

Capital Markets Unriddled

Newsletter - August 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.



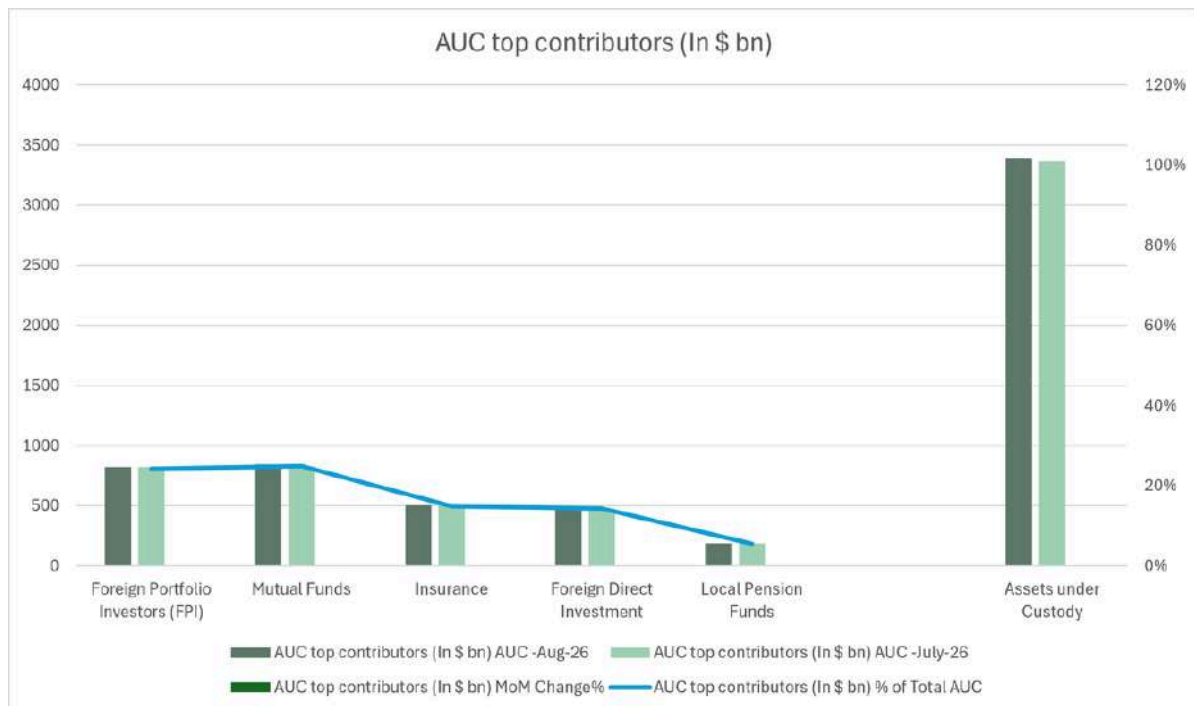
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AUC TOP CONTRIBUTORS

- ✓ 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.

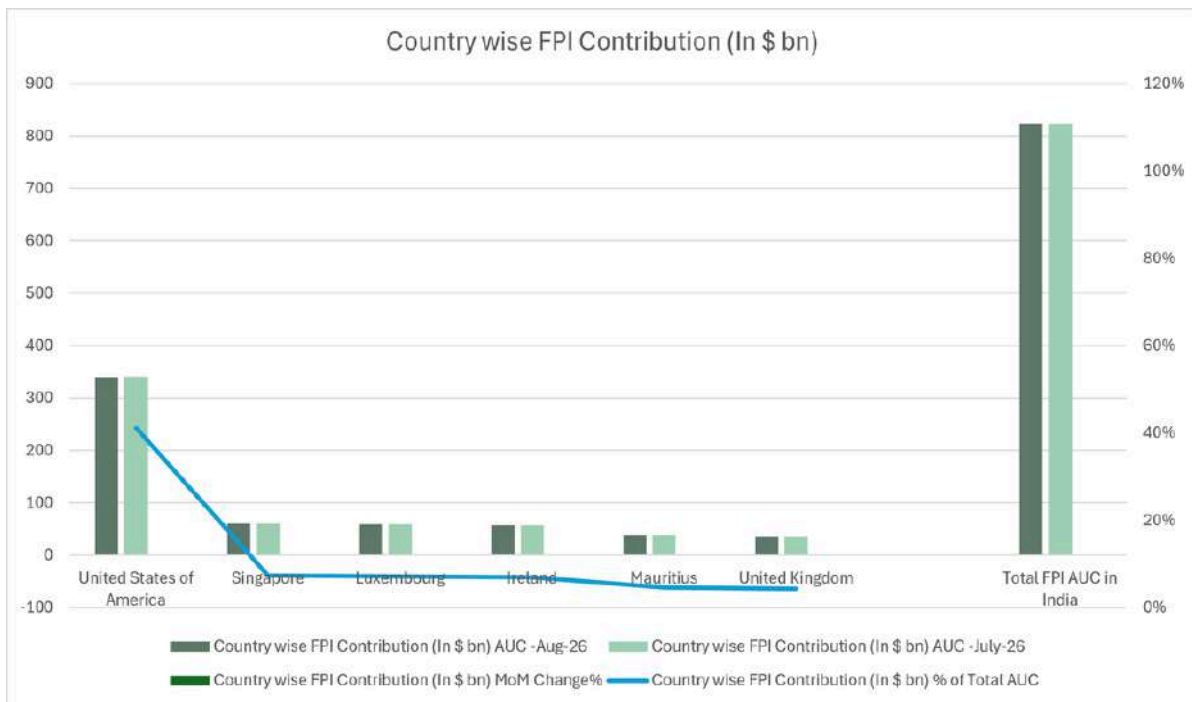


Source: NSDL FPI data



COUNTRY WISE FPI CONTRIBUTION

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



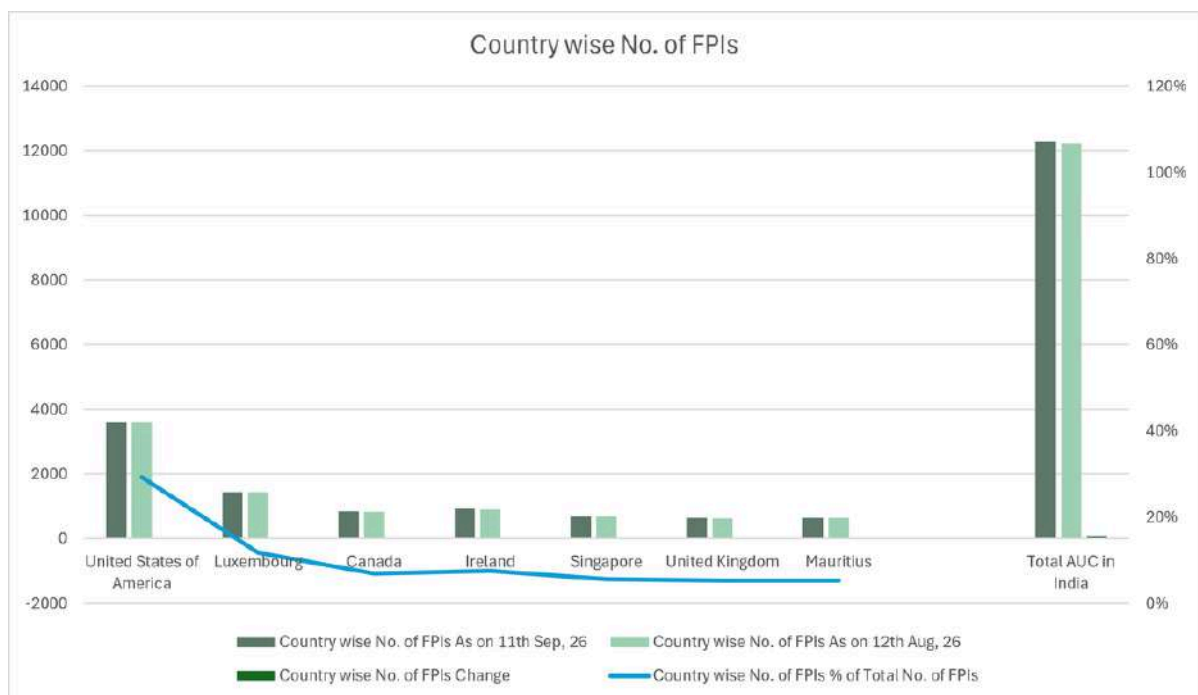
Source: NSDL FPI data

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

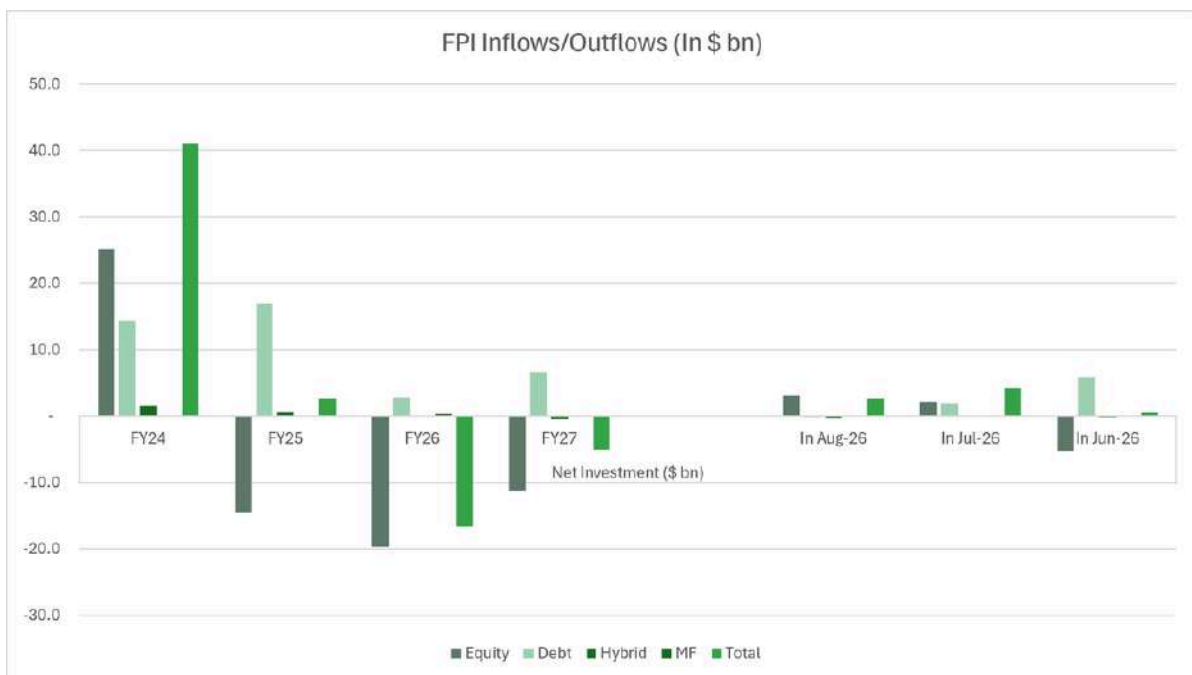


Source: NSDL FPI data



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 geo-political tensions, rising US bond yields and a stronger dollar have improved risk-adjusted returns in developed markets, making emerging markets less attractive.

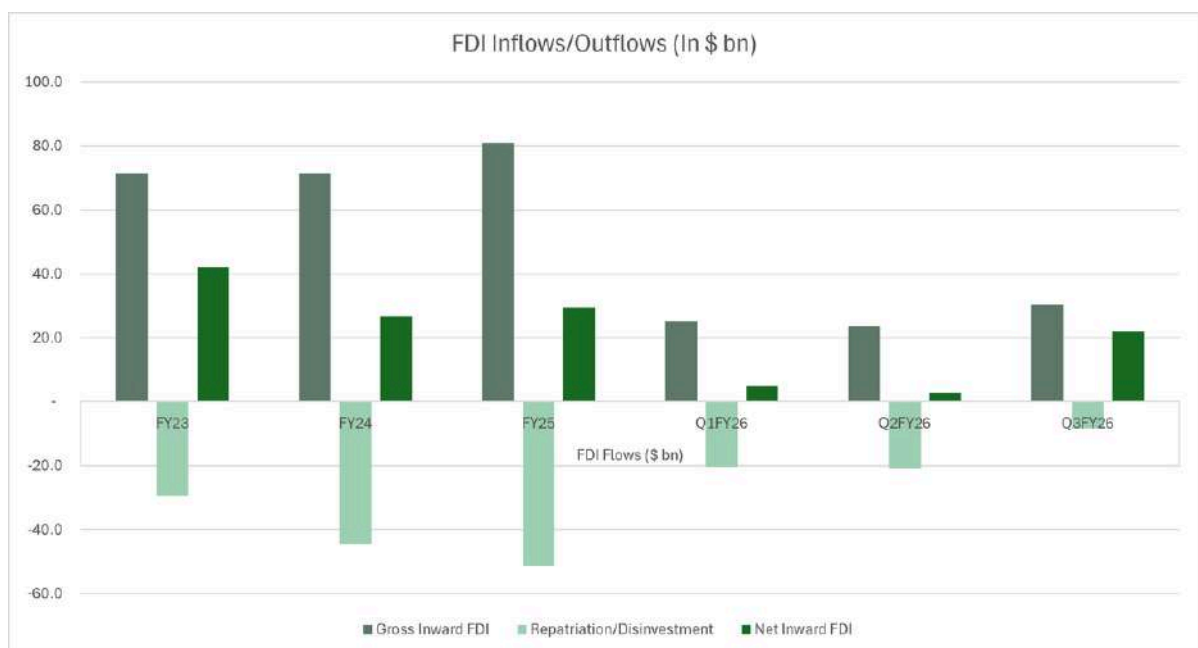


Source: NSDL FPI data



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

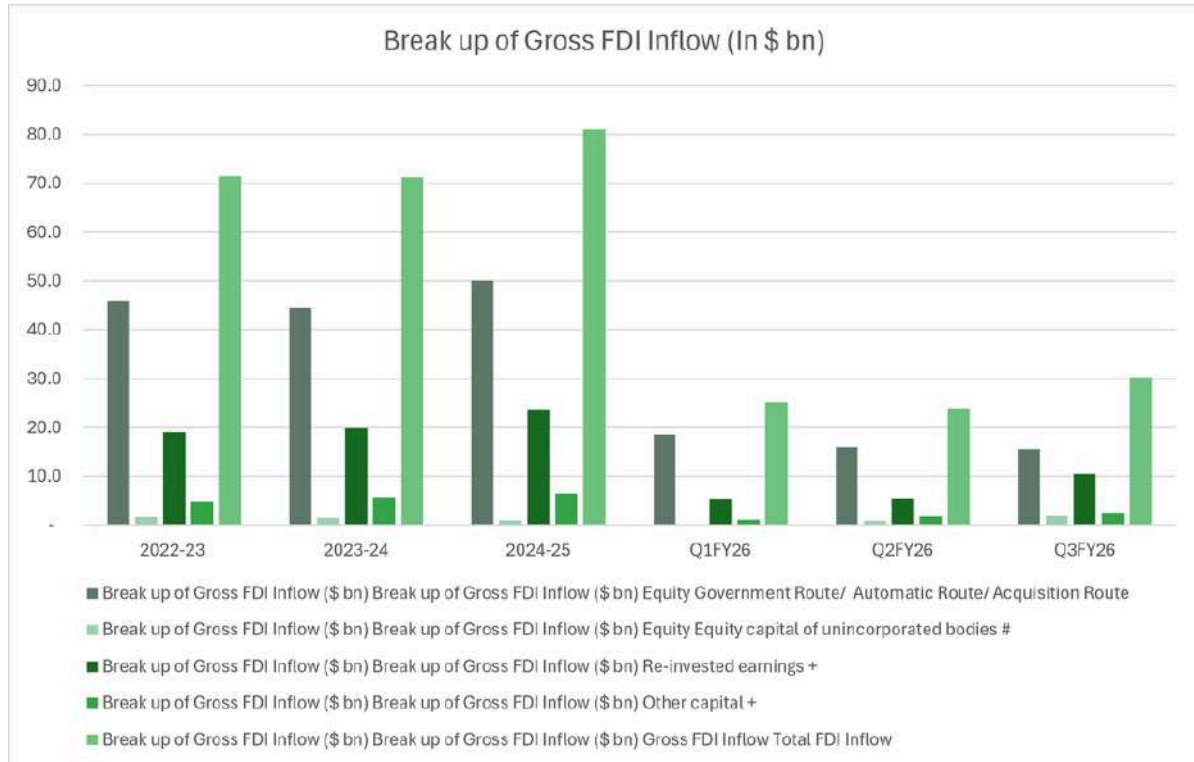


Source: RBI monthly bulletin

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BREAK UP OF GROSS FDI INFLOW

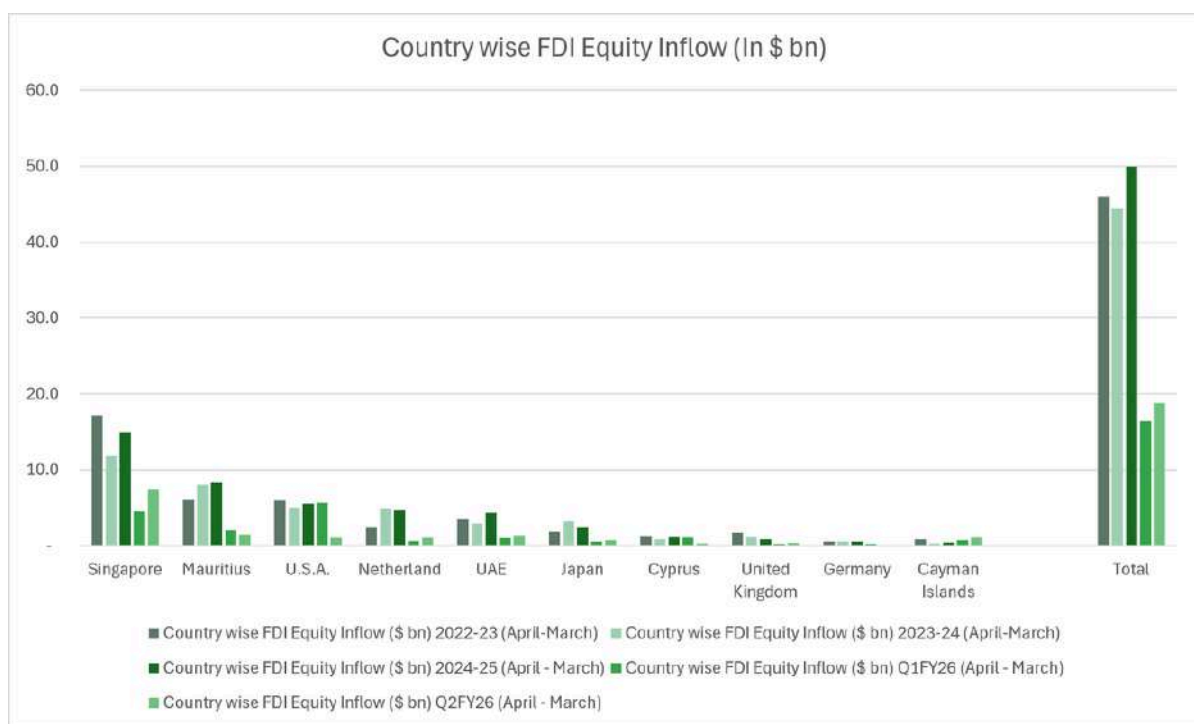


Source: RBI monthly bulletin

- "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’)

India launches Foreign Assets Disclosure Scheme 2026: One-time compliance window for eligible taxpayers with overseas assets and income

- ✔ India has introduced the Foreign Assets of Small Taxpayers Disclosure Scheme, 2026, giving individuals an opportunity to voluntarily disclose certain undisclosed foreign assets and income and regularize their tax position.
- ✔ The scheme is available where the aggregate value of undisclosed foreign assets and income does not exceed ₹1 crore, or where foreign assets worth up to ₹5 crore were acquired from income earned while non-resident or from income already taxed in India but were not properly reported.
- ✔ Eligible taxpayers can settle past non-compliance under prescribed terms and obtain immunity from further tax proceedings, penalties and prosecution in respect of the disclosed assets.

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SECURITIES AND EXCHANGE BOARD OF INDIA

Acceptance of digitally signed Power of Attorney from FPIs

- ✓ SEBI has issued a circular permitting the acceptance of digitally signed Powers of Attorney (PoA) from Foreign Portfolio Investors (FPIs), as part of its ongoing efforts to digitalise and simplify the FPI onboarding process.
- ✓ Under the revised framework, a PoA executed using a digital signature in accordance with the Information Technology Act, 2000 will be accepted by custodians without the need for notarisation, apostillisation, or consularisation.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

*Modifications under the International Financial Services Centres Authority (Anti
Money Laundering, Counter-Terrorist Financing and Know Your Customer)
Guidelines, 2022*

- ✓ The circular issued by the IFSCA provides updates on- Start reporting Cross Border Wire Transfers (CBWTRs) where applicable, Use FINgate 2.0 for AML reporting, Follow the updated V-CIP onboarding rules for resident and NRI customers, Ensure onboarding is done only from approved jurisdictions.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

FAQs on IFSCA (Anti Money Laundering, Counter-Terrorist Financing And Know Your Customer) Guidelines, 2022

- ✓ The circular issued by the International Financial Services Centres Authority (IFSCA) on 03 August 2026 updates on Applicability of IFSCA (AML, CTF, KYC) Guidelines, 2022, Appointment of Designated Director and Principal Officer, AML/CTF/KYC Policy, etc

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

IFSCA directs Regulated Entities to maintain valid and subsisting Letter of Approval (LoA) under the SEZ Act and other applicable Regulatory Instrument(s) at all times

- ✓ IFSCA has reminded all regulated entities to keep their LoA and regulatory approvals valid at all times, renew them before expiry, and avoid conducting business without them.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

*Specification of Certification Course for the employees of Fund Management Entities
under the IFSCA (Fund Management) Regulations, 2025*

- ✓ IFSCA has added ICAI's certification course as an alternative qualification, and employees of Fund Management Entities can now complete either the ICSI or ICAI course to fulfill the certification requirement.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

SEZ Compliance FAQs Booklet v2.0

- ✓ The booklet is a practical compliance guide for IFSC units, covering LOA, lease deed, BLUT, reporting, commencement, renewal, exit, and penalties under SEZ rules

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

*Extension of timeline for obtaining International Securities Identification Numbers
(ISINs) from a recognised depository in IFSC*

- ✓ IFSCA has extended the deadline for IFSC units to obtain ISINs from an IFSCA-recognized depository from 31 August 2026 to 31 December 2026, providing additional time for compliance.

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INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

Requirement for Fund Management Entities (FMEs) to maintain a website or webpage

- ✓ IFSCA has made it mandatory for all FMEs in IFSC to maintain a website or webpage displaying key information about their business, funds, disclosures, and investor grievance mechanism from 1 December 2026 onwards.

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FINANCIAL INTELLIGENCE UNIT (FIU) MAURITIUS

Supplementary Guidance on the Suspicious Transaction Reporting Process

- ✓ The Financial Intelligence Unit (FIU) of Mauritius has issued Supplementary STR Guidance Note 4.1, effective 19 August 2026, to provide additional clarity on the suspicious transaction reporting (STR) process.
- ✓ The guidance offers practical direction on identifying and escalating suspicious matters, the role of Money Laundering Reporting Officers (MLROs), internal assessment procedures, and the requirement to promptly report suspicious transactions under FIAMLA.
- ✓ The guidance supplements, and should be read alongside, existing STR Guidance Note 4.

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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 extended the deadline for the submission of Domestic Minimum Top-up Tax (DMT Tax) returns and payment of any associated tax from 7 September 2026 to 30 September 2026 for in-scope multinational enterprise (MNE) groups with fiscal years ending between 1 January 2025 and 31 May 2025.
- ✓ The MRA has confirmed that no penalties or interest will apply where returns are filed and tax payments are made by the extended deadline.

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MONETARY AUTHORITY OF SINGAPORE (MAS)

*MAS Introduces Measures to Strengthen Singapore's Competitiveness as a
Leading Asset Management Hub*

- ✓ The Monetary Authority of Singapore (MAS) announced a set of measures to strengthen Singapore's competitiveness as a leading asset management hub.
- ✓ Singapore's asset management industry is a key growth engine to financial sector, accounting for around 15% of the sector's output and 13% of its employment.
- ✓ Over the past 5 years, the industry also grew positively by 7.5% per year on average to almost S\$7 trillion.
- ✓ This set of measures builds on the industry's positive growth momentum, and will help anchor high value asset management activities, deepen industry capabilities and attract top asset management talent, amidst growing international competition.

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✉ marketing@dovetailindia.com

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