

MAY 2026

NEWSLETTER

REGULATORY

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Lovi Mehrotra & Associates

Chartered Accountants

**21-22 IInd Floor Krishna Nagar Safdarjung Enclave
New Delhi 110029**

Website : www.lma.co.in • Email : d.khanna@lma.co.in

1. Foreign Exchange Management (Authorised Persons) Regulations, 2026

Notification No. FEMA 401/2026-RB

Dated: 30th April, 2026

Vide this notification, RBI has reviewed the existing framework governing authorisation of entities as Authorised Persons under the Foreign Exchange Management Act, 1999 with an objective to rationalise the regulatory framework, improve delivery of foreign exchange services and ease compliance requirements. Pursuant to the same, RBI has notified the Foreign Exchange Management (Authorised Persons) Regulations, 2026.

Following are the key Highlights of the Regulation:**Chapter- 1 – Preliminary****Important Definitions introduced:****1. Annual Forex Turnover**

means the **aggregate** of foreign exchange **purchased and sold** by an authorised person or a Forex Correspondent from/to the public directly, and through its agents/franchisees/Forex Correspondents, during a financial year, **excluding the value of inward remittances** processed;

2. Forex Correspondent (FxC)

means an agent of an Authorised Dealer appointed in terms of the Forex Correspondent Scheme (FCS) issued by the Reserve Bank;

Chapter II – Grant of Authorisation

This chapter deals with the following:

Particulars	Summary
Mandatory Authorisation	No person can undertake foreign exchange activities without obtaining authorisation from RBI.
Eligible Applicants	Banks, NBFCs, existing FFMCs, Forex Correspondents, and other eligible entities may apply for authorisation.
Object Clause Requirement	The Memorandum of Association (MOA) of the applicant must specifically permit the foreign exchange activity for which authorisation is sought.
Fit and Proper Criteria	Applicant entity, promoters, directors, and KMPs must satisfy RBI's fit and proper criteria.
Auditor Certificate	Applicants must submit a certificate from statutory auditor confirming compliance with net worth requirements.
Renewal of Authorisation	Existing authorised persons may apply for renewal subject to compliance with prescribed conditions and net worth criteria.
Timeline for Renewal	Renewal applications must be filed at least two months before expiry of existing authorisation. Existing approval continues until disposal of application.

Eligibility Criteria for Different Categories:

Category of Authorised Person	Eligible Entities
AD Category-I	Banks licensed by the Reserve Bank of India (RBI).
AD Category-II	1. Banks licensed by RBI or NBFCs registered with RBI; or 2. Existing FFMCs or Forex Correspondents which: • have been functioning for at least 2 years; and • have average annual forex turnover of ₹50 crore during the previous two financial years .
AD Category-III	Entities: • requiring foreign exchange dealings incidental to the activities undertaken by them; or • intending to offer innovative products and services involving foreign exchange transactions.

Minimum Net Worth Requirements:

At the time of commencement of business as Authorised Person, the applicant must have minimum positive net worth

based on latest audited balance sheet and **submit statutory auditor certificate.**

Category	Minimum Net Worth
AD Category-II	₹10 crore
AD Category-III	₹2 crore

Net Worth Requirements for Renewal of Existing Authorisation:

Existing authorised persons can apply for renewal under the new regulations subject to prescribed net worth and compliance requirements.

Entity Type	Minimum Net Worth
Single Branch FFMC	₹25 lakh
Multiple Branch FFMC	₹50 lakh
AD Category-II	₹10 crore
AD Category-III	₹2 crore

Key Changes Introduced:

Key Change	Impact
Discontinuation of Fresh FFMC Authorisations	RBI will no longer issue fresh FFMC licences, indicating a shift towards the Forex Correspondent model.
Formal recognition and expanded framework for AD Category-III entities	AD Category-III framework has been streamlined with clearer eligibility conditions and recognition of innovative forex-related products and services as eligible activities
Enhanced Governance Standards	Stricter fit-and-proper requirements introduced for promoters, directors, and KMPs.
Revised Financial Eligibility	Higher and clearly prescribed minimum net worth requirements.
Recognition of Forex Correspondents	Forex Correspondents formally recognised under the regulatory framework.
Structured Renewal Mechanism	Clear timelines and continuity provisions prescribed for renewal applications.

Chapter III – Permitted Activities

An authorised person shall be permitted to facilitate activities listed below, unless otherwise specifically permitted or restricted by the Reserve Bank:

Category	Permitted Activities
AD Category-I	Any current account and capital account transaction permissible under FEMA and the Rules/Regulations framed thereunder.
AD Category-II	i. Any non-trade current account transaction permissible under FEMA, other than gift and donation transactions. ii. Foreign trade transactions up to ₹25 lakh per transaction.
AD Category-III	Activities specifically permitted in the authorisation issued by the Reserve Bank of India.
Full Fledged Money Changer (FFMC)- existing FFMC entities basis their renewal.	i. Purchase of foreign currency notes and travellers' cheques. ii. Sale of foreign currency notes and travellers' cheques for foreign travel purposes. iii. Functioning as an agent under the Money Transfer Service Scheme (MTSS) in accordance with applicable guidelines.

Chapter IV - Conditions of authorisation

Chapter IV provides the conditions to comply by the Authorised Person in respect of below compliance requirements:

a. Minimum Annual Forex Turnover	b. Reporting of Changes in Directors/KMPs
c. Ongoing Compliance Requirement	d. Operations from Business Locations
e. Restoration of Net Worth	f. Opening of New Place of Business / Temporary Counter
g. Commencement of Operations	h. Closure of Place of Business / Temporary Counter
i. Prior Approval for Change in Control/Management	j. Shifting of Registered Office.

Chapter V – Appeal Mechanism

This chapter provides the framework for appeals against orders passed by the Reserve Bank of India (RBI) relating to rejection, suspension, revocation, or cancellation of authorisation granted to an Authorised Person.

Chapter VI – Forex Correspondent Scheme (FCS)

This chapter deals with the provisions related to appointment, conduct and operation of a Forex Correspondent. This is explained in detail in [Annexure-1](#) (at the end of Newsletter).

Chapter VII – Franchisees of Authorised Persons

This chapter deals with the transition from the existing franchisee model to the newly introduced Forex Correspondent (FxC) framework. The objective of this chapter is to streamline and strengthen the regulatory framework governing entities engaged in foreign exchange services through agency arrangements.

Key provisions:

Particulars	Summary
Restriction on Fresh Franchisee Arrangements	Authorised Persons are prohibited from entering into any fresh franchisee arrangements under the existing guidelines applicable to AD Category-I, AD Category-II, and FFMCs.
Existing Franchisee Arrangements	Franchisee arrangements that are valid as on the date of commencement of the Regulations may continue temporarily.
Timeline for Discontinuation	Existing franchisee arrangements must be discontinued within two years from the date the Regulations come into force.
Transition to Forex Correspondent Model	Existing franchisees may be appointed as Forex Correspondents (FxCs) subject to compliance with the Forex Correspondent Scheme (FCS) prescribed by RBI.
Applicability of FCS	Upon transition, such entities will be governed by the operational, compliance, due diligence, and reporting requirements applicable to Forex Correspondents under Chapter VI and Annexure-I of the Regulations.

Notification

3. Issuance of Foreign Exchange Management (Authorised Persons) Regulations, 2026

Notification No. RBI/2026-27/78, A.P. (DIR Series) Circular No. 09
Dated: 6th May, 2026

Vide this notification and pursuant to the issuance of Foreign Exchange Management (Authorised Persons) Regulations, 2026, RBI has carried out significant amendments to the **Master Direction – Money Changing Activities** and has also **omitted Para 2 of the Master Direction – Other Remittance Facilities**, which deals with **release of foreign exchange by AD Category-II entities**.

The key omissions / changes are summarised below:

In Master Direction – Other Remittance Facilities, 2016

Para 2 – Omitted

The said para deals with permitted non-trade non account transaction for which release of foreign exchange was allowed to AD Category-II entity, has been omitted.

In the Master Direction – Money Changing Activities, 2016,

A. Following provisions are omitted:

S. No.	Provision Omitted	Particulars
1.	Para 2 of the Cover Letter of Master Direction - Money Changing Activities	The paragraph dealing with the overall framework for authorisation of various categories of Authorised Persons, including AD Category-I, AD Category-II, AD Category-III and FFMCs, has been omitted.
2.	Para 2 of Section I	The provision relating to definitions under the Master Direction has been omitted.
3.	Para 3 of Section I	The guidelines relating to issuance of FFMC licence have been omitted.
4.	Para 4 of Section III	The provision prescribing the procedure for application for appointment of franchisees by AD Category-I Banks, AD Category-II entities and FFMCs has been omitted.
5.	Note under Para 9 of Section III	The restriction on appointment of franchisees where investigations/proceedings by enforcement agencies (DoE / DRI / CBI / Police) were pending against FFMCs / non-bank AD Category-II entities has been omitted.

6.	Section IV	Entire Section IV dealing with Guidelines for Renewal of Licences of existing FFMCs has been omitted.
7.	Para 19 of Section V	The provision relating to Temporary Money Changing Facilities has been omitted.
8.	Section VII	Entire Section VII relating to Revocation of Licence has been omitted.
9.	Section VIII	Entire Section VIII relating to 'Fit and Proper' criteria for directors of FFMCs / non-bank AD Category-II entities has been omitted.

The above omitted provisions have now been incorporated and comprehensively dealt with under the newly issued Foreign Exchange Management (Authorised Persons) Regulations, 2026. Accordingly, these provisions have been omitted from the existing framework prescribed under the Master Direction – Money Changing Activities, 2016 in order to align the regulatory structure with the revised Authorised Persons regime introduced by RBI.

B. Following instructions are being modified:

S. No.	Para No.	Changes
1.	Para 3 of the Cover Letter of Master Direction - Money Changing Activities	Reference relating to authorisation, functioning of FFMCs/non-bank AD Category-II entities, and franchisees has been removed from the Master Direction. The Master Direction now primarily focuses on money changing activities and conduct of foreign exchange transactions, indicating that matters relating to authorisation are now separately governed under the Foreign Exchange Management (Authorised Persons) Regulations, 2026.
2.	Para 1 of Section III	No fresh franchisee arrangements are permitted with immediate effect. Existing franchisee arrangements are required to be phased out and discontinued within two years, i.e., by 06 May 2028.
3.	Para 22 of Section V	The requirement for submission of Net Owned Funds (NOF) certificate has been discontinued. It has been replaced with annual submission of: (i) Net Worth Certificate along with audited balance sheet by 31 October; and (ii) Forex Turnover Certificate by 30 April, both certified by statutory auditors. Further, the requirement relating to reporting of erosion in NOF has also been omitted.

[Notification](#)

SEBI

1. Discontinuation of Investor Risk Reduction Access (IRRA) platform

HO/38/44/12(3)2025-MIRSD-TPD1/I/10705/2026

Dated 7th May, 2026

SEBI vide circular dated December 30, 2022 had introduced the Investor Risk Reduction Access (IRRA), which became operational from October 2023, to provide investors with an alternative trading access mechanism in cases where stock brokers faced technical outages or disruptions. The platform was intended to safeguard investors and ensure continuity of trading activities during system failures.

Since the introduction of IRRA, several measures have significantly strengthened the securities market infrastructure, including enhanced Business Continuity Planning and Disaster Recovery (BCP-DR) mechanisms, improved cyber security and cyber resilience frameworks, Market Security Operations Centre (M-SoC) initiatives, and stronger technical glitch management systems. Stock exchanges and brokers have also developed robust contingency and backup systems to ensure uninterrupted trading operations.

In view of these developments and the limited usage of the platform, SEBI, vide this circular, has discontinued the Investor Risk Reduction Access (“IRRA”) platform with immediate effect, observing that the mechanism had become “structurally redundant.”

Stock exchanges have further been advised to continue strengthening existing contingency trading arrangements to maintain market resilience and operational continuity.

[Circular](#)

2. Permitted use of fresh borrowings for InvITs where Net Borrowings exceeds forty-nine percent of the value of InvIT assets

SEBI/HO/DDHS/DDHS-PoD-2/ I/11700/2026

Dated 15th May, 2026

Under the existing SEBI (Infrastructure Investment Trusts) Regulations, 2014 amended on April 17 2026, Infrastructure Investment Trusts (‘InvITs’) crossing the 49% borrowing threshold are subject to additional conditions, including enhanced disclosure and credit rating requirements.

SEBI, vide this circular, has clarified the permitted use of fresh borrowings by InvITs in cases where net borrowings exceed forty-nine percent of the value of InvIT assets for the following purposes:

- ✓ capital expenditure undertaken to enhance asset performance or for capacity augmentation.
- ✓ major maintenance expenses in respect of Road Projects
- ✓ refinancing of debt by the InvIT, SPV or Holdco, subject to following conditions:
 - original debt was utilized for purposes allowed under the InvIT Regulations
 - only the Principal amount of such debt is refinanced (accumulated interest or any charges or fees shall not be refinanced)

[Circular](#)

3. Status of SPVs post conclusion or termination of Concession Agreement

SEBI/HO/DDHS/DDHS-PoD-2/I/11698/2026

Dated 15th May, 2026

SEBI (Infrastructure Investment Trusts) Regulations, 2014 amended on April 17 2026, provides that in respect of a Special Purpose Vehicle (SPV) holding an infrastructure project, the conclusion or termination of the concession agreement or such other agreement of a similar nature shall not affect its status as an SPV and such an SPV shall continue to be classified as an SPV subject to the fulfilment of such conditions as may be specified by the Board.

Vide this circular, the SEBI has specified such conditions required to be fulfilled by the Investment Manager so that the conclusion or termination of a concession agreement will not automatically affect the SPV status under the SEBI (InvIT) Regulations, 2014.

The conditions are specified as under:

- ✓ The Investment Manager shall either exit the investment in such SPV through sale, liquidation, winding-up or merger, or acquire a new infrastructure project in the SPV within one year from -
 - completion/termination of concession agreement or such other agreement of similar nature, or
 - conclusion of all pending claims/litigations/tax assessments and related appeals, or
 - completion of defect liability period,whichever is later.
- ✓ The time taken for obtaining statutory or regulatory approvals for such exit shall be excluded while calculating the aforesaid one-year timeline.
- ✓ Further, till the investment in such SPV is held by the InvIT, the Investment Manager shall make adequate disclosures in the annual report of the InvIT.
- ✓ The additional disclosures at the SPV level shall include details relating to project status, assets and liabilities, contingent liabilities, outstanding debt, repayment schedule, sufficiency of assets to meet liabilities, exit strategy and other material information relating to pending claims, litigations and obligations.

[Circular](#)

4. Master Circular on Surveillance of Securities Market

HO/43/15/12(3)2025-ISD-POD2/I/11734/2026

Dated 15th May, 2026

SEBI has been issuing various circulars for effective surveillance of the securities market from time to time. In order to enable market shareholders to have access to all the applicable circulars pertaining to surveillance of the securities market at one place, the Master Circular dated September 23, 2024, on the subject, is being further updated to incorporate the provisions of the following circulars:

- a. “Framework of “Financial Disincentives for Surveillance Related Lapses” at Market Infrastructure Institutions” dated June 06, 2024
- b. “Allowing subscription to the issue of Non-Convertible Securities during trading window closure period” dated December 30, 2024
- c. “Trading Window closure period under Clause 4 of Schedule B read with Regulation 9 of Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015–Extension of automated implementation of trading window closure to Immediate Relatives of Designated Persons, on account of declaration of financial results” dated April 21, 2025

With the issuance of this Master Circular, all directions/instructions contained in the circulars listed out in the Appendix to this Master Circular shall stand rescinded to the extent they relate to Surveillance of the Securities Market.

Notwithstanding such rescission,

- a. anything done or any action taken or purported to have been done or taken under the rescinded circulars shall be deemed to have been done or taken under the corresponding provisions of this Master Circular.
- b. any application made to Board under the rescinded circulars, prior to such rescission, and pending before it shall be deemed to have been made under the corresponding provisions of this Master Circular.
- c. the previous operation of the rescinded circulars or anything duly done or suffered thereunder shall remain unaffected as if the rescinded circulars have never been rescinded.

[Master Circular](#)

MCA
<i>No new Circular / Notification issued during the month.</i>

Annexure – 1: Important provisions of Forex Correspondent Scheme (FCS)

Provision	Details
Appointment of Forex Correspondent (FxC)	An AD-I or AD-II may appoint one or more entities as Forex Correspondents (FxCs) under a Principal-agent model for conducting money changing business.
Nature of FxC Arrangement	FxC operates as an agent of the Principal authorised dealer under the Forex Correspondent Scheme (FCS).
Permitted Dealing by FxC	FxC may deal in foreign exchange with customers and other eligible entities as permitted under the scheme.
Purchase Transactions	Purchase of foreign currency notes, coins and travellers' cheques.
Sale Transactions	Sale of foreign currency notes, coins and travellers' cheques for foreign travel purposes.
MTSS	FxC may function as a sub-agent under the Money Transfer Service Scheme (MTSS) in accordance with applicable guidelines.
Board Approved FxC Policy	Principal must formulate a Board-approved internal policy for engagement of FxCs.
Contents of FxC Policy	Policy should cover: <ul style="list-style-type: none"> • type of entities eligible as FxCs; • fit and proper criteria; • permitted activities; • net worth requirements; • due diligence process; • systems and controls; • transaction reporting; • charges levied by FxCs; • customer service; and • grievance redressal mechanism.
Accounting Treatment of FxC Transactions	All transactions undertaken by FxC must be reflected in the books of account of the Principal .
Multiple Principal Arrangement	An FxC may act as agent for more than one authorised dealer.
Transactions with Other FxCs / APs	With approval of its Principal, an FxC may deal in foreign exchange with another FxC or authorised person which is not its Principal.
Permission for FxC Outlets	Principal must issue permission to each FxC outlet and ensure display of such permission prominently at the outlet.
Reporting of FxC Details to RBI	Principal must submit details of all appointed FxCs and their business locations through AP Connect within 15 days from end of each calendar quarter.
Protection of Customer Information	Principal must ensure preservation, protection, security and confidentiality of customer information held by FxCs.
Compliance Responsibility of Principal	Principal must ensure that FxC complies with FEMA, Rules, Regulations and RBI directions applicable to the Principal.
Outsourcing Risk Management	Non-bank authorised dealers acting as Principals must comply with RBI (Non-Banking Financial Companies – Managing Risks on Outsourcing) Directions, 2025.

Disclaimer:

This is not a complete listing of all circulars/notifications issued during the month.
Instead, it is only a listing of some of the circulars/notifications that we considered important.



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