

## **SEBI CIRCULAR - Revision of Order – to – Trade Ratio (OTR) framework**

**SEBI Circular No. HO/47/11/16(2)2025-MRD-POD2/I/4113/2026 dated February 04, 2026**

The Securities and Exchange Board of India (SEBI) has issued a circular addressing to all recognized Stock Exchanges (excluding Commodity Derivative Stock Exchanges).

These circular mandates specific revisions to the existing **Order-to-Trade Ratio (OTR) framework**, which was established to impose economic disincentives on Trading Members (TMs) for excessive algorithmic order activity. These modifications result from representations by Stock Exchanges and recommendations from SEBI's Secondary Market Advisory Committee.

The broad objective of these revisions is to refine the **economic disincentive mechanism** for high OTR by providing targeted exemptions for orders that are vital for market liquidity and price discovery. By amending paragraphs 11.2.14.1 and 11.2.14.2 of the Master Circular for Stock Exchanges, SEBI seeks to balance the regulation of algorithmic "noise" with the practical execution needs of active market participants.

A core summary of the modifications includes a **general exemption for orders placed near the Last Traded Price (LTP)** to avoid penalizing genuine trading intent. The revised framework specifies:

- Orders placed within a range of **±0.75% of the LTP** are now exempt from the OTR penalty framework. This ensures that algorithmic traders adjusting positions based on current market prices are not discouraged by OTR-related costs.

For the **equity option contracts** segment, SEBI has introduced significantly wider exemption bands to accommodate the unique volatility of options premiums. Under the new rules:

- Orders within **±40% of the LTP (premium)** or **±INR 20**, whichever is higher, shall be exempt from OTR penalties. This provides substantial breathing room for options traders to manage their order books without fear of incurring high OTR charges due to rapid premium fluctuations.

A major highlight of the circular is the **complete exemption of Designated Market Makers (DMMs)** from the OTR framework for their specialized roles.

The circular clarifies that:

- Algorithmic orders placed by DMMs for **market making activity** are not considered in the computation of OTR.
- These orders are entirely exempt from the framework for imposing penalties for high OTR. This is intended to support market liquidity by allowing DMMs to provide continuous two-sided quotes without the constraint of order-to-trade ratios.

The scope of the framework remains broad to maintain market integrity across various segments.

According to the updated provisions:

- The OTR framework remains applicable to both the **cash segment and the derivative segment**.
- This includes orders placed under **liquidity enhancement schemes**, though DMMs within these schemes now enjoy the specific exemptions mentioned above.

The implementation of these revised norms is scheduled for the next financial quarter, with an effective date of **April 06, 2026**. Stock Exchanges have been instructed to:

- Update their **bye-laws, rules, and regulations** to incorporate these changes.
- Disseminate the provisions of the circular to all **market participants** and host the information on their respective websites.

**Impact Analysis:** These revisions are expected to significantly enhance **market liquidity and depth**, particularly in the options segment, by reducing the regulatory cost for active traders and market makers. By exempting DMMs and providing generous price-range buffers, SEBI is allowing for more robust quote-stuffing where it matters—near the market price—while still deterring excessive, irrelevant algorithmic activity far away from the LTP. This targeted approach likely reduces the compliance burden on professional trading desks while maintaining a safeguard against system-straining algorithmic behaviour.

**Link-**

[https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi\\_data/attachdocs/feb-2026/1770204200812.pdf#page=1&zoom=page-width,-16,792](https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/feb-2026/1770204200812.pdf#page=1&zoom=page-width,-16,792)

## **SEBI CIRCULAR - REVIEW OF CALENDAR SPREAD MARGIN BENEFIT IN SINGLE STOCK DERIVATIVES ON EXPIRY DAY**

**SEBI Circular No. HO/47/15/11(2)2025-MRD-TPD1/ I/4226/2026 dated February 05, 2026**

The Securities and Exchange Board of India (SEBI) issued this circular on **February 5, 2026**, to address the margin treatment for single stock derivatives on their day of expiry.

The primary objective is to **withdraw the calendar spread margin benefit** for these specific contracts on the day they expire, effectively aligning the treatment of single stock derivatives with the existing rules for index derivatives. This change was prompted by feedback from trading members regarding potential risks and subsequent deliberations with the Secondary Market Advisory Committee (SMAC) of SEBI.

Under the current framework established by the SEBI Master Circular dated December 30, 2024, calendar spread benefits allow traders to offset positions across different expiry dates to reduce margin requirements.

However, this new directive stipulates that:

- The benefit of offsetting positions across different expiries will **no longer be available** on the day of expiry for contracts expiring on that specific day.
- This restriction specifically applies to **single stock derivatives**, whereas index derivatives already follow this protocol.
- Existing margin calculations for calendar spread positions involving expiries other than the one occurring on a given day will remain unchanged.

To clarify the application, the circular provide a specific illustration regarding monthly expiries occurring on the 29th (current month), 30th (next month), and 31st (far month).

On the 29th:

- **No benefit:** Calendar spread treatment will not be provided for positions involving the 29th and 30th, or the 29th and 31st.
- **Continued benefit:** Positions involving the 30th (next month) and 31st (far month) will continue to receive calendar spread treatment even on the 29th.

The **impact on risk management** is a central theme of this circular.

SEBI notes that without this change, there is a significant **risk of sudden margin increases** on the day following the expiry of one leg of a calendar spread.

By removing the benefit on expiry day, the regulator aims to:

- Provide sufficient time for end-clients and trading members to **bring in additional margin**.
- Encourage the timely **rolling over or closing out** of calendar spread positions.
- Mitigate the risk of margin shortfalls where trading members might have limited recourse in the event of adverse price movements on an open leg.

From an **operational and liquidity standpoint**, trading members and clients will need to adjust their capital allocation strategies on expiry days. Because the offsetting benefit is removed for expiring contracts, market participants will likely face **higher margin requirements** for holding these positions into the final day of the contract. This may lead to an earlier migration of liquidity from the expiring month to the next month's contracts as traders seek to maintain margin efficiency.

For **Stock Exchanges and Clearing Corporations**, the impact is immediate in terms of system readiness.

They are directed to:

- Take necessary steps to **implement the required systems** to enforce these margin changes.
- Amend relevant **bye-laws, rules, and regulations** to reflect the new mandate.
- Ensure that margin calculation engines are updated to distinguish between expiring and non-expiring legs of a spread on the day of expiry.

The circular is set to become **effective three months from its date of issuance**, which places the implementation around May 2026. This transition period is intended to allow the industry to update its technology and for investors to adjust their trading behavior. SEBI emphasizes that this move is executed under the powers of the SEBI Act, 1992, specifically to **protect the interests of investors** and promote the orderly development of the securities market.

In summary, this regulatory shift moves the single stock derivatives market toward a more conservative and **standardized margin regime**. By eliminating the expiry-day spread benefit, SEBI is prioritizing market stability and the prevention of systemic shocks caused by post-expiry margin spikes, even if it requires participants to maintain higher levels of collateral on the final day of trade.

**Link-**

[https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi\\_data/attachdocs/feb-2026/1770288869049.pdf#page=1&zoom=page-width,-16,800](https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/feb-2026/1770288869049.pdf#page=1&zoom=page-width,-16,800)

## **SEBI CIRCULAR - OBLIGATIONS ON CRAS WHILE UNDERTAKING RATING OF FINANCIAL INSTRUMENTS FALLING UNDER THE PURVIEW OF ANY OTHER FINANCIAL SECTOR REGULATOR**

**SEBI Circular No. SEBI/HO/DDHS/DDHS-PoD-2/I/4685/2026 dated February 10, 2026**

The Securities Exchange Board of India (SEBI) issued this circular that details the specific obligations for Credit Rating Agencies (CRAs) when rating financial instruments regulated by other Financial Sector Regulators (FSRs).

The circular is issued under the authority of **Regulation 9 (f) of the SEBI (Credit Rating Agencies) Regulation, 1999**, which permits CRAs to rate instruments that fall under the purview of other regulators or authorities.

The primary objective is to protect investor interests and regulate the securities market by ensuring clear boundaries between SEBI-regulated activities and those governed by other entities.

A key requirement is the **structural separation of communication channels** for grievances and disclosures. CRAs must now maintain distinct and separate email IDs for handling grievances related to SEBI activities versus activities under other FSRs. While internal resources like manpower and IT can be shared, the entry points for investor complaints must remain separate to prevent regulatory confusion.

The circular mandates a **clear division of digital presence and marketing**. CRAs are required to:

- Maintain separate webpages or sections on their website for SEBI-related disclosures versus other FSR disclosures.
- Duly disclose a list of all activities carried out along with the specific regulator responsible for each activity.
- Ensure that all advertising and marketing materials for non-SEBI activities are distinct from SEBI-regulated materials.

To safeguard the financial integrity of the agency, the circular addresses **Minimum Net Worth** requirements. It stipulates that the net worth required under SEBI regulations must not be negatively impacted by a CRA's activities under other regulators. Furthermore, any net worth requirements mandated by other FSRs must be maintained **in addition to** the minimum net worth specified by SEBI.

For **rating reports and press releases**, CRAs must now include explicit disclosures when an instrument is under another FSR. These documents must mention the name of the relevant regulator and clearly state that **SEBI's investor protection, grievance, and dispute redressal mechanisms** will not be available for such ratings.

In instances where a CRA chooses to issue a **common rating report** or press release covering various instruments, there must be a clear segregation and labeling. This ensures that SEBI-regulated instruments are easily distinguishable from those falling under the purview of other financial sector regulators.

The circular introduces rigorous protocols for **dealing with clients** involved in activities under other FSRs. Before commencing such activities, CRAs must provide an upfront written disclosure informing the client of the regulatory oversight by other FSRs. This disclosure must also be embedded within the rating agreements or engagement letters.

Furthermore, CRAs must obtain a **written confirmation from clients** acknowledging that they understand:

- The nature of the activity and the risks involved.
- The non-availability of SEBI's investor protection or grievance/dispute redressal mechanisms for that specific activity.

For **existing clients** with ongoing activities or outstanding ratings under other FSRs at the time the circular takes effect, the CRA must send a written intimation. This intimation must specify the risks and the lack of SEBI-provided protections. Once all such intimations are sent, the CRA must confirm compliance with this requirement to SEBI.

To ensure ongoing compliance, the circular integrates these requirements into the **Internal Audit Report**. Every CRA must submit an undertaking as part of their half-yearly internal audit, confirming they have complied with these circular requirements and CRA Regulations. This undertaking must be reviewed and approved by the CRA's **Board of Directors**.

The **implementation timeline** is split into two phases. The provisions regarding separate email IDs, web sections (Para 2.1), and intimations to existing clients (Para 2.5.2) take effect **twelve months** after the circular's issuance. All other provisions, including reporting and disclosure standards, come into effect after **sixty days**.

**Impact Analysis: Transparency and Risk Awareness.**

The core impact of this circular is the significant enhancement of transparency for both clients and investors. By mandating explicit disclaimers on every report, marketing material, and contract, SEBI ensures that stakeholders cannot mistakenly assume SEBI protection applies to non-SEBI instruments.

**Impact Analysis: Operational and Governance Burden.**

CRA's will face a substantial operational task in overhauling their IT systems for separate emails and web sections, as well as redesigning their legal templates for client engagement. Additionally, the requirement for Board-approved undertakings elevates these compliance measures to a high-level governance priority, ensuring accountability at the top of the organization.

**Impact Analysis: Financial Firewalling.**

The provision requiring FSR-specific net worth to be "in addition" to SEBI's requirements acts as a financial firewall. This prevents the capital meant to support SEBI-regulated rating activities from being stretched or diluted by activities in other regulatory domains, thereby maintaining the stability of the rating ecosystem.

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[https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi\\_data/attachdocs/feb-2026/1770724484942.pdf#page=1&zoom=page-width,-15,842](https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/feb-2026/1770724484942.pdf#page=1&zoom=page-width,-15,842)

**SEBI CIRCULAR - CAPACITY PLANNING AND REAL TIME PERFORMANCE MONITORING FRAMEWORK FOR COMMODITY DERIVATIVES SEGMENT OF MARKET INFRASTRUCTURE INSTITUTIONS (MIIS)**

**SEBI Circular No. HO/47/13/14(1)2026-MRD-TPD1/I/4755/2026 dated February 11, 2026**

The SEBI circular introduces a critical update to the **Capacity Planning and Real-Time Performance Monitoring framework**, specifically for the Commodity Derivatives Segment of Market Infrastructure Institutions (MIIs).

This regulatory shift is designed to ensure that stock exchanges and clearing corporations maintain high-performance IT infrastructures capable of handling modern trading demands. By establishing these new standards, SEBI aims to protect investor interests and promote the stable development of the securities market.

This new framework marks a significant departure from the previous standards laid out in the **August 04, 2023, Master Circular**. Under the old Clause 16.1.2, stock exchanges were required to maintain a trading system capacity of at least **four times (4x) the peak order load** encountered.

This new circular **supersedes that specific clause**, replacing the rigid 4x multiplier with a more dynamic and projection-based approach tailored to current technological realities.

The revision was not a solitary administrative decision but the result of an extensive **consultative process**. SEBI reviewed the existing framework based on:

- Representations received from Stock Exchanges within the Commodity Derivatives Segment.
- Consultations and recommendations from SEBI's **Technical Advisory Committee (TAC)**.
- Feedback from a public consultation paper released on **June 30, 2025**. This process ensured that the new mandates are practically aligned with the operational needs of the commodity segment.

A core component of the summary is the revised **installed capacity requirement**. MIs must now ensure that their installed capacity is at least **2 times (2x) the projected peak load**. While the multiplier appears lower than the previous 4x requirement, the shift to "projected peak load" implies a forward-looking planning process rather than just reacting to historical peaks, requiring MIs to be more predictive in their infrastructure scaling.

To ensure these systems do not reach a breaking point, SEBI has introduced a strict **utilization threshold**. If the actual capacity utilization of any system component exceeds **75% of its installed capacity**, the MI is mandated to take **immediate corrective action**. These actions include:

- Fine-tuning existing applications and systems to optimize performance.
- Enhancing hardware or system capacity to create a larger buffer.
- Documenting these specific "breach protocols" within their formal Capacity Planning Policy.

The **Standing Committee on Technology (SCOT)** is granted significant oversight under this framework. The SCOT is responsible for monitoring any actions taken when the 75% utilization threshold is breached. Furthermore, the MI's internal **Governing Board** must join the SCOT in reviewing and approving the organization's Capacity Planning and Real-Time Performance Monitoring Policy before it is submitted to SEBI.

Impact-wise, this circular achieves **cross-segment harmonization**. By applying various provisions from the December 10, 2024, guidelines (originally meant for other MIs) *mutatis mutandis* to the commodity segment, SEBI is creating a unified technological standard across the entire Indian financial landscape. This reduces regulatory fragmentation and ensures that commodity traders benefit from the same high-tier system reliability found in equity markets.

The **operational impact** on Stock Exchanges and Clearing Corporations is immediate and demanding. Within **three months** of the circular's issuance, these institutions must:

- Draft and submit a comprehensive Policy document to SEBI.
- Amend their internal **bye-laws, rules, and regulations** to reflect the new requirements.
- Implement the necessary "systems and processes" to facilitate real-time performance monitoring.

From a technical perspective, the framework directly addresses the challenges of **algorithmic trading** and high data volumes. The circular emphasizes that systems must be upgraded regularly to maintain **consistent response times** for all members. By forcing MIs to continuously study system performance, SEBI is minimizing the risk of "latency creep" or system outages during periods of high volatility, which is vital for the integrity of high-frequency trading environments.

The **implementation timeline** is set for May 2026, as the provisions come into effect exactly **three months** from the circular date. This window gives MIs a brief period to audit their current capacities against the new 2x projected peak load standard and to install the monitoring tools required to detect 75% utilization levels in real-time. Failure to comply within this window could lead to regulatory scrutiny under the SEBI Act of 1992.

Ultimately, the long-term impact of this circular is the **fortification of market infrastructure**. By mandating proactive capacity planning rather than reactive upgrades, SEBI ensures that the Commodity Derivatives Segment remains resilient against sudden surges in trade volume.

This promotes **investor confidence**, as market participants can rely on a stable, high-capacity environment that is overseen by both internal committees and the national regulator.

**Link –**

[https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi\\_data/attachdocs/feb-2026/1770810673597.pdf#page=1&zoom=page-width,-16,792](https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/feb-2026/1770810673597.pdf#page=1&zoom=page-width,-16,792)

## **SEBI CIRCULAR - CIRCULAR ON FORMS FOR REGISTRATION OF STOCK BROKERS AND CLEARING MEMBERS**

**SEBI Circular No. HO/38/11/(5)2026-MIRSD-POD/I/5130/2026 dated February 17, 2026**

The **Securities and Exchange Board of India (SEBI)** issued circular to formalize the **new application forms for the registration of stock brokers and clearing members.**

This move follows the repeal of the Securities and Exchange Board of India (Stock Brokers) Regulations, 1992, and the subsequent notification of the **SEBI (Stock Brokers) Regulations, 2026**. Under the new framework, the authority to specify these forms was shifted to the Board or recognized stock exchanges, leading to the creation of the standardized Annexures provided in this circular.

A critical aspect of this circular is its **retrospective implementation date**, which is set to **January 07, 2026**. This date aligns with the notification of the 2026 Regulations, ensuring that any registration activities occurring between the notification of the primary regulations and the issuance of this specific circular are covered under the same procedural requirements. This retrospective application prevents a regulatory vacuum for entities seeking registration during the transition period from the old 1992 rules to the current 2026 standards.

For entities seeking registration as **Stock Brokers**, the circular introduces **Form A**, which requires highly detailed organizational and financial disclosures. Key information required includes:

- **Organizational Structure:** Applicants must specify if they are a sole proprietorship, partnership, LLP, body corporate, or financial institution.
- **Financial Standing:** A statement of net worth accompanied by supporting documentation is mandatory.
- **Personnel Background:** Detailed tables must be filled out for proprietors, partners, or directors, including their age, PAN, educational qualifications, and specifically their **experience in derivatives trading or the securities market.**

Similarly, **Form B** is established for those applying to be **Clearing Members**, mirroring many of the requirements of the stock broker form but focusing on the clearing ecosystem. Applicants must provide their trade name, the specific Clearing Corporation they are joining, and the date of admission. Like stock brokers, clearing members must submit their **Memorandum and Articles of Association** or partnership deeds and provide proof of the professional experience of their senior leadership to ensure they possess the necessary expertise for clearing and settlement activities.

The circular places a heavy emphasis on **compliance and integrity** through mandatory undertakings and declarations.

Both stock brokers and clearing members must:

- Disclose if the applicant, its directors, or partners have ever been declared **insolvent or a defaulter** by any exchange.
- Provide a formal undertaking to comply with the "**Fit and Proper Person**" criteria as defined in Schedule II of the SEBI (Intermediaries) Regulations, 2008.
- Sign a declaration acknowledging that any false or misleading information, or the suppression of facts, will make their registration certificate **liable for cancellation** by SEBI without further notice.

The **Market Infrastructure Institutions (MIIs)**—specifically Stock Exchanges and Clearing Corporations—are assigned significant oversight responsibilities. They are directed to communicate these new provisions to their members, update their websites, and **amend their own Bye-laws, Rules, and Regulations** to accommodate these changes.

Furthermore, the registration process is not direct; it requires a formal **recommendation** from the respective Stock Exchange or Clearing Corporation, certifying that the applicant is a member in good standing before SEBI will grant the registration.

The **impact on operational efficiency** is significant, as the circular provides a unified template for the **Certificate of Registration (Form C)**. This certificate, issued under Section 12 of the SEBI Act, 1992, explicitly outlines the permitted activities, such as buying, selling, dealing in securities, or the clearing and settlement of trades. Crucially, the certificate remains **valid indefinitely** from the date of issuance until it is either suspended or cancelled, providing long-term regulatory certainty for compliant intermediaries.

From a **regulatory and investor protection** standpoint, this circular is issued under the powers of Section 11(1) of the SEBI Act and Regulation 51 of the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) Regulations, 2018. By standardizing the information intake—ranging from PAN details to educational qualifications—SEBI is strengthening its **due diligence capabilities**. This rigorous vetting process is intended to protect investor interests and promote the orderly development of the securities market by ensuring only qualified and financially sound entities operate as intermediaries.

In summary, the circular acts as the procedural bridge for the new 2026 regulatory regime, ensuring that the **modernization of broker regulations** is met with standardized, transparent, and enforceable application processes. By requiring detailed experience proofs and "Fit and Proper" undertakings, SEBI is raising the entry barrier to prioritize **market integrity and professional competence** across all recognized trading and clearing segments.

**Link –**

[https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi\\_data/attachdocs/feb-2026/1771327465440.pdf#page=7&zoom=page-width,-15,431](https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/feb-2026/1771327465440.pdf#page=7&zoom=page-width,-15,431)

## **SEBI CIRCULAR - REVISED NORMS FOR APPOINTMENT OF AN INDEPENDENT THIRD-PARTY REVIEWER/ CERTIFIER FOR GREEN DEBT SECURITY**

**SEBI Circular No. HO/17/11/24(1)2026-DDHS-POD1/1/5967/2026 dated February 27, 2026**

### **Background & Context**

To understand this circular, it helps to first understand what Green Debt Securities are and why independent review matters in this context.

**What are Green Debt Securities?** Green Debt Securities are bonds or debentures issued by companies or entities specifically to raise funds for environmentally beneficial projects — such as renewable energy (solar, wind), clean transportation, sustainable water management, energy efficiency projects, pollution prevention, climate change adaptation, and similar initiatives. In India, these are governed by SEBI's regulations for Non-Convertible Securities (NCS).

**Why is Third-Party Review Important?** When a company labels its bond as "green," it is making a claim that the money raised will be used for genuine environmental purposes. Without independent verification, there is a serious risk of "greenwashing" — where companies raise money under the green label but use it for regular or even environmentally harmful activities. An independent third-party reviewer acts as a watchdog to ensure the green credentials of the bond are genuine and not just a marketing label.

### **Evolution of the Regulatory Framework**

**February 2023** — Initial Green Debt Framework SEBI first issued a comprehensive circular in February 2023 establishing detailed disclosure requirements for green debt securities. This included both initial disclosures (at the time of issuance) and continuous disclosures (throughout the life of the bond). It also included requirements for appointing a third-party reviewer. These rules were made applicable from April 1, 2023.

These provisions were subsequently consolidated into Chapter IX of the NCS Master Circular dated October 15, 2025, which serves as the comprehensive regulatory document for all non-convertible securities in India.

**December 2024** — Expansion to Broader ESG Debt Securities SEBI significantly expanded its sustainable finance framework in December 2024 by including three new categories of bonds under its regulatory umbrella — Social Bonds, Sustainability Bonds, and Sustainability-Linked Bonds. Together with Green Debt Securities, all four are now collectively referred to as "ESG Debt Securities" (Environment, Social and Governance Debt Securities). This was a major step in aligning India's sustainable finance framework with global standards.

**June 2025** — Operational Framework for Other ESG Bonds Following the December 2024 expansion, SEBI issued a detailed operational circular in June 2025 covering the three new categories — Social Bonds, Sustainability Bonds, and Sustainability-Linked Bonds. This circular prescribed specific requirements for initial disclosures, continuous disclosures, and importantly, the appointment of an independent third-party reviewer/certifier for these instruments.

**The Problem This Circular Solves** After the June 2025 circular, there was a mismatch — the rules for appointing a third-party reviewer for Social/Sustainability Bonds (June 2025 framework) were different from the rules for Green Debt Securities (the older 2023 framework embedded in Chapter IX of the NCS Master Circular). SEBI has now issued this February 2026 circular to harmonize and align the third-party reviewer requirements across all ESG Debt Securities, ensuring consistency.

#### **What Has Changed — The Specific Modifications**

Two specific changes have been made to Chapter IX of the NCS Master Circular:

**Change 1: Deletion of Paragraph 1.8** The old Paragraph 1.8 of Chapter IX, which contained the earlier provisions on third-party reviewers for green debt securities, has been entirely deleted. This removes the older, somewhat limited requirements that existed under the 2023 framework.

**Change 2: Insertion of a New Paragraph 5** — Comprehensive Third-Party Reviewer Framework A new detailed paragraph (Paragraph 5) has been inserted into Chapter IX, setting out revised and more comprehensive requirements for independent third-party reviewers for green debt securities. The key provisions of this new paragraph are detailed below.

## **Detailed Provisions of the New Paragraph 5**

### **5.1 — Mandatory Appointment of Independent Third-Party Reviewer**

Every issuer of green debt securities is now mandatorily required to appoint an independent third-party reviewer/certifier. The purpose of this appointment is to verify and certify that:

- The issuance of green debt securities genuinely qualifies as "green" as per the definition under Regulation 2(1)(q) of the SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021
- The processes followed by the issuer — including how projects are evaluated, selected, and categorized as eligible for green financing — are sound, credible, and consistent with regulatory requirements

The reviewer must satisfy three mandatory conditions:

**Condition (a) — Independence** The reviewer must be completely independent of the issuer. This means the reviewer cannot have any connection with the issuer's directors, senior management, or key managerial personnel (KMPs). This ensures there is no conflict of interest where the reviewer might be inclined to give a favorable opinion due to personal or professional relationships with the issuer's leadership.

**Condition (b) — Conflict-Free Remuneration** The reviewer must be compensated in a manner that prevents any conflicts of interest. This is a subtle but important requirement. For example, if the reviewer's fee is tied to the size of the bond issuance or contingent on a favorable outcome, the reviewer would be financially incentivized to give a positive review regardless of the actual merits. The remuneration structure must be designed to avoid such perverse incentives, ensuring the review is genuinely objective.

**Condition (c) — Domain Expertise** The reviewer must have demonstrated expertise specifically in assessing ESG debt securities. General financial knowledge is not sufficient — the reviewer must understand ESG criteria, green bond principles, sustainability assessment methodologies, and the specific regulatory requirements applicable to ESG debt instruments in India. This ensures the review is technically meaningful and not merely a compliance formality.

## **5.2 — Disclosure of Scope of Review in the Offer Document**

The exact scope of what the third-party reviewer will cover must be clearly specified in the offer document (the prospectus or information memorandum through which the bond is offered to investors). This is important because it tells investors upfront what aspects of the green bond have been independently verified — for example, whether the reviewer checked only the use-of-proceeds framework, or also evaluated individual project selection criteria, monitoring mechanisms, and reporting processes.

By disclosing the scope, investors can make an informed judgment about the credibility and comprehensiveness of the independent review. A narrow scope review (e.g., only reviewing the framework document) is less assuring than a broader review that also verifies actual project selection and fund utilization.

## **5.3 — Forms of Independent Third-Party Review**

The circular allows the third-party review to take one or more of the following four forms, as recommended by the International Capital Market Association (ICMA) — the global body that sets standards for the green bond market:

**Second Party Opinion (SPO)** This is the most common form of green bond review globally. An external organization with recognized ESG expertise reviews the issuer's green bond framework and provides an opinion on whether it aligns with recognized green bond principles (such as ICMA's Green Bond Principles). The SPO assesses the issuer's overall approach, project eligibility criteria, use of proceeds framework, and reporting commitments.

**a) Verification** This involves an independent assessment of specific claims made by the issuer — for example, verifying that the funds raised have actually been used for the stated green projects. This form is especially relevant when bond proceeds are being used for refinancing (i.e., paying off earlier loans taken for green projects), where the reviewer needs to verify that the original projects genuinely qualified as green. Verification is typically more granular and evidence-based than an SPO.

**b) Certification** Under this approach, the issuer or specific aspects of the bond (such as the framework, specific projects, or use of proceeds) are certified against an established, recognized external green bond standard or label — such as the Climate Bonds Standard. Certification provides investors with the assurance that the bond meets specific, pre-defined benchmark criteria set by a recognized standards body.

**c) Scoring/Rating** This involves a specialized ESG rating agency assigning a score or rating to the green bond or to the issuer's sustainability performance. This provides investors with a comparative, quantified assessment of how strong the green credentials of the bond are relative to others in the market. ESG ratings are increasingly being used by institutional investors to screen and compare green investments.

The issuer has the flexibility to choose one or more of these forms — for example, an issuer might obtain both a Second Party Opinion (for the framework) and Verification (for actual utilization of funds) to provide investors with a more comprehensive assurance package.

#### **5.4 — Adequate Disclosure of Reviewer Details in the Offer Document**

The issuer must ensure that complete and adequate information about the independent third-party reviewer is disclosed in the offer document. This would typically include the name and credentials of the reviewer, the nature of the engagement, the scope of the review, the methodology used, and the findings/opinion. This transparency allows investors to assess the credibility and independence of the reviewer themselves, rather than simply taking the issuer's word for it.

#### **Why This Alignment Matters**

The key purpose of this circular is to bring uniformity across all ESG Debt Securities in India. Previously, Green Bonds had one set of rules for third-party reviewers, while the newer Social Bonds and Sustainability Bonds (introduced in June 2025) had a different, more detailed framework. This inconsistency created confusion and made it difficult to compare the quality of independent reviews across different types of ESG bonds.

By aligning the green debt securities framework with the June 2025 framework for other ESG bonds, SEBI ensures that all ESG Debt Securities — whether green, social, sustainability, or sustainability-linked — follow the same rigorous and consistent standards for independent verification. This strengthens the overall credibility of India's ESG bond market and makes it more comparable with global standards.

### **Effective Date**

The provisions of this circular are applicable with immediate effect from February 27, 2026.

### **Who Is Affected**

This circular is directly relevant to:

- **Issuers** of green debt securities (companies, PSUs, financial institutions planning to raise green bonds) — they must now comply with the revised third- party reviewer requirements
- **Merchant Bankers** — who structure and manage green bond issuances and must ensure offer documents contain all required disclosures
- **Debenture Trustees** — who oversee the ongoing compliance of bond issuers
- **Credit Rating Agencies and ESG Ratings Providers** — who may serve as third-party reviewers under the scoring/rating route
- **Stock Exchanges and Depositories** — for listing and settlement purposes

### **Link-**

[https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi\\_data/attachdocs/feb-2026/1772193450819.pdf#page=1&zoom=page-width,-16,792](https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/feb-2026/1772193450819.pdf#page=1&zoom=page-width,-16,792)

## **SEBI CIRCULAR - VALUATION OF PHYSICAL GOLD AND SILVER HELD BY MUTUAL FUND SCHEMES**

**SEBI Circular No HO/(68)2026-IMD-POD-2/1/5780/2026 dated February 26, 2026**

### **Background & Context**

Gold and Silver ETFs (Exchange Traded Funds) are mutual fund schemes that hold physical gold and silver as their underlying asset. Since these funds are bought and sold on stock exchanges like shares, their NAV (Net Asset Value) — which represents the per-unit price of the fund — needs to be calculated accurately every day. To do this, the physical gold and silver held by the fund must be valued correctly and consistently.

Until now, there was a specific international benchmark being used for this valuation, but SEBI has decided to shift to a more domestically relevant and transparent method starting April 1, 2026.

### **The Old Method — LBMA Fixing Prices**

Previously, the physical gold and silver held by Gold ETFs and Silver ETFs was valued using the AM Fixing Prices published by the London Bullion Market Association (LBMA). LBMA is a globally recognized authority for gold and silver pricing based in London.

However, using an international price required several adjustments to arrive at a meaningful domestic valuation. The final NAV was computed after making the following adjustments to the LBMA price:

- **Metric conversion** — Converting from troy ounces (international standard) to grams/kilograms used in India
- **Currency conversion** — Converting from USD to Indian Rupees
- **Transportation costs** — Cost of physically bringing the metal to India
- **Customs duty** — Import duty applicable on gold/silver
- **Applicable taxes and levies** — GST and other charges
- **Notional premium or discount** — An adjustment to reflect the difference between the international price and what the metal actually trades at in the Indian domestic market

While this method worked reasonably well, it had some drawbacks. It was dependent on an international benchmark that doesn't directly reflect Indian market conditions. The multiple adjustments involved also left room for inconsistency across different AMCs, as each fund house could apply slightly different assumptions for premiums, discounts, and cost estimates.

This meant two Gold ETFs could show slightly different NAVs even when holding identical quantities of gold.

### **Why the Change Was Needed**

The issue of valuation inconsistency was taken up at the Mutual Fund Advisory Committee (MFAC), which is SEBI's advisory body for mutual fund-related policy decisions. After deliberations within MFAC, a public consultation was conducted and discussions were held with all relevant stakeholders — including AMCs, AMFI, stock exchanges, and other market participants.

The key conclusion from these discussions was that using polled spot prices published by recognized domestic stock exchanges would be a significantly better approach for the following reasons:

- 1. Reflects Domestic Market Reality** The spot price on Indian exchanges directly reflects what buyers and sellers in India are actually paying for gold and silver at any given point. This is more relevant to Indian investors than an adjusted international price.
- 2. Greater Transparency** Stock exchanges in India operate under a strict regulatory framework overseen by SEBI itself. They are required to maintain transparency, publish data publicly, and comply with all applicable regulations. This makes the price more reliable and verifiable.
- 3. Uniformity Across AMCs** Since all mutual funds will now use the same exchange-published spot price, there will be no more variations in NAV calculation across different Gold/Silver ETFs due to differing assumptions in adjustments. Every fund house will use the same price, ensuring a level playing field and fairer comparison for investors.
- 4. Eliminates Complex Adjustments** The current method requires multiple subjective adjustments (transportation, customs, premium/discount assumptions). Shifting to domestic spot prices removes or simplifies many of these adjustments, making the valuation process cleaner and more straightforward.

### **The New Method — Polled Spot Prices from Stock Exchanges**

Effective from April 1, 2026, all mutual fund schemes holding physical gold and silver must value these holdings using the polled spot prices published by recognized stock exchanges — specifically those exchanges that are used for the settlement of physically delivered gold and silver derivatives contracts in India.

In India, this primarily refers to exchanges like MCX (Multi Commodity Exchange), which conducts physical delivery of gold and silver through its derivatives contracts and publishes spot prices accordingly.

The term "polled spot price" means that the exchange collects (polls) price quotes from multiple market participants and derives a representative spot price. This polling mechanism ensures the price is not dependent on any single transaction or participant, making it more robust and representative of the true market price.

### **Regulatory Basis for This Change**

This change is backed by the newly notified SEBI (Mutual Funds) Regulations, 2026, which was formally published on January 14, 2026 and comes into force from April 1, 2026. The specific regulations enabling this change are:

- **Regulation 22(9)** — Governing valuation norms for mutual fund schemes
- **Regulation 63(9)** — Related provisions on scheme valuation
- **Seventh Schedule of SEBI (MF) Regulations, 2026** — Detailed investment valuation norms

This means the new valuation method is not just a circular-level instruction but is now embedded in the primary regulations governing mutual funds in India, giving it stronger legal standing.

### **Spot Polling Mechanism — Compliance Requirements**

The circular specifies that the spot polling mechanism used by stock exchanges must comply with SEBI's Spot Polling Guidelines, which SEBI will specify and update from time to time. This ensures that even the process by which the spot price is derived remains regulated, transparent, and not susceptible to manipulation.

### **Role of AMFI**

AMFI (Association of Mutual Funds in India), in consultation with SEBI, has been tasked with prescribing a uniform policy for the implementation of this new valuation approach. This means AMFI will issue detailed operational guidelines to all AMCs, specifying exactly which exchange's prices to use, at what time of day the price should be captured, and how it should be applied in NAV calculations — ensuring complete uniformity across the industry.

### What This Means in Practice

Aspect	Old Method	New Method (from April 1, 2026)
Price Source	LBMA AM Fixing (London)	Polled Spot Price from Indian stock exchanges
Currency	USD, converted to INR	Directly in INR
Adjustments needed	Multiple (customs, transport, FX, premium/discount)	Minimal or none
Reflects Indian market?	Indirectly	Directly
Consistency across AMCs	Variable	Uniform
Regulatory basis	Master Circular	SEBI (MF) Regulations, 2026

### Impact on Investors

For retail investors in Gold ETFs and Silver ETFs, this change brings several practical benefits:

- **More accurate NAV** — The NAV of your Gold or Silver ETF will now more closely reflect what gold/silver actually costs in India on that day
- **Better comparability** — You can now compare NAVs of different Gold ETFs directly without worrying about different valuation assumptions
- **Greater confidence** — Since the price comes from a SEBI-regulated exchange rather than an international body, there is greater regulatory oversight and accountability
- **Reduced tracking error** — Gold and Silver ETFs are supposed to track the domestic price of gold/silver. Using domestic spot prices directly should reduce the tracking error (the gap between the ETF's returns and the actual price movement of gold/silver in India)

**Bottom Line**

This is a technical but important regulatory change that shifts the gold and silver valuation methodology for mutual funds from an internationally-derived price (LBMA) to a domestically-grounded, exchange-published spot price. It improves accuracy, transparency, and consistency — ultimately benefiting investors by ensuring that Gold and Silver ETF NAVs better reflect the true domestic price of these metals. The change takes effect from April 1, 2026, aligned with the introduction of the new SEBI (Mutual Funds) Regulations, 2026.

**Link –**

[https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi\\_data/attachdocs/feb-2026/1772102397057.pdf#page=1&zoom=page-width,-16,792](https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/feb-2026/1772102397057.pdf#page=1&zoom=page-width,-16,792)

## **SEBI CIRCULAR - EASE OF DOING INVESTMENT (EODI)- DISCLOSURE OF REGISTERED NAME AND REGISTRATION NUMBER BY SEBI REGULATED ENTITIES AND THEIR AGENTS ON SOCIAL MEDIA PLATFORMS (SMPS)**

**SEBI Circular No: HO/(79)2026-MIRSD-PODMMC dated February 26, 2026**

### **Background & Why This Circular Was Issued**

Social media has become an extremely powerful tool for financial content creation and distribution in India. Millions of investors today consume financial advice, stock tips, mutual fund recommendations, and market analysis through platforms like YouTube, Instagram, Telegram, WhatsApp groups, and others.

However, this also opens the door to a serious problem — unregistered, unqualified, and unregulated individuals can post financial content that looks just as credible as content from legitimate, SEBI-registered professionals. An investor watching a YouTube video or reading a Telegram post about stocks has no easy way of knowing whether the person giving advice is a genuinely registered Investment Adviser or Research Analyst, or just someone with no regulatory oversight at all.

This creates significant risks for investors who may act on advice from unregulated sources, with no recourse if things go wrong. SEBI has therefore issued this circular under its "Ease of Doing Investment (EoDI)" initiative to address this gap by making it mandatory for regulated entities to clearly identify themselves on social media.

### **Who Does This Circular Apply To?**

This circular applies to a very wide range of SEBI-regulated entities and their agents, including:

- Stock Brokers (SBs)
- Depository Participants (DPs)
- Registrar to an Issue and Share Transfer Agents (RTAs)
- Investment Advisers (IAs)
- Research Analysts (RAs)
- Infrastructure Investment Trusts (InvITs)
- Real Estate Investment Trusts (REITs) and Small & Medium REITs (SMREITs)
- Alternative Investment Funds (AIFs)
- Portfolio Managers (PMs)

- Collective Investment Schemes (CIS)
- Mutual Funds (MFs), Asset Management Companies (AMCs), and AMFI
- All other persons regulated by SEBI under Section 12 of the SEBI Act, 1992

It also applies to agents of these regulated entities, such as mutual fund distributors, authorized participants, distributors of portfolio management services, and similar intermediaries.

### **What Platforms Are Covered?**

The circular covers all Social Media Platforms (SMPs) — both publicly accessible and closed/private groups. This includes but is not limited to:

- YouTube
- Instagram
- Facebook
- WhatsApp (including private groups)
- X (formerly Twitter)
- LinkedIn
- Threads
- Telegram
- Reddit

Any content relating to the securities market — whether it is a video, short-form video (reels/shorts), post, article, broadcast, or any other form of content — falls under the scope of this circular. This includes content shared in closed/private groups, not just public-facing content.

### **What Are the Key Requirements?**

The core requirement is simple: every SEBI-regulated entity and its agents must clearly disclose their SEBI-registered name and registration number on their social media handles. This disclosure must appear in two places — on the home page/profile of their social media handle, and at the beginning of every piece of content they upload that relates to the securities market.

The specific requirements vary slightly depending on whether the entity has a single or multiple SEBI registrations, and whether it is a regulated entity or an agent. Here is a detailed breakdown:

## **Section A — Requirements for Regulated Entities Themselves**

### **Case 1: Entity with a Single SEBI Registration**

This is the simplest case — for example, a firm that is registered only as an Investment Adviser, or only as a Research Analyst, with SEBI.

- **On the home page** of every social media handle used for posting securities market content: The SEBI registered name and registration number must be displayed prominently, near the name of the social media handle.
- **At the beginning of every video/content** uploaded: The SEBI registered name and registration number must be disclosed.

### **Case 2: Entity with Multiple SEBI Registrations**

This applies to larger firms that may be registered in multiple capacities — for example, a company that is simultaneously a Stock Broker, an Investment Adviser, and a Mutual Fund Distributor.

- **On the home page** of their social media handle: Instead of listing all registrations (which could be lengthy), a weblink to their official website must be provided. This website page should list all their SEBI registered names and registration numbers across all their registrations.
- **At the beginning of every video/content** uploaded: Only the registration relevant to that specific content needs to be disclosed. So if the company is uploading content in its capacity as an Investment Adviser, it only needs to show its Investment Adviser registration name and number at the beginning of that content — not all its other registrations.

*Example given in the circular: ABC Ltd. is registered as a Stock Broker, Investment Adviser, and Mutual Fund. On its social media home page, it provides a web link to its website listing all registrations. When it uploads a video about investment advisory services, it discloses only its Investment Adviser SEBI registration name and number at the beginning of that video.*

## **Section B — Requirements for Agents of Regulated Entities**

Agents include mutual fund distributors, authorized participants, distributors of portfolio management services, and similar intermediaries who act on behalf of SEBI- regulated principal entities.

### **Case 1: Agent with a Single Registration as an Agent**

For example, a mutual fund distributor who distributes products for one or more AMCs.

- **On the home page** of their social media handle: They must display both — first, the SEBI registered name and registration number of the principal entity (the AMC or regulated entity they represent), followed by their own registered name and registration number as an agent.
- **At the beginning of every video/content** uploaded: The same dual disclosure — principal entity's registration details first, then the agent's own registration details.

### **Case 2: Agent with Multiple Registrations as an Agent**

For example, an intermediary who is simultaneously a mutual fund distributor for multiple AMCs, an authorized participant, and an investment adviser.

- **On the home page** of their social media handle: A weblink to their own website must be provided, which lists the SEBI registration names and numbers of all the principal entities they represent, followed by their own registered names, registration numbers, and the capacities in which they are registered.
- **At the beginning of every video/content** uploaded: Only the relevant principal entity's registration details (for the content being uploaded) followed by the agent's own registration details need to be disclosed.

*Example given in the circular: QRS Ltd. is registered as a mutual fund distributor, an authorized participant, and an investment adviser. On its social media home page, it provides a web link listing all its principal entities and its own registrations. When it uploads content as a mutual fund distributor, it shows the name and registration number of the relevant principal Mutual Fund first, then its own name and registration number, at the beginning of the content.*

**Quick Reference Matrix**

Who	Number of Registrations	Home Page Disclosure	Beginning of Each Content
Regulated Entity	Single	Full name & reg. number	Full name & reg. number
Regulated Entity	Multiple	Web link to website listing all	Only the relevant registration for that content
Agent of Regulated Entity	Single	Principal + own name & reg. number	Principal + own name & reg. number
Agent of Regulated Entity	Multiple	Web link listing all principals + own details	Only relevant principal + own details

**Why This Matters — The Investor Protection Angle**

This rule creates a clear, visible signal for investors. When someone watches a YouTube video or reads a Telegram post about stocks or mutual funds, they will now be able to see right at the start whether the content creator is genuinely SEBI-registered or not. If no registration details are displayed, it is a red flag that the person may not be authorized to provide securities market advice.

This is particularly important given the rise of unregistered "influencers" — social media influencers who give financial advice without any regulatory registration or accountability. By making SEBI registration details mandatory and visible, investors can quickly distinguish between:

- A legitimate SEBI-registered Research Analyst sharing stock analysis, and
- An unregistered individual sharing tips with no regulatory oversight

It also creates **accountability** — if a registered entity's SEBI number is displayed, investors can verify it on the SEBI website and also have a formal channel to file complaints if they face any issues.

### **Effective Date**

The provisions of this circular come into effect from May 1, 2026 and apply to all content uploaded on or after that date. This gives regulated entities and their agents approximately two months from the date of the circular to update their social media profiles and content creation practices accordingly.

### **Bottom Line for Regulated Entities**

If you are a SEBI-registered entity or an agent of one, and you post any content related to the securities market on social media — whether it's a YouTube video, an Instagram reel, a Telegram post, or a WhatsApp group message — you must display your SEBI registration details clearly. Failure to do so would be a violation of your code of conduct under SEBI regulations. The rule is straightforward: be transparent about who you are and under what authority you are speaking, so investors can make informed decisions about whether to trust and act on your content.

### **Link -**

[https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi\\_data/attachdocs/feb-2026/1772103201432.pdf#page=1&zoom=page-width,-16,792](https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/feb-2026/1772103201432.pdf#page=1&zoom=page-width,-16,792)

## **SEBI CIRCULAR - CATEGORIZATION AND RATIONALIZATION OF MUTUAL FUND SCHEMES**

**SEBI Circular No. HO/24/13/15(2)2026-IMD-RAC4/I/5764/2026 dated February 26, 2026**

### **Background & Purpose**

SEBI had originally issued mutual fund categorization rules in October 2017, later amended in November 2020, and consolidated into the Master Circular of June 2024. This new circular supersedes Clause 2.6 of that Master Circular entirely.

The reason for this update is to accommodate the evolving investment landscape and the emergence of new asset classes and investment opportunities. The goal remains the same — ensure schemes are true-to-label, easy to understand, and not confusingly similar to each other.

### **Broad Classification of Schemes**

All mutual fund schemes are now classified into 5 broad groups:

1. Equity Schemes
2. Debt Schemes
3. Hybrid Schemes
4. Life Cycle Funds (*newly introduced*)
5. Other Schemes (Index Funds/ETFs and Fund of Funds)

#### **A. Equity Schemes — 13 Categories**

These funds must predominantly invest in stocks and equity-related instruments.

- 1. Multi Cap Fund** Must invest at least 75% in equities, with a minimum of 25% each in large cap, mid cap, and small cap stocks. Ensures true diversification across market caps.
- 2. Large Cap Fund** Minimum 80% in large cap stocks (top 100 companies by market cap). Suitable for conservative equity investors seeking stability.
- 3. Large & Mid Cap Fund** Minimum 35% each in large cap and mid cap stocks. Balances stability with growth potential.
- 4. Mid Cap Fund** Minimum 65% in mid cap stocks (101st–250th companies by market cap). Higher growth potential with moderate risk.

**5. Small Cap Fund** Minimum 65% in small cap stocks (251st company onwards). High risk, high reward category.

**6. Flexi Cap Fund** Minimum 65% in equities with no restriction on market cap allocation. Fund manager has full flexibility to move between large, mid, and small cap as per market conditions.

**7. Dividend Yield Fund** Minimum 80% in dividend-yielding stocks. Suitable for income-seeking investors.

**8. Value Fund** Minimum 80% in equities, following a value investing strategy (buying undervalued stocks). AMC must also ensure no more than 50% portfolio overlap with its Contra Fund.

**9. Contra Fund** Minimum 80% in equities, following a contrarian strategy (going against prevailing market trends). An AMC can offer both Value and Contra funds, provided portfolio overlap between the two does not exceed 50%.

**10. Focused Fund** Minimum 80% in equities but concentrated in a maximum of 30 stocks. The fund must clearly state its focus area (large cap, mid cap, small cap, or multi cap).

**11. Sectoral Fund** Minimum 80% in equities of a specific sector (e.g., Banking, IT, Pharma). High concentration risk as it bets on one sector.

**12. Thematic Fund** Minimum 80% in equities of a specific theme (e.g., ESG, Digital India, Infrastructure). A theme can combine two or more sectors.

**13. ELSS – Tax Saver Fund** Minimum 80% in equities. Comes with a 3-year lock-in period and offers tax benefits under Section 80C of the Income Tax Act, as per the Equity Linked Saving Scheme, 2005.

### **Important Rules for Equity Schemes**

**Portfolio Overlap Rule for Sectoral/Thematic Funds** This is one of the most significant new rules. A sectoral or thematic fund's portfolio must not overlap by more than 50% with other equity schemes of the same AMC (except large cap schemes). This prevents AMCs from running near-identical funds under different names.

**Compliance Glide Path (3 Years)** Existing sectoral/thematic schemes that currently exceed the 50% overlap limit get 3 years to comply:

- Year 1: Reduce 35% of the excess overlap
- Year 2: Reduce an additional 35%
- Year 3: Reduce the remaining 30%

Schemes that still fail to comply after 3 years must be mandatorily merged with other schemes.

**Overlap Calculation Method** Portfolio overlap is computed quarterly using the average of daily overlap values. The formula used is the sum of minimum weightages of common securities between two schemes (detailed in Annexure A of the circular).

**Residual Portion** In equity schemes, the portion not invested in the core asset class (residual portion) can be invested in equity, money market instruments, gold, silver, and InvITs — subject to SEBI's prescribed limits.

**Sectoral/Thematic Fund List** AMCs can only launch sectoral or thematic funds from a list of approved sectors/themes published by AMFI in consultation with SEBI, updated every six months.

## **B. Debt Schemes — 17 Categories**

These funds invest primarily in fixed income instruments. A key parameter for most debt categories is Macaulay Duration — a measure of interest rate sensitivity of the portfolio.

**1. Overnight Fund** — Invests in securities maturing in 1 day. Very low risk. Can use up to 5% in G-secs/T-bills (up to 30-day maturity) for margin/collateral purposes.

**2. Liquid Fund** — Invests in debt and money market instruments maturing within 91 days. Suitable for parking short-term surplus funds.

**3. Ultra Short Term Fund** — Portfolio Macaulay duration between 3–6 months.

**4. Ultra Short to Short Term Fund** (*new category*) — Portfolio Macaulay duration between 6–12 months. This appears to replace what was previously called the "Low Duration Fund."

**5. Money Market Fund** — Invests in money market instruments with maturity up to 1 year.

**6. Short Term Fund** — Macaulay duration between 1–3 years.

**7. Medium Term Fund** — Macaulay duration between 3–4 years. In anticipated adverse interest rate situations, the fund manager may reduce duration to as low as 1 year.

**8. Medium to Long Term Fund** — Macaulay duration between 4–7 years. Similarly, can be reduced to 1 year in adverse situations.

**9. Long Term Fund** — Macaulay duration greater than 7 years.

**10. Dynamic Term Fund** — Can invest across all durations with no restriction. Fund manager has full flexibility.

**11. Corporate Bond Fund** — Minimum 80% in AA+ and above rated corporate bonds. Focuses on high quality corporate debt.

**12. Credit Risk Fund** — Minimum 65% in AA and below rated corporate bonds. Higher yield but higher risk due to lower-rated issuers.

**13. Banking and PSU Debt Fund** — Minimum 80% in debt instruments of banks, PSUs, Public Financial Institutions, and Municipal Bonds.

**14. Gilt Fund** — Minimum 80% in government securities across all maturities. Zero credit risk as backed by the government.

**15. 10-Year Constant Maturity Gilt Fund** — Minimum 80% in G-secs, with portfolio Macaulay duration maintained at exactly 10 years.

**16. Floating Interest Rate Fund** — Minimum 65% in floating rate instruments (including fixed rate instruments converted via swaps/derivatives).

**17. Sectoral Debt Fund** (*new category*) — Minimum 80% in AA+ and above rated debt instruments of a specific sector. Permissible sectors are: Financial Services, Energy, Infrastructure, Housing, and Real Estate. AMCs must ensure sufficient investment-grade paper is available before launching such a fund. Standard sectoral exposure limits under the Master Circular do not apply to these funds.

### **Important Rules for Debt Schemes**

**Duration Reduction Provision** For Medium Term and Medium to Long Term Funds, if the fund manager reduces duration below the specified floor (3 years and 4 years respectively), the AMC must document justification, place it before the Trustees, and report it in the Half Yearly Trustee Report to SEBI.

**Residual Portion in Debt Schemes** Can be invested in InvITs, except for Overnight, Liquid, Ultra Short Term, Low Duration, and Money Market Funds.

**Macaulay Duration Disclosure** Must be disclosed at the portfolio level and explained in the Scheme Information Document (SID).

### **C. Hybrid Schemes — 7 Categories**

These funds invest in a mix of asset classes — equity, debt, commodities, and InvITs.

**1. Conservative Hybrid Fund** 10–25% in equity, 75–90% in debt. Primarily for conservative investors who want some equity exposure with debt stability.

- 2. Balanced Hybrid Fund** 40–60% each in equity and debt. Strict 50:50 balance. Arbitrage is not permitted in this scheme.
- 3. Aggressive Hybrid Fund** 65–80% in equity, 20–35% in debt. Suitable for investors with moderate-to-high risk appetite.
- 4. Dynamic Asset Allocation Fund** Equity and debt allocation is managed dynamically based on market conditions. No fixed allocation bands. Invests only in equity and debt (no other asset classes).
- 5. Multi Asset Allocation Fund** Must invest in at least 3 asset classes with a minimum of 10% in each. Offers true diversification across asset classes.
- 6. Arbitrage Fund** Minimum 65% in equity and equity-related instruments, following an arbitrage strategy (exploiting price differences between cash and futures markets). Debt exposure is restricted to government securities with maturity less than 1 year and repo of government bonds only. InvIT investment is not permitted.
- 7. Equity Savings Fund** Minimum 65% in equity, with net equity exposure of 15–40%. Minimum 10% in debt. Balances equity, arbitrage, and debt exposure.

#### **Important Rules for Hybrid Schemes**

**Residual Portion** Can be invested in InvITs (except arbitrage funds), ETCDs (Exchange Traded Commodity Derivatives), Gold ETFs, and Silver ETFs.

**Solution Oriented Schemes** — Discontinued The earlier categories of Retirement Fund and Children's Fund (under Solution Oriented Schemes) are being discontinued with immediate effect. Existing schemes must stop all new subscriptions immediately and be merged with schemes of similar asset allocation and risk profile, with prior SEBI approval.

#### **D. Life Cycle Funds — Brand New Category**

This is the most significant new introduction in this circular. Life Cycle Funds are goal-based, target-date funds that follow a glide path — automatically shifting from aggressive (equity-heavy) to conservative (debt-heavy) allocation as the fund approaches its maturity date.

**Key Features:**

- Tenure: Minimum 5 years, maximum 30 years, in multiples of 5 years (i.e., 5, 10, 15, 20, 25, or 30-year funds)
- Maximum 6 Life Cycle Funds can be active for subscription by one AMC at any time
- Invest across Equity, Debt, InvITs, ETCDs, Gold & Silver ETFs
- Fund name must include maturity year (e.g., Life Cycle Fund 2055, Life Cycle Fund 2045)

**Glide Path (Example for a 30-year fund):**

Years to Maturity	Equity	Debt	Gold/Silver/ETCDs/InvITs
15–30 years	65–95%	5–25%	0–10%
10–15 years	65–80%	5–25%	0–10%
5–10 years	50–65%	5–25%	0–10%
3–5 years	35–50%	25–50%	0–10%
1–3 years	20–35%	25–65%	0–10%
Less than 1 year	5–20%	25–65%	0–10%

Similar glide paths apply for 5, 10, 15, 20, and 25-year funds.

**Exit Load (to discourage premature withdrawal):**

- Within 1 year: 3%
- Within 2 years: 2%
- Within 3 years: 1%

**Benchmark:** Same framework as Multi Asset Allocation Fund.

## **E. Other Schemes**

**Index Funds / ETFs** Minimum 95% in securities of the index being replicated/tracked.

**Fund of Funds (FoFs)** Minimum 95% in the underlying fund(s). Detailed framework for FoFs with multiple underlying funds is provided in Annexure C of the circular, covering domestic equity, debt, hybrid, commodity, overseas, and domestic+overseas FoF categories.

### **Scheme Naming Rules**

- The scheme name must match its category name exactly
- Names must not emphasize only returns (e.g., words like "high return," "wealth multiplier" are not allowed)
- The 'type of scheme' description in offer documents and advertisements must follow the standard uniform description prescribed in the circular
- Foreign securities will not be treated as a separate asset class

### **Portfolio Overlap Disclosure**

AMCs must publicly disclose portfolio overlap levels on their website every month, covering:

- Equity scheme vs other equity schemes
- Debt scheme vs other debt schemes
- Hybrid scheme vs other hybrid schemes

### Compliance Timeline

Requirement	Deadline
All existing schemes to align with new categories	Within 6 months of February 26, 2026
Solution Oriented Schemes — stop subscriptions	Immediate effect
Sectoral/Thematic overlap compliance	Within 3 years
Changes to nomenclature, objective, strategy, benchmark	Not treated as Fundamental Attribute Change

### Bottom Line for Investors

This circular makes mutual funds more transparent, better defined, and easier to compare. Key takeaways for investors are that fund names will now clearly reflect what the fund actually does, overly similar funds will be weeded out or merged, the new Life Cycle Funds offer a simple way to invest for long-term goals like retirement, and Solution Oriented Schemes (retirement/children's funds) are being phased out and replaced with better-structured alternatives.

### Link –

[https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi\\_data/attachdocs/feb-2026/1772079826878.pdf#page=1&zoom=page-width,-15,842](https://www.sebi.gov.in/web/?file=https://www.sebi.gov.in/sebi_data/attachdocs/feb-2026/1772079826878.pdf#page=1&zoom=page-width,-15,842)

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