KING STUBB & KASIVA
ADVOCATES AND ATTORNEYS

CORPORATE & COMMERCIAL

UPDATES

AUGUST 2026

Regulatory Updates

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1. RESERVE BANK OF INDIA UPDATES

Special Rupee Vostro Accounts (SRVAs).

Circular dated July 17, 2026

The Reserve Bank of India ("RBI") issued a circular consolidating and rationalising the existing framework governing Special Rupee Vostro Accounts ("SRVAs") used for settlement of cross-border transactions in Indian Rupees. The circular supersedes earlier instructions issued between 2022 and 2025 and brings the applicable provisions relating to the opening, funding, utilisation, investment, documentation and reporting of SRVAs into a consolidated framework.

Under the revised framework, Authorised Dealer Category-I ("AD Category-I") banks may open SRVAs with overseas branches of banks or with banks incorporated outside India without prior RBI approval. SRVAs may be used for settlement of cross-border exports and imports in INR, as well as other permissible current and capital account transactions under FEMA. The accounts may be funded through inward remittances, transfers from other repatriable INR accounts and proceeds of permissible FEMA transactions.

AD Category-I banks maintaining SRVAs may also open additional current accounts for exporters and importers for trade-settlement purposes. Investment of SRVA balances in debt instruments will be subject to the applicable RBI framework governing non-resident investment in debt instruments.

Key takeaway: The circular provides a single consolidated framework for SRVAs, improving clarity for AD Category-I banks and overseas banking partners undertaking INR-based cross-border transactions.

Small Finance Banks - Asset Liability Management Amendment

Circular dated July 30, 2026

RBI issued the Reserve Bank of India (Small Finance Banks – Asset Liability Management) Amendment Directions, 2026, primarily to align the disclosure framework for the Liquidity Coverage Ratio ("LCR") and Net Stable Funding Ratio ("NSFR") with the revised disclosure requirements under the applicable financial-statement and capital-adequacy frameworks.

The amendment substitutes the relevant provision concerning the LCR and NSFR disclosure templates and related instructions. Small Finance Banks are now required to refer to the relevant provisions of the RBI (Small Finance Banks - Financial Statements: Presentation and Disclosures) Directions and the RBI (Small Finance Banks - Prudential Norms on Capital Adequacy) Directions for these disclosures.

Key takeaway: The amendment rationalises the location and cross-referencing of LCR and NSFR disclosure requirements and aligns the SFB framework with the revised Basel Pillar 3 disclosure architecture.

Revised Concurrent Audit Framework for Banks.

Circular dated July 31, 2026

RBI issued separate Reserve Bank of India (Concurrent Audit) Directions, 2026 for Commercial Banks, Small Finance Banks, Payments Banks, Urban Co-operative Banks and Local Area Banks. The new Directions consolidate and replace the respective earlier instructions governing concurrent audit and are intended to strengthen concurrent audit as an early-warning and internal-control mechanism.

The framework places responsibility on the relevant Board-level audit oversight mechanism and the internal audit function for determining and overseeing the scope of concurrent audit. Coverage is required to be risk-based and may include areas such as cash transactions, advances, KYC/AML compliance, remittances, treasury and foreign exchange operations, card business, employee conduct, mis-selling and compliance with RBI Directions and internal policies.

The Directions also prescribe requirements concerning the appointment, eligibility, independence, accountability, remuneration, reporting and follow-up of concurrent auditors. For example, under the Commercial Banks framework, an external concurrent auditor's continuous tenure with a bank cannot exceed five years, while an auditor cannot continue with the same branch or business unit for more than three years. Retired staff engaged as concurrent auditors cannot exceed 70 years of age.

Major deficiencies and fraudulent transactions are required to be escalated promptly, while quarterly reviews of important concurrent-audit findings are to be placed before the relevant audit oversight mechanism.

Key takeaway: The revised framework increases the emphasis on risk-based audit coverage, auditor accountability, timely escalation of material findings and Board-level oversight of concurrent audit.

Cybersecurity, Technology Risk, Resilience and Assurance Framework.

Circular dated July 31, 2026

RBI issued separate entity-specific Directions on the Cybersecurity, Technology: Risk, Resilience and Assurance Framework for Commercial Banks, Small Finance Banks, Payments Banks, Urban Co-operative Banks, Non-Banking Financial Companies (“NBFCs”) and All India Financial Institutions (“AIFIs”). The Directions consolidate and update requirements relating to IT governance, information security, cybersecurity, technology risk management, operational resilience and information-systems audit.

The Directions place greater responsibility on Boards and senior management for technology and cybersecurity governance. Depending on the regulated entity and applicable framework, requirements include Board-approved IT and information-security policies, appropriate IT/security committees, defined responsibilities for senior technology and security personnel, including the Chief Information Security Officer (“CISO”), and systematic identification and assessment of technology and cybersecurity risks.

The framework also addresses information-asset protection and classification, access controls, application and network security, vulnerability management, audit logs, incident response, business continuity and disaster recovery, third-party technology arrangements and information-systems audit.

For NBFCs, the requirements are differentiated based on the applicable regulatory layer and asset size, with enhanced governance and technology-risk requirements applying to larger and higher-layer entities.

The Directions came into effect immediately upon issuance.

Key takeaway: Regulated entities and their technology-service providers will need to review governance structures, cybersecurity controls, incident-response arrangements, outsourcing arrangements and technology-risk documentation against the applicable 2026 framework.

Digital Payment Security Controls.

Circular dated July 31, 2026

RBI issued separate Digital Payment Security Controls Directions, 2026 for Commercial Banks, Small Finance Banks, Payments Banks and Urban Co-operative Banks. The Directions consolidate and update the regulatory framework governing security controls for digital payment products and services.

The framework covers Board-level governance and policies, digital-payment security risk management, secure application development, authentication, vulnerability assessment and penetration testing, fraud-risk management, reconciliation mechanisms, customer protection and grievance redressal.

Specific requirements also address internet banking, mobile-payment applications and card-payment security, including appropriate controls relating to access management, encryption, transaction monitoring, security testing and protection of payment information.

Key takeaway: The revised framework places greater responsibility on banks to embed security, fraud prevention, customer protection and resilience throughout the digital-payment lifecycle.

Measures for Detection, Reporting and Monitoring of Fake Indian Currency Notes

Circular dated July 31, 2026

RBI issued instructions requiring banks to strengthen their systems for the detection, impounding, reporting and monitoring of Fake Indian Currency Notes ("FICNs"), following its assessment that the existing efforts of certain banks were inadequate.

Banks are required to implement focused training programmes for cash-handling staff. All such staff are required to be trained by October 31, 2026, while branches in districts sharing international borders are to receive priority training by September 15, 2026.

Action Taken Reports are required to be submitted through the Forged Note Vigilance Cells to the concerned RBI Issue Office by November 7, 2026, and by September 22, 2026 in respect of the priority training for branches in international-border districts.

Banks are also required to equip branches in districts having international borders with Note Authentication and Sorting Machines. Forged Note Vigilance Cells are expected to analyse FICN data to identify hotspots and trends and undertake targeted outreach and capacity-building measures.

Key takeaway: The revised instructions place greater emphasis on risk-based preparedness, staff capability, authentication infrastructure and data-driven monitoring of counterfeit currency risks.

Housing Finance Companies - Recovery of Loan Dues and Recovery Agents

Circular dated August 6, 2026

RBI issued the Reserve Bank of India (Housing Finance Companies) Third Amendment Directions, 2026, revising the framework governing the recovery of loan dues and engagement of recovery agents by Housing Finance Companies ("HFCs").
The amendment deletes the existing HFC-specific provisions relating to recovery agents under Chapter X of the RBI (Housing Finance Companies) Directions, 2025 and introduces a new provision, paragraph 170A, requiring HFCs to comply with paragraphs 100A to 100AB of the RBI (Non-Banking Financial Companies - Responsible Business Conduct) Directions, 2025.

The amendment is intended to align the conduct requirements applicable to HFCs in relation to recovery activities with the broader NBFC responsible-business-conduct framework.

The amendment will come into effect from January 1, 2027.

Key takeaway: HFCs should use the transition period to review their recovery-agent appointment, supervision, conduct and customer-contact processes against the requirements incorporated from the NBFC Responsible Business Conduct framework.

Priority Sector Lending - Adjustment to ANBC for Specified Non-Resident Deposits.

Circular dated August 7, 2026

RBI amended the Priority Sector Lending - Targets and Classification framework to provide specific treatment for certain advances made against fresh FCNR(B) and NRE term deposits mobilised during specified periods.

For eligible fresh FCNR(B) deposits of three to five years mobilised between June 8, 2026 and September 30, 2026, advances made in India against such deposits may be excluded from Adjusted Net Bank Credit ("ANBC"), subject to the applicable conditions and the extent to which the underlying deposits qualify for the relevant CRR/SLR exemption.

A similar exclusion applies to advances against eligible fresh NRE term deposits of three years or more mobilised between June 19, 2026 and September 30, 2026, including eligible renewals, subject to the applicable conditions.

The amount excluded from ANBC cannot exceed the amount of the relevant fresh FCNR(B) or NRE deposits that actually qualifies for the applicable CRR/SLR exemption. The amendment also removes the earlier footnote setting out the historical calculation methodology based on specified legacy dates. The amendment is effective immediately.

Key takeaway: The amendment provides eligible banks with greater flexibility in deploying funds raised through specified FCNR(B) and NRE deposits without the corresponding eligible advances increasing the ANBC base for priority-sector-lending target calculations, subject to the prescribed conditions.

2. SECURITIES AND EXCHANGE BOARD OF INDIA

Standing Instructions for SWP/STP Extended to Mutual Fund Units Held in Demat Form, July 17, 2026

SEBI has extended the facility for creating standing instructions for Systematic Withdrawal Plans ("SWPs") and Systematic Transfer Plans ("STPs") to Mutual Fund units held in dematerialised form. Previously, such standing instructions were available only for Mutual Fund units held in non-demat form through the Mutual Fund or its Registrar and Transfer Agent ("RTA"). The measure follows representations from Depositories and recommendations of SEBI's Working Group and Secondary Market Advisory Committee and is intended to facilitate ease of investing.

The framework will be implemented in two phases. Phase I, to be implemented by January 31, 2027, will enable unit-based SWP/STP, allowing investors to create standing instructions for redemption or transfer of a specified number of units at prescribed intervals. Phase II, to be implemented by April 30, 2027, will extend the facility to amount-based SWP/STP, permitting periodic withdrawal or transfer of a specified monetary amount.

The Depositories will act as the nodal facilitators and are required to jointly publish a standard operational framework by October 31, 2026, undertake necessary system changes and make corresponding amendments to their bye-laws, rules and regulations, where required.

Key takeaway: The framework brings demat-held Mutual Fund units within the standing-instruction mechanism for SWP/STP, providing investors with greater flexibility to automate periodic redemptions and transfers.

Operationalisation of ISIN-Level Freeze on Promoter Holdings in Buy-backs, July 21, 2026

SEBI has operationalised the requirement to freeze the holdings of promoters, promoter groups and their associates at the ISIN level under Regulation 24(i)(ea) of the SEBI (Buy-back of Securities) Regulations, 2018. The requirement follows the amendment to the Buy-back Regulations notified on July 1, 2026.

The promoter holdings are required to remain frozen from the date of approval of the buy-back by the Board of Directors or shareholders, as applicable, until closure of the buy-back offer. The framework permits the tendering of securities in buy-backs undertaken through the tender-offer route and allows invocation of encumbrances created before commencement of the buy-back period, subject to the prescribed conditions.

The Depositories have been designated to develop and operationalise the framework. The operational framework covers the format for freezing instructions issued by listed companies, procedures for implementing the ISIN-level freeze, mechanisms for permitting tendering during the buy-back process and procedures for invocation or release of pre-existing encumbrances while maintaining the required freeze.

Key takeaway: Listed companies undertaking buy-backs will need to coordinate closely with Depositories, RTAs and other intermediaries to ensure timely implementation of the ISIN-level freeze and the permitted exceptions.

Revised Certification Requirements for Distribution of Specialized Investment Funds, July 21, 2026

SEBI has modified the certification requirements applicable to persons engaged in the sale and/or distribution of Specialized Investment Funds ("SIFs") by amending the relevant provisions of the SEBI Master Circular for Mutual Funds dated March 20, 2026.

Persons engaged in the sale and/or distribution of SIFs are required to hold a valid NISM Series V-D – Mutual Fund–Specialized Investment Fund Distributors Certification. Holders of the Series V-D certification may distribute both Mutual Fund and SIF products without separately obtaining the NISM Series V-A certification.

Persons distributing only Mutual Fund products will continue to be required to hold the NISM Series V-A Mutual Fund Distributors Certification.
The existing requirement relating to the NISM Series XIII – Common Derivatives Certification for SIF distribution will cease to apply after September 21, 2026. Transitional provisions permit persons holding a valid Series XIII certification obtained on or before that date to continue distributing SIFs until expiry of the certification, subject to the prescribed conditions, including continued possession of a valid Series V-A certification during the transition period. AMFI and Asset Management Companies ("AMCs") are responsible for ensuring compliance by their distributors and agents.

Key takeaway: The revised framework establishes a dedicated certification pathway for SIF distributors while providing transitional arrangements to avoid disruption to existing distribution networks.

Simplification and Standardisation of the Framework for Transmission of Securities, July 23, 2026

SEBI has revised the framework for transmission of listed securities and Mutual Fund units following the death of the sole holder or all joint holders. The revised framework, issued under Regulation 40(7) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, introduces a harmonised, standardised and risk-based process across listed companies, RTAs, Depositories, Depository Participants ("DPs") and AMCs.

A new Quick Transmission Processing ("QTP") category has been introduced for very low-value claims, alongside revised thresholds for the simplified documentation process:

Type of holding	QTP threshold	Simplified documentation threshold
Physical securities	Up to ₹10,000	Up to ₹10 lakh*
Dematerialised securities	Up to ₹30,000 per beneficial owner	Up to ₹30 lakh

*For securities held in physical mode, the listed entity may, at its discretion, enhance the ₹10 lakh threshold.

The framework also standardises documentation requirements. These include removal of the mandatory requirement for Probate of Will in the relevant transmission process, acceptance of a combined affidavit-cum-No Objection Certificate ("NOC"), acceptance of death certificates containing QR codes and additional verification methods for death certificates issued in foreign jurisdictions. Importantly, Probate of Will, Succession Certificate, Letter of Administration and Court Decree continue to be recognised as relevant documents in cases falling outside the simplified framework.

The revised framework will come into force 30 days from July 23, 2026. Processing entities are encouraged to apply the revised framework to requests received before the effective date where possible and cannot require investors to resubmit documents merely because the prescribed format has changed. They are also required to submit monthly reports to SEBI for six months covering transmission cases processed under the QTP, simplified and above-threshold categories.

Key takeaway: The revised framework is expected to reduce documentation and processing burdens for transmission claims, particularly low-value claims, while standardising procedures across market intermediaries.

GARUDA Mechanism for Processing AIF Placement Memorandums, July 30, 2026

SEBI has introduced the "Green-Channel: AIF Rollout Upon Document Acknowledgement" ("GARUDA") mechanism for processing Placement Memorandums ("PPMs") filed by Alternative Investment Funds ("AIFs"). The mechanism follows amendments to the SEBI (Alternative Investment Funds) Regulations, 2012 notified on July 14, 2026, and introduces differentiated procedures for Regular Schemes, Accredited Investor Only Funds ("AI-only Funds"), Large Value Funds for Accredited Investors ("LVFs") and Angel Funds.

For Regular Schemes, an AIF may generally launch a scheme 10 working days after filing the PPM with SEBI, unless otherwise advised. However, the first scheme may be launched only from the later of the date of SEBI registration or expiry of the 10-working-day period. The filing is required to be accompanied by the prescribed fee, Merchant Banker due-diligence certificate and applicable declarations and disclosures.

The Merchant Banker is required to undertake due diligence of the PPM and cannot be an associate of the AIF, its Sponsor, Manager or Trustee. The AIF Manager and Merchant Banker bear specified responsibilities regarding the accuracy and completeness of the disclosures.

For AI-only Funds and LVFs, the Merchant Banker filing and incorporation of SEBI comments are not applicable in the manner prescribed for Regular Schemes. These funds may launch in accordance with the revised filing framework, subject to the applicable registration and filing requirements. Angel Funds are similarly subject to a differentiated filing mechanism and may circulate their PPM following registration, subject to the prescribed requirements.

The revised framework also provides for specified undertakings by the Manager's CEO/equivalent and Compliance Officer and permits AI-only Funds, LVFs and Angel Funds to make certain PPM changes directly with SEBI along with the prescribed undertaking.

Key takeaway: GARUDA shifts the AIF scheme-launch process towards a more document-acknowledgement and responsibility-based framework, while placing greater emphasis on the accuracy and completeness of PPM disclosures by AIF Managers and, where applicable, Merchant Bankers.

Amendment to the Framework for Municipal Debt Securities, August 11, 2026

SEBI has issued a circular operationalising amendments to the regulatory framework for municipal debt securities. The underlying SEBI (Issue and Listing of Municipal Debt Securities) (Amendment) Regulations, 2026 were notified on July 8, 2026, followed by a corrigendum on July 29, 2026. The August 11 circular sets out further operational requirements relating to face value, escrow arrangements and financial-result disclosures.

For municipal debt securities issued through private placement, the face value may be ₹1 lakh or ₹10,000. Securities issued with a face value of ₹10,000 are subject to specified conditions, including fixed maturity and the absence of structured obligations, with the trading lot on the stock exchange required to correspond to the face value.

For pooled finance arrangements involving an SPV, the framework prescribes requirements concerning accounts maintained by constituent municipalities and separate Interest Payment and Sinking Fund Accounts maintained by the SPV. The SPV is required to maintain an amount equivalent to one year's interest obligation in the Interest Payment Account throughout the tenure of the municipal debt securities, subject to the applicable framework.

The amended framework also revises financial-result reporting timelines for municipalities. Half-yearly unaudited financial results are to be submitted within 60 days of the end of the relevant half-year, while annual audited financial results are to be submitted within 90 days of the end of the financial year, along with the audit report.

Key takeaway: The amendments seek to improve the operational viability and investor accessibility of the municipal debt market while introducing clearer requirements for pooled-finance structures, repayment safeguards and periodic financial disclosures.

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