Key Changes under the IFSCA (Fund Management) (Amendment) Regulations, 2026 – An Analysis

INTRODUCTION

The International Financial Services Centres Authority (**IFSCA**) has notified the International Financial Services Centres Authority (Fund Management) (Amendment) Regulations, 2026 (**FM Amendments 2026**), which amend the IFSCA (Fund Management) Regulations, 2025 (**FM Regulations**). The FM Amendments 2026 were notified on January 27, 2026, and came into force on the same day.

FM Amendments 2026 are largely in line with the proposals set out in the Consultation Paper on Amendments to the IFSCA (Fund Management) Regulations, 2025, published by IFSCA on October 17, 2025 (**Consultation Paper**).

RELAXATION OF EXPERIENCE REQUIREMENTS FOR KMPs

Prior to the FM Amendments 2026, the FM Regulations required that, in addition to the prescribed educational or professional qualifications, the Principal Officer and other KMPs must have a minimum of five (5) years' experience in activities related to the securities market or financial products. Such experience had to be gained in relevant financial-sector roles, including fund management, portfolio management, investment advisory, broking, investment banking, wealth management, research, credit rating, market infrastructure institutions, financial regulators, or in consultancy roles connected with fund management.

The FM Amendments 2026 have substituted Regulation 7(5)(b) to amend the experience criteria applicable to KMPs. Though the baseline requirement continues to be a minimum of five (5) years' experience in securities markets or financial products, Regulation 7(5)(b) allows such experience to be gained from an "eligible institution", for which an inclusive and wide definition is provided for in the FM Amendments 2026.

The term "eligible institution" shall include market infrastructure institutions, capital market intermediaries, financial sector regulators, FMEs, banks, finance companies, insurance companies and insurance intermediaries in IFSC, India or foreign jurisdictions. In addition, consulting and professional firms—such as firms of chartered accountants, company secretaries, cost accountants and advisory firms providing services relating to financial products as well as relevant finance, accounts, legal or secretarial roles within corporates, are also "eligible institutions".

Pursuant to the FM Amendments 2026, the Compliance Officer appointed under Regulation 7(2) of the FM Regulations is required to have a minimum experience of three (3) years, provided the individual holds a recognized professional qualification. Further, the FM Amendments 2026 recognizes certification-based eligibility, individuals with at least two (2) years' post-qualification experience (for Compliance Officers), or three (3) years' post-qualification experience (for Principal Officer and other KMPs), in an eligible institution, along with valid certifications specified by IFSCA, shall also be eligible. Prior to the FM Amendments 2026, the Compliance Officer appointed under Regulation 7(2) of the FM Regulations was required to have a minimum experience of 3 (three) years, along with a professional qualification, in compliance or risk management department of a listed company or an entity regulated by a financial sector regulator.

EXTENSION OF VALIDITY OF PLACEMENT MEMORANDUM – VENTURE CAPITAL SCHEMES

Prior to the FM Amendments 2026, if a venture capital fund failed to achieve the minimum corpus prescribed by the FM Regulations within the twelve-month period, the FM Regulations permitted only a one-time extension of six (6) months, subject to payment of 50% of the fee applicable for filing a fresh scheme. Beyond this single extension, the regulatory framework did not provide any further flexibility.

Pursuant to the FM Amendments 2026, if a venture capital fund fails to achieve the minimum corpus within the prescribed timeframe, it may now seek multiple extensions, with each extension being for a period of six (6) months, commencing from the day immediately following the expiry of the existing validity of the placement memorandum.

For the first extension mentioned above, the FME is required to pay 25% of the fee applicable for filing a fresh scheme, as prevailing at the time of seeking the extension. For each subsequent extension, the applicable fee increases to 50% of the fresh filing fee.

MINIMUM CORPUS CONDITION FOR OPEN-ENDED RESTRICTED SCHEMES

The FM Regulations provide that in the case of an open-ended restricted scheme, investment in unlisted securities could not exceed twenty-five per cent (25%) of the corpus of the scheme. Regulation 35(2) of the FM Regulations requires all restricted schemes to achieve a minimum corpus of USD 3 million, while permitting an open-ended restricted scheme to commence investment activities upon raising USD 1 million, provided the balance minimum corpus was achieved within twelve (12) months from the date on which the placement memorandum was taken on record.

In the event an FME failed to achieve the minimum corpus of USD 3 million within the stipulated period, the FM Regulations allowed only a limited extension.

The FM Amendments 2026 have inserted a new proviso to Regulation 35(1) of the FM Regulations to clarify that an open-ended restricted scheme may undertake investments in unlisted securities only after achieving the minimum corpus of USD 3 million.

In addition, Regulation 35(2) of the FM Regulations has been amended to introduce a extension framework for achieving the minimum corpus of USD 3 million, which is similar to that prescribed for venture capital schemes. Where an open-ended restricted scheme fails to achieve the minimum corpus within the prescribed timeframe, it's FME may now seek multiple extensions, each for a period of six (6) months, subject to payment of 25% of the applicable fresh filing fee for the first extension and 50% of the applicable fresh filing fee for each subsequent extension.

ADDITIONAL GROUNDS FOR WINDING-UP OF SCHEMES

The FM Amendments 2026 have expanded Regulation 131(1) of the FM Regulations by expressly introducing additional grounds for winding-up of a scheme. Henceforth, a scheme may be wound up where an FME has raised funds from investors but fails to achieve the prescribed minimum corpus within the validity or extended validity of the placement memorandum or offer document, and the FME has not sought an extension of such validity in accordance with the FM Regulations or where no investors have been onboarded and no funds have been collected, and the FME voluntarily desires to wind up the scheme.

EXTENDED TIMELINE FOR APPOINTMENT OF CUSTODIAN IN IFSC

The FM Amendments 2026 have substituted Explanation II to Regulation 132 of the FM Regulations to introduce a clear transitional window of twenty-four (24) months from the commencement of the FM Amendments 2026 for appointing a custodian in the IFSC, in cases where such appointment is mandatory under the FM Regulations.

During this interim period, FMEs are expressly permitted to appoint an independent custodian located in India or in any foreign jurisdiction, provided such custodian is regulated by the financial sector regulator in the relevant jurisdiction.

ELP Comments

- *The relaxation of KMP experience requirements, including the introduction of certification-based alternative eligibility criteria and the expansion of the definition of "eligible institution", were specifically proposed in the Consultation Paper as ease-of-doing-business measures. These proposals were subsequently approved by the IFSCA at its meeting on December 22, 2025 and publicly confirmed through a press release dated December 23, 2025 (**Press Release**).*
- *The Consultation Paper had proposed the introduction of provisions permitting multiple extensions of six months each for Venture Capital Schemes and Restricted Schemes to extend the validity of the placement memorandum.*

However, it had not differentiated between the filing fees applicable for the first and subsequent extensions, and instead envisaged a uniform filing fee of 50% of the applicable fresh filing fee for each such extension. The differentiated fee structure introduced by IFSCA in FM Amendments 2026 possibly reflects feedback received on the Consultation Paper.

- *After the FM Regulations came into effect on February 19, 2025, a 12-month migration window was provided to the schemes to appoint an IFSC-based custodian. The extension of this migration window to 24-months for appointment of an IFSC-based custodian, as introduced in FM Regulations 2026, was a key proposal highlighted in the Consultation Paper which has now been approved and implemented by the IFSCA through the FM Amendments 2026.*
- *The FM Regulations used to permit open-ended restricted scheme to commence investment activities upon raising USD 1 million, even though the minimum required corpus is USD 3 million. This allowed open-ended restricted scheme to commence investments in both listed and unlisted securities. If an open-ended restricted scheme invests in unlisted securities and fails to achieve the minimum required corpus is USD 3 million, it would struggle to wind up and return invested funds to its investors. Therefore, the IFSCA's clarification that an open-ended restricted scheme may undertake investments in unlisted securities only after achieving the minimum corpus of USD 3 million will be welcomed by all stakeholders in GIFT-IFSC.*
- *While the FM Amendments 2026 incorporate several key proposals from the Consultation Paper, a number of proposal changes have been left out. Notably, proposals relating to the introduction of differential rights and distributions among investors in Venture Capital Schemes and Restricted Schemes, expansion of exemptions from sponsor / FME contribution requirements, and certain Retail Scheme specific relaxations have not found a place in the FM Amendments 2026. It is likely that they will be implemented at a later date.*

The International Financial Services Centres Authority (Fund Management) (Amendment) Regulations, 2026 can be found *here*.

The Consultation Paper can be found *here*.

We hope you have found this information useful. For any queries/clarifications, please write to us at insights@elp-in.com or write to our authors:

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