

**PR No.18/2026**

**Key decisions taken in the SEBI Board Meeting dated 23<sup>rd</sup> March, 2026**

The 213<sup>th</sup> meeting of the SEBI Board was held in Mumbai today.

The SEBI Board, inter-alia, approved the following:

**1. Flexibility to AIFs in winding up of scheme and surrendering of registration – Ease of doing business measure**

- 1.1. The Board has approved proposals to amend SEBI (Alternative Investment Funds) Regulations, 2012 ('AIF Regulations') to cover situations in which a scheme or an AIF can retain liquidation proceeds of portfolio post completion of its tenure. It has also been approved to introduce a framework for tagging certain AIFs as 'inoperative funds' with lighter compliance requirements till surrender of their registration certificate.
- 1.2. Under the extant regulatory framework, AIFs are required to distribute the liquidation proceeds to investors within the permissible fund life, and achieve a NIL bank account balance before surrendering their certificate of registration. SEBI has observed that certain AIFs that retain funds beyond this period, on account of pending or anticipated tax or litigation demands or residual operational expenses, are unable to satisfy this requirement. Thus, they are constrained to continue holding the AIF registration and are required to comply with the attendant requirements, even when there is no active fund management.
- 1.3. In order to address these issues, retention of proceeds by AIFs beyond permissible fund life shall be permitted upon satisfying one of the following conditions:

- (a) Demonstrable receipt of a litigation notice or tax/regulatory demand (including show-cause notices, re-assessment notices, or similar official written communications);
  - (b) Consent of at least 75% of investors by value, for satisfying anticipated liabilities from litigation or tax demand; or
  - (c) Substantiation of amounts retained for operational expenses through invoices or prior-year comparables, subject to a maximum retention period of three years from end of permissible fund life.
- 1.4. AIFs intending to surrender their registration and having one or more such schemes as mentioned above shall be tagged as 'inoperative funds'. The compliance requirements for such funds shall be lesser compared to other AIFs, including discontinuation of periodic filings, PPM updation, and performance benchmarking.
- 1.5. These measures are expected to reduce the compliance burden on AIFs with no active fund management activity while retaining necessary regulatory oversight.
- 1.6. The proposals were deliberated before the Alternative Investment Policy Advisory Committee ('AIPAC') on January 07, 2026, and a public consultation paper in this regard was issued on February 05, 2026. The approved framework incorporates relevant feedback received from AIPAC and through public consultation.

## **2. Proposal to permit net settlement of funds for transactions done by Foreign Portfolio Investor - Ease of doing business measure**

- 2.1 The SEBI Board approved a proposal to permit net settlement of funds for transactions done by FPIs in cash market.
- 2.2 Currently, FPIs settle their transactions with custodians on a gross basis which results in additional costs for FPIs, including funding costs and foreign exchange slippages.
- 2.3 Recognising these concerns, and with a view to enhancing operational efficiency and reducing cost of funding for FPIs, it has been decided to permit net settlement of funds for outright transactions done by FPIs in cash market, i.e., transactions in which there is either purchase or sale transactions, but not both, in a security in a settlement cycle.

- 2.4 The settlement of securities shall continue to be carried out on a gross basis between the FPI and the custodian. Also, Securities Transaction Tax (STT) and stamp duty shall continue to be levied on delivery basis, as applicable.
- 2.5 For example, a FPI purchases stock A worth Rs. 100 Crore and sells stock B worth Rs.100 Crore. Currently, the FPI needs to make available an amount of Rs.100 Crore towards purchase of stock A and deliver stock B worth Rs. 100 Crore. At the time of pay-out, FPI will receive stock A worth Rs. 100 Crore and an amount of Rs. 100 Crore towards consideration for sale of stock B. After implementation of netting, the FPI would only need to deliver stock B worth Rs.100 Crore but the payment of Rs.100 Crore towards pay-in would not be required. This pay-in obligation of Rs. 100 Crore for purchase of stock A would be adjusted against the proceeds from sale of stock B.
- 2.6 The proposal is expected to reduce the cost of funding for FPIs, particularly on index rebalancing days, when outright purchases and sales occur in incoming and outgoing index constituents, respectively.
- 2.7 Since non-outright transactions will continue to be confirmed and settled on a gross basis, concerns relating to potential market influence arising from large FPI positions or speculative trading activity is allayed.
- 2.8 **Implementation Timeline**  
Given the necessary system and process modifications, the proposal shall be implemented on or before December 31, 2026.

### **3. Review of minimum value of investment by individual investors in Social Impact Fund (SIF) of Alternative Investment Fund (AIF) under SEBI (Alternative Investment Funds) Regulations, 2012 – Measure to enhance retail participation**

- 3.1 The Board approved amendments to SEBI (Alternative Investment Funds) Regulations, 2012 to reduce the minimum value of investment by individual investors in Social Impact Fund of AIF to rupees one thousand from existing rupees two lakhs.
- 3.2 This would align the requirement of minimum application size for subscribing to Zero Coupon Zero Principle Instruments under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 with the

requirement of minimum value of investment by individual investors in Social Impact Fund, thereby facilitating wider retail participation on Social Stock Exchange.

- 3.3 The proposal was deliberated before the Social Stock Exchange Advisory Committee ('SSEAC') on January 28, 2026 and a public consultation paper in this regard was issued on February 09, 2026. The approved proposal incorporates relevant feedback received from SSEAC and through public consultation.

#### **4. SEBI Board approved measures to enhance Ease of Doing Business for the activities of Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs)**

- 4.1 With a view to promote ease of doing business and to address practical and operational issues faced by InvITs and REITs, the Board considered and approved amendments to SEBI (Infrastructure Investment Trusts) Regulations, 2014 and to SEBI (Real Estate Investment Trusts) Regulations, 2014 for the following matters:

- 4.1.1 A Special Purpose Vehicle ('SPV') under an InvIT is required to invest at least 90% of its assets in infrastructure projects. Upon the conclusion of concession agreement, the infrastructure project in the SPV ceases to exist. However, the InvIT may have to continue to hold investment in such SPV since an immediate sale or winding up may not be practically possible due to pending claims, litigations, tax assessments, defect liability period under the concession agreement etc.

To address this issue, InvITs will be permitted to continue to hold investment in SPVs post conclusion or termination of the concession agreement. InvITs shall be required to either exit investment in such SPV or acquire new infrastructure project in such SPV within one year from the later of – (a) completion of concession agreement, or (b) conclusion of pending claims / litigations, or (c) completion of defect liability period. The time taken to obtain relevant statutory or regulatory approvals for exiting investment in such SPV shall be excluded from the time period of one year. Further, adequate disclosures shall be made in the annual report of the InvIT regarding investment in such SPV.

- 4.1.2 To provide additional investment options for temporary deployment of funds by InvITs and REITs and to mitigate concentration risk, InvITs and REITs will be permitted to invest in units of liquid mutual fund schemes where the credit risk value is at least 10 and which fall under the Class A-I or Class B-I in the potential risk class matrix specified by the Board (i.e. liquid mutual fund schemes holding debt securities rated AA and above). Presently, InvITs and REITs can invest in units of liquid mutual fund schemes where the credit risk value is at least 12 and which fall under the Class A-I in the potential risk class matrix (i.e. liquid mutual fund schemes holding debt securities rated AAA, Government Securities, State development loans, Repo on Government securities, TREPS and cash).
- 4.1.3 To align the investment norms for privately listed InvITs with publicly listed InvITs w.r.t. investment in greenfield infrastructure projects, privately listed InvITs will be permitted to invest up to 10% of the value of their assets in greenfield infrastructure projects (i.e. under-construction infrastructure projects as defined in the InvIT Regulations). Presently, privately listed InvITs cannot invest in PPP greenfield infrastructure projects.
- 4.1.4 InvITs with leverage exceeding 49% and up to 70% of the value of their assets will be allowed to avail fresh borrowings for capital expenditure, major maintenance expense for road project and refinance of existing debt which was originally utilized for permitted purposes subject to the condition that only the principal portion of the debt is refinanced. Presently, InvITs with leverage exceeding 49% and up to 70% of the value of their assets are allowed to undertake fresh borrowings only for acquisition or development of infrastructure projects.
- 4.2 The above proposals to the Board were made based on the recommendations of the Hybrid Securities Advisory Committee of SEBI and after public consultation undertaken vide consultation paper issued on February 05, 2026.

## **5. Amendments to the “Fit and Proper Person” criteria under the SEBI (Intermediaries) Regulations, 2008**

5.1 The Board approved amendments to the ‘fit and proper person’ criteria specified under Schedule II of the Securities and Exchange Board of India (Intermediaries) Regulations, 2008 (“Intermediaries Regulations”). The approved amendments seek to appropriately balance:

5.1.1 the regulatory objective of principle-based criteria that only persons with integrity, honesty, ethical behaviour, reputation, fairness and character operate in the securities market; and

5.1.2 the need to ensure ease of doing business by market participants.

5.2 The key amendments to Schedule II of the Intermediaries Regulations approved are as follows:

5.2.1 The rule based criteria of pendency of a criminal complaint / FIR filed by SEBI or a charge sheet concerning economic offences shall, by itself, not be ground for automatic disqualification. However, the extant principle based criteria, shall apply on a case to case basis;

5.2.2 The existing disqualification upon conviction for an offence involving moral turpitude shall be expanded to include conviction for any economic offence or any offence under securities laws;

5.2.3 Initiation of winding up proceedings as a ground for disqualification shall be omitted. However, the extant provision of disqualification upon an order of winding up shall remain;

5.2.4 The applicant / intermediary shall be required to inform SEBI within 15 working days of the recognized stock exchanges of occurrence of any event envisaged under Clause 3(b) involving itself, its KMPs or persons in control;

5.2.5 An express provision for granting a reasonable opportunity of being heard before declaring a person as not ‘fit and proper’ shall be inserted;

5.2.6 The default prohibition of five years from applying for fresh registration in cases where no time period is specified in the relevant order shall be omitted. However, the extant prohibition to apply for registration, during the period of prohibition, shall continue;

5.2.7 The category of proceedings for incurring disqualification, in cases where Show Cause Notice has been issued by the Board, shall be limited to

proceedings under section 11B(1) and 11(4) of the SEBI Act. Further, the time period of non-consideration of registration upon issuance of SCN by SEBI shall be reduced from one year to six months; and

5.2.8 The amendments shall come into force on the date of their publication in the Official Gazette. With respect to pending cases, administrative steps may be taken, wherever required, to withdraw such show cause notices / cases if such matters would not warrant issuance of show cause notices under the amended provisions.

5.3 The Board earlier had issued a consultation paper on February 4, 2026 soliciting public comments on the review of the 'fit and proper person' criteria under Schedule II of the Intermediaries Regulations. The overhauled Schedule II has factored in the suggestions received in the public consultation process.

## **6. Recommendations of the High-Level Committee on conflict of interest, disclosures and related matters in respect of Members and Officials of SEBI ("HLC")**

6.1 The Board considered the recommendations of HLC that was set up to undertake a comprehensive review of the existing framework governing conflict of interest, disclosures and related matters in respect of Board Members and employees of SEBI.

6.2 The following key recommendations of HLC were approved by the Board without modification:

6.2.1 Uniform application of restrictions on investments and trading (in equity and equity related instruments, other than permitted investments in mutual funds etc.) to Chairman and Whole-Time Members (WTMs) as currently applicable to employees. Further, the HLC has recommended that new investments in any pooled vehicle may be permitted, provided the scheme is professionally managed by a regulated market intermediary. This has also been approved by the Board.

6.2.2 Chairman and the WTMs may be required to choose one of the following four options for investments (in equity and equity related instruments, other than permitted investments in mutual funds and other pooled vehicles etc.) held by them at the time of joining:

1. Liquidate the investments.
  2. Freeze the investments.
  3. Sell the investments according to a trading plan.
  4. Sell the investments without a trading plan with prior approval.
- 6.2.3 Investments in equity and equity-related instruments in commercial ventures (including unlisted companies) must be fully liquidated or kept frozen during the tenure of the Chairman or the WTMs. Vested options, if any, must be exercised before joining SEBI.
- 6.2.4 Chairman and WTMs to be brought within the definition of “insider”.
- 6.2.5 The definition of “family” for Members and employees to be aligned. The aligned definition of “family” would be (i) spouse (ii) dependent children (including adopted children and stepchildren) (iii) any person for whom the member/ employee serves as a legal guardian and (iv) any other person related to, by blood or marriage to the employee or to his spouse and substantially dependent on such employee.
- 6.2.6 A Member or an employee must disclose any negotiation/agreement for any future employment.
- 6.2.7 Establishment of a digital system for management of conflict of interest, whistleblower system for reporting actual, potential, or perceived conflicts of interest and training and development programmes to foster a culture of ethical conduct.
- 6.3 The Board took note of public and media comments, privacy and other concerns expressed by employees with respect to other recommendations of HLC. After consideration, the Board approved the following key recommendations with appropriate modifications:
- 6.3.1 Public disclosure of assets and liabilities: The immovable property details of Chairman, WTMs, Executive Directors and Chief General Managers may be publicly disclosed in line with the requirements already applicable to Government of India All India Service (AIS) and Central Civil Services (CCS) officers. However, details of assets and liabilities in the format to be prescribed would have to be internally disclosed to SEBI.
- 6.3.2 Ethics Infrastructure: The new Office of Ethics and Compliance (OEC) for management of conflict of interest framework for employees would be established. For the present, it will be supervised by Chief Vigilance Officer, SEBI.

- 6.3.3 Investment restriction on spouse / dependent family members:** Investment restrictions (i.e., direct investment in shares) applicable to Chairman / WTMs / employees may also be applicable to their spouse and dependent family members, except investments in unlisted securities, ESOPs acquired as part of the pay package and use of discretionary Portfolio Management Services (where the Fund Manager acts independently) to manage their investments. These restrictions would apply prospectively and existing investments shall be grandfathered.
- 6.3.4 Limit of 25% on investments with a single intermediary:** New investments by employees / WTMs / Chairman in products managed by a single SEBI-registered intermediary may not exceed 25% of their financial portfolio. Further, if the limit is breached, the concerned official will have to recuse from all matters involving that particular intermediary.
- 6.3.5 Disclosure:** Employees, WTMs and Chairman to make initial, annual, event-based disclosures of assets, liabilities, trading activities and relationships to SEBI. Part-Time Members from the Ministry / RBI may be guided by the conduct rules of their parent organization. Other Part-time Members may continue to make disclosures to the Board about holding of shares and past professional assignments (for which the lookback period is being harmonized to 3 years as applicable to WTMs and employees) at the time of assumption of office. They shall also disclose holding of shares on an annual basis as per the current practice. No public disclosure is required for Part-Time Members of the Board.
- 6.3.6 Recusals:** The Board also accepted general recommendations in case of recusals relating to material financial interest and other circumstances that may require recusal as given in the HLC report. The Board also approved that a digital system and recusal framework may be put in place to record disclosure of conflicted relationships as well as to process recusals, including grant of approvals. Recusal proposals may be dealt as per Delegation of Powers in SEBI.
- 6.4** The Board decided that the decision of the Board on the recommendations of HLC may be suitably incorporated in the 2008 Code on Conflict of Interest for Members of the Board ("**2008 Code**") for voluntary adoption as per the current practice.

- 6.5 The Board, after deliberations, decided that the following recommendations of HLC be referred to the Central Government for consideration:
- a. **Notifying a separate set of regulations for Board Members:** As the Central Government is the appointing authority and prescribes the terms and conditions of service of Board Members, the Central Government will be the appropriate authority to take a decision in this matter. The recommendations of HLC and the revised Code may be referred to the Central Government.
  - b. **Oversight of conflict of interest of Board Members:** As regards oversight of conflict of interest of Board Members, including creation of an Oversight Committee on Ethics and Compliance (OCEC), the recommendation may be referred to the Central Government, the appointing authority.
- 6.6 The next steps for implementing the recommendations of HLC include making amendments to the SEBI (Employees' Service) Regulations, 2001, revising 2008 Code on Conflict of Interest for members of Board and provide necessary operational guidelines. Further, systems and processes would be put in place for implementing the framework for management of conflict of interest within SEBI.

**Mumbai**

**March 23, 2026**