

CHAPTER 3

# Regulatory updates

## Revised thresholds for classification of MSMEs

The Ministry of Micro, Small and Medium Enterprises (MSMEs) has issued a notification announcing significant changes to the financial thresholds that define MSME classification. In order to enable MSMEs to expand their operations and gain access to enhanced

resources, the upper limit for both the criteria for classification of MSMEs i.e. investment in plant and machinery or equipment and annual turnover have been increased. The revision effective from 1 April 2025 provides the following revised thresholds:

### Investment in plant and machinery or equipment:

	Prior to amendment	Amended threshold
<b>Micro enterprises</b>	Not exceeding INR1 crore	Not exceeding INR2.5 crore
<b>Small enterprises</b>	Not exceeding INR10 crore	Not exceeding INR25 crore
<b>Medium enterprises</b>	Not exceeding INR50 crore	Not exceeding INR125 crore

### Annual turnover:

	Prior to amendment	Amended threshold
<b>Micro enterprises</b>	Not exceeding INR5 crore	Not exceeding INR10 crore
<b>Small enterprises</b>	Not exceeding INR50 crore	Not exceeding INR100 crore
<b>Medium enterprises</b>	Not exceeding INR250 crore	Not exceeding INR500 crore

(Source: Ministry of Micro, Small and Medium Enterprises Notification no. S.O. 1364(E), dated 21 March 2025)

1. Excluding Regulation 30(11) of the LODR Regulations

## Industry Standards on Regulation 30 of the LODR Regulations

The Industry Standards Note (ISN) on Regulation 30 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) has been issued. This ISN helps to facilitate uniform approach and will assist listed entities in complying with their obligations in respect to disclosures under Regulation 30 read with Schedule III of the LODR Regulations<sup>1</sup>. Securities and Exchange Board of India (SEBI) notified this ISN via a circular issued on 25 February 2025. Below are some of the key aspects detailed in the ISN:

### 1. Various aspects covered

- **Numerical thresholds:** Provides clarification for insurance companies and Non-banking Financial Companies regarding use of certain numerical thresholds.
- **Value impact:** To compute the expected value of an event/information, a listed entity

should consider impact in the four ensuing quarters (including the quarter in which the event occurs if the event occurs in the first 60 days of the quarter).

- **Market reaction:** Significant market reaction would be assessed against scrip price, as per the parameters specified by stock exchanges.
- **Materiality:** Apply materiality thresholds to disclose action taken by regulators regarding fines, penalties, and other significant events.
- **Cumulative basis:** Disclosure for various litigations of similar nature with similar expected outcome to be done if they cumulatively exceed materiality.
- **Show cause notices:** Disclosure requirements for regulatory notices to be done upon applying guidelines of materiality.

- **Regulatory communications:** For disclosure of communications from authorities that are confidential/sensitive or proprietary, a format has been provided.
- **Fraud or default:** Timeline for disclosure for fraud or default incidents related to listed entity to be done on completion of the prima facie assessment or on completion of 4 weeks from the time listed entity becomes aware of such fraud, whichever is earlier.
- **Resignations:** Provides clarification that 'resignation comes into effect' would mean last date of the concerned person in the listed entity.
- **Social media announcements:** In case of premature announcements by directors, promoters, key managerial personnel or senior management of a listed entity, the listed entity should issue a clarification on such communication.

## 2. Annexures:

- **Annexure A:** Guidance on appropriate parameters (profit, net worth, turnover) for determining materiality.
- **Annexure B:** List of sector regulators and enforcement authorities.
- **Annexure C:** Format for disclosure of communications received from regulatory, statutory, enforcement, or judicial authorities.

The document aims to ensure transparency, consistency, and timely disclosure of material events and information by listed entities, thereby protecting investor interests and maintaining market integrity.

(Source: Industry Standards Note on Regulation 30 of the LODR Regulations, issued by ASSOCHAM, CII and FICCI; and SEBI circular SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/25 'Industry Standards on Regulation 30 of the LODR Regulations, 2015; both dated 25 February 2025)

## Clarification on financial statements - presentation and disclosure requirements

Clarifications were issued to the Reserve Bank of India (RBI) (Financial Statements - Presentation and Disclosures) Directions, 2021, in relation to presentation and disclosures in the financial statements, applicable to all commercial and cooperative banks for the financial year ended 31 March 2025 and onwards. The document provides the following clarifications:

- **Lien marked deposits:** Margin money deposits with a lien should be classified under '*Schedule 3: deposits with suitable disclosures*'.
- **Advances covered by guarantees:** Advances covered by schemes like Credit Guarantee Fund Trust for Micro and Small Enterprises (CGTMSE), Credit Risk Guarantee Fund Trust for Low Income Housing (CRGFTLIH), and National Credit Guarantee Trustee Company Ltd. (NCGTC) with explicit Central Government guarantees should be disclosed under

'Schedule 9 (B) (ii): advances covered by bank/government guarantee'.

- **Repo and reverse repo transactions:** Disclosures should be made in both market value terms and face value terms to accurately reflect the financials of banks.

(Source: RBI/2024-25/126.DOR.ACC.REC.No.66/21.04.018/2024-25,' Reserve Bank of India (Financial Statements - Presentation and Disclosures) Directions, 2021: Clarifications', dated 20 March 2025)



## Exposure draft on SAs for audit of LLPs

The Institute of Chartered Accountants of India (ICAI) has released an exposure draft of Standards on Auditing (SAs) for audits of Limited Liability Partnerships (LLPs). This draft, developed by the Auditing and Assurance Standards Board (AASB), has adapted the existing 'SAs as approved by the Council of ICAI for companies'. The categories of amendments proposed include:

**1. Conforming amendments:** Incorporates necessary updates from various finalised standards by ICAI like SQM 1, SQM 2, SA 220(Revised), SA 250(Revised), SA 315 (Revised), and SA 540(Revised).

**2. Changes made to make standards relevant for audit of LLPs:** Changes to terminology and text to make the standards applicable to LLPs, including modifications to illustrative formats like independent auditor's reports and engagement letters.

The draft aims to ensure that auditing standards for LLPs are clear, relevant, and aligned with the unique aspects of LLP operations. The exposure draft is open for comments until 1 May 2025.

(Source: AASB, ICAI, Exposure Draft of Standards on Auditing for Audits of Limited Liability Partnerships, dated 10 April 2025).

## Enhanced disclosure requirement under LODR Regulations

SEBI had issued a circular in November 2024 amending the disclosure requirements for holding of specified securities in dematerialised form under Regulation 31 LODR Regulations. Based on the requests received from depositories, stock exchanges and in the interest of providing further clarity and transparency in the disclosure of shareholding pattern to the investors in the securities market, SEBI issued certain clarifications through a circular on 20 March 2025. Key clarifications are as follows:

- **Enhanced disclosure requirements:** Listed entities must now disclose details of Non-Disposal Undertakings (NDUs), other encumbrances, and the total number of shares pledged or otherwise encumbered, including NDUs.
- **Inclusion of ESOPs:** The definition of underlying outstanding convertible securities now explicitly includes Employee Stock Option Plans (ESOPs).

- **Fully diluted basis:** An additional column has been added to the shareholding pattern format to capture the total number of shares on a fully diluted basis, including warrants, ESOPs, and convertible securities.
- **Promoter and promoter group:** A footnote has been added to Table II to provide details of promoters and promoter groups with nil shareholding.

The revised formats will be effective from the quarter ending 30 June 2025.

(Source: Circular no. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/35, 'Disclosure of holding of specified securities in dematerialised form', dated 20 March 2025)



## LODR Regulations for enhanced corporate governance of HVDLEs amended

The SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2025 (Amendments), introduce several significant changes aimed at enhancing corporate governance norms and compliance for listed entities, mainly in relation to High-Value Debt Listed Entities (HVDLEs). The Amendments has also added a new Chapter VA for corporate governance norms applicable only to HVDLEs. The Amendments clarify that HVDLEs with other specified securities listed, shall continue to comply with the provisions of regulations 15 to 27 of the LODR Regulations. The key amendments include:

### 1. Threshold increase and sunset clause:

- The threshold value of outstanding listed non-convertible debt securities has been increased from INR500 crore to INR1,000 crore for an entity to be classified as HVDLE. Entities meeting this threshold must comply with additional corporate governance norms.
- A sunset clause has been introduced to state that the LODR Regulations will cease to apply to a HVDLE, after three consecutive years, from the time the

value of outstanding debt remains below the specified threshold.

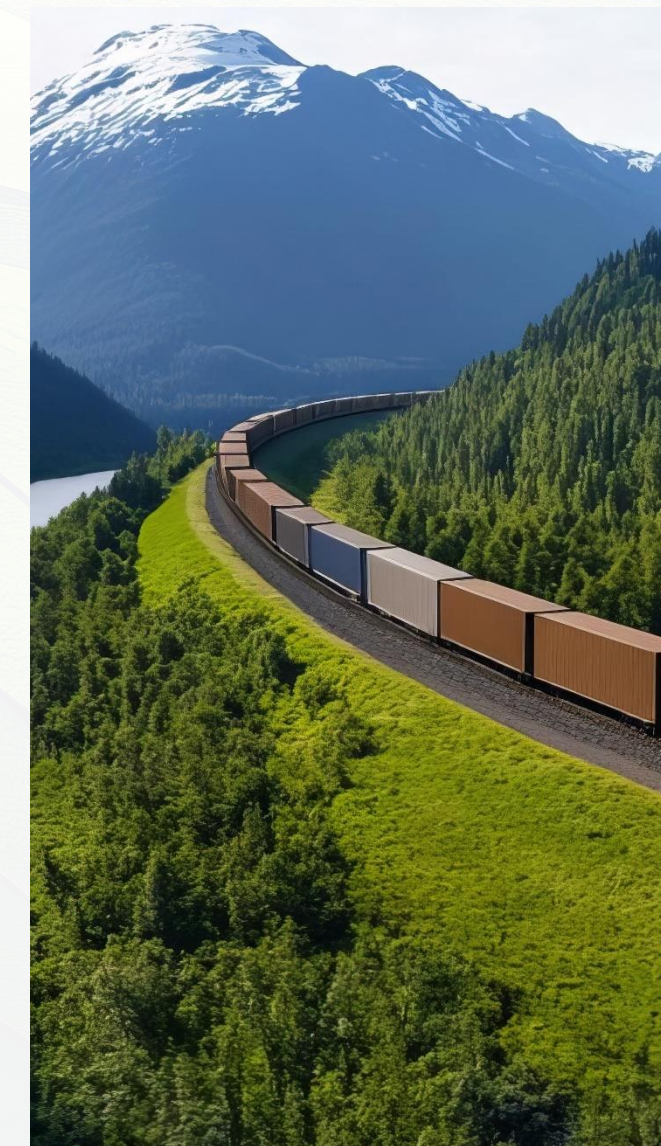
### 2. Corporate governance norms for HVDLEs:

- **Board composition:** HVDLEs must have an optimal mix of executive and non-executive directors, with at least one-woman director. Non-executive directors should constitute at least 50 per cent of the board.
- **Independent directors:** Specific criteria for the appointment and evaluation of independent directors, including limits on the number of directorships they can hold.
- **Committees:** In order to avoid constitution of multiple committees by HVDLEs, the Amendments provide certain flexibility to HVDLEs. The Board of Directors may choose that the functions of the Nomination and Remuneration Committee (NRC) and Stakeholders' Relationship Committee (SRC) may be discharged by the **Board** of Directors and a separate NRC or SRC may not be constituted. Similarly, the

functions of the Risk Management Committee (RMC) may be discharged by audit committee or by the board of directors instead of constituting a separate RMC.

### 3. Related party transactions (RPTs):

- Enhanced disclosure and approval requirements for material RPTs. Transactions exceeding INR1,000 crore or 10 per cent of the annual consolidated turnover must be approved by the audit committee and require no-objection certificates from debenture trustees and debenture holders of listed debt securities (issued on or after 1 April 2025).
- Guidelines to determine material transactions have been included
- Approval requirements in relation to all related party transactions and subsequent material modifications are specified. Omnibus approvals granted basis policy on RPTs of HVDLEs, will be valid for a period not exceeding 1 year.



**4. Compliance and reporting:**

- HVDLEs are required to submit periodic compliance reports on corporate governance to the recognised stock exchange(s). These reports must include details of material related party transactions and any cybersecurity incidents or breaches.

**5. Secretarial audit and compliance reports:**

- Mandatory requirement for secretarial audits and secretarial compliance reports for HVDLEs and their material unlisted subsidiaries. These reports must be submitted to stock exchanges within 60 days from end of each financial year and included in the annual report.

**6. Independent directors:**

- Appointment, re-appointment and removal of an independent director to be approved by the shareholders via a special resolution.

- Specific obligations for independent directors, including mandatory meetings without non-independent directors and members of management, and limits on the number of directorships.

**7. Vacancies in key managerial personnel:**

- Any vacancies in the positions of Chief Executive Officer, Managing Director, Whole Time Director, or Chief Financial Officer must be filled within three months from the date of such vacancy, unless regulatory approvals are required than six months.

The Amendments aim to strengthen transparency, accountability, and investor protection in the securities market, ensuring that listed entities adhere to robust corporate governance standards.

(Source: [SEBI Notification F. No. SEBI/LAD-NRO/GN/2025/239.](#), [SEBI \(Listing Obligations and Disclosure Requirements\) \(Amendment\) Regulations, 2025](#), dated 27 March 2025)

## NFRA auditor-audit committee interaction series

The National Financial Reporting Authority (NFRA) had launched Auditor-Audit Committee interaction series, focuses on enhancing communication between auditors and audit committees regarding various matters in order to improve audit quality and protect public interest. As part of these interactions, NFRA issued the following:

**A. Series 2 on audit strategy and plan:**

On 28 March 2025, NFRA published series 2 that draws auditor's attention to potential questions the Audit Committees/Board of Directors may ask auditors in respect of their audit strategy and audit plan. Several Standards on Auditing (SAs) impact the auditor's strategy and plan. SA 300, *Planning an Audit of Financial Statements* provides a framework for developing an audit strategy and plan, while SA 315, *Identifying and Assessing the Risks of Material Misstatement Through Understanding the Entity and its Environment* and SA 330, *The Auditor's Responses to Assessed Risks* address risk assessment and responses to assessed risks.

This document lists potential questions that audit committees may ask auditors in relation to audit strategy and plan such as covering communication plans, compliance with independence norms, use of experts, and identification of significant risks, areas where information technology tools are used, etc.

**B. Series 3 on audit of related parties:**

With the background that Related Party Relationships and Related Party Transactions (RPTs) have been a source of major frauds in the corporate history which have also been seen in the recent corporate frauds, NFRA published Series 3 in relation to related parties on 28 March 2025. This document outlines the requirements regarding RPTS under various regulations like the Companies Act 2013, the LODR Regulations, Ind AS 24, *Related Party Disclosures* and SA 550, *Related Parties*. It also emphasises the importance of transparency, accountability, and robust



internal controls in managing related party transactions to ensure the integrity of financial statements. The document provides a list of potential questions that audit committees may ask auditors regarding RPTs. These questions cover areas such as identification and completeness of related parties, evaluation of risks, business rationale of RPTs, approvals, and compliance with regulatory requirements, etc.

(Source: NFRA publication, 'Audit Committee\* - Auditor Interactions Series 2 Audit Strategy and Audit Plan – SA 300', dated 28 March 2025; NFRA publication, 'Audit Committee\* - Auditor Interactions Series 3 dealing with audit of Related Parties – Ind AS 24, AS 18 & SA 550', dated 28 March 2025)

## Clarification on compliance officer's position in listed entity

SEBI issued a circular on 1 April 2025, clarifying the position of the Compliance Officer (CO) in the organisation structure of the listed entity under Regulation 6 of the LODR Regulations. The SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment Regulations), 2024 dated 12 December 2024, required that a CO must be in whole-time employment of the listed entity, not more than one level below the board of directors, and designated as a Key Managerial Personnel. SEBI has now clarified

that 'one-level below the board' refers to the position directly below the Managing Director or Whole-time Director(s) as per the organisation structure of the listed entity. If these positions do not exist, the CO should be one level below the Chief Executive Officer or the person heading day-to-day affairs of the listed company.

(Source: SEBI circular SEBI/HO/CFD/PoD2/CIR/P/2025/47, 'Clarification on the position of Compliance Officer in terms of regulation 6 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Reg.', dated 1 April 2025)



## SEBI board meeting

On 24 March 2025, SEBI approved certain proposals to amend some provisions of the SEBI Regulations. Below are some key decisions from the SEBI board meeting:

**1. Increased threshold for additional disclosure requirements for FPIs:** As per SEBI circular dated 24 August 2023, FPIs (individually or as an investor group), holding more than INR25,000 crore of equity Assets Under Management (AUM) in Indian markets are required to disclose details of all entities (up to the level of natural person) holding any ownership, economic interest, or control, on a full look through basis, without any thresholds. This amendment aimed to increase the threshold for additional disclosure requirements for Foreign Portfolio Investors (FPIs) from INR25,000 crore to INR50,000 crore of equity AUM in Indian markets. This change is in response to the doubling of cash equity market trading volumes since FY 2022-23, when these limits were set.

Other disclosure threshold applicable to FPI holding more than 50 per cent of its equity AUM in a single corporate group remains unchanged.

**2. Review of Regulation 17 (a) of SEBI (AIF) Regulations, 2012:** Investments of category II AIFs in listed debt securities rated 'A' or below will be treated as akin to investments in unlisted securities for compliance with minimum investment conditions in unlisted securities.

**3. Easing compliance for category II AIFs:** Currently, these AIFs must hold a majority of their investments in unlisted securities. However, recent changes to LODR Regulations provide that entities issuing listed debt securities can only issue fresh debt in a listed form. This could reduce the availability of unlisted debt securities, complicating compliance with investment norms. To address this, the amendment provides that the investments of Category II

AIFs in listed debt securities rated 'A' or below to be treated as investments in unlisted securities for purpose of compliance with minimum investment conditions in unlisted securities.

**4. Amendments to SEBI (Merchant Bankers) Regulations, 1992, SEBI (Debenture Trustee) Regulations, 1993, and SEBI (Custodians) Regulations 1996 were deferred for further review.**

(Source: Press Release PR No.15/2025 SEBI Board Meeting, dated 24 March 2025)



## Income-tax (Eighth Amendment) Rules, 2025

The Ministry of Finance (MoF) on 28 March 2025 notified the Income-tax (Eighth Amendment) Rules, 2025 to further amend the Income tax Rules, 1962 with effect from 1 April 2025. Changes have been made to Appendix II in Form No. 3CD in Part B, which is integral for tax audit reporting, including updates to sections and/or wordings, and the removal of certain words and/or rows for clauses 12, 19, 21, 22, 26, 28, 29, 31, and 36A. Key changes are highlighted below:

1. Clause 12 now includes Section 44BBC of the Income-tax Act, 1961 (IT Act) which deals with the presumptive taxation regime for non-resident cruise ship operators
2. Clause 19 has been revised to remove references of expired Sections like 32AC, 32AD, 35AC, and 35CCB of IT Act
3. Clause 22 has been revised to enhance disclosure requirements for MSME payments along with interest admissible

under Section 23 of MSME Development Act, 2006 and breakdown of payments made to MSME parties between payments made within prescribed periods and those not made within the prescribed timelines

4. In clause 26, changes made in language to provide clarification for reporting under Section 43B of the IT Act
5. Clause 28 and 29 have been completely omitted
6. Clause 31 (a), (b) and (c) with respect to loans and deposits have been updated to include new dropdown fields for identifying nature of loans or deposits accepted and repaid
7. New clause 36B has been introduced to report details of buy-back of shares.

(Source: Circular No.: Notification-no-23-2025 for Income-tax (Eighth Amendment) Rules, 2025, dated 28 March 2025).

## Streamlining ESG disclosures and green credits

Following recommendations and public consultation, SEBI has revised provisions related to the assurance framework and ESG disclosures for the value chain and introduced new disclosure requirements for green credits. Following are the key updates:

- **Green credits:** Starting FY 2024-25, the BRSR includes a new leadership indicator requiring disclosures on green credits.
- **Assessment or assurance:** To streamline processes and reduce costs, listed entities can opt for either 'assessment' or 'assurance' for BRSR Core and ESG disclosures beginning FY 2024-25.
- **ESG disclosures for value chain:** The requirement for value chain disclosures has been postponed by one year. Consequently, ESG disclosures for the value chain will be voluntary for the top 250 listed entities (by market capitalisation) from FY 2025-26 and mandatory from FY 2026-27. Reporting of previous year numbers will be voluntary for the first year of ESG value

chain disclosures.

The assessment or assurance of these disclosures will be voluntary from FY 2026-27.

(Source: Circular No.: SEBI/HO/CFD/CFD-PoD-1/P/CIR/2025/42 on Measures to facilitate ease of doing business with respect to framework for assurance or assessment, ESG disclosures for value chain, and introduction of voluntary disclosure on green credits, dated 28 March 2025)



## Proposal to widen scope of fast track mergers

On 5 April 2025, the Ministry of Corporate Affairs (MCA) via a draft notification, proposed an amendment to the Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2016 (CAA Rules), to broaden the scope of fast-track mergers under Section 233 of the Companies Act, 2013 (2013 Act). This amendment aims to streamline corporate restructuring and ease of doing business by extending the simplified merger procedures to more unlisted and low-debt companies.

Presently, Section 233 of the 2013 Act read with Rule 25(1A) of CAA Rules covers mergers

between following class of companies under the fast track merger scheme:

- a. Merger between two or more small companies
- b. Merger between a holding company and its wholly owned subsidiary
- c. Merger between two or more startup companies
- d. Merger between one or more startup company with one or more small company.

The draft suggests that a new set of companies should be covered by the fast track

mergers under Section 233 of the 2013 Act which are as follows:

- a. merger between unlisted companies (other than section 8 companies<sup>2</sup>) with borrowing from banks and financial institutions less than INR50 crore and have no default in repayment of such borrowings. Such companies are required to meet this criteria as on a day, not more than 30 days before the date of notice referred to in Section 233(1)(a) of the 2013 Act.
- b. merger between a holding company (listed or unlisted) and one or more of its unlisted subsidiary company/ companies (may or

may not be a wholly owned subsidiary).

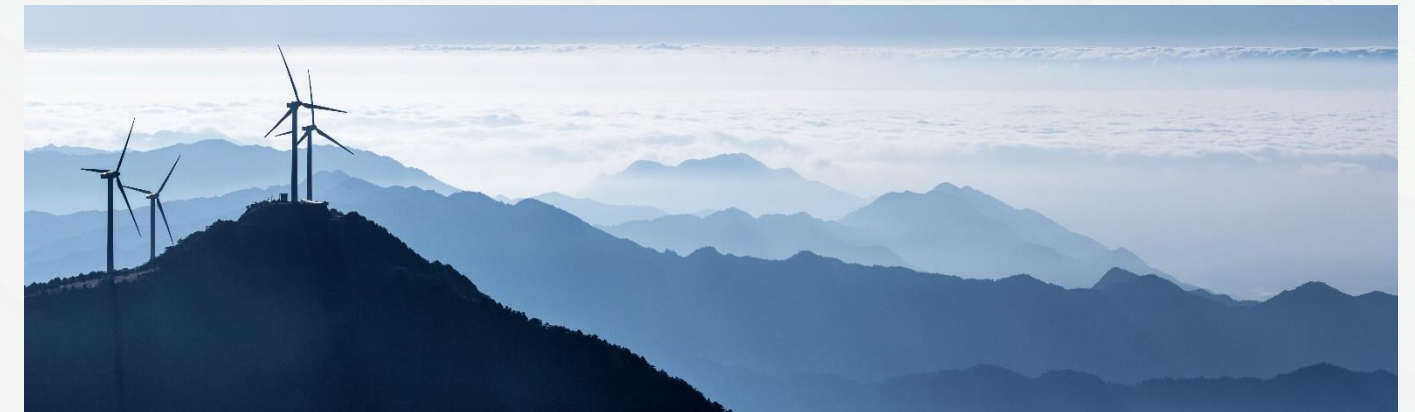
- c. merger between subsidiaries of the same holding company where the transferor company is not listed.
- d. merger of a foreign holding company, incorporated outside India, with its wholly owned subsidiary company being an Indian company incorporated in India.

The draft is open for public comments until 5 May 2025.

(Source: [MCA draft notification 'MCA invites public comments on proposed amendment in the Rules to widen the scope of fast track mergers under Companies Act, 2013; dated 5 April 2025](#))

2. Section 8 provides 'Where it is proved to the satisfaction of the Central Government that a person or an association of persons proposed to be registered under this Act as a limited company -

- a. has in its objects the promotion of commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or any such other object;
- b. intends to apply its profits, if any, or other income in promoting its objects; and
- c. intends to prohibit the payment of any dividend to its members, the Central Government may, by licence issued in such manner as may be prescribed, and on such conditions as it deems fit, allow that person or association of persons to be registered as a limited company under this section without the addition to its name of the word 'Limited', or as the case may be, the words 'Private Limited', and thereupon the Registrar shall, on application, in the prescribed form, register such person or association of persons as a company under this section.



## Clarification on treatment of ROU assets

The RBI issued a notification clarifying the treatment of Right-of-Use (ROU) assets for computation of regulatory capital/owned funds. According to Indian Accounting Standard (Ind AS) 116, *Leases* are reflected on a lessee's balance sheet as a liability (obligation to make lease payments) and a related ROU asset. The notification applies to Non-Banking Financial Companies (NBFCs) and Asset

Reconstruction Companies (ARCs) with an immediate effect.

Key points of the notification include:

- NBFCs and ARCs are not required to deduct ROU assets from owned fund, Common Equity Tier 1 (CET 1) capital, or Tier 1 capital, provided the underlying leased asset is tangible.

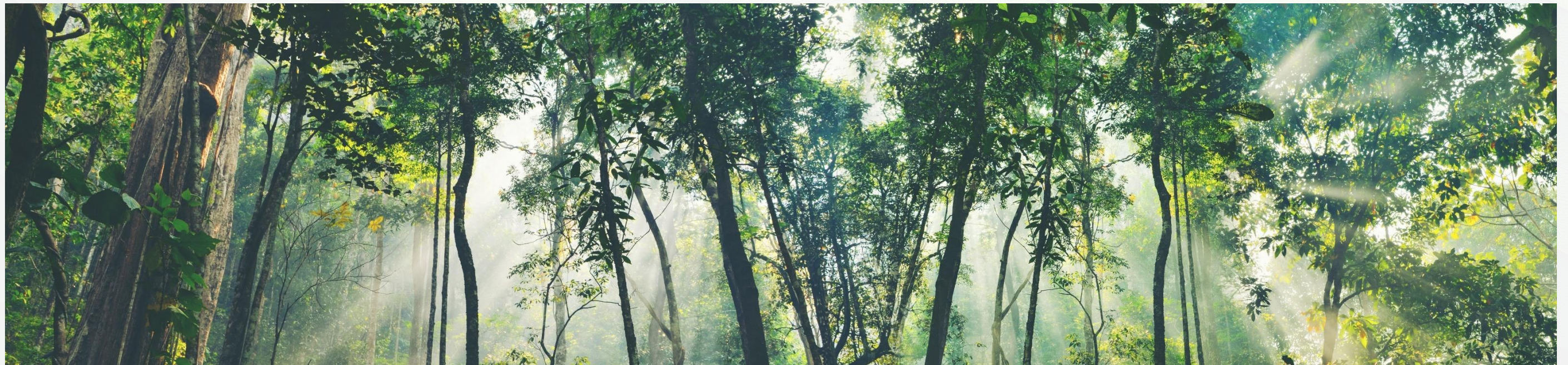
- ROU assets will be risk-weighted at 100 per cent, consistent with the risk weight historically applied to owned tangible assets.

These changes have been also incorporated in the following directions:

- a. Core Investment Companies (Reserve Bank) Directions, 2016

- b. Mortgage Guarantee Companies (Reserve Bank) Directions, 2016 and
- c. Master Direction - Standalone Primary Dealers (Reserve Bank) Directions, 2016.

(Source: RBI Notification RBI/2024-25/128 DOR.CAP.REC.No.68/21.01.002/2024-25, on Treatment of Right-of-Use (ROU) Asset for Regulatory Capital Purposes, dated 21 March 2025)



## Aligning interest of employees with the investors of AMCs

The amendments to SEBI (Mutual Funds) Regulations, 1996 was carried out to facilitate ease of doing business for mutual funds, and to relax framework relating to 'Alignment of interest of the Designated Employees of the Asset Management Companies (AMC) with the interest of the unitholders' through two notifications dated 14 February 2025 and 4 March 2025 respectively. Subsequently, SEBI has issued a circular on 21 March 2025 in order to give effect to these amendments, by modifying certain provisions of the Master Circular dated 27 June 2024. Key amendments include:

- **Investment requirements:** Designated employees must invest a minimum percentage of their gross annual compensation (net of taxes and statutory contributions) in mutual fund schemes they oversee. The investment percentages vary based on compensation slabs and whether Employee Stock Ownership Plans (ESOPs) are included.

- **Liquid fund schemes:** For employees managing liquid fund schemes, up to 75 per cent of required investments can be made in higher-risk schemes managed by the AMC.
- **Lock-in period adjustments:** Upon retirement at superannuation age, units will be released from lock-in except in close-ended schemes. On resignation or retirement, lock-in period will be reduced to 1 year from the end of the employment or the completion date of the 3-year lock-in, whichever is earlier. Post lock-in, units in open-ended schemes can be redeemed, subject to SEBI insider trading regulations and pre-clearance requirements.
- **Disclosure and compliance:** AMCs must disclose aggregate compensation invested in units for the designated employees on stock exchange websites quarterly within 15 calendar days from end of each quarter. Additionally, violations of the code of conduct by designated employees will be

reviewed by the Nomination and Remuneration Committee (NRC) and in absence of NRC by the Board of Directors of the AMC which will then provide recommendations to SEBI for consideration, after approval from Trustees.

These amendments aim to strengthen the alignment of employee interests with those of investors, enhancing transparency and accountability within AMCs. The changes will be effective from 1 April 2025.

(Source: SEBI Circular No.: SEBI/HO/IMD/IMD-PoD-1/P/CIR/2025/36, Facilitating ease of doing business relating to the framework on "Alignment of interest of the Designated Employees of the Asset Management Company (AMC) with the interest of the unitholders", dated 21 March 2025).



## Cybersecurity compliance timelines for REs extended

SEBI has extended the compliance timelines for the Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs) by three months, until 30 June 2025. This extension applies to all REs except Market Infrastructure Institutions, KYC Registration Agencies, and Qualified Registrars to an Issue and Share Transfer

Agents. The extension follows multiple requests from REs for more time to ensure compliance and is effective immediately.

(Source: Circular No. SEBI/HO/ITD-1/ITD\_CSC\_EXT/P/CIR/2025/45 for Extension towards Adoption and Implementation of Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs), dated 28 March 2025)



## Revised priority sector lending guidelines

The RBI has issued revised guidelines on Priority Sector Lending (PSL) with an aim to enhance financial inclusion and economic development, effective from 1 April 2025. Key changes include:

- enhanced loan limits for various categories, including housing loans, to broaden PSL coverage
- expanded purposes based on which loans will be classified under the 'Renewable Energy' category

- revised overall PSL target for Urban Cooperative Banks (UCBs) to 60 per cent of Adjusted Net Bank Credit (ANBC) or Credit Equivalent of Off-Balance Sheet Exposures (CEOBSE), whichever is higher
- expanded list of eligible borrowers under the 'Weaker Sections' category and removal of the existing cap on loans by UCBs to individual women beneficiaries.

(RBI Press Release 2024-2025/2450 on Revised Priority Sector Lending guidelines, dated 24 March 2025)



## Revised norms for government guaranteed security receipts

The RBI issued a notification on 29 March 2025, revising the norms for government guaranteed Security Receipts (SRs) with an aim to provide a differentiated approach for SRs with sovereign guarantees, ensuring prudential treatment relating to valuation of such SRs. These revised norms apply to all commercial banks, co-operative banks, financial institutions, and NBFCs.

The treatment relating to valuation and provisioning is as follows:

1. If a loan is transferred to an Asset Reconstruction Company (ARC) for a value higher than the net book value (NBV), the excess provision can be reversed to the profit and loss account in year of sale if the sale consideration includes only cash and SRs guaranteed by the Government of India.
2. The non-cash component (SRs) must be deducted from Common Equity Tier 1 (CET 1) capital, and no dividends can be paid from this component.

3. SRs will be valued periodically based on the Net Asset Value (NAV) declared by the ARC, considering recovery ratings.
4. Unrealised gains from fair valuation of SRs must be deducted from CET 1 capital, and no dividends can be paid from these unrealised gains.
5. SRs outstanding after the government guarantee expires or is settled, will be valued at INR1.
6. If SRs are converted to other instruments as part of resolution, their valuation and provisioning will follow the Prudential Framework for Resolution of Stressed Assets dated 7 June 2019.

These provisions are effective immediately and apply to all existing and future investments involving SRs guaranteed by the Government of India.

(Source: RBI Notification No. RBI/DOR/2024-25/135 DOR.STR.REC.72/21.04.048/2024-25 on 'Revised norms for Government Guaranteed Security Receipts (SRs)', dated 29 March 2025)

## SEBI clarification on SIF framework

SEBI issued a circular on 9 April 2025, providing clarifications stated below on the regulatory framework for Specialized Investment Funds (SIFs):

1. **Interval investment strategies:** The maturity provisions for securities in interval schemes, as outlined in the Master Circular for Mutual Funds dated 27 June 2024, will not apply to interval investment strategies under SIF.
2. **Minimum investment threshold:** The minimum investment threshold has been modified. An investor's aggregate

investment across all SIF strategies at the Permanent Account Number (PAN) level must be at least INR10 lakh. This threshold does not apply to mandatory investments made by AMCs for designated employees.

This clarification aims to ensure consistent application of the SIF framework and protect investor interests and is effective immediately.

(Source: SEBI circular No SEBI/HO/IMD/IMD-PoD-1/P/CIR/2025/53 ' Clarification on Regulatory framework for Specialized Investment Funds ('SIF'); dated 9 April 2025)



## Revision to master circulars for InvIT and REIT

To promote ease of doing business and enhance the regulatory framework for Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs), SEBI has issued circulars on 28 March 2025 to amend the master circulars for InvITs and REITs respectively. The main amendments covered therein are as follows:

### 1. Lock-in provisions for preferential issue of units:

The existing regulations provide that the sponsor and sponsor group of InvIT and REITs must hold a minimum of 15 per cent of the total units for three years from the listing date in case of InvIT and from the date of trading approval in case of a REIT. The summary of the amendment is as follows:

**a. InvITs:** If the project manager is the sponsor or an associate, sponsors and sponsor groups are required to hold 15 per cent of the units for three years from the listing date. Otherwise, 25 per cent of the units must be locked in for three

years from the listing date. The remaining units are subject to a one year lock in period.

**b. REITs:** Sponsors and sponsor groups must retain at least 15 per cent of the total units for three years from the date of the initial offer listing. The updated requirements specify that 15 per cent of the units allotted to sponsors and sponsor groups will be locked in for three years from the date of trading approval, while the remaining units will be locked in for one year.

**2. Inter-se transfer of locked in units:** In case of both InvIT and REITs locked-in units allotted under a preferential issue to a sponsor can be transferred among sponsor or sponsor group entities, subject to the condition that the original lock-in period shall continue with the transferee. Further the transferee will not be eligible to transfer such units till expiry of the original lock in period. In case of change in sponsor,

transfer of lock in units will be allowed to the incoming sponsor or sponsor group provided the incoming sponsor shall continue to comply with minimum unit holding requirements

**3. Guidelines for follow-on offer<sup>3</sup>:** Follow-on offers have been introduced as a method for raising funds after the initial public offer for both InvITs and REITs. The provisions applicable to a public issue of units of an InvIT/REIT will also be applicable for follow-on offers by them. The circular provides for the framework of follow on offer specifying therein various requirements such as application to be made to all stock exchanges on which units are listed for an in principal approval, mandatorily issuing units in dematerialised form, ensuring a minimum public unit holding of 25 per cent of the total outstanding units post-issue, adhering to specified timelines for the allotment and listing of units and it also includes a restriction on further issue of units in any form (public issue, rights issue

preferential issue) by both InvIT and REIT during the period from date of filing of draft follow-on offer document to the listing of the units or refund of application monies as applicable.

### 4. Additional provisions applicable to InvIT and REITs:

- Provision for payment of interest under a follow-on offer in case of failure to allot or list units
- Requirement to submit due-diligence certificate to SEBI along with the draft follow-on offer document.

These circulars are effective from 28 March 2025.

(Source: Circular No.: SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/44 on Amendment to Master Circular for Infrastructure Investment Trusts (InvITs) dated May 15, 2024 and SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/43 on Amendment to Master Circular for Real Estate Investment Trusts (REITs) dated May 15, 2024, dated 28 March 2025)

3. Follow-on offer means offer of units of a an InvIT/ listed REIT to the public for subscription and includes an offer for sale of InvIT/REIT units by an existing unit holder to the public;"

## Various rates amended by RBI to align with the monetary policy

The RBI amended below rates through a series of notifications issued on 9 April 2025, effective immediately:

- 1. Reduction in penal interest rate on CRR and SLR:** RBI reduced the bank rate by 25 basis points, from 6.50 per cent to 6.25 per cent. Consequently, RBI reduced all penal interest rates for banks in relation to shortfall to meet Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) requirements by RBI by 25 basis points.
- 2. Reduction in Standing Liquidity Facility (SLF)<sup>4</sup>:** RBI reduced the policy repo rate under the Liquidity Adjustment Facility (LAF)<sup>5</sup> by 25 basis points, lowering it from 6.25 per cent to 6.00 per cent. Consequently, the SLF provided to Primary Dealers (PDs), which offer collateralised

liquidity support, will now be available at the revised repo rate of 6.00 per cent.

- 3. Reduction in standing deposit facility (SDF)<sup>6</sup>:** Monetary Policy Committee (MPC) of the RBI has reduced the policy repo rate under the LAF by 25 basis points from 6.25 per cent to 6 per cent. Consequently, the SDF rate is adjusted to 5.75 per cent and the Marginal Standing Facility (MSF) rate is adjusted to 6.25 per cent.

(Source: RBI Notifications RBI/2025-26/23. DoR.RET.REC.16/12.01.001/2025-26 on 'Penal Interest on shortfall in CRR and SLR requirements-Change in Bank Rate' RBI/2025-26/24; REF.No.MPD.BC.399/07.01.279/2025-26 on 'Standing Liquidity Facility for Primary Dealers'; and RBI/2025-26/22 FMOD.MAOG.No.151/01.01.001/2025-26 on 'Liquidity Adjustment Facility - Change in rates', all dated 9 April 2025).

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- A Standing Liquidity Facility (SLF) is a program offered by the RBI to standalone primary dealers, providing them with additional funds at the prevailing repo rate. It's a collateralised facility used to address liquidity needs, especially for primary dealers.
  - The Liquidity Adjustment Facility (LAF) is a monetary policy tool used by central banks like the RBI to manage liquidity in the financial system. It allows banks to borrow funds from the central bank (repo) or lend excess funds to the central bank (reverse repo). This helps banks adjust their day-to-day liquidity needs and influences short-term interest rates.
  - A Standing Deposit Facility (SDF) is a monetary policy tool used by central banks to absorb excess liquidity from the banking system. It allows banks to deposit their excess funds with the central bank without requiring collateral. Essentially, it's a mechanism to manage liquidity and control inflation by reducing the amount of money circulating in the economy



## RBI issues various draft directions

On 9 April 2025, RBI issued certain draft directions under the statement on developmental and regulatory policies which are open for comments until 12 May 2025. Following are various directions issued:

### 1. RBI (Co-Lending Arrangements)

**Directions, 2025:** The document outlines a comprehensive framework for co-lending arrangements (CLAs) between REs to extend credit to borrowers. It was noticed that while there are separate guidelines covering some of these arrangements, for example digital lending, co-lending by banks with NBFCs to priority sector, as well as applicable guidelines on outsourcing of financial services, such regulatory frameworks do not cover all the possible categories of co-lending arrangements. Accordingly, a comprehensive market enabling draft framework has been prepared to specify the regulatory norms and guidance for all such CLAs, in general, while addressing certain prudential issues.

### 2. RBI (Securitisation of Stressed Assets)

**Directions, 2025:** The draft outlines a framework for the securitisation of stressed assets by REs, including banks and NBFCs. It specifies eligibility criteria for assets, operational requirements, risk retention norms, and the roles of special purpose entities and resolution managers. The framework intends to enable securitisation of stressed assets through a market-based mechanism, in addition to the existing ARC route under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. The draft also includes detailed guidelines on reporting, disclosures, and capital requirements for securitisation notes.

### 3. RBI (Non-Fund Based Credit Facilities)

**Directions, 2025:** The draft outlines a regulatory framework for Non-Fund Based (NFB) credit exposures by banks and NBFCs. NFBs facilitate guarantees, letters

of credit, co-acceptances, etc. and play a significant role in facilitating effective credit intermediation, besides enabling seamless business transactions, including trade transactions. The draft aims to harmonise regulations across REs. The revised guidelines include a review of instructions on issuance of partial credit enhancement by REs, with a view to, *inter alia*, broadening funding sources for infrastructure financing.

### 4. RBI (Lending Against Gold Collateral)

**Directions, 2025:** Loans against the collateral of gold jewellery and ornaments are extended by REs for both consumption and income-generation purposes. Prudential and conduct related regulations for such loans have been issued from time to time and they vary for different categories of REs. The draft aims to harmonise regulations across REs. The draft proposes comprehensive prudential norms and conduct-related regulations,

considering the risk-taking capabilities of various REs and addressing observed concerns.

The drafts are open for comments until 12 May 2025.

(Source: RBI notification no. RBI/2025-26/ DOR.STR.REC./13.07.010/2025-26 on 'Reserve Bank of India (Co-Lending Arrangements) Directions, 2025'; RBI/2025-26/DOR.STR.REC./13.07.010/2025-26 on 'Draft Reserve Bank of India (Securitisation of Stressed Assets) Directions, 2025'; RBI/2025-26/ DOR.STR.REC./13.07.010/2025-26 on Reserve Bank of India (Non-Fund Based Credit Facilities) Directions, 2025; and RBI/2025-26/ DOR.CRE.REC./21.01.023/2025-26 on Reserve Bank of India (Lending Against Gold Collateral) Directions, 2025; all dated 9 April 2025)



## Revised ISA 570 on going concern – IAASB

The International Auditing and Assurance Standards Board (IAASB) has issued the revised ISA 570 (Revised 2024), *Going Concern*. This revision, effective for audits of financial statements for periods beginning on or after 15 December 2026, aims to increase consistency in auditing practices and strengthen transparency through communications and auditor reporting on matters related to going concern in a consistent manner. Key changes include:

- **Robust risk assessment procedures:** Auditors must conduct timely and thorough risk assessments to identify events or conditions that may cast significant doubt on an entity's ability to continue as a going concern. The standard provides clarity by emphasising on such events or conditions on a gross basis – before considering management's mitigation factors.
- **Period of management's assessment:** Evaluation of management period for going

concern assessment for at least twelve months from the date of financial statement approval. Auditors must evaluate management's assessment, considering potential biases, methods, assumptions, and data used.

- **Enhanced transparency:** Clearer communication in audit reports about responsibilities and work related to going concern and strengthened communications with governance and external parties.
- **Other aspects:** There is also increased focus on adequacy of disclosures, clarity on relation with key audit matters, new guidance and examples for the evolving environment, strengthened documentation requirements for auditors and management representation requirements.

(Source: [IAASB.org](https://www.iaasb.org/news-events/2025-03/iaasb-releases-comprehensive-implementation-guide-isa-lce)>>news-events/2025, 'IAASB Strengthens Auditor Responsibilities for Going Concern through Revised Standard'; dated 9 April 2025)

## IAASB issues guide for ISA for LCE

The International Auditing and Assurance Standards Board (IAASB) has released a new 'First-Time Implementation Guide – The International Standard on Auditing of Financial Statement of Less Complex Entities (ISA for LCE)'. This guide provides an overview of the standard's concepts, structure, and format, with step-by-step insights and examples to help practitioners implement the ISA effectively.

The guide is available on the IAASB website and complements other resources like an adoption guide, supplementary guidance, videos, and webinars. The guidance does not change the authoritative text of the ISA for LCE but helps in understanding and applying it.

(Source: <https://www.iaasb.org/news-events/2025-03/iaasb-releases-comprehensive-implementation-guide-isa-lce>, dated 27 March 2025)

