



Voices on Reporting

Quarterly updates publication

August 2024

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In this publication, we have summarised important financial reporting, Environment Social and Governance (ESG) and regulatory updates relevant for the quarter ended 30 June 2024 from the Securities and Exchange Board of India (SEBI), the Reserve Bank of India (RBI), the Ministry of Environment, Forest and Climate Change (MoEFCC) and the Institute of Chartered Accountants of India (ICAI).



Amendments to Listing Regulations

On 17 May 2024, SEBI issued the amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations), pertaining to the following aspects:

- I. Uniform approach towards market rumour verification
- II. Market capitalisation criteria
- III. Duration between meetings of the Risk Management Committee
- IV. Deferring the applicability of Listing Regulations to High Value Debt Listed Entities (HVDLEs)
- V. Prior intimation of board meetings
- VI. Filling vacancy of Key Managerial Personnel (KMP) and the Chief Financial Officer (CFO).

The amendments are discussed in detail below:

I. Uniform approach towards market rumour verification

Regulation 30(11) of the Listing Regulations require listed entities to confirm, deny or clarify market rumours which are reported in the mainstream media. The rumour verification requirement is applicable to the

top 100 listed entities with effect from 1 June 2024 and to top 250 listed entities with effect from 1 December 2024. In order to facilitate a uniform approach for verification of market rumours by equity listed entities, on 17 May 2024, SEBI issued the following amendments to provisions related to market rumours:

- **Material price movement as the basis for rumour verification:** Currently, Regulation 30 of the Listing Regulations requires listed entities to verify the market rumours pertaining to 'material' events or information. The amendments provide that the market rumour should be verified by a listed entity if there is a material price movement in the securities of the listed entity.
- **Price protection upon confirmation of market rumour:** The amended regulation provides that unaffected price should be considered for transactions on which pricing norms are specified by SEBI Regulations or the stock exchanges as applicable, provided that the rumour pertaining to such transaction

has been confirmed within 24 hours from the trigger of material price movement. Regulation 30(11) lists down the following SEBI Regulations and provisions, where pricing norms have been prescribed:

- Chapter V or Chapter VI of the Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018
- Regulation 8 or Regulation 9 of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011
- Regulation 19 or Regulation 22B of the Securities and Exchange Board of India (Buy-back of Securities) Regulations, 2018
- Any other pricing norms specified by the Board or the stock exchanges.

Further, the regulation specified that the unaffected price should be considered by excluding the effect on the price of the equity shares of the listed entity due to

the material price movement and confirmation of the rumour.

- **Obligation on promoters, directors, Key Managerial Personnel (KMP) and senior management:** The amendment requires promoters, directors, KMP and senior management to provide timely response to the listed entity for verifying a market rumour.
- **Classification of unverified information:** On 17 May 2024, SEBI amended the definition of 'generally available information' under the SEBI (Prohibition of Insider Trading) Regulations, 2015 by issuing the SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2024. The amended definition specifically excludes unverified event or information reported in print or electronic media from the ambit of generally available information. Therefore, such information should be treated as Unpublished Price Sensitive Information (UPSIs) and not 'generally available' information.



Consequent to the amendment to the Listing Regulations, on 21 May 2024, SEBI issued the following notifications to provide further guidance in this regard:

- **Industry Standards on verification of market rumour:** With an aim to facilitate a uniform approach and assist listed entities in complying with their obligations in respect of the requirements relating to market rumour, certain industry associations¹ have formed the Industry Standards Forum (ISF). The ISF has formulated the industry standards, in consultation with SEBI, for effective implementation of the rumour verification requirement under the Listing Regulations. The Industry Standards Note (ISN) issued by ISF lays down the standard operating procedures for compliance with the rumour verification requirement to be followed by listed entities. The ISN is divided into three parts:
 - Part A: General aspects
It contains, *inter alia*, the definition of

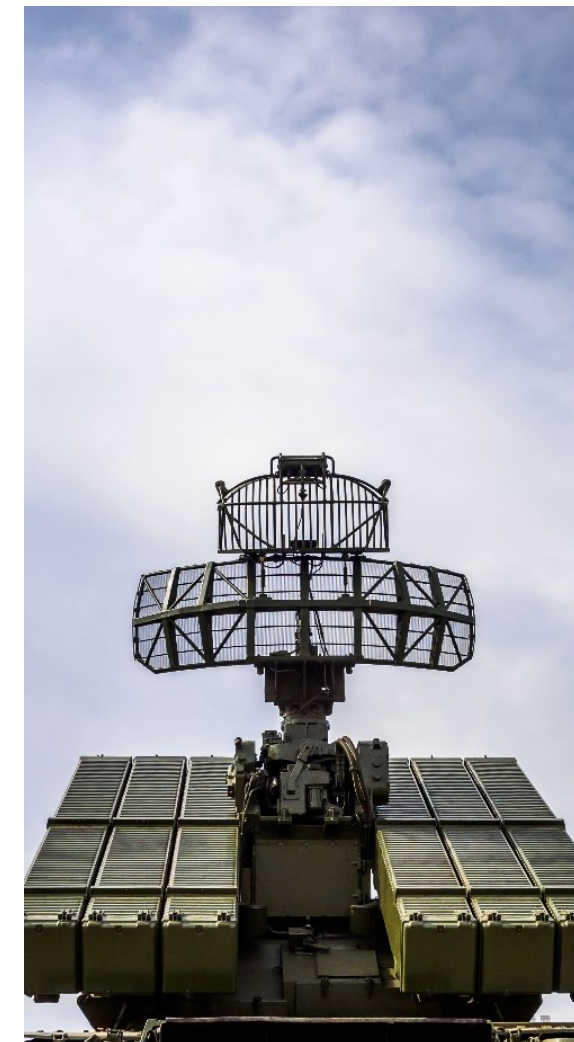
mainstream media and contains certain explanations related to market rumour. The note sets out a specific list of news sources that fall within the purview of 'mainstream media', which a listed entity would track for rumour verification.

- Part B: Aspects related to Mergers & Acquisitions transactions (M&A). It covers, *inter alia*, rumour verification standards for various stages of potential M&A transactions.
- Part C: Aspects related to Non-M&A transactions. It covers, *inter alia*, guiding principles on rumour verification in respect of non-M&A transaction scenario along with illustrations on the same.
- **Framework for material price movement:** In order to ensure compliance with the criteria of material price movement for verification of market rumours, the National Stock Exchange (NSE) and the Bombay Stock Exchange (BSE) along with SEBI, have formulated the framework to be

complied by listed entities for rumour verification upon material price movement.

The framework lays down the parameters for material price movement, illustrations of variations that should be treated as material price movement in case of positive/negative rumour and the monitoring measures to be implemented by the stock exchanges.

- **Framework for considering unaffected price:** Considering the above-mentioned requirements relating to unaffected price, SEBI through its circular dated 21 May 2024, issued the detailed framework for determining unaffected price by listed entities. The framework provides illustrations for calculation of adjusted Volume Weighted Average Price (VWAP) and applicability of unaffected price.



1. The Industry Standards Forum (ISF) comprises of representatives from three industry associations, viz. ASSOCHAM, CII and FICCI, under the aegis of the stock exchanges.



II. Market capitalisation criteria

(Regulation 3): In case of a listed entity, certain provisions become applicable based on the market capitalisation criteria.

Currently, the market capitalisation is determined as on 31 March i.e. based on a single day's market capitalisation. SEBI has through the recent amendments introduced a revised criteria for calculating market capitalisation:

- **Average market capitalisation:** Market capitalisation-based requirement should be determined on the basis of average market capitalisation from 1 July to 31 December, instead of a single day's (i.e. 31 March) market capitalisation. Stock exchanges on 31 December of every year would prepare the ranking of listed entities basis the average market capitalisation for six months. This amendment would be applicable to listed entities from 1 April or from the beginning of the immediate next financial year, whichever is later.
- **BRSR:** With respect to the reporting of Business Responsibility and Sustainability Reporting (BRSR) (or assurance under BRSR Core), a listed entity should put in place systems and

processes to capture the data to be reported within a period of three months from 31 December. Further BRSR and/or assurance as per the BRSR Core should be disclosed in the annual report prepared for the financial year in which systems and processes were put in place.

- **Sunset clause:** A sunset clause of three years for cessation of applicability of market capitalisation-based provisions has been introduced.

The above-mentioned amendments are effective from 31 December 2024.

III. Duration between meetings of the Risk Management Committee (RMC)

(Regulation 21): The maximum permitted time gap between two consecutive meetings of the RMC has increased from 180 days to 210 days. This amendment is effective from 17 May 2024.

IV. Deferring the applicability of Listing Regulations to High Value Debt Listed Entities (HVDLEs) (Regulation 15)

The timeline for mandatory applicability of certain provisions of the Listing Regulations² and compliance thereof, by HVDLEs has been extended till 31 March 2025 (earlier 31 March 2024). This amendment is effective from 17 May 2024.



2. Regulation 16 to 27 of SEBI Listing Regulations



V. Prior intimation of board meetings (Regulation 29): The timeline for prior intimation of board meetings has been reduced to two working days (as per previous requirement, timeline for giving prior intimation varies from two working days to a maximum of 11 working days). The amendment further states that prior intimation is not required for determination of issue price for fund raising done through

qualified institutional placement as per SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2015 (ICDR Regulations). Additionally, it has been notified that prior intimation would be required only for fund-raising proposals that involve issue of securities. This amendment is effective from 17 May 2024.

VI. Filling of vacancies of KMP (Regulation 26A): The timeline for filling up a vacancy

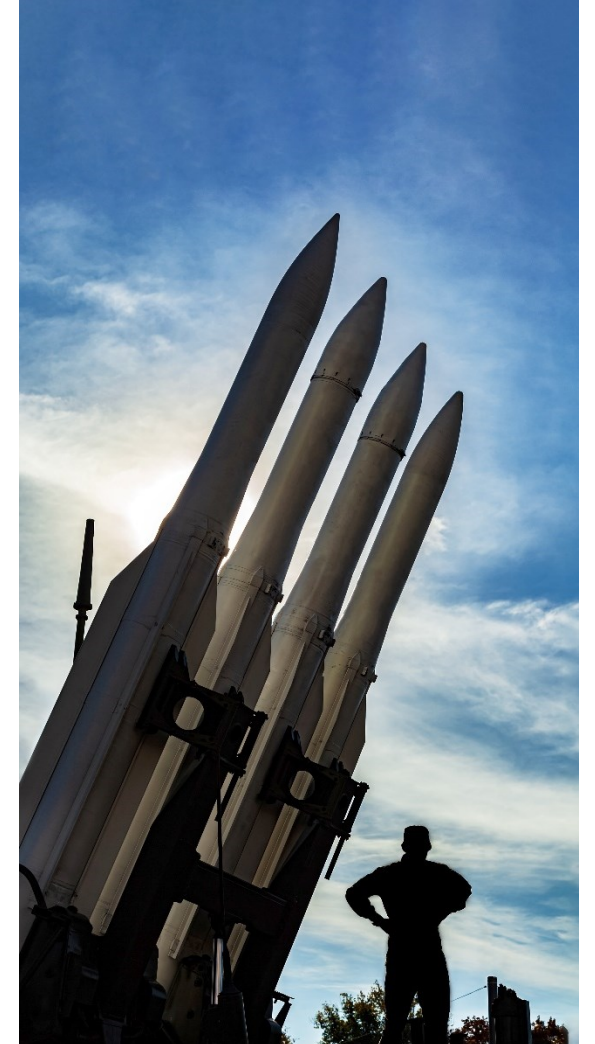
in the office of a KMP wherein approval of statutory authorities is required, has been extended from three months to six months.

A KMP for the purpose of this regulation includes Chief Executive Officer, Managing Director, Whole Time Director or Manager and Chief Financial Officer. This amendment is effective from 17 May 2024.

Key takeaways

- The recently issued amendments would enhance transparency with respect to disclosure of market rumours by listed entities.
- Listed entities need to be vigilant about any information leakage that leads to material price movement and accordingly provide disclosure.
- The amendments obligates promoters/directors/KMP/senior management to specifically provide responses to queries raised or explanation sought by the listed entities. This would be specifically relevant for the scenarios where the rumour verification for matters not initiated by the listed entity but impacts the listed entity.
- The recently issued Industry Standards Note would enable uniformity in reporting and disclosures and assist listed entities in complying with their obligations in respect of confirmation, denial, or clarification of market rumours.

(Source: SEBI notification SEBI/LAD-NRO/GN/2024/177 dated 17 May 2024, SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/51 and SEBI/HO/CFD/CFD-PoD-2/P/CIR/2024/52 dated 21 May 2024, NSE circular NSE/SURV/62122 dated 21 May 2024 and SEBI notification no. No. SEBI/LAD-NRO/GN/2024/181 dated 17 May 2024)





Amendments to the ICDR Regulations

On 17 May 2024, SEBI issued the amendments to ICDR Regulations to notify amendments pertaining to the following provisions. These amendments are applicable from 17 May 2024:

I. Contribution towards Minimum Promoters' Contribution (MPC) (Regulation 14, 236, 238, 292): Currently for determination of MPC, promoters of a company should hold at least 20 per cent of the post-offer paid-up equity share capital on a fully diluted basis. In case of any shortfall, certain class of investors (MPC investors) are permitted to contribute equity shares to meet the shortfall subject to a maximum of 10 per cent, without being identified as a promoter.

The ICDR Regulations now permit any non-individual shareholders holding at least five per cent of the post-offer equity share capital or any entity (individual or non-individual) forming part of promoter group other than the promoter(s) to contribute towards MPC without being identified as a promoter (i.e. be considered as an MPC investor).

II. Inclusions for computation of MPC (Regulation 15(1)(b), 237): Regulation 15 prescribes the securities to be considered/ not considered while computing the MPC.

The amendment has now added a clause which stipulates that equity shares held by MPC investors which arise from the conversion of fully paid-up compulsorily convertible securities held for at least one year before filing the draft offer document should be included for determination of MPC. It also provides that the compulsorily convertible securities should be converted into equity shares prior to the filing of the offer document. Additionally, terms of conversion should be mentioned in the draft offer document.

III. Omission of requirement to create security deposit (Regulation 38, 80, 135, 197, 259): Prior to the amendment, the ICDR Regulations required issuers to deposit an amount calculated at the rate of one per cent of the issue size available for subscription to the public with the designated stock exchange. This was

required for resolution of investor complaints relating to refund of application monies, allotment of securities and dispatch of certificates.

However, since these requirements are covered by recent circulars and frameworks issued by SEBI, the amendment has removed the requirement of security deposit to be maintained by issuers.

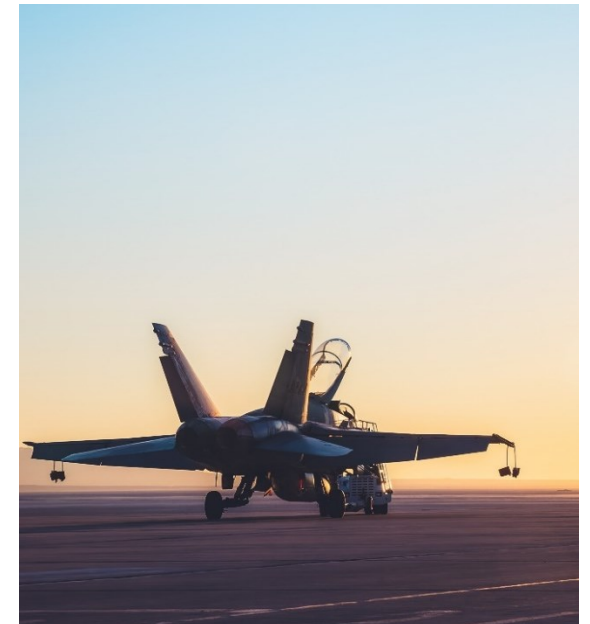
IV. Extension of the bid/offer closing date (Regulation 46(3), 142(3), 203(3), 266(3)): Prior to the amendment, in case of force majeure, issuer companies could extend the bidding period disclosed in the offer document by a minimum period of three working days.

Considering that there would be no change in price band in such cases, the ICDR Regulations has now reduced the minimum period for extension of the bidding period to one working day.

V. Fresh filing for Offer For Sale (OFS): The amendment has clarified that with respect to increase or decrease in OFS, the

requirement of fresh filing should be based on one of the criteria i.e. either issue size in INR or the number of shares, whichever is disclosed in the draft offer document and not on both the criteria.

(Source: SEBI notification SEBI/LAD-NRO/GN/2024/178 dated 17 May 2024)



3. Alternative investment funds, foreign venture capital investors, scheduled commercial banks, public financial institutions or insurance companies registered with Insurance Regulatory and Development Authority of India (IRDAI) are permitted.
4. Such as Application Supported by Blocked Amount ('ASBA') application, Unified Payment Interface ('UPI') mode of payment, mandatory allotment in demat, etc.



Proposed changes under the Listing and ICDR Regulations

Last year, SEBI formed an expert committee to review the provisions of the Listing Regulations and ICDR Regulations, in order to promote ease of doing business. In this regard, SEBI issued various proposals through two consultation papers which are categorised as under:

- Part A: Proposals under the Listing Regulations
- Part B: Proposals under the ICDR Regulations
- Part C: Proposals under the Listing and ICDR Regulations.

Some of the key proposals are as follows:

Part A: Proposals under the Listing Regulations

I. BRSR framework

Substitution of the term 'assurance' with 'assessment': With an aim to provide flexibility to listed entities, SEBI has proposed to substitute the term 'assurance' with 'assessment' in the Listing Regulations and SEBI circulars on BRSR. The applicability of this proposal is as follows:

- *Financial year 2023-24:* Listed entities can choose to either undertake an

'assessment' or 'reasonable assurance' of BRSR Core disclosures.

- *Financial year 2024-25:* Assurance requirement will be replaced with assessment of BRSR Core.

As an additional alternative, SEBI has also proposed to provide an option to listed entities to undertake either assessment or assurance from financial year 2023-24.

Coverage of significant value chain partners:

Currently, the ESG disclosures for the value chain is applicable to the top 250 listed entities (by market capitalisation), on a comply-or-explain basis from FY 2024-25. Further limited assurance requirements are applicable on a comply or-explain basis from FY 2025-26.

SEBI has proposed the following changes to the framework with respect to value chain reporting:

- **Assessment instead of limited assurance:** The current requirement of limited assurance for value chain by listed entities to be substituted by 'assessment'.
- **Composition of value chain:** There are

two alternatives given in the consultation paper:

- Value chain partners to include upstream and downstream partners that individually account for two per cent or more of the listed entity's purchases or sales by value, or
- A cumulative threshold of at least 75 per cent of the listed entity's purchases or sales by value, in addition to the individual two per cent or more threshold. Listed entities would need to disclose the percentage of total sales and purchases covered by the value chain partners for which ESG disclosures are provided.

- **Applicability:**

- For the first year i.e. for financial year 2024-25, previous year's numbers for ESG disclosures for value chain partners would be voluntary
- Recommends a 'voluntary' disclosure approach rather than a 'comply-or-explain' approach for ESG disclosures for the value chain and its assurance.





Integration of green credit in BRSR: In October 2023, the Ministry of Environment, Forest and Climate Change (MoEFCC) introduced a green credit program through Green Credit Rules, 2023, which includes eight activities for environmental preservation and protection. Subsequently, on 22 February 2024, the MoEFCC notified the methodology for calculation of green credit in respect of tree plantation under the green credit program.

Considering the requirements, SEBI has proposed to include disclosure of green credits under leadership indicator of BRSR. The disclosure should provide details of the green credits generated by the company and by its value chain partners.

Key takeaways

- Given the demand for high quality ESG information by market participants that is accurate and robust, there is a need to strengthen ESG practices in India so that they are consistent and comparable at the global level. Therefore, it is important that SEBI when evaluating recommendation of the Committee with regard to the consultation paper and keeping assessment profession-neutral, it should seek to align with the global reporting and assurance requirements.
- The relaxation given in the consultation paper related to a revised definition for value chain partners to cover only significant partners and limited to include only upstream and downstream partners of a listed entity is a welcome move. This relaxation would bring relief to certain sectors which are heavily reliant on supply chain partners such as pharmaceutical sector, automobile sector, cement sector and many others.
- Given the importance of this topic, listed entities should closely watch this space for further developments as more guidance is expected from SEBI in the future.





II. Related Party Transactions (RPTs)

Exemptions to the definition of RPTs

(Regulation 2(1)(zc): Following items have been proposed to be exempt from the definition of RPTs:

- Corporate actions by the subsidiaries of a listed entity and corporate actions received by the listed entity or its subsidiaries which are uniformly applicable or offered to all shareholders in proportion to their shareholding.
- Acceptance of current account deposits or saving account deposits by banks in compliance with the directions issued by the Reserve Bank of India (RBI).
- Retail purchases from a listed entity or its subsidiary by its directors or its employees, without establishing a business relationship and at the terms which are uniformly applicable or offered to all directors and employees.

Approval of RPTs by the audit committee of the listed entity (Regulation 23(2):

As per the existing regulation, prior approval of the audit committee of the listed entity is required for all RPTs to which the listed entity is a party. It has been proposed to exclude from the purview of RPTs the remuneration paid to directors and Key

Managerial Personnel (KMP), except those KMPs who are a part of the promoter/ promoter group. Further, it is proposed to permit ratification of transactions which exceed the omnibus approval limit, within a specified timeline.

III. Filings and disclosures

Single filing system (Regulation 10):

Proposed to introduce a system that automatically disseminates the filing done on one stock exchange to the other stock exchanges using an Application Programming Interface (API)-based integration.

Periodic filings (Regulation 10B): To minimise the number of periodic filings that are required to be done by a listed entity, it is recommended to merge the periodic filings under the Listing Regulations into two broad categories:

- **Integrated Filing (Governance):** Comprising of corporate governance report, statement on redressal on investor grievance.
- **Integrated Filing (Financial):** Comprising of financial results, statement of deviation in use of proceeds, related party transactions etc.

The timeline for Integrated Filing

(Governance) should be within 30 days from the end of the quarter and the timeline for Integrated Filing (Financial) should be within 45 days (60 days for the last quarter) from the end of the quarter.

System driven disclosures of certain filings (Regulation 31 and Para A of Part A of Schedule III of the Listing Regulations):

It is proposed to introduce an automated process of disclosure of shareholding pattern and new or revised credit ratings. Automation for the above mentioned disclosures would ease the compliance procedures and reduce the burden of disclosures for listed entities.

Website links (Regulation 46(2): The information/data provided by listed entities is hosted on the website of stock exchanges. It has been proposed to provide curated links to the information/data on their own websites instead of duplicating the entire data again.

Newspaper advertisements (Regulation 47): The requirement of publishing detailed advertisements in newspapers for financial results is proposed to be made optional for listed entities. Further, it has been proposed to provide a small section with details of QR code and weblink of the page providing detailed financial results of the listed entity





IV. Disclosure of material events

Additional timeline for disclosure of events in some cases: For the disclosure of outcome of the board meeting that concludes after close of trading hours, an increased timeline of three hours instead of 30 minutes has been proposed under Regulation 30(6) and Para A of Part A of Schedule III of the Listing Regulations. In case of litigations or disputes wherein claims are made against the listed entity, an increased timeline for disclosure to 72 hours has been proposed from the existing 24 hours under Para B of Part A of Schedule III of the Listing Regulations.

Acquisitions by listed entities (Para A of Part A of Schedule III of the Listing Regulations): It is proposed that a listed should disclose details of acquisition made by the listed entity, whether directly or indirectly, where such a listed company holds shares or voting rights in a company, whether listed or unlisted, aggregating to 20 per cent (currently five per cent) or there has been any subsequent change in holding in the company exceeding five per cent (currently two per cent). However, acquisition of shares or voting rights in an unlisted company, aggregating to five per cent or any subsequent change in holding

exceeding two per cent, to be disclosed in the specified format on a quarterly basis as part of the Integrated Filing (Governance) as described in point III above.

Disclosure of tax litigations and disputes (Para B of Part A of Schedule III of the Listing Regulations): It is proposed that a listed entity should disclose tax litigations/ disputes including tax penalties based on application of criteria for materiality. It has been proposed that a listed entity should:

- Provide disclosure of new tax litigations or disputes within 24 hours
- Provide quarterly updates, as part of the Integrated Filing (Governance), on existing tax litigations or dispute
- Cumulate the tax litigations or disputes, the outcomes of which are likely to have a high correlation, for determining materiality.

V. Board of directors and its committees

Vacancies in board committees (Regulation 17(1E): The existing regulations provide no specific timeline to fill up vacancies in Board Committees arising as a result of vacancy in the office of a director. In order to provide adequate time to listed entities, a timeline of three months has

been proposed to fill up vacancies in Board Committees.

Timeline for obtaining shareholders' approval for appointment/re-appointment of director (Regulation 17(1C): As per Regulation 17(1C) of the Listing Regulations, approval of shareholders for any person appointed on the board of a listed entity should be taken within a period of three months or the next general meeting, whichever is earlier. It has been proposed to exclude the time taken for regulatory or statutory or government approvals for appointment or reappointment of a person as a director for determining the time limit under Regulation 17(1C) of the Listing Regulations.

VI. Promoters and controlling shareholders

Framework for reclassification of promoter/promoter group entities (Regulation 31A): Regulation 31A of the Listing Regulations lays down the procedure to be followed for reclassification of an entity belonging to promoter or promoter group as a public shareholder. The consultation paper has proposed changes to the framework for reclassification of promoter or promoter group entities as public under the Listing Regulations. Some of the proposed

procedural changes are as follows
The board of directors to consider the request for reclassification in the immediate next board meeting or within two months, whichever is earlier.

- Listed entity to make an application to the recognised stock exchanges for their no-objection within five days of obtaining the board's views on the reclassification request.
- The recognised stock exchanges would be required to provide No-Objection Certificate (NOC) within 30 days from the submission of the request. If there are changes in the facts and circumstances after receipt of NOC, the listed entity need to seek stock exchange approval before effecting reclassification.
- After receipt of NOC from stock exchanges, the listed entity would seek shareholders' approval for reclassification within 60 days.
- Upon receipt of shareholder approval, the listed entity to notify the stock exchanges within five days and effect reclassification of the entity.



Obligation for disclosure of information to the listed (Regulation 5) : Under the existing regulation there is no specific obligation on promoter(s), directors, KMP to make specified disclosures to the listed entities. The report proposes to cast an obligation on the promoter, directors and KMPs to disclose all information that is relevant and necessary for the listed entity to ensure compliance with applicable laws.

VII. Other compliance requirements

Subsidiary related compliance requirements (Regulation 24(6)): The requirement of shareholder approval under Regulation 24(6) for sale, disposal or lease of assets of a material subsidiary has been proposed to be removed in case such a transaction takes place between two wholly owned subsidiaries of the listed entity.

Corporate governance at listed entities (Part E of Schedule II of the Listing Regulations): SEBI has proposed to extend the applicability of the following provisions to the top 2,000 listed entities:

- Appointment of one-woman independent director on the board
- Constitution of a risk management committee

- Mandating more annual meetings of independent directors.

Currently, the above-mentioned provisions are applicable to the top 1,000 listed entities.

Virtual and hybrid shareholders' meetings (Regulation 44(4)): The board has proposed to hold permanent virtual and hybrid general meetings, with the notice period for such meetings reduced from 21 days to seven days. Further it has been proposed to remove the requirement of proxy forms for general meetings.

Annual reports (Regulation 36(2)): Proposed to remove the requirement of sending physical copies of annual reports to shareholders whose email ids are not available. Such shareholders would be sent a letter with a link to download the annual report. Further annual reports need to be submitted to the stock exchange on or before commencement of its dispatch to the shareholders.





Part B: Proposals under the ICDR Regulations

- I. **Eligibility conditions of an IPO (Regulation 5):** The consultation paper provides flexibility under eligibility conditions for an IPO by allowing issuers with outstanding Stock appreciation rights (SARs) to file Draft Red Herring Prospectus (DRHP) where such SARs are granted to employees only and are fully exercised for equity shares prior to the filing of the RHP.
- II. **Public announcement after filing of draft offer document (Regulation 26):** It has been proposed to change the requirement of issuing advertisement post filing of DRHP from two days to 'two working days'. Further the 21 days comment period should be calculated from the date of advertisement and not the date of filing.
- III. **Pre-IPO transactions (Regulation 54):** It has been recommended to disclose details of pre-IPO transactions after filing of DRHP to the stock exchanges.

Part C: Proposals under the Listing and ICDR Regulations

- I. **Definition of material subsidiary thresholds:** Proposed that the terminology for identification of a material subsidiary under Listing Regulations and ICDR Regulations should be aligned, and both

regulations should refer to consolidated 'turnover' instead of 'income'.

- II. **Disclosure of material agreements in offer documents:** The requirement of disclosure of material agreements in offer documents that are entered into by shareholders, promoters, directors, etc. should be aligned under both the regulations in order to ensure parity in disclosures of material agreements.

Key takeaway

SEBI through its recent consultation paper solicit views on the proposed changes to the Listing and ICDR Regulations, which are intended to facilitate ease of doing business, simplify procedures and compliances, ease out timelines, filing records, rationalise legal provisions, and enhance corporate governance standards. The proposed amendments to the LODR and ICDR Regulations are expected to have significant implications for the listed companies and investors in the Indian capital market. Therefore, listed companies should track the developments in this area.



(Source: SEBI Consultation papers on the recommendation of the expert committee for facilitating ease of doing business with respect to Business Responsibility and Sustainability Report (BRSR) dated 22 May 2024 and Consultation Paper on Recommendations of the Expert Committee for facilitating ease of doing business and harmonization of the provisions of ICDR and LODR Regulations dated 26 June 2024)



Disclosure timelines applicable to Social Enterprise (SE) for FY 2023-24

A Social Stock Exchange (SSE) is a segment of the stock exchange that provides a platform to social enterprises to raise funds from the public. SEs are entities that get listed on the SSE. In September 2022, SEBI had issued a detailed framework prescribing the minimum requirements for an entity to be registered as a SE on the SSE. Some of the key considerations of the framework are listed below:

- Minimum requirements for registration of a Not for Profit Organisation (NPO) with the SSE
- Minimum initial disclosure requirements for Zero Coupon Zero Principal (ZCZP) instruments
- Timeline and details of annual disclosures by a Non-Profit Organisation (NPO)
- Requirement and timeline of an Annual Impact Report (AIR)
- Timeline to submit a statement of utilisation of funds.

SEBI, through a circular dated 27 May 2024, revised the disclosure timelines laid down in the framework under point (c) and (d) above for FY 2023-24:

Annual disclosure requirement for NPOs registered on an SSE: As per the Listing Regulations, an NPO registered on the SSE is required to provide annual disclosures to the SSE on matters specified by SEBI by 31 October 2024 for FY 2023-24 (*earlier 60 days from the end of the financial year*).

Submission of AIR: The Listing Regulations require a SE, which is registered with or has raised funds through an SSE, to submit an AIR to the SSE in the format specified by SEBI. The revised timeline for submission is 31 October 2024 for FY 2023-24 (*earlier 90 days from the end of the financial year*).

Key takeaway

The process of preparation of the AIR by an NPO requires significant time, cost and effort along with internal checks. Further, since the outcome of the metrics may be subjective, there may be challenges in quantifying the reach, depth and impact of such activities both by the preparer as well as an auditor. The SEBI has now provided extended time to ensure compliance of AIR by NPOs.

(Source: SEBI circular no. SEBI/HO/CFD/PoD-1/P/CIR/2024/0059 dated 27 May 2024)





Self-regulatory organisations for social impact assessors

As per the ICDR Regulations, a social impact assessor means an individual registered with Self-Regulatory Organisation (SROs) under the Institute of Chartered Accountants of India or such other agency, as may be specified by SEBI.

On 27 May 2024, SEBI has specified that in addition to the SROs registered with ICAI, following agencies would be specified as self-regulatory organisations for social impact assessors in the context of social stock exchange:

- ICAI Social Auditors Organisation (ICMAI SAO) under the Institute of Cost Accountants of India
- ICSI Institute of Social Auditors (ICSI ISA) under the Institute of Company Secretaries of India.

(Source: SEBI circular no. SEBI/HO/CFD/PoD-1/P/CIR/2024/0060 dated 27 May 2024)





Mandatory audio-visual presentation of disclosures made in public issue offer documents

In order to enable investors better comprehend the important aspects of an offer document, SEBI issued a circular on 24 May 2024, introducing Audio-Visual (AV) representation of salient disclosures made by companies in their (draft) offer documents for public issues.

Some of the key considerations of the prescribed AV format are listed below:

Content

- The content of the AV should comply with the specified provisions⁵ of the ICDR Regulations.
- It should be in bilingual format (English and Hindi) with the duration of each bilingual version of the AV being approximately 10 minutes. The duration of the AV should be equitably distributed to cover material disclosures⁶ made under various sections of the DRHP and Red Herring Prospects (RHP).

- The content of the AV should be factual, non-repetitive, non-promotional and should not mislead in any manner.

Where and when to disclose

- The AV should be prepared and placed in the public domain for all main board public issues.
- The AV should be uploaded on the following websites:
 - Website of the issuer and their digital/social media platform
 - Website of Association of Investment Bankers of India (AIBI) and their digital/social media platform
 - Website of stock exchanges
 - Website of lead managers.
- AV should also be accessible through a QR code.

- AV should be uploaded within five working days of filing the DRHP with SEBI.

Responsibility

- The issuer and all the lead managers are responsible for the content and information made available in the AV.

Applicability: The provisions of this circular shall be made applicable to all DRHP filed with SEBI-

- On a voluntary basis on or after 1 July 2024
- On a mandatory basis from 1 October 2024.

(Source: SEBI circular no. SEBI/HO/CFD/CFD-TPD-1/P/CIR/2024/55 dated 24 May 2024)



5. Provisions regarding 'Public communications and publicity materials' prescribed under Schedule IX of SEBI ICDR Regulations.

6. Material disclosures include disclosures about the company, risk factors, capital structure, objects of the offer, business of the issuer, promoters, management, summary of financial information, litigations, material developments and terms of the offer etc.



Flexibility related to operational standards of AIF schemes

The Alternative Investment Funds (AIFs) are regulated by the SEBI (Alternative Investment Funds) Regulations, 2012. These regulations provide a framework for the registration, operation, and governance of AIFs in India. It also prescribes the eligibility criteria, investment conditions, disclosure requirements, and reporting norms for AIFs and their managers.

On 25 April 2024, SEBI notified the SEBI (Alternative Investment Funds) (Second Amendment) Regulations, 2024. These regulations enhance the regulatory framework and revise the operational standards for AIFs.

Some of the key features of the amendments are as follows:

New terms defined: The amendments introduced the definition of terms 'dissolution period' and 'encumbrance' under Regulation 2(1) of the AIF Regulations⁷.

Encumbrance on equity: The amendments permit the Category I and II AIFs to create encumbrances on the equity of investee companies only for the purpose of borrowing by

such investee company under conditions specified by SEBI. Further, SEBI has issued a circular⁸ providing a detailed framework related to encumbrance on equity of investee companies dated 26 April 2024.

Unliquidated investments: The amended regulations provide AIFs with more flexibility in dealing with unliquidated investments during the liquidation period, including the distribution of these investments to investors or entering into a dissolution period with significant investor approval. Further, SEBI has issued a circular⁹ providing a structured approach to deal with unliquidated investments dated 26 April 2024.

(Source: SEBI notification no. SEBI/LAD-NRO/GN/2024/168 dated 25 April 2024)



7. Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012.

8. SEBI circular no. SEBI/HO/AFD/PoD1/CIR/2024/027 dated 26 April 2024

9. SEBI circular no. SEBI/HO/AFD/PoD1/CIR/2024/026 dated 26 April 2024



Directions related to trading activities conducted by the insiders

Insider trading refers to the process of buying and selling of securities by the insiders of a listed entity who are in possession of confidential information about the entity, such as the employees, promoters, directors and executives.

On 25 June 2024, SEBI issued amendments to the SEBI Prohibition of Insider Trading Regulations, 2015 (PIT Regulations) related to the concept of a trading plan.

Some of the key amendments are as follows:

I. Shorter cooling-off period: Under Regulation 5, an insider can formulate and submit a trading plan to the compliance officer for approval and public disclosure pursuant to which trades can be conducted on his behalf in accordance with such a plan. The amendment has reduced the time period for commencing trading post presentation of a trading plan by a senior executive having UPSI for approval to the compliance officer from six months to 120 days.

II. Trading within limited duration: The amended provision requires an insider to set certain parameters such as, *inter alia*, a specific date or duration not exceeding five consecutive trading days during which their trades should be executed.

III. Deviations from trading plan: The amendment has provided an insider with an option to set an upper price limit for a buy trade and a lower price limit for a sell trade. The range for a buy trade can be up to 20 per cent higher than the closing price and for a sell trade can be up to 20 per cent lower than the closing price.

IV. Removal of restrictions: The amendment has removed the restriction on trading by insiders during the blackout period¹⁰ and contra trade¹¹ restrictions to trades pursuant to a trading plan submitted by an insider.

The regulations would become applicable on the ninetieth day from the date of publication in the Official Gazette i.e. 25 June 2024.

Key takeaways

- The amendments provide flexibility to insiders by permitting them to initiate trading sooner post the public disclosure of their trading plan.
- An outer limit on duration allowed for trades ensures stricter regulatory guidelines.
- The amendment safeguards the insiders from unforeseen price fluctuations and promotes fair trade practices by setting price limits for trades.

(Source: SEBI circular no. No. SEBI/LAD-NRO/GN/2024/184 dated 25 June 2024)



10. Blackout period is the period between the twentieth trading day prior to the last day of any financial period for which results are required to be announced by the issuer of the securities and the second trading day after the disclosure of such financial results.

11. Contra trade means a buy cannot be executed if a sell trade has been executed in the last six months.



Transparency in lending practices

During an onsite inspection of Regulated Entities¹² (REs) for the period ended 31 March 2023, RBI came across cases of unfair lending practices. In this regard, on 29 April 2024, RBI issued a directive that required all REs to review and make the required changes to their internal systems and practices around loan disbursal, application of interest and other charges in order to have fair and transparent dealings with customers.

The key observations and respective directions are listed below:

Observations	Regulatory directions for the REs
REs were charging interest from the date of sanction of loan or date of execution of loan agreement.	Interest should be charged only from the date of disbursement.
Customers were charged interest for the entire month, in cases where cheque were handed over to a customer during the course of the month.	Interest should be charged from the date when the cheque is handed over to the borrower.
It was noted that one or more instalments were collected in advance but interest was charged on full loan amount.	Interest should be charged on the balance loan amount after deducting the advance received.

12. Regulated entities include the following:

- All Commercial Banks (including Small Finance Banks, Local Area Banks and Regional Rural Banks) excluding Payments Banks
- All Primary (Urban) Co-operative Banks/ State Co-operative Banks/ District Central Co-operative Banks
- All Non-Banking Financial Companies (including Microfinance Institutions and Housing Finance Companies)

Effective date : The directions of this circular are applicable with immediate effect, i.e. from 29 April 2024.

Key takeaway

The directive required all REs to review their practices and make necessary improvements in governance and compliance to address the issues outlined in the directive. This would also reduce the risk of regulatory actions and penalties. By promoting fair lending practices, the directive will enhance the trust and confidence of the customers in the REs and the financial system as a whole.

(Source: RBI notification no. RBI/2024-25/30 dated 29 April 2024)





SEBI updates



RBI updates



Other updates

Overseas investment rules for Indian investors

With an aim to address the diversity in the regulatory framework that governs investment funds across various jurisdictions, on 7 June 2024, the Reserve Bank of India (RBI) amended the Foreign Exchange Management (Overseas Investment) Directions, 2022 (the directions). The amendments to the directions (amendments) provide clarity with regard to the following key points pertaining to Overseas Portfolio Investments (OPIs).

Existing directions	Amendment
<p>Form of investment</p> <p>Indian investors were permitted to hold an overseas investment portfolio only if the investments were made in 'units' of the funds.</p>	<p>The amendment now permits Indian investors to invest in units or any other instrument (by whatever name called) issued by an overseas investment fund.</p>
<p>Investment regulator</p> <p>The directions permitted investment in funds that were directly regulated by the financial sector regulator of the host country.</p>	<p>RBI has permitted to Indian companies and resident individuals to invest in offshore funds that are regulated through their fund managers in their home jurisdiction.</p>

Key takeaway

The relaxation will give Indian investors and corporates an opportunity to invest directly in global funds and take advantage of its management expertise and a regulated investment jurisdiction.

(Source: RBI notification no. RBI/2024-25/30 dated 29 April 2024)





Eco-friendly practices mandated in the process of battery production

On 20 June 2024, the Ministry of Environment, Forest and Climate Change issued the Battery Waste Management (Second Amendment) Rules, 2024 (the amendment) thereby amending the Battery Waste Management Rules, 2022.

Producers of batteries are obligated under the existing regulations to use domestically recycled material in the production process. In order to achieve greater sustainability across the industry, the amendment lays down the below specified glide path for targets to be achieved for the minimum use of recycled materials in the process of battery production, across the following categories of batteries:

Serial number	Type of battery	Minimum use of the recycled materials out of total dry weight of a Battery (in percentage) in respect of financial year			
		Year 2027-28	Year 2028-29	Year 2029-30	Year 2030-31 and onwards
1	Portable	5	10	15	20
2	Electric vehicle	5	10	15	20
3	Automotive	35	35	40	40
4	Industrial	35	35	40	40

Key takeaway

The amendment aims to reduce the environmental impact of battery production and disposal, by encouraging the reuse of waste materials and reducing the dependency on imported raw materials. The amendment also indicates the government's vision of promoting sustainability and green energy, projections and forecasts. The battery producer should assess the amendments as they may need to invest in upgrading their production processes to ensure compliance with the revised requirements. While, this amendment will potentially impact the operations of relevant companies, this may also be an important consideration for certain financial reporting matters, including those involving cash flow.

(Source: MOEFCC notification no. S.O. 2374 (E) dated 20 June 2024)



SEBI updates



RBI updates



Other updates

ICAI Publications

Publications	Particulars
Ind AS disclosure checklist	<p>The checklist provides guidance related to relevant disclosures required under Ind AS to prepare and present financial statements. The checklist acts as a ready reference of disclosure requirements under Ind AS and includes the amendments in Ind AS which are effective from 1 April 2023.</p>
Guidance on non-compliances observed by Quality Review Board (QRB)	<p>The Quality Review Board (QRB) conducts quality reviews of audit services provided by audit firms to assess the quality of audit and reporting by the statutory auditors and the quality control framework adopted by the audit firms in conducting audit.</p> <p>The publication issued provides a guidance on non-compliances observed by QRB during such quality reviews. The publication is divided into two parts:</p> <ul style="list-style-type: none"> • Part 1: Contains the observations related to Engagement and Quality Control Standards (classified standard wise) • Part 2: Contains the observations related to CARO and internal financial controls (classified topic wise).

(Source: ICAI announcement April 2024 and 9 May 2024)





SEBI updates



RBI updates



Other updates

EAC opinions issued by ICAI during the quarter ended 30 June 2024

Topic	Month
Presentation of standby, stoppage and allied costs incurred during force majeure in the project in the statement of profit and loss	April 2024
Accounting treatment of additional capitalisation arisen due to arbitration award	May 2024
Accounting for major spares under Ind AS 16, <i>Property, Plant and Equipment</i>	June 2024

(Source: The Chartered Accountant – ICAI Journal for the month of April 2024, May 2024 and June 2024)





SEBI updates



RBI updates



Other updates



First Notes

RBI releases revised fraud risk management directions for regulated entities

With an aim to strengthen the role of the board of directors in the overall governance and oversight of fraud risk management in Regulated Entities (REs), on 15 July 2024, the Reserve Bank of India (RBI) issued revised Master Directions (MD) on Fraud Risk Management in the REs such as banks, co-operative banks and non-banking finance companies (including housing finance companies). The revised MD provide a framework for prevention, early detection and timely reporting of incidents of fraud to Law Enforcement Agencies (LEAs), RBI, National Housing Board (NHB) and National Bank for Agriculture and Rural Development (NABARD), wherever applicable.

This issue of First Notes aims to provide an overview of the revised MD-Banks and revised MD-NBFCs and their key changes as compared with the older master directions which they have superseded.

To access the First Notes, please click [here](#)



Accounting and Auditing Update

Issue No. 96 – July 2024

The question of when to recognise or derecognise a trade receivable or payable seems relatively simple on the surface. However, it has generated a significant amount of debate because there is diversity in practice for both the receivable and payable sides of the transaction. Considering this, the International Accounting Standards Board (IASB) amended financial instrument standards in the area of measurement setting out the guidance for measurement principles for derecognition of financial instruments. The amendments are effective for annual periods beginning on or after 1 January 2026, with early application permitted. This edition of Accounting and Auditing Update (AAU) discusses the guidance provided by IASB regarding recognition and derecognition for both financial asset (receivable) and financial liability (payable).

The publication also carries an article on offer document, which summarises some of the recent key circulars issued by SEBI with regard to the offer documents. A public offer is a process that enables companies to raise funds for multiple purposes. An offer document (in whatever name it is referred) plays an eminent role in the public offer process. Considering the importance of offer document, SEBI closely reviews offer documents. With a view to enhance the appositeness of the offer documents to the investors, SEBI has issued various circulars or directions under SEBI (Issue of Capital and Disclosure Requirement) Regulations, 2018, (ICDR Regulations) to companies and to lead managers prescribing certain matters.

As is the case each month, we have also included a regular round-up of some recent regulatory updates in India and internationally.

To access the publication, please click [here](#).



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