



Regulatory Roundup

Financial reporting and regulatory developments for Q2 FY 2024-25

Board Leadership Center (India)

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MCA updates

Ind AS amendment rules 2024 – Ind AS 117, Insurance Contracts¹

On 12 August 2024, the Ministry of Corporates Affairs (MCA) amended the Companies (Indian Accounting Standard) Rules, 2015 to introduce Ind AS 117, *Insurance Contracts* replacing Ind AS 104. Ind AS 117 applies to all companies i.e., it applies to 'insurance contracts' regardless of the issuer. Therefore, all companies could be affected, not just insurance companies registered with Insurance Regulatory & Development Authority of India ('IRDAI'). For non-insurance companies, Ind AS 117 is applicable for annual reporting periods beginning on or after 1 April 2024. On 28 September 2024, MCA has further issued a notification clarifying that Ind AS 104 will continue to apply to Insurance Companies for the purpose of consolidation till IRDAI notifies Ind AS 117.

Questions for the Audit Committee

- For non-insurance companies, has the management evaluated whether they have contracts within the scope of Ind AS 117? What shall be the impact of the same on company's financial statements for existing contracts and new contracts?
- For insurance companies registered with IRDAI and other companies entering into insurance, are there any communications between the management and IRDAI on the road map for adoption of Ind AS? What is the company's preparedness towards implementation of the standard?

Applicability – All sectors

Click [here](#) to access the MCA notification



¹ Ministry of Corporate Affairs Notification G.S.R. 492 (E) - Companies (Indian Accounting Standards) Amendment Rules, 2024

IFRS updates

Exposure Draft on Climate- Related and other uncertainties in the Financial Statements²

In the month of July 2024, the International Accounting Standards Board (IASB) published a consultation document, covering eight examples to illustrate how companies can apply IFRS to report the effects of climate-related and other uncertainties in their financial statements. The consultation paper/document expresses concerns that information about climate-related uncertainties in financial statements are sometimes insufficient or appear to be inconsistent with information provided outside the financial statements.

Questions for the Audit Committee

- Has the management analysed the eight examples given by IASB and evaluated their potential impact on the climate related disclosures of the company?
- How does the entity determine the assumptions used in disclosing the information relating to climate risk?
- What is the management's view on the illustrations and what feedback do they plan to provide on the consultation paper released by IASB, if any?

Applicability – All sectors

Click [here](#) to access the IASB climate related page



² Exposure Draft IASB/ED/2024/6 published by the International Accounting Standards Board (IASB)

RBI updates

Fraud Risk Management directions for regulated entities³

On 15 July 2024, the Reserve Bank of India (RBI) issued Master Directions on Fraud Risk Management (MDs). These MDs enhance fraud risk management systems and framework in Regulated Entities (REs) and to provide a framework for prevention, early detection and timely reporting of incidents of fraud. These MDs are principle-based and strengthen the role of the board of directors in the overall governance and oversight of fraud risk management in REs.

Questions for the Audit Committee

- What are the key changes required in the existing fraud risk management policies and framework including Early Warning Signal (EWS) and Red Flagging of Accounts (RFA) policies of the Company?
- What steps have been taken by the management to deal with whistle blower complaints pertaining to borrower accounts?
- Has the company formed the 'Special Committee of the Board for Monitoring and Follow-up of cases of Frauds' (SCBMF)? What are the roles and responsibilities of the members of the committee and are there any additional responsibilities of the management regarding frauds?
- What is the process established for reporting of frauds to Law Enforcement Agencies?

Applicability – Banks and NBFCs

Click [here](#) for MD for Commercial Banks and All India Financial Institutions,

Click [here](#) for NBFC, [here](#) for Co-op Banks

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³ Master Directions on Fraud Risk Management in Commercial Banks (including Regional Rural Banks) and All India Financial Institutions, (RBI/DOS/2024-25/118) Master Directions on Fraud Risk Management in Non-Banking Financial Companies (NBFCs) (including Housing Finance Companies) (RBI/DOS/2024-25/120), and Master Directions on Fraud Risk Management in Urban Cooperative Banks (UCBs) / State Cooperative Banks (StCBs) / Central Cooperative Banks (CCBs) (RBI/DOS/2024-25/119) issued by Reserve Bank of India (RBI)

RBI updates

Treatment of Wilful Defaulters and Large Defaulters⁴

On 30 July 2024, the Reserve Bank of India (RBI) issued the Master Directions on Treatment of Wilful Defaulters and Large Defaulters ('the Master Directions'). The Master Directions would serve as a comprehensive guideline delineating the regulatory framework and procedures for classification of borrowers as wilful defaulters and specifies guidance with respect to their treatment, reporting and preventive measures. The Master Directions shall come into force with effect from 28 October 2024 (i.e. 90 days from being placed on the RBI website).

Questions for the Audit Committee

- What are the steps taken by the management to streamline the identification and reporting process of wilful defaulters?
- What is the plan to incorporate the preventive measures against wilful and large defaulters?
- What steps would the management take to strengthen controls for -
 - (a) Credit appraisal, and
 - (b) Monitoring end use of funds?
- Whether Identification and Review Committees have been constituted and what are their roles and responsibilities?

Applicability – Entities regulated by RBI

Click [here](#) to access the RBI Update



⁴ Master Direction on Treatment of Wilful Defaulters and Large Defaulters (RBI/DoR/2024-25/122) issued by Reserve Bank of India (RBI)

RBI updates

Amendment to Master Direction - NBFC – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017⁵

On 16 August 2024, the Reserve Bank of India (RBI) issued Amendment to the Master Direction-NBFC-Peer to Peer Lending Platform (Reserve Bank) Directions, 2017 ('Amendment'). This Amendment has been introduced in response to certain violations of the earlier issued Directions such as promoting peer to peer lending as an investment product, providing liquidity options and acting like deposit takers and lenders instead of being a platform, as observed by RBI. To curb these violations, RBI has issued this Amendment to clarify and elaborate on the earlier issued Directions.

Questions for the Audit Committee

- Whether the management has updated the Board Approved Policy on operations of the NBFC – Peer to Peer Lending Platforms ('NBFC- P2P') to include the amendment to loan disbursement criteria?
- What are the controls put in place to ensure that the NBFC-P2P are not assuming any credit risk arising out of transactions carried out on its platform?
- How does the management track participants who are part of the same 'closed user group' and ensure that participants within the group are not matched to each other as lender and borrower?

Applicability – NBFC-P2P

Click [here](#) to access the RBI Update



⁵ Review of Master Direction - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions, 2017 (RBI/2024-25/63) issued by Reserve Bank of India (RBI)

RBI updates

Review of regulatory framework for Housing Finance Companies ('HFCs') and harmonization of regulations applicable to HFCs and Non-Banking Financial Companies ('NBFCs')⁶

RBI issued various regulations treating HFCs as a category of NBFCs since the transfer of regulatory framework of HFCs from National Housing Bank (NHB) to RBI w.e.f. 9 August 2019. In order to harmonise these regulations applicable to HFCs and NBFCs. RBI, on 12 August 2024, issued revised regulations pertaining to regulatory framework for HFCs to align stricter provisions on required liquidity, maintenance of owned funds and other provisions applicable to NBFCs with those applicable to HFCs. The revised regulations would be applicable w.e.f. 1 January 2025 in a phased manner.

Questions for the Audit Committee

- What are the key implications on business operations of the company owing to reduction in acceptance of deposits from 3 times to 1.5 times of net owned fund?
- What will be the business impact of increase in minimum required total liquid assets to be maintained by the company?
- How does the reduction in period of repayment of public deposits from 120 months to maximum of 60 months impact the business of the company?
- What is the action plan of management to comply with the regulatory framework?

Applicability – Housing Finance Companies ('HFCs')

Click [here](#) to access the RBI Update



⁶ Review of regulatory framework for HFCs and harmonisation of regulations applicable to HFCs and NBFCs (RBI/2024-25/61) issued by Reserve Bank of India (RBI)

SEBI Updates

Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)⁷

On 20 August 2024, SEBI issued the Cybersecurity and Cyber Resilience Framework (CSCRF) which aims to address cybersecurity challenges and enhance cyber resilience of SEBI regulated entities across the Indian financial markets. This new framework is to be implemented and shall be effective in a phased manner starting 1 January 2025. SEBI regulated organisations are expected to deploy the framework as a robust and comprehensive approach towards their cybersecurity and resilience journey.

Questions for the Audit Committee

- Has the management initiated work on –
 - a) Cyber security and cyber resilience policy
 - b) Development of critical systems
 - c) Cyber crisis management plan and data protection measures
 - d) Setting up robust security controls for data generated, managed or processed by REs
 - e) Setting up supply chain risk identification strategies
 - f) Response and recovery plan regarding all cybersecurity incidents in a timely manner
- Has the management evaluated their Cyber Capability Index (CCI) score? What are the management's plans to increase their compliance with the parameters of CCI?

Applicability – Entities regulated by SEBI

Click [here](#) to access the SEBI Update



⁷ Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs) issued by SEBI



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