Monthly Newsletter

SARVAANK ASSOCIATES

01st May 2026 to 31st May 2026

Securities and Exchange Board of India

In this newsletter you can expect:

- Advisory on Emerging Advanced Artificial Intelligence (AI) Tools for Vulnerability Detection
- 'Significant Indices' under SEBI (Index Providers) Regulations, 2024
- Ease of doing investments - Modified Norms for Nomination in Demat Accounts and Mutual Fund Folios
- Reserve Bank of India (Local Area Banks – Financial Statements: Presentation and Disclosures) Third Amendment Directions, 2026
- Amendment of Schedule VII of the Companies Act, 2013
- The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2026

Advisory on Emerging Advanced Artificial Intelligence (AI) Tools for Vulnerability Detection Dated May 05 2026

SEBI has issued an advisory highlighting the cybersecurity risks arising from AI-driven vulnerability identification tools, such as "Claude Mythos", which may enable rapid identification and exploitation of system vulnerabilities while also raising concerns relating to data confidentiality, application integrity, and reliability of outputs. Recognising the interconnected nature of the securities market ecosystem and the potential cascading impact of cyber incidents, SEBI has constituted a task force named "cyber-suraksha.ai", comprising representatives from MIIs, QRTAs, QREs and other stakeholders, to assess AI-related cybersecurity risks, formulate mitigation strategies, facilitate sharing of threat intelligence and best practices, report cyber incidents and vulnerabilities on a priority basis, and review the cybersecurity posture of third-party service providers and empanelled vendors. Pursuant to consultations with the task force, SEBI has issued an advisory prescribing several measures including immediate patch management, periodic vulnerability assessments and security audits (including AI-based assessments), strengthened API security, enhanced SOC and SIEM/SOAR monitoring, onboarding to Market-SOC platforms, robust change management processes, periodic risk assessments incorporating AI-related threat scenarios, system hardening measures, maintenance of updated asset inventories and software bills of materials, and the formulation of long-term AI-based cybersecurity detection and mitigation plans. The advisory is to be read in conjunction with SEBI's Cybersecurity and Cyber Resilience Framework and other applicable circulars issued from time to time.

This Circular can be accessed Here.

'Significant Indices' under SEBI (Index Providers) Regulations, 2024 Dated May 05 2026

SEBI has issued a circular under the SEBI (Index Providers) Regulations, 2024 ("IP Regulations") specifying the framework for identifying and regulating "Significant Indices" in the Indian securities market. Under the circular, any benchmark or index (including index of indices) based on listed securities shall qualify as a "Significant Index" if the daily average cumulative assets under management ("AUM") tracking such index across mutual fund schemes exceeds INR 20,000 crore for each of the preceding six months ending on June 30 and December 31 of a year. Once classified as a Significant Index, the index shall continue to remain within such category unless the prescribed threshold is not met for a continuous period of three years. SEBI has accordingly notified an initial list of Significant Indices, including prominent indices administered by BSE Index Services Pvt. Ltd., NSE Indices Limited and CRISIL. Index Providers administering such Significant Indices are required to apply for registration with SEBI within six months from the date of the circular, unless all such indices are already notified by RBI as "Significant Benchmarks" or "Authorized Benchmarks" under the RBI Act, 1934. The circular further permits existing Index Providers to continue operations pending registration, while entities already registered with SEBI in another capacity and undertaking index provider activities departmentally must establish a separate legal entity for such activities within two years. Additionally, SEBI has clarified that the grievance redressal mechanism under the IP Regulations shall apply only in relation to Significant Indices provided by SEBI-registered Index Providers.

This Circular can be accessed Here.

Norms for sharing and usage of price data for educational purposes Dated May 08 2026

SEBI has revised the norms governing sharing and usage of real-time market price data by Market Infrastructure Institutions ("MIIs") and market intermediaries for educational and awareness purposes. Earlier, SEBI had permitted sharing of price data with a lag of one day under its circular dated May 24, 2024, while subsequently prescribing a three-month lag for entities solely engaged in educational activities under its circular dated January 29, 2025. Pursuant to stakeholder feedback and public consultation, SEBI has now rationalised the framework by prescribing a uniform time lag of 30 days for both sharing and usage of market price data for educational purposes, considering that a one-day lag posed misuse concerns while a three-month lag was excessively restrictive for genuine educational use. Additionally, SEBI has carved out a specific exemption for the National Institute of Securities Markets ("NISM"), permitting access to market price data with a one-day lag solely for use in its simulation lab, recognising its role in SEBI-mandated training and market capacity building. The revised framework also mandates MIIs and market intermediaries to undertake due diligence and execute appropriate legal agreements while sharing such data, including provisions relating to audit trails and safeguards against misuse. Further, SEBI has clarified that persons engaged solely in educational activities must not use market price data of the preceding 30 days to provide or imply any advice, recommendation, or future price indication relating to securities. The circular shall come into effect from July 1, 2026.

This Circular can be accessed Here.

Permitted use of fresh borrowings for InvITs where Net Borrowings exceeds forty-nine percent of the value of InvIT assets Dated May 15 2026

SEBI has issued a circular clarifying the permitted end-use of fresh borrowings by Infrastructure Investment Trusts ("InvITs") where net borrowings exceed 49% of the value of InvIT assets, pursuant to the amendment introduced to Regulation 20(3)(b)(ii) of the SEBI (Infrastructure Investment Trusts) Regulations, 2014 on April 17, 2026. Under the revised framework, borrowings above the prescribed threshold may be utilised for specified purposes including: (i) capital expenditure undertaken for enhancement of asset performance or capacity augmentation; (ii) major maintenance expenditure relating to road projects, provided such expenditure is non-routine in nature and undertaken in accordance with the relevant concession agreement; and (iii) refinancing of existing debt at the InvIT, SPV or Holdco level, subject to the conditions that the original debt was utilised for permissible purposes under the InvIT Regulations and only the principal portion of such debt may be refinanced, excluding accumulated interest, fees or other charges.

This Circular can be accessed Here.

Status of SPVs post conclusion or termination of Concession Agreement Dated May 15 2026

SEBI has issued a circular clarifying the treatment and continued status of special purpose vehicles ("SPVs") held by Infrastructure Investment Trusts ("InvITs") following the conclusion or termination of concession agreements or similar arrangements. Pursuant to the amendment introduced to Regulation 2(1)(zy)(ii) of the SEBI (Infrastructure Investment Trusts) Regulations, 2014 on April 17, 2026, an SPV shall continue to retain its status as an SPV even after expiry or termination of the underlying concession agreement, subject to specified conditions. In this regard, SEBI has mandated that the Investment Manager must, within one year from the later of: (i) termination/completion of the concession agreement; (ii) conclusion of pending claims, litigations, tax assessments and related appeals; or (iii) completion of the defect liability period, either exit the investment in such SPV through sale, liquidation, winding-up or merger, or acquire a new infrastructure project within the same SPV. The time taken for obtaining regulatory or statutory approvals for such exit transactions shall be excluded from the one-year timeline. Additionally, detailed disclosures are required in the InvIT's annual report at both the InvIT and SPV level, including details relating to the terminated project, asset-liability position, contingent liabilities, debt obligations, sufficiency of assets to meet liabilities, pending disputes and statutory obligations, as well as the proposed exit strategy or future project acquisition plan and expected timelines.

This Circular can be accessed Here.

Revision of Monthly Cumulative Report (MCR) Format Dated May 19 2026

SEBI has issued a circular revising the format of the Monthly Cumulative Report ("MCR") applicable to mutual funds, pursuant to the introduction of new scheme categories under the revised categorisation and rationalisation framework for mutual fund schemes prescribed vide SEBI circular dated February 26, 2026, now incorporated under Clause 3.7 of the SEBI Master Circular for Mutual Funds dated March 20, 2026. Accordingly, the revised MCR format, along with the MCR SIF format, shall be applicable from June 2026 onwards. SEBI has clarified that all other requirements and conditions specified under Clause 6.20 of the Master Circular relating to MCR reporting shall continue to remain unchanged. The circular has been issued with the objective of aligning regulatory reporting formats with the revised mutual fund scheme categorisation framework and strengthening reporting consistency within the mutual fund industry.

This Circular can be accessed Here.

Ease of doing investments - Modified Norms for Nomination in Demat Accounts and Mutual Fund Folios Dated 29 May 2026

SEBI has issued revised norms for nomination in demat accounts and mutual fund folios with the objective of enhancing investor convenience, simplifying the onboarding process, and reducing the incidence of unclaimed assets. Effective from September 1, 2026, nomination will be mandatory for all newly opened single-holder accounts and folios, unless the investor expressly opts out through a prescribed declaration. For jointly held accounts and folios, nomination remains optional; however, any nomination or change thereto will require the consent of all joint holders irrespective of the mode of operation. The circular permits investors to nominate up to three nominees and allows nominations to be submitted through both online and offline modes. Online nominations may be authenticated through a Digital Signature Certificate (DSC), Aadhaar-based e-sign, any other legally recognised e-sign facility, or two-factor authentication (2FA). For physical submissions, a witness is no longer required where the form is signed; witness details will be necessary only in cases where the investor affixes a thumb impression. SEBI has also rationalised the information requirements by making only the nominee's name, relationship with the investor, and date of birth (for minor nominees) mandatory, while details such as contact information, identification particulars, and percentage allocation among nominees remain optional. The framework further grants investors flexibility to modify or cancel nominations any number of times, with regulated entities being required to issue acknowledgements for every nomination-related request. Depository Participants and Mutual Fund Registrars and Transfer Agents (RTAs) must also display nomination status in periodic statements and actively encourage investors without nominations through bi-annual email and SMS reminders, as well as online pop-up notifications. The circular applies equally to existing accounts and folios and supersedes all earlier SEBI circulars governing nomination facilities, thereby establishing a streamlined and investor-friendly nomination regime across the securities market.

This Circular can be accessed Here.

Reserve Bank of India

Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Fifth Amendment Directions, 2026 Dated May 08 2026

The Reserve Bank of India ("RBI") has issued the Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Fifth Amendment Directions, 2026, amending the framework governing inclusion of quarterly profits in Common Equity Tier 1 ("CET1") capital for the purpose of Capital to Risk Weighted Assets Ratio ("CRAR") computation by commercial banks. Under the revised framework, banks are now permitted to recognise profits for the current financial year on a quarterly basis for CRAR calculations, provided that the quarterly financial statements are either audited or subjected to limited review. The eligible profit that may be included in CET1 capital is required to be calculated using a prescribed formula which adjusts net profits up to the relevant quarter by deducting a proportionate amount linked to the average dividend paid during the preceding three financial years. Further, RBI has clarified that any cumulative net loss up to the relevant quarter-end must be fully deducted while computing CET1 capital. The amendment has been introduced with immediate effect under the RBI's powers under the Banking Regulation Act, 1949 and aims to refine the prudential treatment of interim profits for capital adequacy purposes.

The circular can be accessed Here.

Reserve Bank of India (Small Finance Banks - Prudential Norms on Capital Adequacy) Fourth Amendment Directions, 2026 Dated May 08 2026

The Reserve Bank of India ("RBI") has issued the Reserve Bank of India (Small Finance Banks – Prudential Norms on Capital Adequacy) Fourth Amendment Directions, 2026, revising the prudential framework governing the inclusion of quarterly profits in Common Equity Tier 1 ("CET1") capital for Small Finance Banks ("SFBs"). Under the amended framework, SFBs are permitted to recognise profits for the current financial year on a quarterly basis for the purpose of calculating Capital to Risk Weighted Assets Ratio ("CRAR"), subject to the condition that the quarterly financial statements are either audited or subjected to limited review. The amount of eligible profits that may be reckoned for CET1 capital is to be computed using a prescribed formula that adjusts net profits up to the relevant quarter after factoring in a proportionate deduction linked to the average dividend paid during the preceding three financial years. RBI has further clarified that any cumulative net loss up to the relevant quarter-end must be fully deducted while computing CET1 capital. The amendment has come into effect immediately and aligns the capital adequacy treatment applicable to Small Finance Banks with the broader prudential framework applicable to commercial banks.

The Circular can be accessed Here.

Operating framework for facilitating Outward Remittance services by non- bank entities through Authorized Dealer (Category I) banks in India Dated May 13 2026

The Reserve Bank of India ("RBI") has liberalised the framework governing outward remittance services facilitated by non-bank entities through Authorised Dealer Category-I ("AD Category-I") banks. Earlier, non-bank entities facilitating such cross-border outward remittance services were required to obtain specific approval from RBI for tie-up arrangements with AD banks. Pursuant to a regulatory review, RBI has now dispensed with the approval requirement and has instead placed the compliance responsibility directly on AD Category-I banks while facilitating outward remittances for non-trade current account transactions through third-party online platforms, websites, mobile applications or similar digital interfaces. Accordingly, Paragraph 10 of the Master Direction – Miscellaneous dated January 1, 2016 stands deleted with immediate effect. The revised framework is aimed at simplifying operational requirements, easing compliance burdens, and enabling smoother digital facilitation of outward remittance services, while continuing to subject such transactions to applicable FEMA requirements and regulatory safeguards.

This Circular can be accessed Here.

Reserve Bank of India (Payments Banks - Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026 Dated 18 May 2026

The Reserve Bank of India ("RBI") has issued the Reserve Bank of India (Payments Banks – Classification, Valuation, and Operation of Investment Portfolio) Amendment Directions, 2026, revising the framework governing the maintenance of the Investment Fluctuation Reserve ("IFR") by Payments Banks. The amendment has been introduced in response to operational challenges faced by banks in maintaining the IFR under the existing framework. Under the revised provisions, Payments Banks are required to create and maintain an IFR out of realised gains arising from the sale of investments, subject to the availability of net profits, until the reserve balance reaches at least 2% of the value of the Available for Sale ("AFS") and Fair Value Through Profit and Loss ("FVTPL"), including Held for Trading ("HFT"), investment portfolio. The minimum IFR requirement is to be assessed annually based on the value of the relevant investment portfolio as on the balance sheet date. RBI has further clarified that transfers to the IFR must be made out of net profits after effecting all mandatory appropriations. The amendment comes into force immediately and seeks to strengthen prudential risk buffers while providing operational clarity for Payments Banks in managing investment portfolio fluctuations.

This Circular can be accessed Here.

Reserve Bank of India (Local Area Banks – Financial Statements: Presentation and Disclosures) Third Amendment Directions, 2026 Dated 18 May 2026

The Reserve Bank of India ("RBI") has issued the Reserve Bank of India (Local Area Banks – Financial Statements: Presentation and Disclosures) Third Amendment Directions, 2026, to align the financial reporting framework for Local Area Banks ("LABs") with the revised investment portfolio regulations. Pursuant to the amendment, RBI has revised the definition and disclosure requirements relating to "Revenue and Other Reserves" under Schedule 2 of the financial statements, clarifying that a revenue reserve includes all reserves other than capital reserves and excludes amounts retained for depreciation, diminution in asset value, renewals, or known liabilities. Additionally, the disclosure framework has been updated to require specific reporting on the movement of provisions held towards non-performing investments ("NPIs"), including opening balances, provisions created during the year, write-offs or write-backs of excess provisions, and closing balances. The amendment has come into effect immediately and is intended to enhance transparency, consistency, and prudential disclosures in the financial statements of Local Area Banks.

This Circular can be accessed Here.

Implementation of Section 51A of UAPA, 1967: Updates to UNSC's 1267/ 1989 ISIL (Da'esh) & Al-Qaida Sanctions List: Removal of 7 Entries Dated 22 May 2026

The Reserve Bank of India ("RBI") has issued a notification under the Know Your Customer ("KYC") Directions, 2025 informing regulated entities of updates to the United Nations Security Council ("UNSC") ISIL (Da'esh) and Al-Qaida Sanctions List. Pursuant to a communication from the Ministry of External Affairs regarding UNSC Press Release SC/16365 dated May 21, 2026, seven individuals have been removed from the sanctions list maintained under the UNSC's 1267/1989/2253 sanctions regime. Consequently, the asset freeze, travel ban and arms embargo measures applicable to these individuals under the relevant UNSC resolutions no longer apply. RBI has directed banks and other regulated entities to take appropriate action in accordance with Chapter IX of the KYC Directions and the procedure prescribed under the Unlawful Activities (Prevention) Act, 1967 ("UAPA") framework, including updating sanctions screening mechanisms and records. The circular also reiterates that any delisting requests received by banks must be forwarded to the Ministry of Home Affairs and reminds regulated entities to continue monitoring the updated UNSC sanctions lists to ensure ongoing compliance with anti-terror financing and sanctions obligations.

This Circular can be accessed Here.

Reserve Bank of India (Rural Co-operative Banks - Governance) Amendment Directions, 2026 Dated May 25 2026

The Reserve Bank of India ("RBI") has issued the Reserve Bank of India (Rural Co-operative Banks – Governance) Amendment Directions, 2026 to strengthen governance standards and prevent circumvention of statutory tenure limits applicable to directors of State Co-operative Banks ("StCBs") and Central Co-operative Banks ("CCBs"). Noting instances where directors resigned briefly and were subsequently re-elected or re-appointed to extend their tenure beyond the permissible limit, RBI has introduced a mandatory cooling-off requirement. Under the amended framework, a director who has completed a continuous tenure of ten years on the board of a Rural Co-operative Bank may be re-appointed to the board of the same bank only after undergoing a minimum cooling-off period of three years, during which the individual cannot be associated with the bank in any capacity other than as a member or customer. The amendment further clarifies that, for the purpose of calculating continuous tenure, any interruption of less than three years will be disregarded and the entire period of service will be aggregated, whereas a break of at least three years will reset the tenure calculation. The Directions have come into force with immediate effect and are intended to uphold the spirit of board rotation requirements and promote sound governance practices in the co-operative banking sector.

This Circular can be accessed Here.

Ministry of Corporate Affairs

Amendment of Schedule VII of the Companies Act, 2013 Dated 27 May 2026

The Ministry of Corporate Affairs has amended Schedule VII of the Companies Act, 2013 to expressly recognise subscription to Zero Coupon Zero Principal (ZCZP) Instruments listed on the Social Stock Exchange as an eligible Corporate Social Responsibility (CSR) activity. This amendment complements the recent changes to the CSR Rules, 2014, which permit companies to deploy a portion of their CSR expenditure through such instruments issued by eligible Not-for-Profit Organisations (NPOs). By including ZCZP instrument subscriptions within Schedule VII, the Government has created a statutory basis for channelling CSR funds through the Social Stock Exchange framework, thereby promoting innovative social financing mechanisms and enhancing funding opportunities for social enterprises and NPOs.

This Notification can be accessed Here.

The Companies (Corporate Social Responsibility Policy) Amendment Rules, 2026 Dated 27 May 2026

The Ministry of Corporate Affairs has amended the Companies (Corporate Social Responsibility Policy) Rules, 2014 to permit companies to undertake CSR activities through subscription to Zero Coupon Zero Principal (ZCZP) Instruments issued by eligible Not-for-Profit Organisations (NPOs) registered on the Social Stock Exchange. The amendment caps such expenditure at 10% of a company's annual CSR obligation and exempts companies from conducting impact assessments for projects funded through these instruments. NPOs raising funds through ZCZP instruments must utilise the proceeds for projects with a maximum duration of three financial years, and any unspent amount upon delisting of the instrument must be transferred to a Schedule VII fund and reported to SEBI. The amendment is aimed at broadening avenues for CSR implementation while promoting the Social Stock Exchange ecosystem and enhancing funding access for eligible NPOs.

This Notification can be accessed Here.

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