Regulatory Alert

IAs/RAs/MIIs/MFs/EDs/RTAs

July 2026 – Vol – 1

1. **Handling of Client's Unpaid Securities by Trading Members**
SEBI has strengthened the framework for handling clients' unpaid securities by requiring Trading Members (TM) to daily monitor and determine the permissible pledge value based on the client's outstanding obligations. Unpaid securities pledged through Client Unpaid Securities Pledgee Account (CUSPA) will be automatically released by the depository on the 6^{th} trading day, if they are neither invoked nor released within five trading days after pay-out. In exceptional circumstances, such as lower circuit restrictions or trading suspensions, TM may make a request by 6PM on the 5^{th} trading day after pay-out, to extend the pledge by up to one additional calendar week, subject to regulatory conditions and prescribed timelines. For more details, click here.

2. **Review of norms for utilization of interest or income from IPF of the Depositories**
SEBI has revised the Investor Protection Fund (IPF) utilization norms for depositories by reducing the mandatory reinvestment of interest/income earned on IPF investments from 100% to at least 95%. The remaining 5% may be used for IPF-related administrative and statutory expenses, including employee costs, taxes, and audit fees. Any unutilized portion of the 5% must be ploughed back to the IPF, while expenses exceeding the prescribed limit must be borne by the depository. For more details, click here.

3. **Extending facility of creating standing instructions for Systematic Withdrawal Plan (SWP)/ Systematic Transfer Plan (STP) for Mutual Fund units held in demat form**
SEBI has decided to extend the facility of creating standing instructions for Systematic Withdrawal Plans (SWP) and Systematic Transfer Plans (STP) to Mutual Fund units held in demat form, which was not available earlier. The initiative aims to enhance investor convenience and improve ease of doing business. The framework will be implemented in two phases: Phase I, covering unit-based SWP/STP transactions, is to be implemented by January 31, 2027, while Phase II, covering amount-based SWP/STP transactions, is to be implemented by April 30, 2027. For more details, click here.

4. **Certification Requirements for Distribution of Specialized Investment Funds (SIFs)**
SEBI has revised the certification requirements for the distribution of Specialized Investment Funds (SIFs). Persons engaged in the sale and/or distribution of SIFs must hold the **NISM-Series-V-D Mutual Fund - Specialized Investment Fund Distributors Certification Examination**, which also permits the distribution of Mutual Fund products without requiring a separate NISM-Series-V-A certification. Entities distributing only Mutual Fund products will continue to be governed by the NISM-Series-V-A certification requirement. Further, the requirement to hold the **NISM-Series-XIII: Common Derivatives Certification** for SIF distribution will cease after **September 21, 2026**; however, existing holders of a valid Series XIII certification obtained on or before that date may continue distributing SIFs until the certification expires, subject to maintaining a valid NISM-Series-V-A certification during the transition period. For more details, click here.

5. **Operationalisation of freezing of holdings of promoter and promoter group including their associates (promoter holdings) at the ISIN level under Regulation 24(i)(ea) of the SEBI (Buy-back of Securities) Regulations, 2018 dated July 21, 2026**
   SEBI has amended the Buy-back Regulations by introducing Regulation 24(i)(ea), which requires the holdings of promoters, promoter group entities, and their associates to be frozen at the ISIN level from the date of approval of the buy-back proposal until the closure of the buy-back offer. This introduces a system-based mechanism to strengthen compliance and restrict transfers or dealings in promoter holdings during the buy-back period. However, the framework continues to permit tendering of securities in a buy-back undertaken through the tender offer route and the invocation or release of encumbrances created prior to the commencement of the buy-back period. For more details, click here.

6. **Ease of Doing Investment and Ease of Doing Business – Simplification and standardisation of the framework for transmission of securities**
   SEBI has introduced a revised and standardised framework for transmission of securities to simplify and expedite the transmission process for investors. Key changes include the introduction of Quick Transmission Processing (QTP) for low-value up to Rs. 10,000 for physical securities and Rs. 30,000 for demat securities, while increasing the thresholds for simplified documentation to Rs. 10 lakh (physical) and Rs. 30 lakh (demat). It also streamlines documentation by removing the mandatory requirement of Probate of Will, introducing a combined Affidavit-cum-NOC, accepting QR code-enabled death certificates, and easing the verification of foreign death certificates. For more details, click here.

7. **Enhancement of Investment Choice Options under NPS for subscribers of Central Autonomous Bodies (CABs)**
   PFRDA has expanded the investment choice options under the National Pension System (NPS) for subscribers of Central Autonomous Bodies (CABs). In addition to the existing four options, two new Auto Choice options have been introduced- **Auto Choice – Life Cycle 75- High,** which provides equity exposure of 75% up to age 35, gradually reducing to 15% by age 55, while **Auto Choice - Life Cycle - Aggressive** maintains 50% equity exposure up to age 45, tapering to 35% by age 55. Subscribers opting for an investment choice other than the Default Scheme are required to select one of the five available non-default investment options and a Pension Fund registered with PFRDA. For more details, click here.

8. **Introduction of NPS PRIDE- DISHA (Pension Fund Returns for Informed Decision & Empowerment) : A Subscriber Awareness and Decision Support Digital Tool Kit**
   PFRDA has launched NPS PRIDE-DISHA (Pension Fund Returns for Informed Decision & Empowerment); a digital tool designed to help NPS subscribers make better-informed pension fund choices. Unlike traditional comparisons based on point-to-point returns, the tool uses the Extended Internal Rate of Return (XIRR) methodology and historical NAV data since 2008 to reflect the returns an investor would have earned through regular periodic contributions. The tool enables subscribers to compare Pension Funds, assess different investment options, and simulate retirement wealth accumulation under various scenarios. For more details, click here.

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

- NISM-Series-V-A: Mutual Fund Distributors Certification Examination (English)
- NISM-Series-V-A: Mutual Fund Distributors Certification Examination (Hindi)
- NISM-Series-V-D: Mutual Fund – Specialized Investment Fund Distributors Certification Examination
- NISM-Series-VII: Securities Operations and Risk Management Certification Examination
- NISM-Series-VI: Depository Operations Certification Examination
- NISM-Series-II-A: Registrars to an Issue and Share Transfer Agents-Corporate Certification Examination
- NISM Series-X-B: Investment Adviser (Level 2) Certification Examination
- NISM-Series-XVII: Retirement Adviser Certification Examination
- NISM Series-IX: Merchant Banking Certification Examination