

# Capital Markets Unriddled

*Newsletter - May 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.*



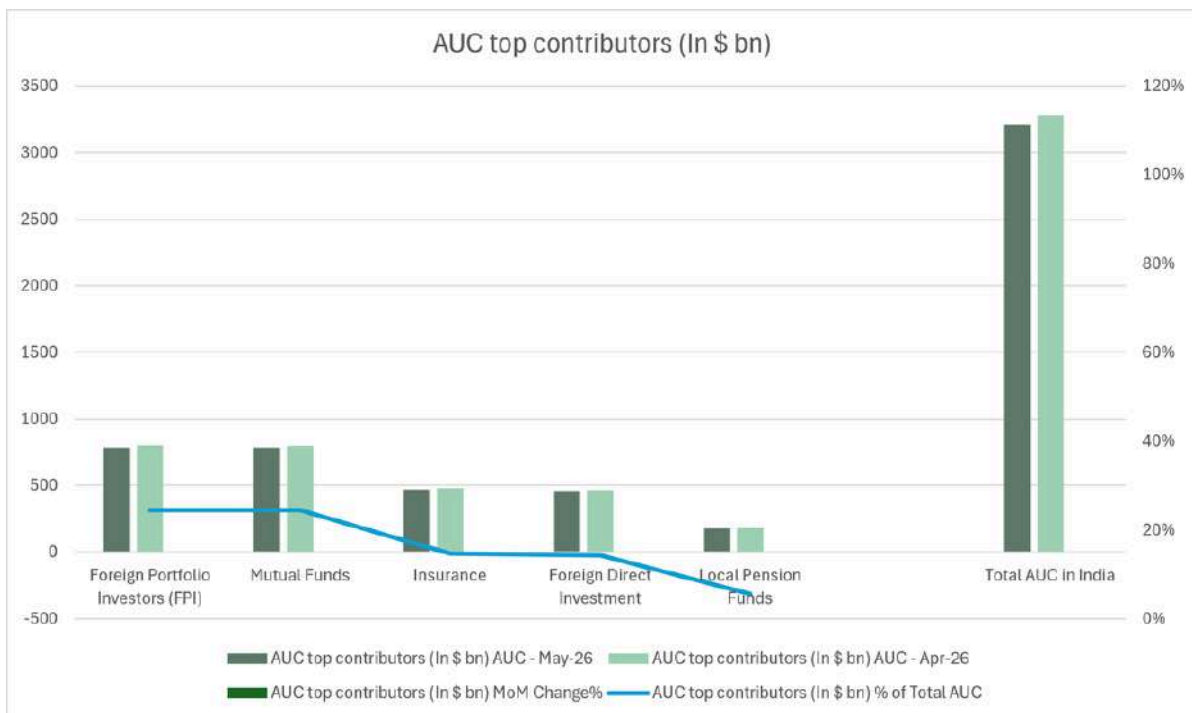
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## AUC TOP CONTRIBUTORS

- ✔ 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.

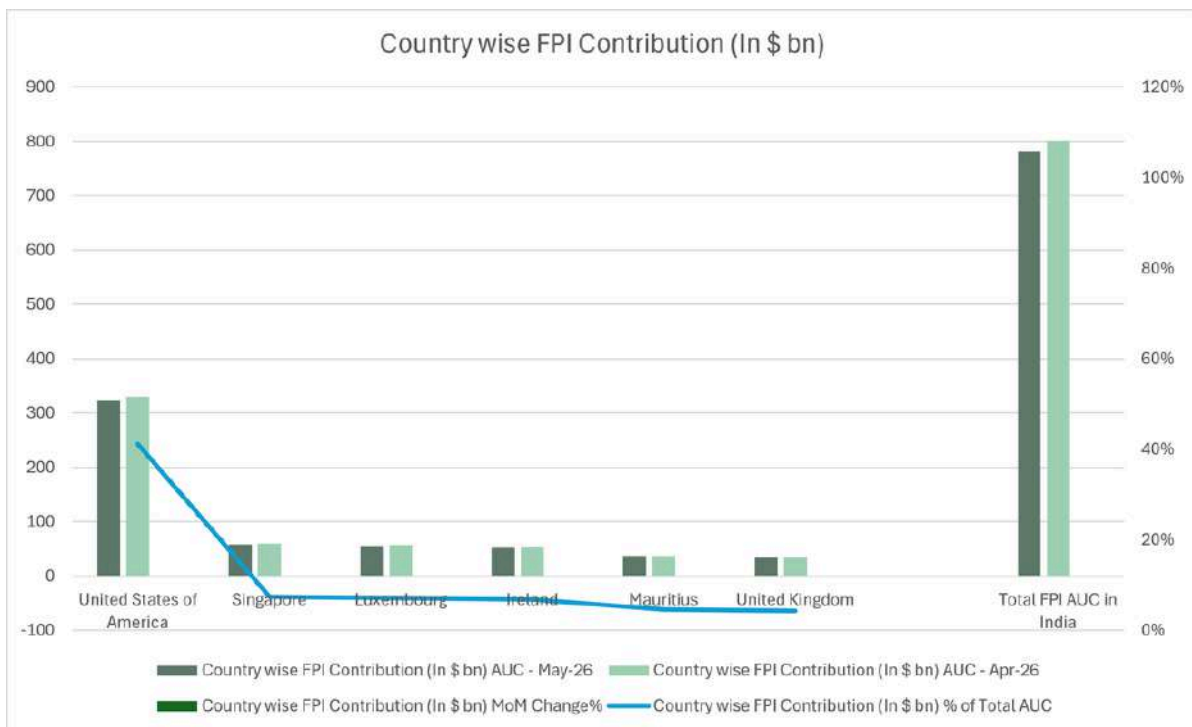


Source: NSDL FPI data



## COUNTRY WISE FPI CONTRIBUTION

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



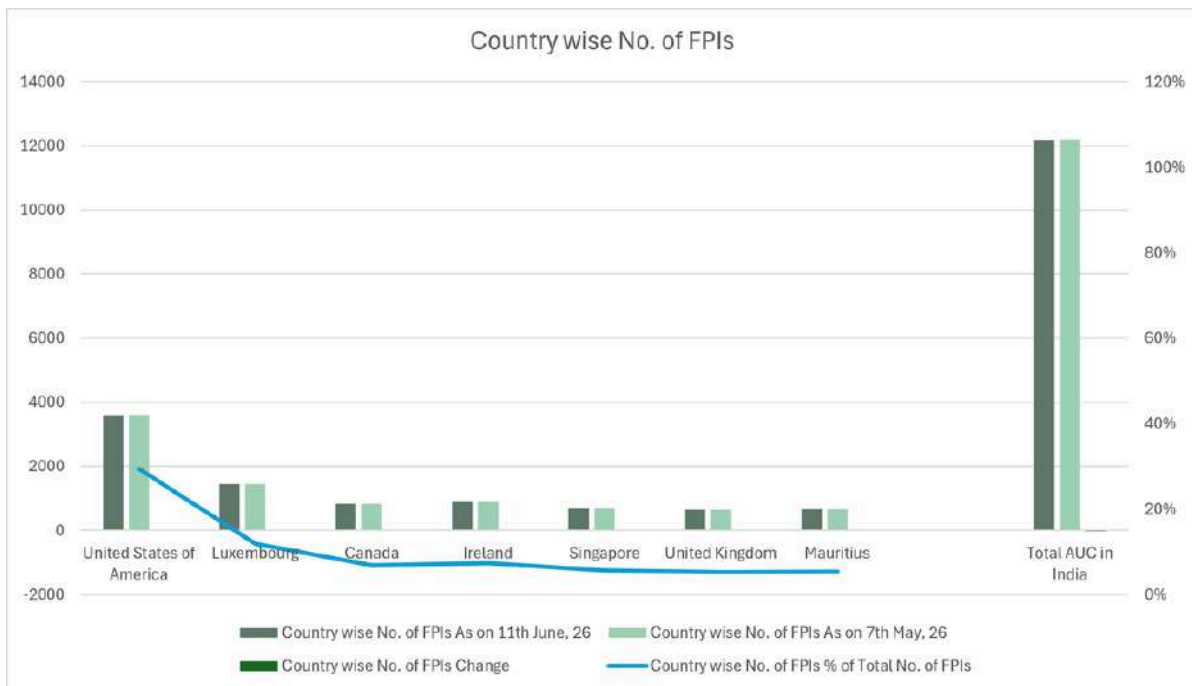
Source: NSDL FPI data

## 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

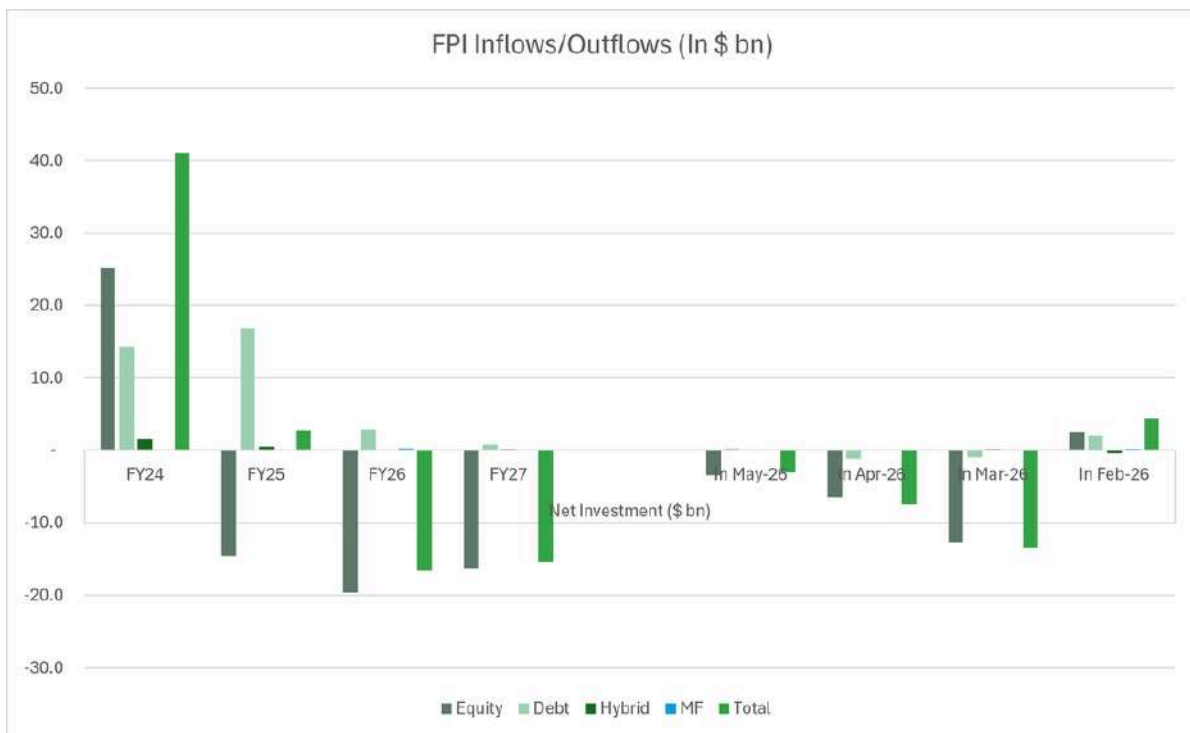


Source: NSDL FPI data



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

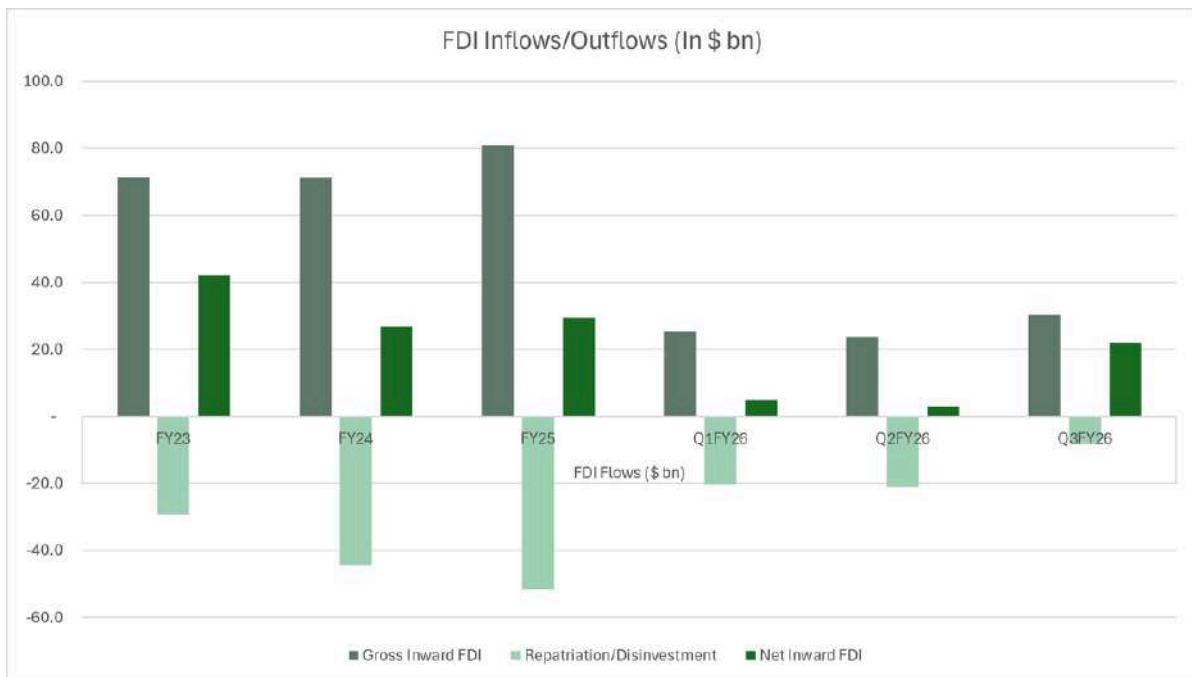


Source: NSDL FPI data



## 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

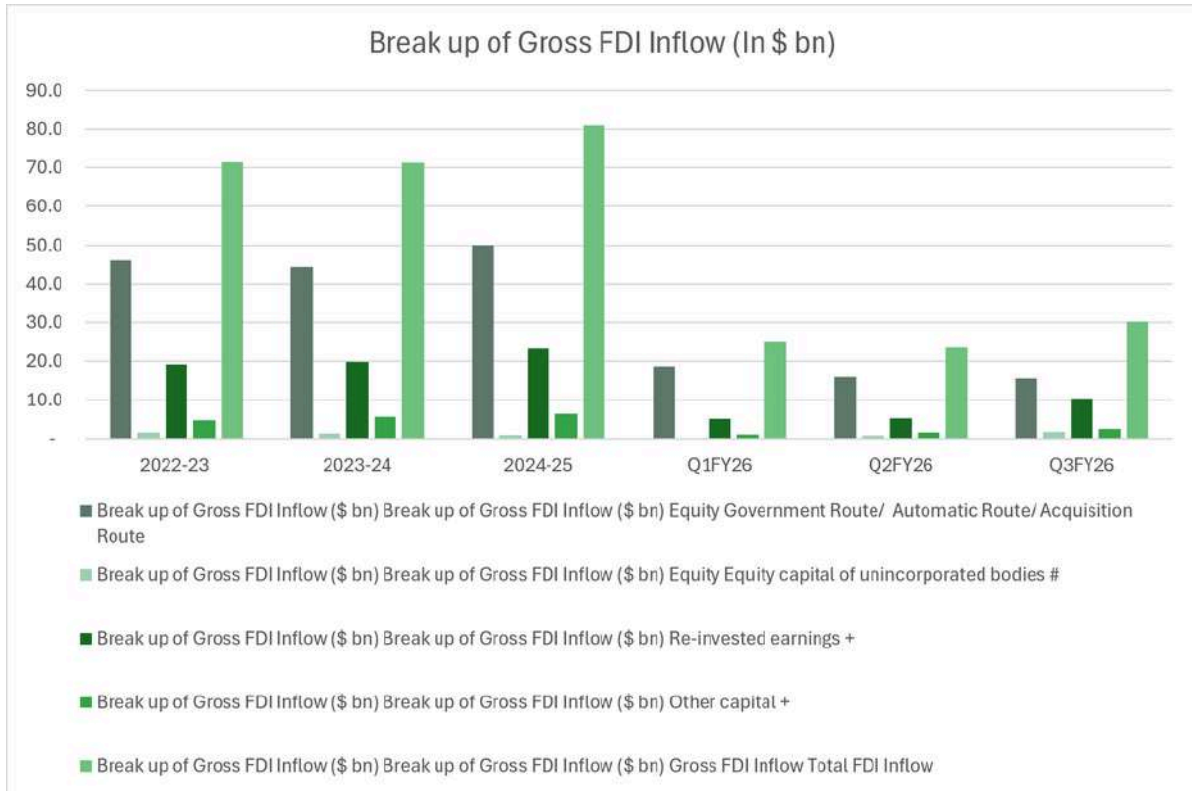


Source: RBI monthly bulletin

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## BREAK UP OF GROSS FDI INFLOW

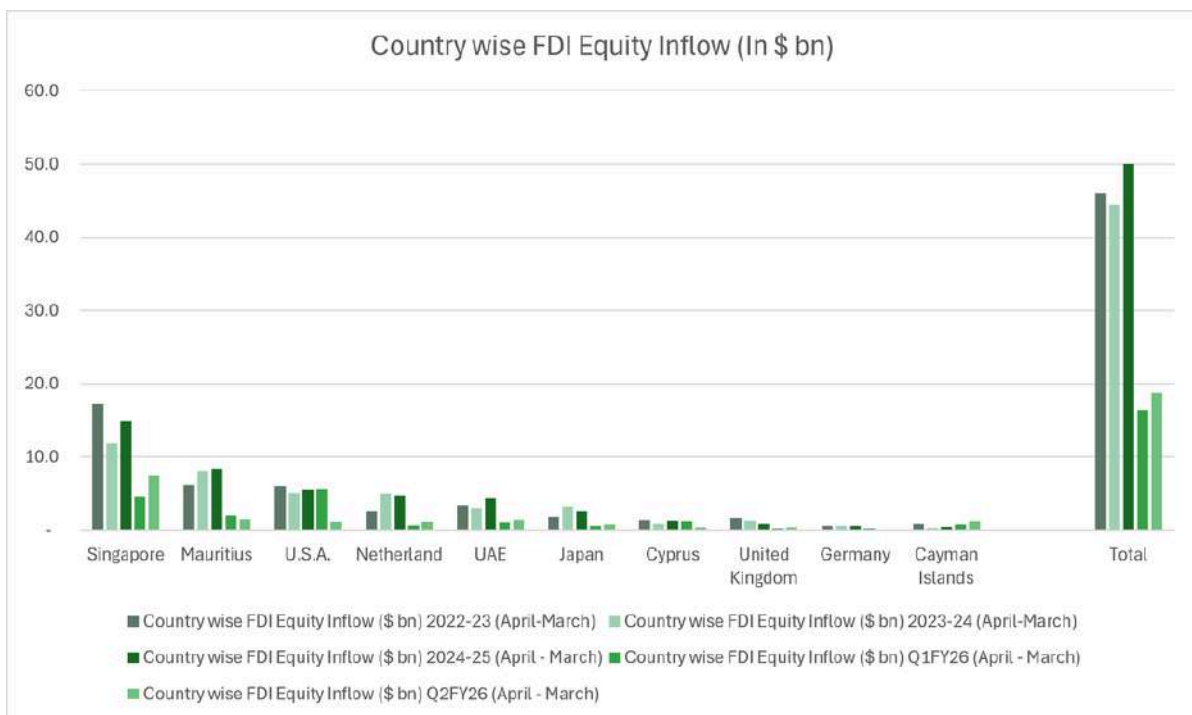


Source: RBI monthly bulletin

- "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 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

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# SECURITIES EXCHANGE BOARD OF INDIA (SEBI)

*Consultation Paper on Draft Circular on Clarification with respect to Applicability  
of the benefit of Early Pay-In in Commodity Derivatives Segment*

- ✔ SEBI's consultation paper dated 5 May 2026 proposes extending the benefit of Early Pay-In (EPI), currently available only for commodity futures contracts, to options contracts in the commodity derivatives segment.
- ✔ Under the EPI framework, participants who deposit certified goods in accredited warehouses may receive relief from certain margin requirements (other than mark-to-market margins).
- ✔ SEBI has proposed making the EPI benefit available across all commodity derivative contracts to improve operational efficiency, enhance liquidity, and align risk management practices.

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## **SECURITIES EXCHANGE BOARD OF INDIA (SEBI)**

*Consultation paper on review of position limits for clients and penalty provision for violation / breach of position limits for Commodity Derivatives Segment*

- ✔ SEBI's consultation paper dated 12 May 2026 proposes revising client-level position limits in the commodity derivatives segment, particularly for agricultural commodities, by increasing the existing limits to better reflect market growth and improve liquidity.
- ✔ The paper also proposes replacing the current uniform penalty framework for position limit breaches with a graded approach that distinguishes between minor/inadvertent breaches and serious or wilful violations, thereby making the regime more proportionate while maintaining market integrity and effective risk management.

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## SECURITIES EXCHANGE BOARD OF INDIA (SEBI)

*Removal of difficulties for on-boarding for FPIs - PAN allotment related issues*

- ✔ SEBI, through press release dated 15 May 2026, notified that the practical difficulties faced by Foreign Portfolio Investors (FPIs) in obtaining PAN has been resolved in consultation with CBDT.
- ✔ Key relaxations include allowing the FPI's authorised signatory to act as the representative assessee without additional documentation, permitting the use of FPI registration details where certain identification documents are unavailable, and providing alternatives where TIN or mobile numbers are not issued in the investor's jurisdiction.
- ✔ These measures are intended to ensure smooth and timely onboarding of FPIs into India.

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## **SECURITIES EXCHANGE BOARD OF INDIA (SEBI)**

*Consultation Paper on Ease of Doing Business - Framework for strike prices of options contracts*

- ✔ SEBI, through its consultation paper dated 25 May 2026, has proposed that exchanges maintain an adequate number of in-the-money (ITM) and out-of-the-money (OTM) strike prices around prevailing market prices, undertake periodic reviews, and dynamically introduce new strike prices intraday without requiring brokers or traders to make system changes during market hours.
- ✔ The consultation paper is open for public comments until 15 June 2026.

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## INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)

*Annual Return on Foreign Liabilities and Assets (FLA) under FEMA, 1999 issued by  
the Reserve Bank of India*

- ✓ IFSCA, vide its circular dated May 1, 2026, has advised financial institutions to await further instructions on the FAQs issued by the RBI in relation to the Annual Return on Foreign Liabilities and Assets (FLA), as the same is currently under discussion with RBI.

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## **INTERNATIONAL FINANCIAL SERVICES CENTRE AUTHORITY (IFSCA)**

*Consumer Charter by Regulated Entities in IFSC*

- ✔ The circular encourages regulated entities to develop and publish a Consumer Charter on their GIFT IFSC entity website or provide a redirecting link to the Consumer Charter hosted on the website of their group entity.
- ✔ The Charter should broadly cover the entity's vision, mission, consumer rights and responsibilities, grievance-related guidance, essential do's and don'ts, and other consumer-centric provisions relevant to the nature of business activities.

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## **BERMUDA MONETARY AUTHORITY (BMA)**

*Proceeds of Crime Anti-Money Laundering and Anti-Terrorist Financing  
Regulations 2008*

- ✔ The Proceeds of Crime (Anti-Money Laundering and Anti-Terrorist Financing) Regulations 2008 establish a comprehensive AML/ATF framework requiring regulated entities to implement robust customer due diligence, ongoing monitoring, and risk-based controls to detect and prevent illicit financial activity.
- ✔ The Regulations mandate identification and verification of customers and beneficial owners, enhanced due diligence for higher-risk relationships (including politically exposed persons), and strict record-keeping obligations, alongside requirements for internal reporting, independent audit, and staff training.
- ✔ They also impose obligations relating to transfer of funds, including the provision and retention of payer and payee information, and prohibit anonymous accounts and dealings with shell banks, reinforcing transparency and accountability across financial transactions.

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## **BERMUDA REVENUE AUTHORITY (BRA)**

*Moody's Upgrades Bermuda's Credit Rating to A1, Maintains Stable Outlook*

- ✔️ Moody's upgrade of Bermuda's sovereign credit rating to A1 with a stable outlook reflects strengthened fiscal conditions and reinforces the jurisdiction's credibility in global financial markets.
- ✔️ The rating action is driven by sustained fiscal consolidation, the expected revenue uplift from the introduction of corporate income tax, and improvements in debt affordability, with projections of continued fiscal surpluses and declining debt levels.
- ✔️ Moody's also highlighted Bermuda's strong institutional framework and external position, balancing these positives against structural constraints such as limited diversification.
- ✔️ Overall, the upgrade underscores enhanced investor confidence and supports Bermuda's ability to access financing on more favourable terms.

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# FINANCIAL SERVICES COMMISSION (FSC) - MAURITIUS

*FSC Mauritius issues the Financial Services (Family Office) Rules 2026*

- ✔ The Financial Services (Family Office) Rules 2026 introduce a comprehensive regulatory framework governing single and multiple family offices operating from Mauritius, effective 1 June 2026.
- ✔ The Rules require any entity providing core family office services to obtain a licence from the Financial Services Commission, with clear distinctions between single-family and multi-family structures and prescribed minimum asset thresholds (USD 5 million for single family offices and USD 25 million aggregate for multi-family offices).
- ✔ They also establish enhanced governance and compliance requirements, including appointment of an approved agent, annual compliance reporting, risk management systems, confidentiality obligations, conflict-of-interest controls, and cybersecurity measures.
- ✔ Transitional provisions allow existing licensees to comply with the previous 2020 regime until 31 December 2026, after which full alignment with the new Rules becomes mandatory.

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## INLAND REVENUE AUTHORITY OF SINGAPORE (IRAS)

*Corporate Income Tax Filing Season 2026*

- ✔ The Inland Revenue Authority of Singapore (IRAS) has announced the Corporate Income Tax Filing Season 2026, with all companies required to e-file their Year of Assessment (YA) 2026 tax returns by 30 November 2026 via the myTax Portal.
- ✔ This obligation applies to all companies, including those that are dormant or loss-making, with directors remaining ultimately responsible for the accuracy and timeliness of submissions.
- ✔ IRAS continues to encourage early and accurate filing, highlighting that non-compliance may attract penalties of up to S\$5,000, and emphasises the use of simplified filing forms (e.g. Form C-S and C-S (Lite)) where applicable to streamline the process.

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# MONETARY AUTHORITY OF SINGAPORE (MAS)

*Risk Management Practices for Fund Management Companies*

- ✔ This information paper sets out MAS' supervisory expectations for effective governance structures, frameworks, policies and procedures, and controls for overseeing and managing the FMCs' investment process.
- ✔ The expectations are based on key findings from thematic inspections of selected FMCs' investment process across a range of investment strategies, including those conducted by external auditors appointed by MAS.

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# MONETARY AUTHORITY OF SINGAPORE (MAS)

*Valuation Practices for Fund Management Companies*

- ✔ This information paper sets out MAS' supervisory expectations for effective governance structures, frameworks, policies and procedures, and controls with respect to valuation of funds' assets.
- ✔ The expectations are based on key findings from thematic inspections of selected FMCs' investment process across a range of investment strategies, including those conducted by external auditors appointed by MAS.

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# MONETARY AUTHORITY OF SINGAPORE (MAS)

*Information Paper on Good Practices of Market Conduct Controls in the Financial  
Advisory Industry*

- ✔ The Monetary Authority of Singapore (MAS) has issued an information paper outlining good practices for market conduct controls within the financial advisory industry, aimed at strengthening governance, enhancing customer protection, and promoting fair dealing outcomes.
- ✔ The paper highlights the importance of robust supervisory frameworks, effective monitoring of representatives, clear accountability of senior management, and strong controls over advisory and sales practices, including proper disclosure, documentation, and handling of client interactions.
- ✔ MAS also emphasises the need for timely detection and remediation of misconduct, supported by data analytics and regular reviews, to ensure that firms maintain high standards of professionalism and mitigate conduct risks across the advisory lifecycle.

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