime.

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MAURITIUS NATIONAL ASSEMBLY

Electronic Transactions (Amendment) Act 2026 come into force from 25th September

- ✔ The Electronic Transactions (Amendment) Act 2026 modernises Mauritius' electronic transaction laws by giving wider legal recognition to electronic signatures, digital documents and contracts formed through automated online systems.
- ✔ It also allows certain important documents that were traditionally paper-based to be created, held and transferred electronically, supporting paperless trade and digital business operations.
- ✔ The Act further confirms that electronic records from other countries can be recognised in Mauritius and clarifies that a company's location is not determined by where its servers are hosted.
- ✔ The objective is to facilitate digital commerce, reduce paperwork and align Mauritius with international standards for electronic transactions.

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MAURITIUS REVENUE AUTHORITY (MRA)

Transitional Qualified Status received from OECD

- ✔ The OECD has provisionally recognized Mauritius's Domestic Minimum Top-up Tax as compliant with Pillar Two standards, allowing Mauritius to retain the primary right to collect top-up tax from in-scope multinational groups from 1 July 2025 while awaiting a final OECD legislative review.

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MONETARY AUTHORITY OF SINGAPORE (MAS)

Financial Services and Markets (Amendment) Bill 2026

- ✓ The Financial Services and Markets (Amendment) Bill 2026 proposes amendments to strengthen Singapore's financial stability framework by empowering the Monetary Authority of Singapore (MAS) to require systemically important financial institutions to maintain a minimum level of Total Loss-Absorbing Capacity (TLAC).
- ✓ This ensures that, in the event of financial distress, such institutions have sufficient capital and eligible liabilities available to absorb losses and support orderly resolution without relying on public funds.
- ✓ The Bill also introduces technical amendments to align Singapore's regulatory framework with updated Financial Action Task Force (FATF) standards on countering the financing of weapons proliferation and makes related consequential amendments to other MAS-administered legislation.

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MONETARY AUTHORITY OF SINGAPORE (MAS)

MAS Updates Resolution Framework to Strengthen Financial Stability and Crisis Preparedness

- ✓ The MAS' Approach to Resolution of Financial Institutions in Singapore (updated September 2026) outlines how the Monetary Authority of Singapore (MAS) manages the recovery and resolution of distressed financial institutions to safeguard financial stability.
- ✓ The paper emphasizes that MAS does not pursue a “zero-failure” approach; rather, it seeks to minimize the impact of a financial institution’s failure through robust supervision, recovery and resolution planning, and an established resolution framework.
- ✓ The monograph also explains MAS’ resolution objectives, resolution tools, funding arrangements, creditor safeguards, and cross-border cooperation measures, aligning Singapore’s regime with international standards developed by the Financial Stability Board (FSB).

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THE INLAND REVENUE AUTHORITY OF SINGAPORE (IRAS)

IRAS Publishes Two New Corporate Income Tax Advance Ruling

- ✓ The Inland Revenue Authority of Singapore (IRAS) has updated its Summary of Income Tax Advance Rulings Issued (Other than Individual Income Tax) by adding two new ruling summaries.
- ✓ The newly published summaries address the Singapore income tax treatment of gains arising from property disposals and the taxability of deferred distributions received from a foreign trust.
- ✓ While advance rulings are binding only on the applicant and the specific facts presented, the published summaries provide useful insight into IRAS' interpretation of the Income Tax Act 1947 and may assist taxpayers in assessing the tax implications of similar transactions.

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THE INLAND REVENUE AUTHORITY OF SINGAPORE (IRAS)

IRAS Clarifies Corporate Tax Filing Requirements Following Financial Year-End Changes

- ✓ The Inland Revenue Authority of Singapore (IRAS) has updated its guidance on Preparing a Tax Computation to clarify filing obligations where a change in financial year end causes a company's financial period to span two Years of Assessment (YAs).
- ✓ The guidance explains when separate tax computations are required, how profits and losses should be allocated between YAs, and the related Corporate Income Tax Return and ECI filing requirements.

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THE INLAND REVENUE AUTHORITY OF SINGAPORE (IRAS)

IRAS Publishes Guidance on Transfer Pricing Treatment of Share-Based Compensation

- ✓ The Inland Revenue Authority of Singapore (IRAS) has published new guidance on the transfer pricing treatment of share-based compensation (SBC) costs.
- ✓ The guidance clarifies how SBC costs should be treated when determining arm's length charges for related-party services, including situations involving incurred, uncharged, and notional SBC costs.
- ✓ From Year of Assessment (YA) 2026, certain uncharged and notional SBC costs may be excluded from service income calculations while remaining part of the cost base for transfer pricing purposes.

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