CHAPTER 3

Regulatory updates

Amendments to Ind AS

With an aim to align Ind AS with IFRS, the Ministry of Corporate Affairs (MCA) issued a notification on 12 August 2024, introducing significant amendments to the Companies (Indian Accounting Standards) Rules, 2015. Through amendments, MCA introduced Ind AS 117, *Insurance Contracts* for accounting of insurance contracts and replaces current standard Ind AS 104, *Insurance Contracts*.

Additionally, amendments have been made to Ind AS 101, *First-time Adoption of Indian Accounting Standards*, Ind AS 103, *Business Combinations*, Ind AS 105, *Non-current Assets Held for Sale and Discontinued Operations*, Ind AS 107, *Financial Instruments: Disclosures*, Ind AS 109, *Financial Instruments and Ind AS 115, Revenue from Contracts with Customers* to align them with Ind AS 117. The amendments also introduce enhanced disclosure requirements, particularly in Ind AS 107, to provide clarity regarding financial instruments associated with insurance contracts.

The amendments are applicable with effect from 12 August 2024.

(Source: Companies (Indian Accounting Standards) Amendment Rules, 2024 dated 12 August 2024)

Alternate option for debt listed entities for publishing financial results in newspapers

Chapter V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) prescribes certain regulations pertaining to obligations of a listed entity which has listed its non-convertible debt securities or non-convertible redeemable preference shares or both (specified listed entities).

Currently, following are the applicable requirements relating to disclosure of financial results for specified listed entities:

- Regulation 52(8) of the Listing Regulations requires specified listed entities to publish their financial results within two working days from the conclusion of the meeting of board of directors, in at least one English national daily newspaper.
- Part B of Schedule III, *inter-alia*, requires specified listed entity to disclose financial results to the stock exchange within 30 minutes of the closure of the meeting.
- Further, Regulation 62 of the Listing Regulations also mandates disclosure of financial results on the website of the listed entity.

Considering the requirements relating to disclosure of financial results on the website of the entity and stock exchanges, publishing the same information in the newspapers becomes redundant as the same is readily accessible to the investors on the website of the company.

In order to reduce the compliance cost, on 8 July 2024, SEBI issued certain amendments to Regulation 52(8) of the Listing Regulations by making it optional for issuers of Non-Convertible Securities (NCS) to publish detailed advertisements in newspapers providing their financial results under Regulation 52(8) of the Listing Regulations[1]. As per the amendment, issuers of specified listed entities have an option to provide a small section with details of QR code and weblink of the page providing detailed financial results of the entity for the benefit of investors.

Such entities may avail the above-mentioned option subject to the following conditions:

- For NCS outstanding as on the date of notification of this proviso, they need to obtain a prior approval from the debenture trustee.
- In case of any issuances after the date of notification of this proviso, entities need to provide disclosure in the offer document regarding the window advertisement in the newspapers or obtain prior approval from the debenture trustee.

(Source: SEBI notification no. F.No. SEBI/LAD-NRO/GN/2024/189 dated 8 July 2024)

1. This amendment was earlier proposed by SEBI in its consultation paper- Consultation paper on review of provisions of NCS Regulations and LODR Regulations for ease of doing business and introduction of fast-track public issuance of debt securities issued on 9 December 2023

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Amendments to non-convertible securities regulations

On 8 July 2024, SEBI issued the amendments to SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (NCS Regulations).

The NCS amendment regulations deal with the following:

- **Standardisation of the record date:** Record date, also referred to as 'cut-off date' is the specific day on which a listed entity determines the list of holders eligible for forthcoming payment of interest or dividend or principal obligation. Currently, Regulation 60 of the LODR Regulations require issuers of NCS to fix a record date and the NCS Regulations[2] require issuers of NCS to disclose such record date in the offer document. However, considering lack of uniformity in market practice in terms of duration between the record date and due date for payment obligations, SEBI issued certain amendments to Regulation 23 of the NCS Regulations.

  The amendments require issuers of NCS to fix a record date for the purposes of payment of interest or dividend, repayment of principal or any other corporate actions. Further, such record date should be fixed at **15 days prior to the relevant due date**[3] of payment of interest or dividend, repayment of principal or any other corporate actions.

- **Due diligence certificate:** Regulations 40[4] and 44[5] of the NCS Regulations *inter alia* deal with issuance of due diligence certificate by debenture trustees. The SEBI has issued the following amendments with regard to due diligence certificates by debenture trustees:
  - Debenture trustees to issue a due diligence certificate even at the time of filing of the listing application by the issuer of the NCS[6].
  - The stock exchanges are now required to disclose the offer document (in case of public issue) and placement memorandum (in case of private placement) and due diligence certificates issued by the debenture trustee on their websites (additional requirements inserted under Regulation 40(3) and Regulation 44(3A) of the NCS Regulations).
  - The new format of due diligence certificates (as provided in Schedule IV and IVA of the NCS Regulations) has been issued. The new formats issued are detailed and harmonised with the format of certificate provided in the Master Circular for Debenture Trustees issued by SEBI on 6 July 2023.

- **QR code for financial information in offer document:** The amendments have revised Schedule I of the NCS Regulations by introducing the provision that the issuers whose non-convertible securities are listed as on the date of filing of the offer document or placement memorandum may provide a web link and a static QR code of the audited financial statements in the offer document, subject to certain specified conditions.

The above-mentioned amendments are applicable from 10 July 2024.

(Source: SEBI (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2024 dated 10 July 2024)

2. Schedule I of the NCS regulations
3. Regulation 23(7) has been introduced for this amendment.
4. Regulation 40 of NCS Regulations deals with issuance of due diligence certificate by debenture trustees in case of a public issue and listing of debt securities.
5. Regulation 44 of NCS Regulations inter alia deals with issuance of due diligence certificate by debenture trustee in case of private placement of debt securities and non-convertible redeemable preference shares
6. Debenture trustee would be providing a confirmation on additional aspects at the time of filing for listing.

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Proposal to redefine 'connected person' and 'relative' under the PIT Regulations

The SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations) provides a framework relating to insider trading. The PIT Regulations provide provisions relating to concepts of insider, Unpublished Price Sensitive Information (UPSI), connected person, and trading while in possession of UPSI, and prescribe the duties, obligations, and restrictions relating to trading in the securities market.

SEBI has observed certain challenges and difficulties relating to provisions of PIT Regulations especially with regard to the definition and identification of connected persons. With this context and aim to rationalising the scope of the 'connected person', SEBI has proposed to enhance the regulatory framework by widening the scope of the following terms under the PIT Regulations:

- ***Connected person:*** The definition of 'connected person' under PIT Regulations is proposed to include persons deemed to be connected to the reporting entity by virtue of their proximity with connected persons and who can reasonably be expected to have access to UPSI.

  While defining such deemed connected persons, reference would be drawn from the definition of 'related party' under the Companies Act, 2013 (2013 Act) and on SEBI's experience.

- ***Relative:*** The definition of 'relative' under PIT Regulations would draw reference from the definition of 'relative' under the Income Tax Act, 1961.
- ***Immediate relative:*** In order to ensure that there is no increased compliance requirements, the definition of 'immediate relative' is proposed to be retained under the PIT Regulations. However, subsequent to the proposed changes to PIT Regulations, the relevance of the term 'immediate relative' would be limited to disclosures and Code of Conduct under PIT Regulations.

The comment period for this proposal ended on 18 August 2024.

(Source: SEBI consultation paper on the proposed amendments to SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations) related to scope of the expression 'connected person' issued on 29 July 2024)

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Valuation methodology for AT-1 bonds

In July 2024, the National Financial Reporting Authority (NFRA) issued a report on 'Valuation methodology for Additional Tier (AT)-1 bonds[7]'. Before NFRA's report, the valuation of the bonds was prescribed in the following manner:

- **By SEBI:** AT-1 bonds were required to be valued basis Yield To Maturity (YTM), where the maturity of these bonds was considered 100 years. This valuation was applicable to mutual funds and insurance companies[8].
- **By RBI:** Banks were required to value AT-1 bonds on Yield to first Call (YTC) basis[9]. These valuation norms were in accordance with the principles of Ind AS 113, *Fair Value Measurement*.

Considering the divergence in the valuation requirements by SEBI and RBI, NFRA on request of Ministry of Corporate Affairs (MCA) suggested a methodology for valuation of AT-1 bonds.

Based on market consultation and its study, NFRA issued a report which recommends that valuation of AT-1 Bonds should be on YTC basis (adjusted with appropriate risk spreads)[10]. However, NFRA also clarified that the issue of deemed maturity date for other purposes is outside NFRA's remit.
The methodology suggested is in alignment with Ind AS 113, *Fair Value Measurement*.

Consequent to NFRA report, on 5 August 2024, SEBI issued a circular clarifying the following:

- Valuation of AT-1 Bonds by Mutual Funds should be based on YTC basis
- For all other purposes, deemed maturity of all perpetual bonds would continue to be as per the earlier circulars.

(Source: NFRA report valuation methodology of AT-1 bonds issued in July 2024 and SEBI circular no. SEBI/HO/IMD/PoD1/CIR/P/2024/106 dated 5 August 2024)

7. These bonds are typically perpetual in nature and issued with a call option exercisable after at least five years and are subject to loss absorption on account of point of non-viability as well as pre-specified trigger and coupon discretion.
8. The Insurance Regulatory Development Authority of India (IRDAI) vide a master circular required insurance companies to comply with the valuation directions issued by SEBI for mutual funds.
9. Yield to Call is the expected return an investor gets if they buy a bond and hold it until the issuer repurchases it on call date, before maturity.

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Increased scope of venture capital fund

Currently, venture capital funds are regulated by SEBI under the SEBI (Alternative Investment Fund) Regulations, 2012 (AIF Regulations). On 11 July 2024, SEBI issued amendments to AIF Regulations. Some of the key amendments are as follows:

a. 'Migrated venture capital fund[11]' has been added to the definition of venture capital fund and a new chapter 'Chapter III-D' has been inserted to specify the applicability, eligibility criteria, registration procedure, etc. of migrated venture capital funds.

b. It has been specified that venture capital funds may seek registration as migrated venture capital funds within 12 months from the date of notification of the amendment Regulations i.e. 18 July 2024.

(Source: SEBI notification no. SEBI/LAD-NRO/GN/2024/194 dated 11 July 2024)

10. The rationale for such valuation is that based on market practice, AT-1 bonds have been observed to trade at or quote prices closer to YTC basis- accordingly, this basis of valuation is in line with the principles of valuation stipulated by Ind AS 113.
11. Migrated venture capital fund' means a fund that was previously registered as a venture capital fund under the SEBI (Venture Capital Funds) Regulations, 1996 and subsequently registered under these regulations as a sub-category of Venture Capital Fund under Category I - AIFs

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Draft guidelines to enhance the Basel III framework on liquidity standards

The development of digital banking has led to an increased risk in the banking sector. In order to help resolve the short-term liquidity resilience of banks in India, on 25 July 2024, RBI proposed following amendments to the Basel III Liquidity Coverage Ratio (LCR) framework with effect from 1 April 2025:

I. **Account for technology risk:** Banks would assign an additional five per cent run-off factor for retail deposits which are enabled with internet and mobile banking facilities. This would result in a 10 per cent run-off factor for stable retail deposits and a 15 per cent run-off factor for less stable deposits equipped with IMB features.

II. **Approach towards unsecured wholesale funding:** The unsecured wholesale funding as provided by non-financial small business customers would be treated similarly as retail deposits as mentioned above.

III. **Valuation of High-Quality Liquid Assets (HQLA):** With an aim to ensure that the valuation of HQLA reflects the existing market conditions, Level 1 HQLA in the form of government securities would be valued at their current market value, adjusted for applicable haircuts. The adjustments will be in line with the margin requirements under the Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF).

IV. **Pledged deposits:** In case a deposit, hitherto excluded from LCR computation (for instance, a non-callable fixed deposit), is contractually pledged as a collateral to a bank to secure a credit facility or loan, would be considered as a callable deposits and included in the calculation of LCR.

The comment period for these draft guidelines would end on 31 August 2024.

(Source: RBI draft circular no. RBI/2024-25/DOR.LRG.REC. XX /03.10.001/2024-25 dated 25 July 2024)

Updated master directions on fraud risk management

With an aim to provide a robust framework for the prevention, early detection, and timely reporting of frauds in Regulated Entities (REs), the RBI issued three revised master directions on fraud risk management, which are applicable to all REs such as banks (including All India Financial Institutions), Non-Banking Financial Companies (NBFCs) (including Housing Finance Companies (HFCs)) and co-operative banks.

The revised master directions (for both banks and NBFCs) focus on the role of the board of directors in the overall governance of the RE. Below is an overview of key provisions:

- **Wider scope:** Increase in the scope and coverage of the master directions to also include Regional Rural Banks and all NBFCs (including HFCs) having asset size of INR500 crore and above.
- **Fraud risk management policy:** There is a focus on developing principles of ‘prevention’ of fraud in addition to detection and reporting.

Additionally, Banks and NBFCs (including HFCs) are required to develop board approved fraud risk management policies which are required to be reviewed at least once in every three years. These fraud risk management policies should ensure compliance with the principles of natural justice in a time bound manner.

- **Special committee and senior management:** Banks and NBFCs (including HFCs) are required to set up a special committee, chaired by an independent director which would *inter alia* review and monitor cases of fraud. The senior management would be responsible for implementing the board approved policies.

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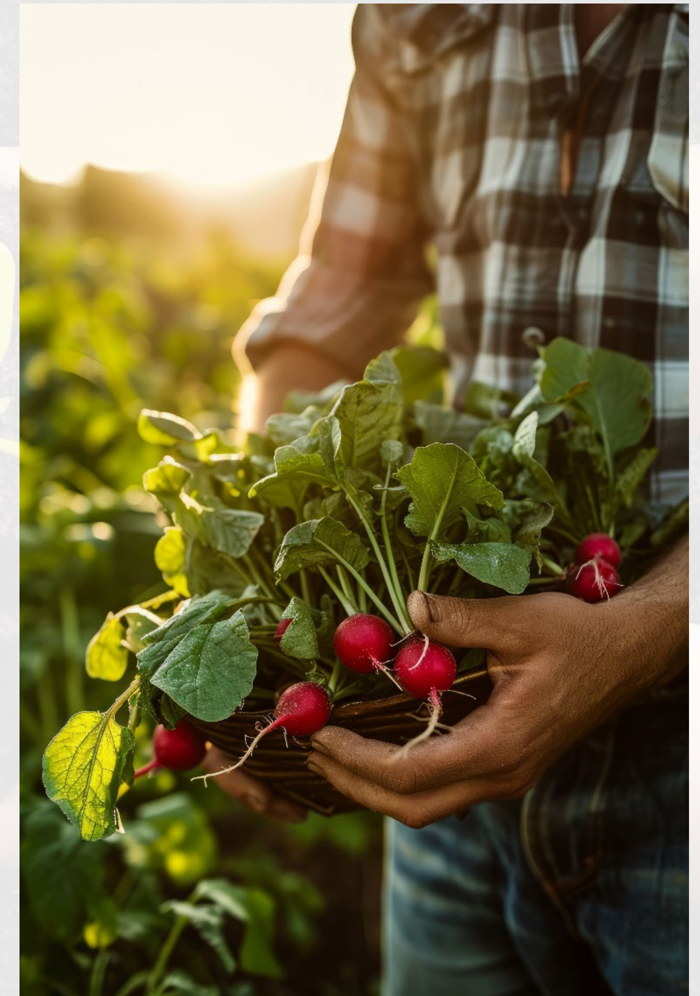
- **Early detection of frauds:** Banks and certain NBFCs (Middle Layer and Upper Layer) have been provided six months from the date of the circular to establish robust Early Warning Signals (EWS) for detection of frauds, integrated with the core banking solution, including a dedicated analytics unit that would capture early warning signals for both credit and non-credit facilities.
- **Red flagged accounts:** A framework for red flagging of accounts needs to be developed by banks. Based on the EWS triggers, each bank would individually assess which borrower account needs to be tagged as red flagged accounts. Further, when any Law Enforcement Agency (LEA) suo moto initiates an investigation against a borrower, then such a borrower's account should also be tagged as a red flagged account.
- **Requirement for external or internal audit:** Once a bank classifies a borrower as red flagged accounts or an NBFC (including HFC) suspects a borrower of indulging in fraudulent activities, it would need to initiate an audit of such a borrower. This audit may be conducted either by an external or an internal auditor of the banks/NBFCs.
- **Fraud accounts:** Based on findings of the audit and bank's assessment, banks may classify accounts tagged as red flagged account as fraud accounts within 180 days of such tagging. Borrowers that continue to be tagged as red flagged account beyond 180 days need to be reported to a special committee and would be under a supervisory review of RBI.

  However, both banks and NBFCs need to ensure that principles of natural justice (which includes issuing show cause notice, providing the borrower a right to represent his/her case, etc.) should be strictly adhered to before classifying an account as a fraud account.
- **Reporting of frauds:** The revised master directions require REs to report the incidents of fraud to Law Enforcement Agencies and to regulators within a prescribed timeline and have provided additional categories of fraud for classification while reporting to RBI.
- **Closure of frauds:** The revised master directions provide certain relaxations pertaining to closure of frauds. They are as follows:
  - Conditions of write off, recovery, insurance claims, and review of systems and procedures have been eliminated.
  - Limits for closure of fraud for statistical/reporting purpose has been increased from INR2.5 million to INR1 crore.
- **Audits of title documents:** The revised directions have prescribed new requirements for NBFC to conduct legal audits of title documents of large value loan accounts periodically.

(Source: RBI press release dated 15 July 2024 KPMG in India' First Notes, RBI releases revised fraud risk management directions for regulated entities dated 30 July 2024)



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Regulatory framework on wilful and large defaulters

On 30 July 2024, RBI issued Master Direction on Treatment of Wilful Defaulters and Large Defaulters. The directions aim to outline the procedure for classifying a borrower as a wilful defaulter and also put in place a system to disseminate credit information about wilful defaulters and ensure that further institutional finance is not made available to them.

Some of the key points covered in the master directions are as follows:

Applicability: The provisions of the master directions are applicable to an All-India Financial Institution (AIFI)[12], a bank, or an NBFC which has granted a credit facility to the borrower. Further, the reporting requirements stipulated in the master directions are binding on Asset Reconstruction Companies (ARCs) and Credit Information Companies (CICs).

Wilful defaulter: It covers, *inter alia*, a borrower or a guarantor who has committed wilful default and the outstanding amount is INR25 lakh and above, or as may be notified by the RBI from time to time.

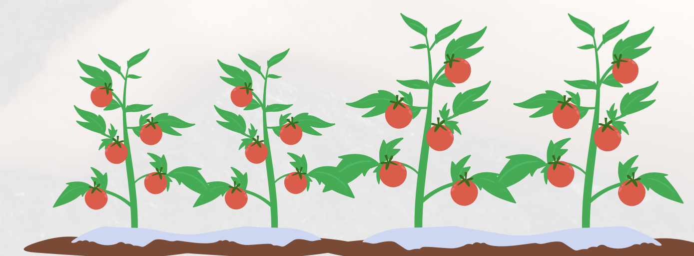
Large defaulter: It covers a defaulter with an outstanding amount of INR1 crore and above and who has a suit filed or whose account has been classified as doubtful or loss.

Identification mechanism: This process covers, *inter alia*, the following aspects:

- It involves examination by an Identification Committee, which must review the borrower's track record to ensure that the default was intentional and deliberate.
- A show cause notice with 21-days period to respond is provided to the borrower, guarantor, promoter, or director to present their case.
- The final decision to classify an individual or an entity as a wilful defaulter rests with a Review Committee.
- The borrower/guarantor/promoter/director/ persons in charge and responsible for the management of affairs cannot be represented by a lawyer, given the nature of the proceedings.

Penal measures against wilful defaulters: The following penal measures would be implemented by the lenders against borrowers classified as wilful defaulters and entities with which a wilful defaulter is associated[13] (together referred to as wilful defaulters and associates):

- Additional credit facility would not be granted by any lender
- Not be eligible for restructuring of credit facility
- Wherever warranted, lenders may initiate action against the borrowers/guarantors for foreclosure/recovery of dues expeditiously
- Once the name of the wilful defaulter has been removed from the List of Wilful Defaulters (LWD) by the lender:
  - Bar on additional credit facility to a wilful defaulter and associates for a period of one year
  - Bar on credit facility for floating of new ventures to wilful defaulters and associates for a period of five years.



12. All India Financial Institution (AIFI) means:
    i. Export Import Bank of India (EXIM Bank)
    ii. National Bank for Agriculture and Rural Development (NABARD);
    iii. National Housing Bank (NHB);
    iv. Small Industries Development Bank of India (SIDBI); and
    v. National Bank for Financing Infrastructure and Development (NaBFID).

13. Entities associated with wilful defaulters are:
    - Where wilful defaulter is a company- a subsidiary, associate or joint venture of such company (as defined in Companies Act, 2013)
    - Where wilful defaulter is a natural person- all entities in which the wilful defaulter is a promoter, director or person in charge/responsible for managing the activities

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Role of auditors: Following are key points for statutory auditors:

- Where the statutory auditors are found negligent in a case of falsification of accounts by the borrower, a complaint against such an auditor can be lodged with the National Financial Reporting Authority (NFRA) or the Institute of Chartered Accountants of India (ICAI)
- Where third parties engaged by the lender for credit sanction/disbursement process were found negligent in their work, details of such third parties would be sent to the Indian Banking Association.

Reporting requirements: Entities regulated by the RBI must submit monthly reports to all Credit Information Companies (CICs) providing details of suit-filed accounts and non-suit-filed accounts classified as doubtful or loss. Every CIC should further display the details of suit-filed and non-suit filed accounts on its website.

Effective date: The master directions will come into force after 90 days from its date of issuance, i.e., 28 October 2024.

(Source: RBI notification no. RBI/DoR/2024-25/122 DoR.FIN.REC.No.31/20.16.003/2024-25 dated 30 July 2024)

Modernising the adjudication process of penalties

On 5 August 2024, the Ministry of Corporate Affairs (MCA) issued amendments to the Companies (Adjudication of Penalties) Rules, 2014. The amendments inserted a new rule relating to the adjudication process of penalties under the 2013 Act.

The amendment states the following:

- The entire process of adjudicating penalties should take place in an electronic mode through the e-adjudication platform developed by the Central Government for this purpose.
- In the absence of the e-mail address of any person to whom a notice or summon is required to be issued under these rules, the adjudicating officer, should send the notice by post at the last intimated address or address available in the records and should preserve a copy of such notice in the electronic record in the e-adjudication platform.
- If address of the person concerned is not available, the notice should be hosted on the e-adjudication platform.

The amendment has also modified the format of form ADJ (i.e. memorandum of appeal) which is used to file an appeal before the regional director against the order of Registrar of Companies (ROC) imposing penalty.

The revised mechanism will be effective from 16 September 2024.

(Source: MCA notification no. G.S.R. 476(E) dated 5 August 2024)

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RBI reviews risk weights for HFCs

On 12 August 2024, RBI issued a circular to modify the manner of computing risk weighted assets for the following loans issued by HFCs.

- **Undisbursed amount of housing loans/other loans:** The RBI has issued Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 dated 17 February 2021 (the HFC Master Directions). As per these directions, the risk weighted assets computed as per step 1 and step 2 would be capped at the risk weighted asset computed on a notional basis for equivalent amount of disbursed loan.
- **Risk weight for commercial real estate – residential building:** The risk weight of fund-based and non-fund based exposures which are classified as:
  - Standard, would be 75 per cent
  - Not classified as standard, would be 100 per cent (i.e. as per the category 'Other Assets (Others)'[14]).

(Source: RBI circular RBI/2024-2025/62 DOR.CRE.REC.33/08.12.001/2024-25 dated 12 August 2024)

14. As indicated at sr. no. 6(d) of para 6.2 of the HFC Master Directions Export Import Bank of India (EXIM Bank)

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Amendments to harmonise the regulations applicable to NBFCs and HFCs

RBI conducted a review of the existing regulations of HFCs and NBFCs and basis the review following amendments have been prescribed for both NBFCs and HFCs.

Amendments applicable only to HFCs

- **Regulations pertaining to deposit acceptance:** With an aim to specify uniform prudential parameters for both NBFCs and HFCs, following are the amendments:
  - All HFCs should maintain on an ongoing basis, liquid assets to the extent of 15 per cent (earlier 13 per cent) of the public deposits held by them.
  - Regulations on safe custody of liquid assets as applicable to NBFCs[15] would now mutatis mutandis apply to all HFCs.
  - HFCs should ensure full asset cover for public deposits accepted by them. The NHB should be informed in case the asset cover falls short of the liability.
  - HFCs should obtain minimum investment grade credit rating at least once every year prior to accepting fresh deposits/renewing existing deposits.
  - Ceiling on quantum of deposits that can be accepted by HFCs has reduced to 1.5 times of net owned fund (earlier 3 times).
  - Public deposits accepted or renewed henceforth should be repaid within 60 months (earlier 120 months).
  - HFCs should set board approved limits for exposure to capital markets.
- **Hedging of risks:** Prescribed HFCs are permitted to hedge the risks arising out of their operations by participating in exchange traded currency derivatives, interest rate futures and credit default swaps in accordance with guidelines prescribed by RBI.
- **Co-branded credit cards:** HFCs are now permitted to issue co-branded credit cards subject to instructions issued by RBI.
- **Accounting year:** HFCs are required to finalise their balance sheet within three months from the date to which it pertains. For extension, approvals are required to be obtained from National Housing Bank (NHB) and the Registrar of Companies.
- **Periodicity of Information System Audit (IS audit):** Periodicity should be as per Master Direction on Information Technology Governance, Risk, Controls and Assurance Practices dated 7 November 2023 (IT Master Directions).
- **Investment through Alternative Investment Funds (AIF) for computing Net Owned Fund (NOF):** Both direct and indirect investments (for example, through AIF) made by HFCs in entities of the same group would be reduced from owned funds to arrive at NOF. In this case indirect investments through AIF would be considered only if:
  - HFCs have provided 50 per cent or more funds in the AIF (company) or
  - HFCs are beneficial owners of the AIF (trust) and 50 per cent of funds of trust have come from HFC.
- **Account aggregators:** HFCs acting either as 'Financial Information Provider' or 'Financial Information User' would be expected to adopt the technical specifications prescribed by RBI.
- **Amendments applicable only to NBFCs:** The RBI has also prescribed certain amendments for NBFCs such as:
  - Requirement to intimate details of maturity of the deposit to the depositor at least 14 days before the date of maturity of the deposit.
  - NBFCs permitted to prematurely pay the full or part of the public deposits to the depositor to meet certain expenses of an emergent nature, subject to certain conditions prescribed by RBI.
  - Periodicity of Information System Audit (IS audit) should be as per IT Master Directions.
  - Other areas of amendments relate to nomination and safe custody of liquid assets rules.

Effective date: These amendments would be effective from 1 January 2025.

(Source: RBI/2024-25/61 DOR.FIN.REC.No.34/03.10.136/2024-25 dated 12 August 2024)

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15. As prescribed by Master Direction – Non-Banking Financial Companies Acceptance of Public Deposits (Reserve Bank) Directions, 2016 (NBFC Master Directions)

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Amendments to AS 22, *Accounting for taxes on income*

In December 2021, the Organisation for Economic Co-operation and Development (OECD) finalised the model rules for Pillar Two. The Pillar Two Model Rules are designed to ensure large Multinational Enterprises (MNEs) pay a minimum level of tax on the income arising in each jurisdiction where they operate.

The Pillar Two Model Rules are still not enacted in India, once the Rules are enacted in India, the new provisions would be relevant for non-company entities that apply accounting standards and to whom Pillar Two Model Rules will be applicable. Therefore, in order to prescribe provisions for non-company entities and ease into the application of the principles and requirements of AS 22 (issued by ICAI) relating to accounting for deferred taxes for top-up taxes, ICAI has issued the following temporary exceptions to the requirements in AS 22 (for non-company entities):

The amendments introduce:

- A temporary exception to the requirements to recognise and disclose information about deferred tax assets and liabilities relating to Pillar Two income taxes; and
- Targeted disclosure requirements for affected entities.

The amendments are effective for annual reporting periods beginning on or after 1 April 2024.

(Source: Announcement by the Accounting Standards Board of ICAI dated 29 July 2024)

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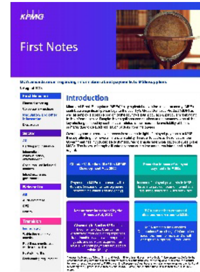
First Notes



MCA amends order regarding information about payments to MSE suppliers

Micro and Small Enterprises (MSEs) play a pivotal role in the Indian economy. Over the years, numerous instances have come to light of delayed payments to MSEs, thereby affecting their overall financial stability. In order to address these issues, the Government has introduced several measures to enable timely realisation of dues to the MSEs.

Recently, the Ministry of Corporate Affairs (MCA) issued the Specified Companies (Furnishing of information about payment to micro and small enterprise suppliers) Amendment Order, 2024 ('the Amendment Order 2024'), thereby amending the Specified Companies (Furnishing of information about payment to micro and small enterprise suppliers) Order, 2019 ('the erstwhile order'). In this issue of the First Notes, we aim to provide an overview of the key changes introduced by MCA through the Amendment Order 2024.

This issue of First Notes provides an overview of the key changes introduced by MCA through the Amendment Order 2024.

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Quarterly updates publication

Voices on Reporting – Quarter updates publication (for the quarter ended 30 June 2024) provides a summary of key updates. These updates relate to financial reporting, Environment, Social and Governance (ESG) and the Securities and Exchange Board of India (SEBI), the Ministry of Environment, Forest and Climate Change (MoEFCC), the Reserve Bank of India (RBI) and the Institute of Chartered Accountants of India (ICAI).

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