

## **SEBI Framework for net settlement of funds for transactions done by FPI in cash market**

The **Securities and Exchange Board of India (SEBI)** vide its **Circular No. HO/(1)2026-AFD-POD2//10157/2026 dated April 24, 2026**, has allowed net settlement of funds for transactions undertaken by Foreign Portfolio Investors in the cash market to improve operational efficiency and reduce funding costs. Under the existing system, FPIs are required to settle transactions on a gross basis. This results in separate fund flows for purchases and sales within the same settlement cycle, leading to higher liquidity requirements and additional costs, including those arising from forex movements.

SEBI has permitted net settlement of funds for "outright transactions," defined as either a purchase or a sale transaction, but not both, in a security within a settlement cycle. Only such outright purchase or sale transactions will be eligible for netting. Transactions involving both buy and sell in the same security during the same settlement cycle will continue to be settled on a gross basis. The regulator clarified that settlement of securities will continue on a gross basis between the FPI and its custodian.

Statutory levies such as Securities Transaction Tax and stamp duty will continue to be charged on a delivery basis. Custodians, FPIs, and other stakeholders have been directed to make necessary system changes. The framework is to be implemented on or before December 31, 2026.