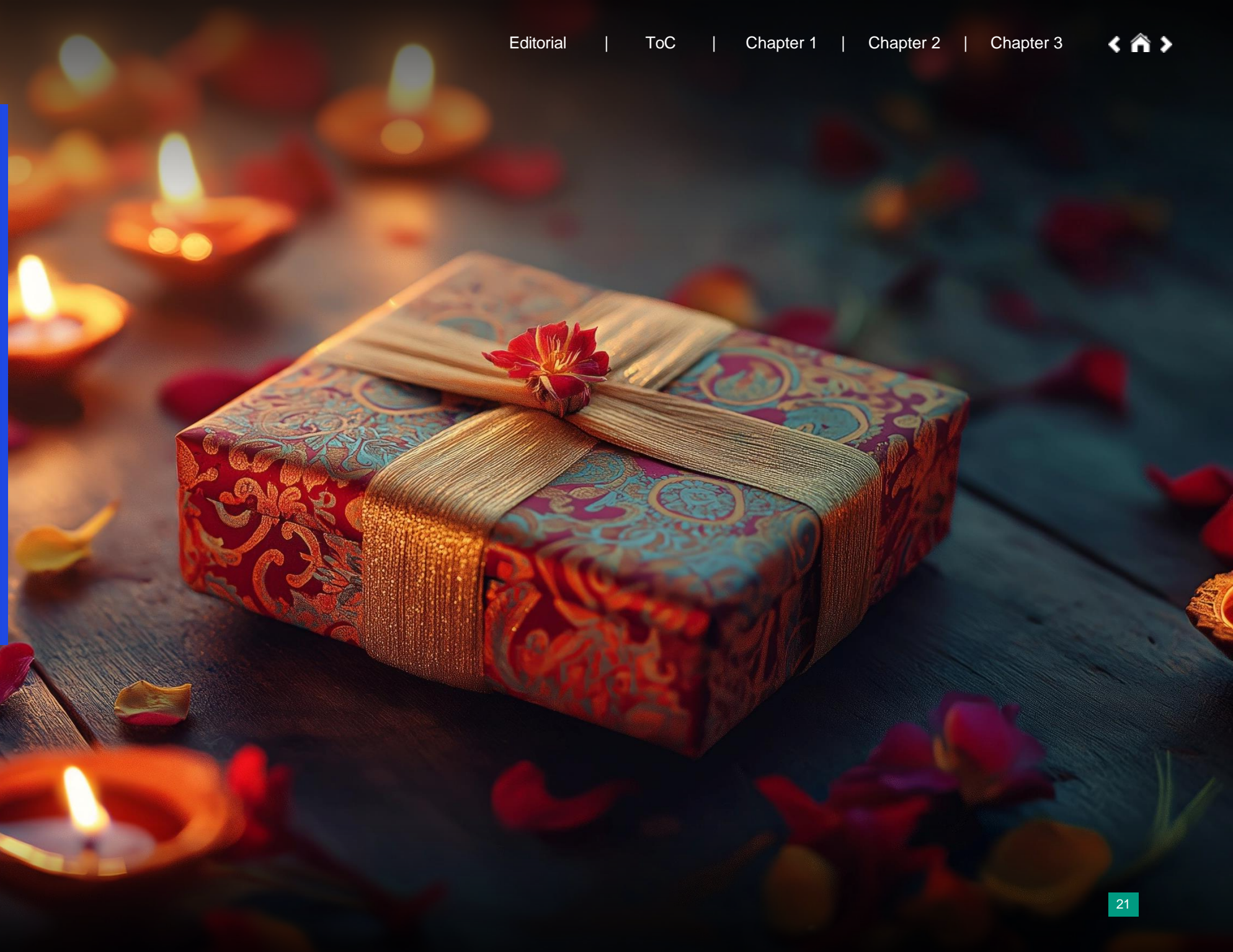


CHAPTER 3

# Regulatory updates





## SEBI board meeting

On 30 September 2024, the Securities and Exchange Board of India (SEBI) approved certain proposals to amend some provisions of the various SEBI Regulations.

Below are key decisions from SEBI board meeting:

### Amendments approved to facilitate ease of doing business:

SEBI approved amendments to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) and SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations) to facilitate ease of doing business and harmonise the provisions of these regulations. The amendments were earlier proposed by SEBI through its consultation paper in June 2024. The proposals were based on the report of an expert committee, which was formed to review the provisions of the SEBI Listing Regulations and ICDR Regulations from the point of view of facilitating ease of doing business.

### Some of the matters which were approved are:

#### Amendments to listing regulations

**Single filing system:** Introduced 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.

**Integration of periodic filings:** To minimise the number of periodic filings by a listed entity, the periodic filings under the Listing Regulations are merged into the following two broad categories:

- Integrated filing (Governance) comprising of corporate governance report and the statement on redressal on investor grievance.
- Integrated filing (Financial) comprising of financial results, statement of deviation in use of proceeds, related party transactions etc.

### System driven disclosures of certain filings:

Introduced automated process of disclosure of shareholding pattern and new or revised credit ratings.

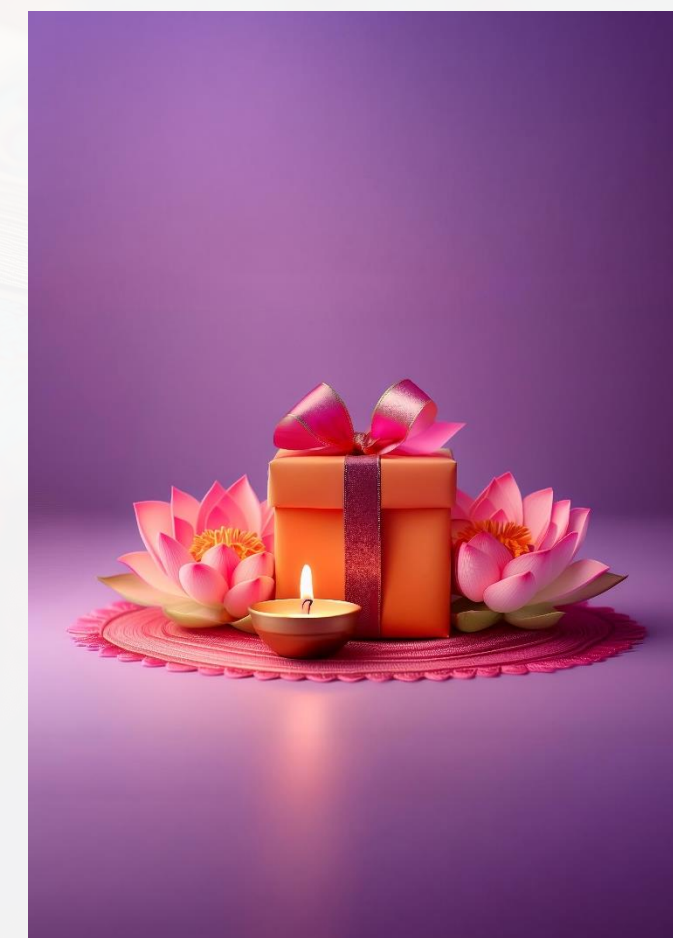
**Newspaper advertisements:** The requirement of publishing detailed advertisements in newspapers for financial results has been made optional for listed entities.

**Vacancies in board committees:** Vacancies in board committees to be filled up in a timeline of three months.

**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 3 hours has been given, earlier it was 30 minutes.
- In case of litigations or disputes wherein claims are made against the listed entity, an increased timeline for disclosure to 72 hours given instead of 24 hours

- Listed entity should disclose tax litigations/disputes including tax penalties based on application of criteria for materiality.





## Amendments approved to ICDR regulations

### Faster rights issue

- Introduced faster rights issue process with completion in 23 working days.
- Discontinuation of the current requirement of filing Draft Letter of Offer with SEBI for issuance of its observation, instead it will be filed with Stock Exchanges for its in-principle approval
- Permitting promoters to renounce their rights entitlements to any specific investor(s) and allowing the issuer to allot under-subscribed portion of rights issue to any specific investor(s).

### Single advertisement and QR code link:

There is a duplication of disclosures of information in price band advertisement and pre-issue advertisement. In certain instances, certain information disclosed in the price band advertisement is also disclosed in the pre-issue advertisement (such as the risks to investors, bid/offer period, minimum bid lot etc.). Accordingly, SEBI approved that the existing price band advertisement and the

pre-issue advertisement to be combined. Any additional disclosures in relation to the certain information such as 'Basis for the Offer Price' be provided through a QR code link.

### Permitting issuers to voluntary disclose proforma financials for acquisition or divestment already undertaken or proposed to be undertaken from issue proceeds in case of public issue, rights issue and QIPs

Currently, there are no enabling regulations under the ICDR for an issuer to voluntarily include proforma financial statements or for the disclosure of proforma financials for acquisitions or divestments in a placement document for a Qualified Institutions Placement (QIPs). Therefore, SEBI has permitted that if the proceeds of an issue are proposed to be used for the acquisition of one more businesses or entities in a public issue, rights issue or a QIP, an issuer could voluntarily disclose proforma financials (on a consolidated basis) to disclose the impact of such acquisition.

The proforma financial statements should be certified by the statutory

a peer reviewed statutory auditor or a peer reviewed independent chartered accountant.

### Introduction of regulatory framework for a new investment product/asset class

SEBI has approved a new investment product under the Mutual Fund framework to provide portfolio flexibility and curb unregistered/unauthorised schemes that exploit investors. This product includes safeguards such as no leverage, no investment in unlisted/unrated instruments beyond mutual fund allowances, and limiting derivative exposure to 25 per cent of Asset Under Management (AUM) for purposes other than hedging and rebalancing. Offerings will be called investment strategies, with a minimum investment limit of INR 10 Lakh per investor across all new strategies.

### Introduction of liberalised Mutual Funds Lite (MF Lite) framework

The MF Lite framework introduces relaxed eligibility requirements for sponsors, including modifications to net worth, track record, and profitability criteria. This shift is designed to promote ease of entry into the mutual fund sector, encouraging new players while

reducing compliance burdens. This regulation has now been approved by the SEBI board, some key features of which are as follows:

- The light touch regulations include relaxed requirements relating to eligibility criteria for sponsors, including net worth, track record and profitability, responsibility of trustees, approval process and disclosures.
- The framework intends to promote ease of entry, encourage new players, reduce compliance requirements, increase penetration, enhance market liquidity, facilitate investment diversification and foster innovation.
- Existing AMCs with both active and passive schemes can choose to transfer passive schemes to a different group entity, allowing separate management of active and passive schemes under a common sponsor. If they retain passive schemes within the existing AMCs, the relaxed disclosures and other regulatory requirements for the passive schemes based on indices that would be covered under the MF Lite framework would be applicable to them as well.



### Amendments to SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations)

SEBI through its consultation paper in July 2024 stated that it 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 an aim to rationalise the scope of the 'connected person', SEBI has approved 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 has been amended to include

- A firm or its partner or its employee in which a 'connected person' is also a partner; and
- A person sharing household or residence with a 'connected person'.

**Relative:** The definition of 'relative' under PIT Regulations has been amended to include following:

- Spouse of the person

- Parent of the person and parent of its spouse
- Sibling of the person and sibling of its spouse
- Child of the person and child of its spouse;
- Spouse of the person listed at (iii) and
- Spouse of the person listed at (iv).

**Immediate relative:** Existing provisions under PIT Regulations relating to a person deemed as a connected person would be applicable to 'relative' instead of an 'immediate relative'

### Sustainable finance framework in the Indian securities market - amendments to SEBI NCS regulations, 2021

With a view to expanding the scope of sustainable finance in Indian securities market, the Board approved the proposal to specify the frameworks for issuance of social bonds, sustainability bonds and sustainability-linked bonds, which together with green debt securities, will be termed Environment, Social and Governance (ESG) Debt Securities.

(Source: SEBI press release PR No. 25/2024 dated 30 September 2024)

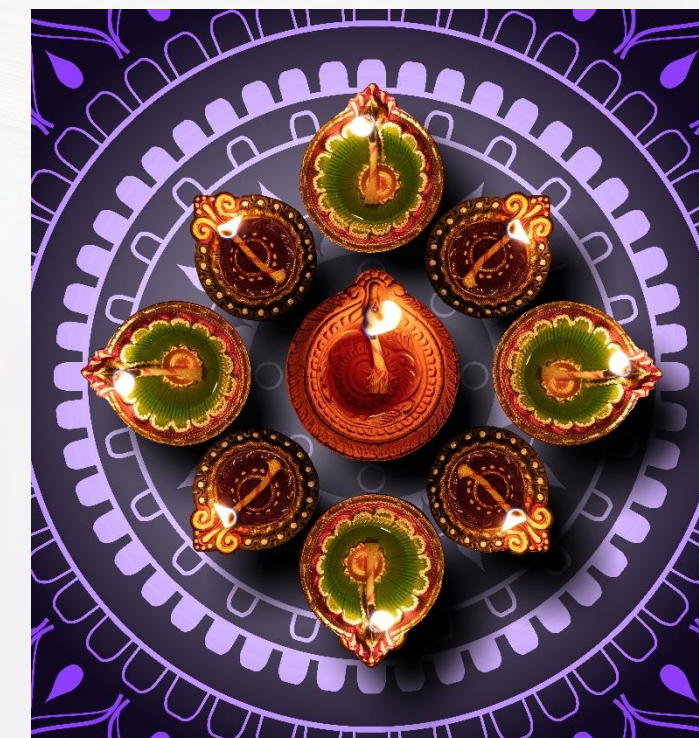
## Reduction in listing timeline for debt securities and NCRPs

On 26 September 2024, SEBI issued a circular to align the listing timeline for public issues of debt securities and Non-Convertible Redeemable Preference Shares (NCRPS) with the timeline for Non-Convertible Securities (NCS) issued on a private placement basis. Below are the other key points from the circular:

- The SEBI's circular reduced the timeline for listing debt securities and NCRPS to T+3 working days from the previous T+6 working days.
- The T+3 timeline prescribed by the circular would be optional from 1 November 2024 to 31 October 2025. Further, during this voluntary period, if an issuer opts for the T+3 timeline but fails to meet it, application money will be refunded as per provisions under Regulation 37(2) of NCS Regulations.
- The T+3 timeline will become mandatory for all public issues of debt securities and NCRPS opening on or after 1 November 2025.

- The T+3 listing timeline is required to be clearly disclosed in the offer documents of public issues.

(Source: SEBI Circular SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2024/129, dated 26 September 2024)





## New rules for CSR reporting

On 24 September 2024, the Ministry of Corporate Affairs (MCA) introduced amendments to the Companies (Accounts) Rules, 2024 (Account Rules). According to Rule 12 of the Account Rules, for the financial year 2023-24, companies are required to file form CSR-2 separately by 31 December 2024. The CSR-2 form must be filed after submitting Form No. AOC-4, AOC-4-NBFC (Ind AS), or AOC-4 XBRL. This separate filing requirement for CSR-2 is intended to allow companies to

complete their annual financial statements and XBRL filings without the added complexities of CSR reporting.

**Effective date:** The notification is effective from 24 September 2024

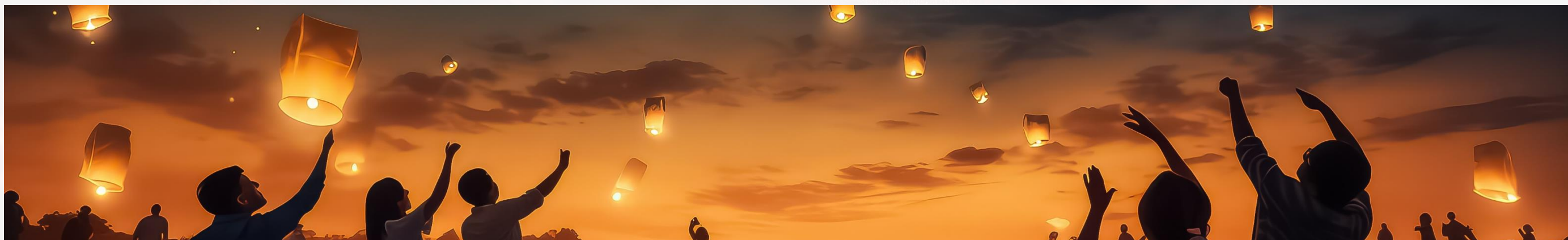
(Source: MCA Notification No. G.S.R. 578(E), dated 24 September 2024)

## Amendment to Companies (Adjudication of Penalties) Amendment Rules, 2014

In August 2024, MCA had issued the Companies (Adjudication of Penalties) Amendment Rules, 2024 (Adjudication Amendment Rules) whereby it introduced an e-adjudication platform developed by the central government. As per the adjudication amendment rules, all adjudication proceedings (including issue of notices, filing replies or documents, evidences, holding of hearing, attendance of witnesses, passing of orders and payment of penalty) of the adjudicating officer and regional director would be undertaken in an electronic mode through the e-adjudication platform.

Now further to that MCA has provided a clarification to the Companies (Adjudication of Penalties) Second Amendment Rules, 2024 wherein it has provided that a proviso to be inserted to the Adjudication Amendment Rules that proceedings pending before any Adjudicating Officer or Regional Director on the date when the Adjudication Amendment Rules became effective i.e. 16 September 2024, would continue as per provisions existing prior to the commencement of the amendment notification.

(Source: MCA notification G.S.R. 630(E), dated 9 October 2024)





## Responsibility of principal auditor and other auditors in group audits

The National Financial Reporting Authority (NFRA) released a circular on 3 October 2024, elucidating the duties of principal auditors and other auditors in group audits. The NFRA through its circular clarified the auditors' obligations, under the Companies Act 2013 (2013 Act) and existing requirements in SA 600, *Using the Work of Another Auditor* and related standards so that interpretations of the provisions of SA 600 by the auditors remain consistent with their obligations under the 2013 Act, Standard on Quality Control (SQC) and other applicable standards on auditing.

The key points covered in the circular include:

**Principal auditors' responsibility:** The principal auditor is ultimately responsible for reporting on group financial statements and required to ensure that significant risks of the group companies is addressed. The provisions of the 2013 Act and SA 600 read together with auditor's overall objectives in the SAs demonstrate that while SA 600 does not mention specifically a review of audit work papers of the component auditor or other auditor by the principal auditor, such a review

may need to be applied by an auditor in appropriate cases, in exercise of his professional duties, professional skepticism and professional judgement, for evaluating whether the work of the component auditor is adequate for his purposes of gathering sufficient appropriate audit evidence that his overall opinion on the group financial statements is appropriate.

**Understand professional competence of component auditors:** The circular states that Paragraph 11 of SA 600 specifies that when planning to use the work of another auditor, the principal auditor should assess the professional competence of the other auditor concerning the specific assignment if the other Auditor is not a member of the ICAI. This provision does not imply that the principal auditor should not or cannot evaluate the professional competence of the other auditor in the context of the specific assignment even if the other auditor is a member of the ICAI. The NFRA highlighted that the professional competence goes beyond acquiring a professional degree/certification, and includes

the experience of the auditor, in terms of years of experience, relevant skills, sectors audited, complexity of audit assignments handled, and availability of adequate resources to undertake the specific engagement etc., to name a few.

**Interpreting standards on auditing:** The word "should" in SA 600 casts responsibilities that the provisions are mandatory and not directory. Every Principal Auditor is, therefore, mandatorily required to perform all the procedures specified in SA 600 (regardless of the word 'should' in SA 600) and related SAs in fulfilment of his obligations under the 2013 Act read with the overall objectives provided under SA 200, Overall Objectives of the Independent Auditor and the Conduct of an Audit in Accordance with Standards on Auditing, unless he has valid reasons to say that he has carried out alternate procedures to achieve these objectives and the absence of performance of such procedure would not materially impact his opinion of the accounts being true and fair.

This circular is applicable to the auditors of all entities covered under Rule 3 of NFRA rules 2018 (i.e. Public Interest Entities (PIE) and large Non PIE's) with immediate effect to prevent recurrence of audit failures and loss of confidence in audit of Public Interest Entities (PIEs).

(Source: NFRA circular NF- 25013/2023-O/o Secy- NFRA, dated 3 October 2024)





## Submission of information to CIC by ARCs

On 10 October 2024, the Reserve Bank of India (RBI), issued revised guidelines for Asset Reconstruction Companies (ARCs) with an aim to align the guidelines for ARC's to become members of Credit Information Companies (CICs), with the guidelines applicable to banks and NBFC's, with a view to maintain a track of borrowers credit history after transfer of loans by banks and NBFC to ARC's. Some key points are as follows:

- **Mandatory CIC membership:** ARC's to become members of all CIC's and submit data to them as per requisite credit reporting format prescribed by RBI.
- **Data submission:** ARC's to ensure data is updated regularly on fortnightly basis or at such intervals as may be agreed upon between ARC and CIC.
- **Data rectification:** Rejected data must be rectified and resubmitted within seven days of receipt of such rejected data from CIC.
- **Best practices:** ARC's should adopt best practices for CIC related matters such as regular data updates, customer information provision, appointment of nodal officers etc.

ARCs are required to put in place system and processes to ensure compliance with these guidelines latest by 1 January 2025.

(Source: RBI Notification RBI/2024-25/82, DoR.FIN.REC.No.46/26.03.001/2024-25, dated 10 October 2024)



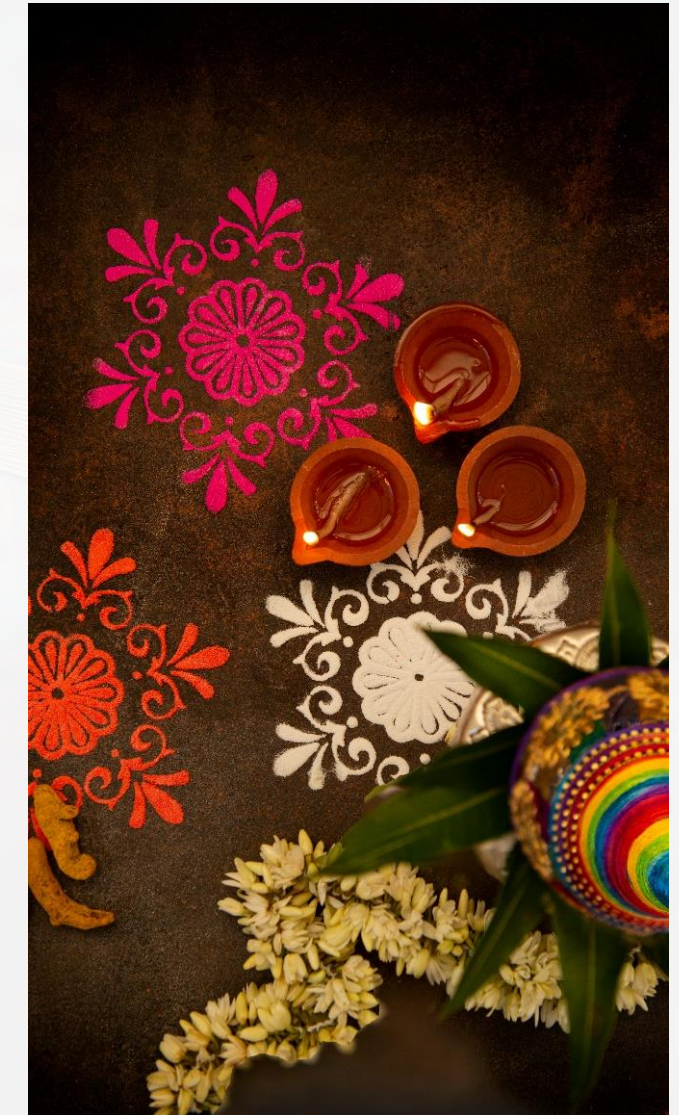
## ICAI issues new quality management standards

The ICAI's Auditing and Assurance Standards Board (AASB) issued two new standards SQM 1 and SQM 2, two new standards that concentrate on quality management for firms performing audits, reviews, and other assurance services.

- SQM 1, *Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements*
- SQM 2, *Engagement Quality Reviews*

SQM 1 lays down the requirements for setting up a quality management system wherein it details the audit firm's responsibilities to design, implement and operate a system of quality management. Whereas SQM 2 defines the criteria for engagement quality reviews, it addresses matters related to appointment, qualification and responsibilities of the engagement quality reviewer. Further, the existing corresponding standard i.e. SQC 1, Standard on Quality Control will continue to be applicable till these standards become applicable. These standards are recommendatory from 1 April 2025 and will become mandatory starting 1 April 2026.

(Source: AASB, ICAI – Issuance of SQM-1, SMQ-2, dated 14 October 2024)





## Guidelines for prevention of greenwashing

Greenwashing' refers to any deceptive or misleading practice, including actions like concealing, omitting, or distorting relevant information by exaggerating, making vague, false, or unsubstantiated environmental claims, using misleading language, symbols, or visuals, and emphasising positive environmental aspects while downplaying or hiding negative ones.

Recently, the Central Consumer Protection Authority (CCPA) has released guidelines for the Prevention and Regulation of Greenwashing and Misleading Environmental Claims (Greenwashing guidelines) to tackle the issue of greenwashing and deceptive environmental statements. These guidelines aim to promote honest practices where environmental claims are both accurate and significant, thereby boosting consumer trust and encouraging sustainable business practices.

Some key features of the guidelines are as follows:

- Applicable to all environmental claims by manufacturers, service providers or traders

whose good or services are subject of an advertisement and advertising agencies.

- Clear definitions of various terms related to greenwashing and environmental claims
- Detailed disclosure requirements with respect to nature, mode and content of disclosures related to environmental claims of goods and services.
- Prohibition of using environmental claims without credible evidence of the same in the form of third party certificates, scientific evidence etc.
- A guidance note with illustrations to help industry comply with the Greenwashing guidelines.

The Greenwashing guidelines are applicable with effect from 15 October 2024.

(Source: CCPA Press release, F.No.CCPA/28/2023-CCPA(Reg). dated 15 October 2024)

## Proposal for Liquid Waste Management Rules, 2024

The MoEFCC notified the Liquid Waste Management Rules, 2024 (draft rules) to address the management of liquid waste with an aim to minimise liquid waste, manage collection of liquid waste, treatment of liquid waste, utilisation of wastewater and disposal of remaining treated waste water.

**Applicability:** The rules apply to both urban and rural local bodies, as well as all public authorities involved in generation and wastewater management. This includes:

- Wastewater generation and management entities (government, private).
- Special areas like industrial zones, SEZs, and food parks.
- Locations under Indian Railways (stations, tracks, adjacent lands).
- Airports, ports, and defence establishments.
- Religious and historical sites.
- Landowners and various waste generators (domestic, commercial, institutional). Etc.

**Waste types covered:** The focus is on wastewater, sludge from treatment facilities, and faecal sludge.

**Effective date:** The draft rules are proposed to come into force from 1 October 2025.

The proposal is open for comments until 6 December 2024

(Source: MoEFCC notification S.O. 4341(E). Dated 7 October 2024)





## Ecomark Rules, 2024

Recently, the Ministry of Environment, Forest and Climate Change (MoEFCC) introduced Ecomark Rules, 2024 to promote environment-friendly products that have minimal adverse impacts on the environment. This initiative supports the principles of 'LIFE (Lifestyle for Environment)', encouraging lower energy consumption, resource efficiency and conservation.

Eco-labelling of products helps consumers make informed choices and motivates manufacturers to produce green products, thereby fostering green industries. The Ecomark will be awarded to products that meet specific environmental criteria regarding resource consumption, environmental impacts, climate change, nature and biodiversity, energy use, waste generation, emissions, pollution, and hazardous substances. Hence, the Ecomark is a certification that helps consumers identify products that are environmentally sustainable.

Some key rules are as follows:

- 1. Application:** Application for grant of Ecomark for a product which complies with the conditions mentioned therein, is to be submitted to the Central Pollution Control Board (CPCB) for assessment. An Ecomark can be awarded to a product that holds a license or certificate of conformity to Indian Standards under the Bureau of Indian Standards Act, 2016, and/or complies with the Quality Control Orders issued by the Central Government, provided it meets the criteria for the Ecomark.
- 2. Validity:** This certification is valid for three years or until there is a change in Ecomark criteria for the product, whichever comes first. Manufacturers can apply for the renewal of the Ecomark upon its expiry.
- 3. Annual reporting:** Ecomark holders will be required to submit an annual report by 31 May, to CPCB for the period 1 April to 31 March each year.

- 4. Steering Committee:** A steering committee will oversee effective implementation of the Ecomark rules and a technical committee will also be constituted to assist CPCB in such matters as may be specified.

(Source: MoEFCC Notification G.S.R. 596(E). dated 26 September 2024)

## Voluntary application of International Sustainability Standards Board (ISSB) Standards

The IFRS Foundation has issued a publication – 'Voluntarily applying ISSB Standards—A guide for preparers' (Voluntary Application Guide) to support companies in communicating their progress as they begin to apply ISSB Standards in advance or in the absence of jurisdictional regulations which may specify or restrict the reporting that entities in a jurisdiction can do voluntarily. This application guide is not part of IFRS Standards and does not add to or change the requirements in IFRS S1 or IFRS S2.

Further, this guide does not override jurisdictional rules and guidance.

As certain jurisdictions around the world are beginning to adopt ISSB and certain companies in other jurisdictions are beginning to apply the ISSB Standards

voluntarily to meet investors' information needs - a measured and deliberate approach, accompanied by clear communication of progress, will help companies on their journeys to compliance with IFRS Sustainability Disclosure Standards while improving investors' abilities to interpret and compare disclosures.

(Source: IFRS Publication: Voluntarily applying ISSB Standards—A guide for preparers - September 2024)





## IAASB technology position statement

Recently, the International Auditing and Assurance Standards Board’s (IAASB) issued it technology position statement to outlines how it will integrate technological advancements into its standard-setting activities to ensure that its standards remain relevant, effective, and aligned with the public interest. It also clarifies the IAASB’s new position, which includes:

- Embracing innovation in audit and assurance while ensuring that its standards evolve with the changing environment.
- Removing barriers in existing standards that may prevent using advanced technologies.
- Introducing new requirements and guidance to help practitioners apply technology-enabled procedures effectively.

The technology position statement underscores its commitment to the public interest by focusing on enabling consistently high-quality engagements. The Statement highlights the IAASB’s dedication to developing standards that facilitate and, where appropriate, encourage firms and practitioners to use technology.

The statement includes eight key actions detailing how the IAASB will deliver on its new technological commitment:

1. Embrace technology-driven innovations
2. Remove barriers in the standards, real or perceived, to practitioners using technology
3. Introduce requirements and application material relating to using technology in engagements
4. Address the impact of technology used by reporting entities
5. Strike the right balance when referring to opportunities and risks associated with technology
6. Align with principles of ethics and ethical requirements
7. Ensure scalability and proportionality
8. Convene stakeholders and foster ongoing engagement

(Source: IAASB New Technology Position: 8 Actions to Embrace Technology and Innovation, dated 15 October 2024)

## Proposed clarifications to share-based consideration payable to a customer

The Financial Accounting Standards Board (FASB) has issued a proposed Accounting Standard Update (ASU) aimed at enhancing the accounting guidance for share-based consideration payable to a customer in relation to the sale of goods or services. The proposed revisions are anticipated to improve financial reporting by ensuring revenue estimates more accurately reflect an entity’s expectations. The changes would impact the timing of revenue recognition for entities that provide share-based consideration (such as equity instruments) to a customer, or to other parties purchasing the entity’s goods or services from the customer, as an incentive for purchasing its goods and services.

Specifically, the proposed amendments would clarify the requirements for share-based consideration payable to a customer that vest upon the customer achieving a specified volume or monetary amount of purchases from the entity.

The ASU is proposing clarifications to share based consideration payable to a customer under following topics:

- Compensation – Stock compensation (Topic 718)
- Revenue from contracts with Customers (Topic 606)

The exposure draft ASU is open for comments until 14 November 2024.

(Source: FASB Exposure draft Proposed Accounting Standards Update, dated 30 September 2024)



<sup>1</sup> IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information and IFRS S2 Climate-related Disclosures