

CHAPTER 3

Regulatory updates



SEBI proposal - limited relaxations for sending physical copies of financial documents

Regulation 58(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) requires that a listed entity shall send a hard copy of the statement containing the salient features of all the documents, as specified in Section 136 of Companies Act, 2013 and rules made thereunder to those holders of non-convertible securities, who have not registered their email address(es) either with the listed entity or with any depository.

The Ministry of Corporate Affairs (MCA), vide General Circular no. 09/2023 dated 25 September 2023 provided relaxations from sending physical copies of financial statements (including Board's report, Auditor's report or other documents required to be attached therewith) to the shareholders, for the Annual General Meetings (AGMs) conducted till 30 September 2024. Subsequently, MCA vide

General Circular No.09/2024 dated 19 September 2024, had, extended the relaxation till 30 September 2025.

On 21 April 2025, SEBI issued its proposal inviting public comments on the same limited relaxations as provided by MCA. The proposal primarily addresses the following:

- **Continue the relaxation:** To continue the relaxation from 1 October 2024 to a specified date in 2025 (to be finalised), for issuers of listed non-convertible securities who complied with MCA guidelines and who have not sent hard copy of the statement containing the salient features of all the documents, as specified in Section 136 of Companies Act, 2013 (2013 Act) and rules made thereunder to the unregistered holders of non-convertible securities.

- **Additional time period:** Allow further relaxation from a specified date in 2025 to until 30 September 2025, provided issuers publish a web link to all financial documents stated in Section 136 of the 2013 Act, in advertisements as per Regulation 52(8) of the SEBI LODR Regulations.

The relaxation ensures no penal action for the eligible issuers, for not dispatching physical copies of documents during the specified period as mentioned above.

The draft closed for comments on 12 May 2025.

[Source: SEBI draft circular no SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2025/XXX – 'Limited relaxation from compliance with certain provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015' dated 21 April 2025]



Disallowance of certain expenditures under Section 37 of the IT Act

Section 37 of the Income-tax Act, 1961 (the IT Act) stipulates that any expenditure incurred by an assessee for purposes that constitute an offence or is prohibited by law shall not be considered as incurred for the purpose of business or profession. Consequently, such expenses are not eligible for deduction or allowance.

To further clarify this provision, Explanation 3 to Section 37(1) was amended by the Finance (No. 2) Act, 2024 to be effective from 1 April 2025. The amendment explicitly includes within its scope any expenditure incurred to settle proceedings initiated in connection with a contravention of any prevailing law.

Pursuant to this, the Central Board of Direct Taxes (CBDT), through its notification dated 23 April 2025, has specified that expenses incurred to settle proceedings related to violations or defaults under the following legislations shall not be treated as business expenditure and, therefore, shall not be deductible:

1. The Securities and Exchange Board of India Act, 1992 (15 of 1992)
2. The Securities Contracts (Regulation) Act, 1956 [42 of 1956]
3. The Depositories Act, 1996 [22 of 1996]
4. The Competition Act, 2002 [12 of 2003].

[Source: Ministry of Finance (Department of Revenue) (Central Board of Direct Taxes) Notification No S.O. 1838(E), dated 23 April 2025]

Exposure draft on amendments to Ind AS 107 and 109

On 17 April 2025, the Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI) issued an exposure draft proposing updates to Ind AS 109 *Financial Instruments* and Ind AS 107 *Financial Instruments: Disclosures*.

These revisions aim to clarify the accounting treatment of contracts tied to nature-dependent electricity sources, such as solar and wind energy, and align Ind AS with recent changes to IFRS 9 and IFRS 7 issued by the International Accounting Standards Board (IASB).

Key changes proposed are:

- **Hedge accounting eligibility:** Contracts for purchasing nature dependent electricity

from variable renewable sources (e.g., solar or wind) may still qualify for hedge accounting, even if supply fluctuates due to natural conditions.

- **Enhanced disclosures:** New disclosure requirements will improve transparency around the financial impact, risks, and obligations associated with such contracts.
- **Transition provisions:** Entities may apply the amendments retrospectively, with the option to not restate prior periods unless it can be done without hindsight.

The period to provide comments on the exposure draft ended on 18 May 2025.

[Source: ICAI Exposure Draft Contracts Referencing Nature-dependent Electricity Amendments to Ind AS 109 and Ind AS 107 dated 17 April 2025]



SEBI proposes new formats for Non-Convertible Securities, Securitised Debt Instruments and/or Commercial papers

Recently, SEBI had issued a notification of amendment to the LODR Regulations dated 27 March 2025 which provided corporate governance provisions exclusively for High Value Debt Listed entities (HVDLEs). This has been incorporated in chapter VA of the LODR Regulations. Chapter VA stipulated various reporting and disclosures for HVDLEs.

In this regard, SEBI has issued proposals on 21 May 2024 that provide formats for disclosures of corporate governance norms for HVDLEs.

Some of the key changes proposed are:

1. Standardised formats: Introduction of standardised formats for:

- Annual secretarial compliance report

(Annexure A) to be submitted within 60 days of financial year-end.

- Quarterly, annually, and half-yearly corporate governance reports (Annexure B)
- Disclosure of Related Party Transactions (RPTs) (Annexure C)

2. Format for explanatory statement:

The proposals require specific information that the audit committees and debenture trustees must review for approval of Related Party Transactions (RPTs) and for providing No-objection certificate for RPTs, respectively. Some of the details related RPTs to be provided includes:

- Transaction value, terms, tenure, and justification

- Source and cost of funds, security, and end-use

- Shareholders' approval required for material RPTs, with detailed disclosures in explanatory statements.

3. Format for omnibus approvals: The draft circular provides the list of information to be provided to shareholders for consideration of RPTs and also the period of validity of an omnibus approval for RPTs granted by shareholders depending on where it was approved:

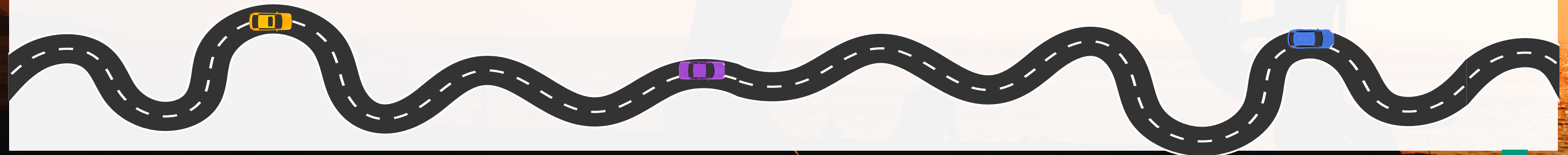
- **AGM-approved:** up to next AGM or 15 months (whichever is earlier).
- **Other general meetings:** valid for 1 year

4. Governance and disclosure format:

- Annual affirmations to be provided on board composition, committee structure, and compliance with LODR Regulations
- Half-yearly disclosures of loans, guarantees, and securities provided to promoters, directors, and Key Managerial Personnels (KMPs) to be given.

This proposal is open for comments until 30 May 2025.

[Source: SEBI draft circular on Modification to Chapter VII of the Master Circular for listing obligations and disclosure requirements for Non-Convertible Securities, Securitised Debt Instruments and/ or Commercial Paper; dated 9 May 2025]



MCA issues amendments to Ind AS 21

The Ministry of Corporate Affairs (MCA) has notified amendments to Ind AS 21, *The Effects of Changes in Foreign Exchange Rates*.

These changes aim to provide clarity on how to account for and disclose situations where a currency is not exchangeable into another currency.

Some key amendments included therein are:

1. Exchangeability definition: A currency is considered exchangeable if it can be obtained within a normal administrative delay through a market or mechanism that creates enforceable rights and obligations.

2. Assessment of exchangeability:

Entities must assess exchangeability at the measurement date and for a specified purpose (e.g., settling liabilities, translating foreign operations). Also, it is provided that if only an insignificant amount of the other currency can be obtained, the currency is not exchangeable.

3. Estimating spot exchange rate: When a currency is not exchangeable, entities must estimate the spot exchange rate using:

- an observable rate (e.g., for another purpose or first available rate after exchangeability is restored), or
- another estimation technique

4. Disclosures required: Entities must disclose:

- nature and financial impact of the currency not being exchangeable
- spot exchange rates used and estimation methods
- risks arising from lack of exchangeability
- affected transactions, assets, and liabilities.

[Source: Ministry Of Corporate Affairs Notification No G.S.R, 291(E), Companies (Indian Accounting Standards) Amendment Rules, 2025; dated 7 May 2025]

SEBI proposes rationalisation of QIP disclosures

SEBI has released a consultation paper aimed at simplifying and rationalising the placement document requirements for Qualified Institutional Placements (QIPs). This move is part of SEBI's broader initiative to ease capital-raising processes for listed companies while maintaining transparency and investor protection.

Hence, SEBI has proposed to trim redundant disclosures and suggests making the following changes:

- SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations) require detailed disclosures for

QIPs with the aim to provide detailed information to the Qualified Institutional Buyers (QIBs) about the issuer and the issue, which results in preparing lengthy placement documents and may result in duplication of information already available in public domain. Hence, it is proposed to rationalise the disclosure and trim those which already available via stock exchanges or company websites.

- Align glossary of placement document with those of Initial Public Offers (IPOs) and Rights Issues (Schedule VI) to avoid ambiguity.



SEBI - Issue and Listing of Securitised Debt Instruments and Security Receipts (Amendment) Regulations, 2025 outline amendments made by SEBI to the existing regulatory framework governing the issuance and listing of Securitised Debt Instruments (SDIs) and Security Receipts (SRs). A brief summary of the key highlights is as follows:

- While disclosing risk factors, focus on material and issue-specific risks rather than generic risk factors.
- Summarise financial data by sharing key metrics like income, profit, Earnings per Share (EPS) and Net Asset Value (NAV) in the placement document with reference being given to audited financial statements filed with the stock exchanges instead of including full audited statements therein.
- Remove disclosure of management discussion and analysis of financial condition and results of operations, which is not required in other private placements (rights issue and preferential issue)

- Issuers conducting QIPs currently follow IPO disclosure norms under Schedule VI. By including full financial statements may duplicate information already filed with stock exchanges. Instead, a summary can be provided in the placement document with references to the audited reports. For QIPs marketed to foreign investors, additional financial details may be included to meet international laws, though not required under Schedule VII of ICDR Regulations.
- Materiality thresholds as specified in schedule VI for IPOs and rights issues may also be included in schedule VII for disclosure on legal proceedings to ensure relevance.

The period for comment on the consultation paper ended on 23 May 2025.

[Source: [SEBI Consultation paper on 'Rationalization of placement document for Qualified Institutions Placement'](#) dated 2 May 2025]



Annual disclosure and complaint redressal mandates for SPD entities

SEBI vide notification dated 29 April 2025, has issued the SEBI (LODR) (Second amendment) Regulations, 2025 (Second amendment regulation). These amendments aim to improve regulatory compliance and promote greater transparency in the realm of SDIs. The initiative emphasises enhanced disclosure requirements and the establishment of a centralised grievance redressal mechanism for Special Purpose Distinct (SPD) entities managed by trustees. Some key amendments are:

- 1. Trustee-level SCORES registration for securitised debt instruments:** Under Regulation 13(2) of the SEBI LODR Regulations, listed entities are required to register on the SCORES (SEBI Complaints Redress System) platform - or any other electronic system specified by SEBI - for the electronic resolution of investor grievances. The Second amendment regulation provides that in the case of securitised debt instruments, trustees may obtain a single

SCORES registration that covers all SPD entities under their management.

- 2. Enhanced disclosure obligations for SPD entities and trustees:** New annual disclosures have been mandated, to the stock exchanges, for SPD entities and their trustees in relation to SDIs:

- a. Clause 10:** SPD entities or their trustees must disclose, any outstanding litigations or material developments involving the originator, servicer, or any other transaction party that could adversely impact investor interests.
- b. Clause 11:** Disclosures are also required for any defaults by the servicer in fulfilling its servicing obligations.

These amendments come into effect from 29 April 2025.

[Source: [SEBI Notification F. No. SEBI/LAD-NRO/GN/2025/244, SEBI \(Listing Obligation and Disclosure Requirements\) \(Second amendment\) Regulations, 2025; dated 29 April 2025\]](#)

FAQ released on amendments to LODR Regulations

On 23 April 2025, SEBI released a set of Frequently Asked Questions (FAQs) pertaining to

- SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment) Regulations, 2024, dated 12 December 2024, and
- SEBI Circular issued on 31 December 2024.

These FAQs aim to clarify the implementation of recommendations made by the Expert Committee to enhance the ease of doing business for listed entities.

This document offers interpretative guidance and should be read alongside SEBI's official regulations and circulars. The FAQs are categorised into five sections highlighting several key areas such as mandatory disclosure requirements; Related Party Transactions (RPTs), voting restrictions, approval of RPTs; secretarial auditor tenure, clarification on Minimum Public Shareholding (MPS) based on SEBI Master Circular dated 11 November 2024; Business Responsibility and Sustainability Report (BRSR) Core, disclosure of forensic audits and many more.

[Source: [SEBI releases FAQs on LODR Regulations 2015 dated 23 April 2025](#)]

Consultation paper on amendments to ICDR Regulations

SEBI, through its consultation paper dated 30 April 2025, invited public and stakeholders' comments on proposed amendments to the ICDR Regulations. The proposal aims to mandate dematerialisation of existing securities held by certain shareholders before a company files for an IPO. At present, under Regulation 7(1)(c) of the ICDR Regulations, only **promoters** are currently required to hold their shares in demat form prior to submitting the offer document.

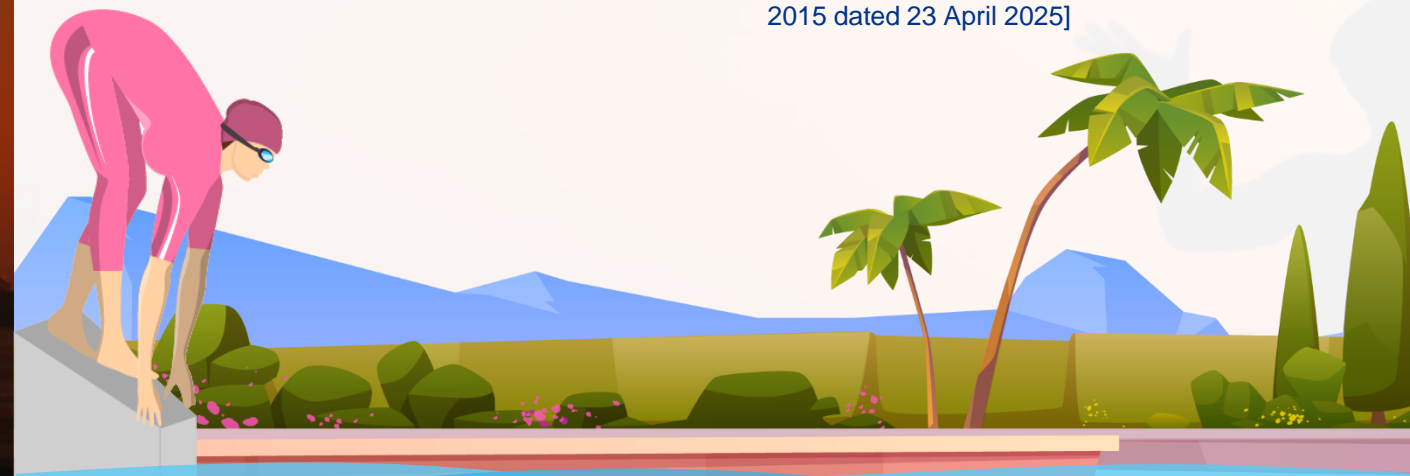
Despite existing mandates and regulatory efforts, a significant number of critical pre-IPO shareholders—including directors, KMPs, senior management, selling shareholders, and even Qualified Institutional Buyers (QIBs) - still hold shares in physical form. SEBI now proposes to extend the dematerialisation requirement to these categories. Specifically, all specified securities held by the following classes of shareholders shall be required to be in dematerialised form prior to the filing of the

offer document:

- Promoter and promoter group
- Selling shareholders
- Directors
- Key Managerial Personnel (KMPs)
- Senior management
- QIBs
- Domestic current employees
- Shareholders who have special rights
- Registered stock brokers, non-systemically important Non-Banking Financial Companies (NBFCs), (and any other regulated entities as identified)

The period for comments on the consultation paper ended on 20 May 2025.

[Source: [Consultation paper on 'amendment to SEBI \(Issue of Capital and Disclosure Requirements\) Regulations, 2018 with the objective of mandatory dematerialisation of existing securities of select shareholders prior to IPO'](#); dated 30 April 2025]



SEBI revises cut-off timings for redemption in overnight mutual fund schemes

In order to facilitate the upstreaming of clients' funds by stock brokers and clearing members to clearing corporations, including through pledging units of Overnight Mutual Fund Schemes (MFOS), SEBI on 22 April 2025 issued a circular to change cut-off timings to determine applicable NAV with respect to repurchase/ redemption of units in MFOS. Key changes include:

- **Revised cut-off timings for redemption in overnight funds:**

- *Applications received up to 3:00 p.m.:* Apply NAV of the day immediately preceding the next business day.

- *Applications received after 3:00 p.m.:* Apply NAV of the next business day.
- **Online applications:** Extended cut-off time of 7:00 p.m. for overnight fund schemes.
- **Definition of business day:** Definition of business day excludes days when money markets are closed or inaccessible.

These changes will take effect from 1 June 2025.

[Source: SEBI circular no SEBI/HO/IMD/PoD2/P/CIR/2025/56, on Change in cut-off timings to determine applicable NAV with respect to repurchase/ redemption of units in overnight schemes of Mutual Funds; dated 22 April 2025]

New '.bank.in' domain mandated for banks by October 2025

The Reserve Bank of India (RBI), in its 7 February 2025 policy statement, announced the launch of a dedicated internet domain, '.bank.in', to enhance cybersecurity and build public trust in digital banking. This domain will now be operationalised through the Institute for Development and Research in Banking Technology (IDRBT), which has been authorised by the National Internet Exchange of India (NIXI) under the Ministry of

Electronics and IT.

All banks are required to begin migrating their existing websites to the new domain and complete the transition by 31 October 2025, with IDRBT providing support throughout the registration and migration process.

[Source: RBI circular no RBI/2025-26/28 CO.DIT.DCD.No.S81/01-71-110/2025-26 dated 22 April 2025]

Credit Rating Agencies regulations amended

The SEBI notified the Credit Rating Agencies (CRA) (Second Amendment) Regulations, 2025, effective from 22 April 2025.

These amendments aim to enhance transparency, accountability, and regulatory oversight in the Environmental, Social, and Governance (ESG) rating ecosystem, particularly under the subscriber-pays model. Below are the key highlights:

1. Refined definition of group companies

The term ‘group companies’ has been updated to align with the definition under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations), replacing the reference to the Monopolies and Restrictive Trade Practices Act, 1969.

2. Formalisation of the subscriber-pays model

A new definition has been introduced for the subscriber-pays business model, where ESG Rating Providers (ERPs) derive revenue from subscribers—such as banks,

insurers, pension funds, or even the rated entity itself.

3. Regulatory scope clarified

ERPs operating under the purview of other financial sector regulators are not required to register with SEBI, provided they do not rate SEBI-regulated products or issuers. This ensures regulatory clarity and avoids overlap.

4. Mandatory disclosures

ERPs must clearly disclose on their websites:

- The financial sector regulator or authority under which each ESG rating is conducted.
- Compliance with the applicable laws of those respective regulators.

5. Safeguards for the Subscriber-Pays Model

To mitigate conflicts of interest, ERPs must:

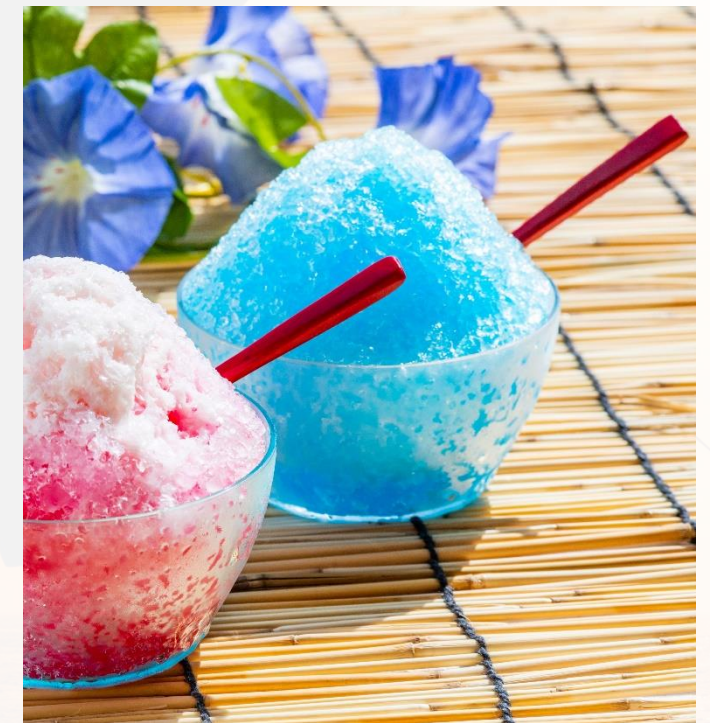
- Base ESG ratings solely on publicly available data.
- Charge the lowest fee to any subscriber that is also the rated entity, its group company, or associate.
- Allow only those group companies or associates with a genuine business need and who are regulated by financial sector authorities, to subscribe to ESG ratings.

6. Enhanced transparency in rating process

- ESG rating reports must be shared simultaneously with both the rated entity and subscribers.
- Rated entities are given two working days to provide feedback.
- Any feedback or differing opinions must be incorporated either by revising the report or appending an addendum to the rating report.
- ERPs must publish their report-sharing policy on their websites and provide a

mechanism for rated entities to seek clarifications on methodologies and assumptions.

[Source: SEBI Notification No. SEBI/LAD-NRO/GN/2025/242.— SEBI (Credit Rating Agencies) (Second Amendment) Regulations, 2025; dated 22 April 2025]



Clarifications on Cybersecurity and Cyber Resilience Framework

SEBI, through its circular dated 30 April 2025, has issued key clarifications to the Cybersecurity and Cyber Resilience Framework (CSCRF), originally introduced on 20 August 2024. These updates aim to streamline implementation based on industry feedback and ensure proportional compliance across Regulated Entities (REs)¹.

Key highlights are as follows:

1. Categorisation of REs: REs will be classified annually at the start of the financial year, based on prior year data. Once assigned, the category remains fixed for the year and is validated during compliance reporting. Categories include the following which are identified basis various criteria and thresholds:

- Qualified REs
- Mid-sized REs
- Small-sized REs

- Self-Certification REs

2. Overlapping categories: If an RE qualifies for multiple categories, then the highest applicable category will determine compliance obligations.

3. Hardware Security Module (HSM)² requirements: Mandatory for Market Infrastructure Institutions (MIIs) and Qualified REs to implement a dedicated HSM. Mid-sized, small-sized and self-certification REs, can subject to a board-approved risk assessment and implement HSM alternatives.

4. Investment Advisor (IAs) and Research Analyst (RAs): IAs and RAs not registered with SEBI in any other capacity would be exempted from provisions of CSCRF. For both of these, REs the reporting authority with respect to CSCRF compliance is now BSE Ltd for a period of 5 years starting from 25 July 2024.

The compliance deadline for the CSCRF remains to be 30 June 2025 as communicated by SEBI in its earlier circular in March 2025. The cyber audits from FY 2025-26 onwards must follow the framework and clarifications.

[Source: SEBI Circular No.: SEBI/HO/ITD-1/ITD_CSC_EXT/P/CIR/2025/60 on Clarifications to Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs), dated 30 April 2025]



SEBI tightens ESG rating norms

The Master Circular³ for ERPs outlines various procedural, disclosure, and compliance obligations for ERPs. SEBI has issued fresh guidelines for ERPs to enhance transparency, accountability, and operational standards in line with global benchmarks and in response to representations from ERPs and feedback received from stakeholders during public consultations. The circular introduces key procedural updates:

1. ESG rating withdrawal norms

- **Subscriber-pays model:** Ratings may be withdrawn if:
 - The company lacks a Business Responsibility and Sustainability Report (BRSR).
 - There are no active subscribers at the time of withdrawal.

1. REs include stockbrokers, depository participants (DPs), investment advisors (IAs), research analysts (RAs), KYC registration agencies (KRAs), portfolio managers, alternative investment funds (AIFs), venture capital funds (VCFs), and merchant bankers (MBs).

2. A **hardware security module (HSM)** is a physical computing device that safeguards and manages digital keys performs encryption and decryption functions for digital signatures, ensures strong authentication and other cryptographic functions.

3. The Master Circular for ESG Rating Providers (ERPs) SEBI/HO/DDHS/DDHS-POD3/P/CIR/2024/45 dated 16 May 2024

- **Issuer-pays model:** Ratings can be withdrawn if:
 - A security has been rated for at least three years or 50 per cent of its tenure, whichever is longer.
 - An issuer/entity has been rated continuously for three years.

2. Governance and audit requirements: All ERPs must conduct internal audits. For Category II ERPs, the following will apply after two years from date of this circular:

- Internal audit requirement.
- Formation of an ESG ratings sub-committee and a Nomination & Remuneration Committee (NRC).

SEBI has also expanded the qualifications for audit teams to include Cost Accountants (ACMA/FCMA) and professionals with a Diploma in Information System Security Audit (DISSA) certification from Institute of Cost Accounts of India (ICMAI), in addition to Chartered Accountants and certified information system auditors.

3. Certification and disclosure: ERPs must obtain SEBI certification to operate. They are required to disclose rating methodologies and rating reports on their websites maintaining a balance between transparency and protection of proprietary information.

[Source: SEBI Circular No.: SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/59 on Clarificatory and Procedural changes to aid and strengthen ESG Rating Providers (ERPs), dated 29 April 2025]



RBI updates FEMA compounding framework

On 22 April 2025, the RBI issued a revised master direction on compounding of contraventions under FEMA, 1999, replacing the previous version dated 22 May 2022. This update aligns with the Foreign Exchange (Compounding Proceedings) Rules, 2024, and consolidates key procedural guidelines, including:

- A revised compounding matrix with updated penalty benchmarks.
- Cap on penalties for specific contraventions.
- Removal of enhanced penalties for repeat applications.
- Stricter application requirements for better compliance.
- Harmonisation with FEMA Master direction – Foreign Investment in India (FDI Regulations, 2017) and Foreign Exchange Management (Non-Debt Instruments) Rules,

2019 (NDI Rules, 2019) to ensure regulatory consistency.

To further streamline the process, RBI issued two follow-up amendments:

Amendment – 22 April 2025

- **Deletion of Para 5.4.II.v:** The earlier provision that linked a compounding amount to a previous compounding order (in cases where the applicant reapplied for the same contravention) has been removed. Reapplications for the same contravention will now be treated independently, without linking to previous compounding orders.
- **Improved payment reconciliation:** Applicants must now include their mobile number, RBI office details, and mode of application (PRAVAAH or physical) in their email confirmation after fee payment.

Amendment – 24 April 2025

- **Cap on compounding amount in exceptional cases:** A new clause (Para 5.4.II.vi) allows RBI to limit the compounding amount to INR2 lakh per regulation/rule in a compounding application, subject to the following:
 - the contravention is minor or technical in nature.
 - exceptional circumstances are present.
 - the decision serves the public interest.

These updates aim to enhance clarity, ensure timely resolution, and delineate responsibilities between regulatory bodies, thereby strengthening the overall compliance framework under FEMA.

[Source: RBI circular RBI/FED/2025-26/135 FED Master Direction No.04/2025-26 on Master Directions - Compounding of Contraventions under FEMA, 1999; dated 22 April 2025; RBI Circular No. RBI/FED/2025-26/29 A.P. (DIR Series) dated 22 April 2025 and Circular. No RBI/FED/2025-26/32 A.P. (DIR Series) dated 24 April 2025 on Amendments to Directions - Compounding of Contraventions under FEMA, 1999]

Revised guidelines on Basel III framework on liquidity standards

The Reserve Bank of India (RBI) had issued a draft circular on 25 July 2024 and basis comments on the same it has issued revised guidelines under the Basel III framework on liquidity standards, specifically focussing on the Liquidity Coverage Ratio (LCR). These updates aim to enhance the liquidity resilience of Indian banks while aligning with global best practices. Some key updates are as follows:

1. **Revised run-off rates for deposits with digital access:** Retail deposits with Internet and Mobile Banking (IMB) access will now attract higher run-off rates:
 - **Stable deposits:** 7.5 per cent (up from 5 per cent)
 - **Less stable deposits:** 12.5 per cent (up from 10 per cent)

The same treatment applies to unsecured wholesale funding from non-financial small business customers.

2. **Valuation of government securities:** Level 1 High Quality Liquid Assets (HQLA) in the form of government securities must now be valued at market value adjusted for haircuts, in line with the Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) norms.
3. **Treatment of pledged deposits:** Deposits previously excluded from LCR (e.g., non-callable fixed deposits) will now be treated as callable if pledged as collateral for loans and will be included in LCR calculations accordingly.
4. **Reclassification of deposits from legal entities:** Deposits from entities like trusts, partnerships, LLPs, AoPs, etc., will now be treated as non-financial corporates (instead of 'other legal entities') and attract a reduced run-off rate of 40 per cent (down from 100 per cent), unless classified as small business customers.

These revised norms are applicable to all commercial banks, payment banks, regional rural banks and local area banks are effective from 1 April 2026.

[Source: RBI notification no. RBI/2025-26/27 DOR.LRG.REC.18/03.10.001/2025-26 on Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) – Review of haircuts on High Quality Liquid Assets (HQLA) and review of composition and run-off rates on certain categories of deposits, dated 21 April 2025]



Provisions to strengthen securitised debt market

SEBI Issue and Listing of Securitised Debt Instruments and Security Receipts (Amendment) Regulations, 2025, issued on 5 May 2025, outlines amendments made by SEBI to the existing regulatory framework, governing the issuance and listing of SDIs and security receipts (SRs). Here's a brief summary of the key highlights:

Minimum ticket size: SEBI has mandated a minimum investment threshold of INR1 crore for both the issuance and subsequent transfers of SDIs, a requirement applicable to originators regulated by the RBI as well as those operating without such regulation.

Mandatory dematerialisation: All SDIs must be issued and transacted solely in dematerialised (demat) form, thereby promoting greater transparency and facilitating efficient traceability.

Originator eligibility and risk retention: Originators are required to have a minimum of three years of operating experience. To ensure

alignment of interests with investors and foster market stability, originators are required to retain a portion of the securitised assets.

Public offer guidelines: Public offerings of SDIs must remain open for a minimum of three days and not exceed ten days. Additionally, all advertisements related to such offerings must comply with SEBI's regulatory framework governing non-convertible securities, ensuring consistency and investor protection.

Expanded definition of debt: The scope of the term 'debt' has been expanded to encompass a broader range of financial assets, including equipment lease receivables, rental income streams, and trade receivables, provided they satisfy the prescribed eligibility conditions.

Enhanced disclosure and governance: Special Purpose Distinct Entities (SPDEs) and trustees are now obligated to submit half-yearly reports to SEBI. The regulatory body may also prescribe specific formats and

additional disclosure guidelines to enable streamlined supervision and automated data processing.

Operational restrictions and governance provisions: The amendments impose stringent requirements on liquidity facility providers and introduce restrictions on the exercise of clean-up call options. Additionally, a strengthened code of conduct has been established for SPDEs and trustees, aimed at enhancing transparency and safeguarding investor interests.

These far-reaching amendments are designed to fortify the regulatory architecture surrounding securitisation transactions in India. They aim to enhance investor protection while aligning domestic practices with internationally recognised standards.

[Source: SEBI Notification F. No. SEBI/LAD-NRO/GN/2025/247, Securities and exchange board of India (Issue and Listing of Securitised Debt Instruments And Security Receipts) (Amendment) Regulations, 2025; Dated 5 May 2025]



Updated disclosure and compliance framework for InvITs and REITs

To revise and streamline the disclosure and compliance framework for InvITs and REITs, enhancing transparency, investor protection, and ease of doing business, SEBI has issued two circulars on 7 May 2025. These circulars focus on improving the quality and consistency of financial information presented in offer documents and ensuring robust continuous disclosure and compliance practices. It covered the following amendments to Master circulars for InvITs and REITs:

1. Review of disclosures of financial information in offer documents: SEBI's circular mandates that InvITs and REITs provide standardised and comprehensive financial disclosures in their offer documents. Key requirements include the following:

- **Uniform financial statements:** Presentation of financial statements in a

uniform format to facilitate comparability across different InvITs and REITs.

- **Key financial metrics:** Required disclosure of Net Asset Value (NAV), Earnings Before Interest, Taxes, Depreciation, and Amortisation (EBITDA), and Debt Service Coverage Ratio (DSCR), and other indicators to assess financial health.
- **Historical data:** Audited financial statements for the past three years must be disclosed.
- **Pro forma statements:** Required in cases of recent acquisitions or mergers or divestments to reflect the updated financial position.

2. Continuous disclosures and compliances by InvITs and REITs: SEBI's circular strengthens ongoing disclosure and

compliance norms to enhance transparency and investor protection. Key provisions include following:

- **Timely financial reporting:** Quarterly and annual results must be submitted within set timelines, with audit report or limited review.
- **Material event reporting:** Immediate disclosure of key events like asset transactions, credit rating changes, or debt defaults.
- **Related party transactions:** Mandatory disclosure of all RPTs with details on parties, transaction nature, and approval status.
- **Corporate governance standards:** Compliance governance norms with board composition, audit committees, and other governance norms.

- **Investor grievance mechanism:** Robust complaint redressal system, including mandatory registration on SEBI's SCORES platform.

These circulars reflect SEBI's continued commitment to enhancing the regulatory landscape for InvITs and REITs, aiming to ensure investors receive accurate and timely information to support informed investment decisions.

[Source: SEBI Circular No SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/63 and SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/64 on Review of - (a) disclosure of financial information in offer document / placement memorandum, and (b) continuous disclosures and compliances by Infrastructure Investment Trusts (InvITs) and REITs, dated 7 May 2025]



Draft framework for India's climate finance taxonomy

With the aim to boost its climate commitments, the Government of India has released the draft framework for India's climate finance taxonomy. This initiative, announced in the Union Budget 2024–25, aims to channel capital towards climate adaptation and mitigation efforts, supporting India's goal of becoming a developed nation by 2047 (Viksit Bharat) and of achieving Net Zero emissions by 2070.

Some important aspects of the draft are as follows:

- **Objective:** Covers mitigation, adaptation, and transition activities, especially in hard-to-abate sectors like steel and cement.
- **Sectors included:** Power, mobility, buildings, agriculture, food, water security, iron, steel and cement.

- **Approach:** A hybrid model combining qualitative principles and quantitative thresholds, with a phased rollout and periodic updates.
- **Inclusivity:** Special provisions for MSMEs and region-specific adaptation needs.

This taxonomy is poised to become a cornerstone of India's sustainable finance

ecosystem, aligning investment flows with national climate and development goals.

The draft is open for comments until 25 June 2025.

[Source: The department of Economic Affairs: Press Communique, 'India Climate Finance Taxonomy', dated 07 May 2025]



IAASB proposes narrow-scope amendments related to working with experts

The International Auditing and Assurance Standards Board (IAASB) released a set of narrow-scope proposed amendments to its standards aimed at preserving interoperability with the International Code of Ethics for Professional Accountants (including the International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA). These changes specifically address recent updates to the IESBA Code concerning the use of external experts in assurance engagements.

The proposed revisions apply to the following IAASB standards:

- ISA 620, *Using the Work of an Auditor's Expert*
- ISRE 2400 (Revised), *Engagements to Review Historical Financial Statements*
- ISAE 3000 (Revised), *Assurance Engagements Other than Audits or Reviews*

of Historical Financial Information

- ISRS 4400 (Revised), *Agreed-upon Procedures Engagements*.

The proposed amendments refine the definition of an 'expert' to align with IESBA's terminology, clearly distinguishing between internal and external experts. Auditors are now expected to assess the expert's competence, capabilities, and objectivity more rigorously. Some key points of amendment are as follows:

- **Risk assessment:** Auditors must evaluate whether the expert's work is adequate for audit purposes and document the nature, scope, and extent of their involvement.
- **Objectivity safeguards:** New guidance addresses potential threats to objectivity—especially when experts are compensated by the audited entity—and recommends safeguards against self-interest or advocacy threats.

- **Transparency and documentation:**

Auditors are expected to clearly record:

- the rationale for engaging the expert,
- the expert's qualifications,
- how their input influenced the audit opinion.

- **Consistency across engagements:**

These principles are designed to apply uniformly across audits, reviews, assurance engagements, and agreed-upon procedures, promoting consistency in professional practice.

The consultation is open for public comment until 24 July 2025.

[Source: [IAASB.org>>news-events/2025](https://iaasb.org/news-events/2025), IAASB Requests Feedback on Proposed Narrow-Scope Amendments Related to Working with Experts dated 25 April 2025]



ISSB proposes targeted amendments to IFRS S2

The International Sustainability Standards Board (ISSB) published an Exposure Draft proposing targeted amendments to IFRS S2, *Climate-related Disclosures* that would provide reliefs to ease application of requirements related to the disclosure of greenhouse gas (GHG) emissions.

The proposed updates to IFRS S2 aim to provide targeted relief and greater flexibility in the application of greenhouse gas (GHG) emissions disclosure requirements without reducing the usefulness of the information for investors. Key proposals include:

- Entities may be exempt from measuring and disclosing emissions related to derivatives and certain financial activities.
- In specific cases, entities may opt out of using the Global Industry Classification Standard (GICS) when reporting disaggregated financed emissions.
- Jurisdictions may allow the use of GHG measurement methods other than the Greenhouse Gas Protocol, under defined relief provisions.

- Entities may apply jurisdiction-mandated Global Warming Potential (GWP) values, even if they differ from the latest Intergovernmental Panel on Climate Change (IPCC) recommendations.

The consultation is open to comments until 27 June 2025

[Source: [ifrs.org>>news and events>> ISSB publishes Exposure Draft proposing targeted amendments to IFRS S2 to ease application for companies; dated 28 April 2025](https://www.ifrs.org/news-and-events/2024/04/issb-publishes-exposure-draft-proposing-targeted-amendments-to-ifrs-s2-to-ease-application-for-companies/)]

IFRS foundation releases 12th compilation of agenda decisions

The IFRS Foundation has released the 12th Compilation of Agenda Decisions by the IFRS Interpretations Committee, covering the period from November 2024 to April 2025.

This edition features four agenda decisions:

- Guarantees issued on obligations of other entities
- Revenue recognition from tuition fees under IFRS 15 *Revenue from Contracts with Customers*

- Classification of cash flows for variation margin calls on ‘Collateralised-to-Market’ contracts under IAS 7 *Statement of Cash Flows*
- Recognition of intangible assets from climate-related expenditure under IAS 38 *Intangible Assets*.

[Source: [ifrs.org>>news and events>> “Compilation of Agenda Decisions – Volume 12 published”, dated 7 May 25](https://www.ifrs.org/news-and-events/2024/05/compilation-of-agenda-decisions-volume-12-published/)]



ISA 240 (Revised) approved

During the March 2025 meeting of the IAASB several topics were discussed and approved. One of the agenda items approved was a proposal on the ISA 240 (Revised) *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, which will be effective for periods beginning on or after 15 December 2026.

ISA 240 (Revised) deals with the auditor's responsibilities relating to fraud in an audit of financial statements and the implications for the auditor's report. It strengthens the auditor's role in identifying and responding to fraud risks in financial statements. It aims to improve professional skepticism, fraud risk assessment procedures, and communication about fraud.

Key enhancements in ISA 240 (Revised) are:

- stronger emphasis on professional skepticism

- improved risk assessment procedures
- use of technology and data analytics
- expanded documentation requirements
- enhanced communication with those charged with governance
- clarified responsibilities for detecting fraud
- enhanced transparency by communicating key audit matters related to fraud in the auditor's report
- enhanced audit documentation requirements.

[Source: www.iaasb.org>> news and events >> Latest updated from March meeting of IAASB, dated 14 April 2025]

IAASB approves withdrawal of ISAE 3410 following ISSA™ 5000 implementation

The IAASB has approved the withdrawal of International Standard on Assurance Engagements (ISAE) 3410, *Assurance Engagements on Greenhouse Gas Statements*. This move follows the 2024 approval of International Standard on Sustainability Assurance (ISSA)™ 5000, *General Requirements for Sustainability Assurance Engagements*.

This is a comprehensive standard that governs assurance engagements for all types of

sustainability information, including greenhouse gas emissions, irrespective of the reporting format. ISSA 5000 becomes effective for reporting periods beginning on or after 15 December 2026, or as at a specific date on or after 15 December 2026. Accordingly, ISAE 3410 will be withdrawn from the effective date of ISSA 5000.

[Source: www.iaasb.org >> news and events > IAASB Announces Withdrawal of ISAE 3410 for Assurance Engagements on Greenhouse Gas Statements, dated 8 May 2025]

