

Regulatory Alert

IAS/RAs/MIs/MFs/EDs/RTAs

February 2026 – Vol – 1

1. SEBI (Mutual Funds) Regulations, 2026

The SEBI (Mutual Funds) Regulations, 2026, effective from April 1, 2026, replaced the 1996 regulations and introduced a more flexible and robust framework. Key changes include the launch of Mutual Fund Lite for passive funds with relaxed sponsor norms, creation of Specialized Investment Funds (SIFs) for high-value investors, and new sponsor eligibility routes. The regulations also strengthened governance, ethics, investor protection; redefined expense structures, and introduced enhanced operational requirements such as stress testing, consolidated statements, and formal dispute resolution mechanisms. For more details, [click here](#).

2. Ease of Doing Investment and Ease of Doing Business – Doing away with requirement of issuance of Letter of Confirmation (“LOC”) and to effect direct credit of securities in dematerialisation account of the investor

SEBI has removed the requirement of issuing a Letter of Confirmation (LOC) for investor service requests like duplicate certificates, transmission, transposition, and related corporate actions. Securities will now be directly credited to investors demat accounts after due diligence by RTAs/listed companies, based on a recent Depository Participant’s attested Client Master List (not older than 2 months). The circular will be effective from April 02, 2026, and LOCs issued before this date shall remain valid for dematerialisation within 120 days from the date of issuance of LOC. RTAs/issuers must complete the credit of securities in demat form within 30 days of a complete and objection-free request. For more details, [click here](#).

3. Revision of Order-to-Trade Ratio (OTR) framework

SEBI has revised the Order-to-Trade Ratio (OTR) framework. For equity options, orders placed within $\pm 40\%$ of the Last Traded Price LTP (premium) or $\pm \text{Rs. } 20$ (whichever is higher) shall be exempted from penalties imposed for high OTR. Additionally, algorithmic orders placed by Designated Market Makers for market-making activities shall not be considered towards computation of OTR. For more details, [click here](#).

4. Review of Calendar Spread margin benefit in Single stock derivatives on expiry day

SEBI has rationalised margin norms for single stock derivatives, aligning them with index derivatives. On expiry day, calendar spread benefits (offsetting positions across expiries) will no longer apply to contracts expiring that day, for e.g., on the expiry day (29th), calendar spread benefits will not be available for positions involving the current-month contract (29th) against the next-month (30th) or far-month (31st) contracts. However, positions involving only non-expiring contracts, such as next-month (30th) vs far-month (31st), will continue to receive the benefit. This reduces expiry-day risks and gives traders time to adjust margins or positions. For more details, [click here](#).

5. Creation/Invocation of pledge of securities through depository system

SEBI has updated the framework for pledging shares through depositories to ensure compliance with the Indian Contract Act. Depositories must include clear undertakings in the

Pledge Request Form, where the pledgee agrees to give reasonable notice before selling pledged securities. A standardized pledge request format must be maintained, and both parties must be informed when a pledge is invoked, with the pledgee recorded as the beneficial owner. For more details, [click here](#).

6. Reporting of value of units of Alternative Investment Funds (AIFs) to Depositories

SEBI has mandated that AIFs must report the latest NAV of their units to Depositories through RTAs, in line with compulsory dematerialisation of AIF units. Category I and II AIFs must follow periodic independent valuation norms, while Category III AIFs must ensure independent NAV calculation and regular disclosure. The NAV must be uploaded for each ISIN within 30 days of valuation or by May 1, 2026, whichever is later. AIF managers are responsible for timely and accurate NAV reporting, while depositories must set up systems to display NAV with a standard disclaimer. For more details, [click here](#).

7. Obligations on CRAs while undertaking rating of financial instruments falling under the purview of any other Financial Sector Regulator

SEBI has laid down obligations for Credit Rating Agencies (CRAs) when they rate financial instruments regulated by regulators other than SEBI. CRAs must clearly separate SEBI-regulated and non-SEBI-regulated activities. They must disclose the concerned regulator and clearly state that SEBI investor protection and grievance mechanisms do not apply to such ratings. CRAs are also required to obtain written client acknowledgements, maintain minimum net worth as per SEBI norms, and confirm compliance through internal audit reports, with phased implementation timelines. For more details, [click here](#).

8. Capacity Planning and Real Time Performance Monitoring framework for Commodity Derivatives Segment of Market Infrastructure Institutions (MIIs)

SEBI has extended the Capacity Planning and Real-Time Performance Monitoring framework to the Commodity Derivatives Segment of stock exchanges and clearing corporations. MIIs must ensure system capacity of at least 2 times (2x) the projected peak load and take immediate corrective action if system utilization exceeds 75%. For more details, [click here](#).

9. Introduction of 'NPS Swasthya Pension Scheme' as a Proof of Concept under the Regulatory Sandbox Framework

PFRDA has permitted the launch of the NPS Swasthya Pension Scheme as a Proof of Concept (PoC) under its Regulatory Sandbox Framework to explore the integration of health-related benefits with the NPS. The scheme is a sector-specific initiative designed to provide financial support for out-patient and in-patient medical expenses. It will be launched on a pilot basis by approved Pension Funds for a limited period and subscriber base with relaxed exit norms, and if found unviable, subscribers can transfer their corpus to the Common Scheme Account and exit as per existing rules. For more details, [click here](#).

10. Registration of all grievances received under the NPS Architecture raised at the level of Points of Presence (POP) in the respective CRA Centralized Grievance Management System (CGMS) portals

PFRDA mandates all Points of Presence (POPs) under the NPS architecture to register every grievance received offline from subscribers in the respective Central Recordkeeping Agencies' CGMS portals. This is to ensure complete centralized tracking and analysis of grievances by PFRDA, as only online grievances are currently captured in the system. POPs are advised to

follow the CRA-prescribed Standard Operating Procedure (SOPs) for lodging grievances on behalf of subscribers. For more details, [click here](#).

11. Sharing of Subscriber Information with Pension Funds under NPS Vatsalya Scheme & Asset Allocation Flexibility

PFRDA allows Central Recordkeeping Agencies (CRAs) to share structured subscriber data under the NPS Vatsalya Scheme with Pension Funds (PFs) for scheme management and targeted outreach, subject to strict data privacy and regulatory compliance. It also provides flexibility in asset allocation to PFs- either to follow the indicative allocation prescribed in the guidelines or design their own allocation (including up to 100% equity, similar to MSF), subject to compliance with the NPS Master Circular. For more details, [click here](#).

The above Regulatory alerts may be relevant for the individuals with the following NISM Certification Examinations:

- NISM-Series-XVII: Retirement Adviser Certification Examination
- NISM-Series-VII: Securities Operations and Risk Management Certification Examination
- NISM-Series-II-A: Registrars to an Issue and Share Transfer Agents – Corporate Certification Examination
- NISM-Series-II-B: Registrars to an Issue and Share Transfer Agents – Mutual Fund Certification Examination
- NISM-Series-I: Currency Derivatives Certification Examination
- NISM-Series-XVI: Commodity Derivatives Certification Examination
- NISM-Series-VIII: Equity Derivatives Certification Examination
- NISM-Series-IV: Interest Rate Derivatives Certification Examination
- NISM-Series-VI: Depository Operations Certification Examination
- NISM-Series-XIX-A: Alternative Investment Funds (Category I and II) Distributors Certification Examination
- NISM-Series-XIX-B: Alternative Investment Funds (Category III) Distributors Certification Examination
- NISM-Series-XIX-C: Alternative Investment Fund Managers Certification Examination
- NISM-Series-XIX-D: Category I and II Alternative Investment Fund Managers Certification Examination
- NISM-Series-XIX-E: Category III Alternative Investment Fund Managers Certification Examination