ECONOMIC LAWS PRACTICE
ADVOCATES & SOLICITORS

CAPITAL MARKETS NEWSLETTER: JUNE 2026

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A. AMENDMENTS AND REGULATORY CHANGES

1. AMENDMENTS TO THE SEBI (BUY-BACK OF SECURITIES) REGULATIONS, 2018

Securities and Exchange Board of India ("**SEBI**") has introduced amendments to the SEBI (Buy-back of Securities) Regulations, 2018, through the SEBI (Buy-Back of Securities) (Amendment) Regulations, 2026 ("**Amendment Regulations**"), introducing significant changes to the buyback regime. Effective August 1, 2026, the Amendment Regulations aim to enhance flexibility for listed companies while strengthening transparency, execution standards and investor protection.

The key takeaways from the Amendment Regulations include the following:

- **Stock Exchange Buybacks:** Listed companies can undertake open market buybacks through the stock exchange route, alongside the existing tender offer route, restoring an additional avenue for capital management.
- **Timeline:** Open market buybacks through stock exchanges shall open within four working days from the date of the public announcement and close within 66 working days from the date of opening of the offer. Companies must also utilise at least 40% of the proposed buyback size during the first half of the buyback period to ensure timely execution.
- **Restrictions on Promoters:** An International Securities Identification Number level freeze has been introduced on the holdings of promoters and promoter group during the buyback period, strengthening restrictions on promoter transactions and improving enforcement.
- **Minimum Public Shareholding:** Companies must ensure that buybacks do not result in a breach of the minimum public shareholding requirements prescribed under the SEBI framework.
- **Buyback Interval:** The minimum interval between two successive buybacks has been aligned with the requirements under the Companies Act, 2013 (i.e. one year), ensuring consistency between company law and securities regulations.
- **Merchant Banker Appointment:** Appointment of a SEBI-registered merchant banker has been made optional. Companies may undertake certain administrative and compliance functions themselves or through other regulated intermediaries, reducing compliance costs.
- **Financial Threshold:** The stock exchange buybacks have been capped at less than 15% of a company's paid-up capital and free reserves, based on both standalone and consolidated financial statements of the company.

B. CIRCULARS

1. SEBI EXTENDS TIMELINE FOR MERCHANT BANKER COMPLIANCE

SEBI has extended the timeline for implementation of certain provisions of its circular dated January 2, 2026 ("**January Circular**"), governing merchant bankers. The circular dated June 11, 2026 ("**June Circular**") is a response to practical challenges raised by industry representatives in implementing the Separate Business Unit ("**SBU**") framework along with alignment of revised financial requirements with the financial year-end. The Circular has revised and provided additional time to operationalise the amendments introduced under the SEBI (Merchant Bankers) (Amendment) Regulations, 2025 ("**Merchant Banker Amendment Regulations**"). The Circular clarified the following points:

- **SBU:** The due date for transfer of eligible activities to SBU under Regulation 13A(2) of the Merchant Banker Amendment Regulations, along with compliance of corresponding requirements under the January Circular, has been extended from July 3, 2026, to December 31, 2026.
- **Net Worth and Liquid Net Worth Requirements:** The implementation of net worth and liquid net worth requirements for merchant bankers under Phase (I) and Phase (II), as provided for under the January Circular, has been extended from January 2, 2027, to March 31, 2027, and from January 2, 2028, to March 31, 2028, respectively.
- **Categorisation of merchant bankers:** The deadline for intimating SEBI regarding categorisation as a Category I or Category II merchant banker has been extended from January 2, 2027, to March 31, 2027.

2. MASTER CIRCULAR FOR ALTERNATIVE INVESTMENT FUNDS (AIFS)

SEBI issued the Master Circular for Alternative Investment Funds on June 3, 2026, consolidating all circulars issued under the SEBI (Alternative Investment Funds) Regulations, 2012 up to May 31, 2026, and incorporating the June 16, 2026, circular relating to winding up of AIFs, retention of proceeds and Inoperative Fund status. The Master Circular supersedes the earlier Master Circular dated May 7, 2024. The key updates incorporated in the Master Circular include:

- **Certification Requirements for AIF Managers:** The circular incorporates the requirement that at least one member of the key investment team of the manager must possess the prescribed NISM certification applicable to the relevant category of AIF.
- **Filing and Launch of Schemes:** The Master Circular consolidates provisions relating to private placement memorandum filing through merchant bankers, fast-track launch mechanism for non-LVF schemes, framework for Large Value Funds ("**LVF**") and conversion into AI-only schemes and LVFs.
- **Overseas Investments:** The circular consolidates requirements governing overseas investment limits, eligibility conditions for overseas portfolio companies and reporting and utilization of overseas investment limits.
- **Co-Investment Framework:** The Master Circular contains the operational framework for Co-Investment Vehicle ("**CIV**") schemes, including eligibility conditions, separate bank and demat account requirements and limits on co-investment by investors.
- **Borrowing and Encumbrance Framework:** The circular incorporates borrowing flexibility for Category I and Category II AIFs for temporary drawdown shortfalls and conditions governing creation of encumbrance over infrastructure investee-company shares.
- **Pro-rata and Pari-passu Rights:** The Master Circular consolidates the December 2024 framework concerning pro-rata rights in investments and distributions, differential rights granted to investors and treatment of existing priority distribution structures.

- **Due Diligence Requirements:** The circular incorporates due-diligence requirements relating to QIB-related investments, Qualified Buyer investments, RBI-regulated lenders investing through AIFs and investors from countries sharing land borders with India.
- **Dematerialisation Framework:** The Master Circular consolidates requirements relating to dematerialised issuance of AIF units, aggregate Escrow Demat Accounts, dematerialisation of AIF investments and Net Asset Value reporting to depositories.
- **Migrated VCFs:** Venture Capital Funds ("**VCFs**") registered under the erstwhile SEBI (Venture Capital Funds) Regulations, 1996 are allowed to migrate to the SEBI (Alternative Investment Funds) Regulations, 2012 framework and be registered as Migrated VCFs. Schemes with expired liquidation periods have been granted a one-time additional liquidation period up to July 19, 2026, upon migration. Existing investors, investments and units continue post-migration seamlessly, while non-migrating VCFs are subject to enhanced reporting requirements or potential regulatory action if continuing beyond their liquidation period.
- **Winding Up, Dissolution Period and In-Specie Distribution:** The circular consolidates the framework relating to dissolution periods, additional liquidation periods, in-specie distributions, liquidation schemes and investor exit mechanisms where unliquidated investments remain at the end of fund tenure.
- **Guidelines for Winding Up of AIFs:** The Master Circular specifically incorporates the June 16, 2026, framework relating to retention of winding-up proceeds for contingent liabilities and obligations, annual reporting obligations during the retention period and recognition of 'Inoperative Fund' status and associated regulatory exemptions. Through this Circular, clarity has been provided on the retention of liquidation proceeds beyond the permissible fund life as well as an 'Inoperative Fund' to facilitate the completion of pending legal, tax and operational obligations during the winding-up process.

C. INFORMAL GUIDANCE

1. INFORMAL GUIDANCE TO MAITHAN ALLOYS LIMITED ON INTERPRETATION OF REGULATION 16(1)(B)(III) OF THE SEBI LODR REGULATIONS

An informal guidance letter dated March 2, 2026 was issued by SEBI to Maithan Alloys Limited ("**Maithan**") on the interpretation of the expression "related to promoters or directors" under Regulation 16(1)(b)(iii) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended ("**SEBI LODR Regulations**").

Background

Maithan sought guidance under the SEBI (Informal Guidance) Scheme, 2025 regarding the eligibility of a proposed appointee for the position of Independent Director. The proposed appointee was the cousin of Mr. Siddhartha Shankar Agarwalla, a member of the promoter group and a director of two of the company's subsidiaries. Maithan contended that a cousin does not fall within the definition of "relative" under the applicable provisions of the Companies Act, 2013, as amended ("**Companies Act**"), and the SEBI LODR Regulations and therefore should not be regarded as being "related" to a promoter or director for Regulation 16(1)(b)(iii). The company sought clarification on whether such a person could be appointed as an independent director.

SEBI's Observations

SEBI observed that Regulation 16(1)(b)(iii) requires an Independent Director not to be related to promoters or directors of the listed entity, its holding company, subsidiary or associate company. It further noted that a cousin is not included in the definition of "relative" under Section 2(77) of the Companies Act, read with the Companies (Specification of Definitions Details) Rules, 2014, as amended, and Regulation 2(1) (zd) of the SEBI LODR Regulations. Accordingly, the proposed appointee would not be considered related to the promoter or director solely on account of such cousin relationship.

SEBI's Conclusion

SEBI clarified that, based on the facts presented, the proposed appointee may be eligible for appointment as an independent director of Maithan. However, the company must ensure that the individual satisfies all other eligibility and independence requirements prescribed under the SEBI LODR Regulations, the Companies Act, and the rules made thereunder, including conditions relating to shareholding, interests and other disqualifications applicable to independent directors.

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 author:

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Disclaimer: *The information provided in this update is intended for informational purposes only and does not constitute legal opinion or advice. Capitalised terms used but not defined herein shall have the same meaning assigned to them in the respective act, law, rule, regulation, amendment, circulars, etc. unless a contrary meaning is provided.*

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