



Regulatory Roundup

Financial reporting and regulatory developments for Q4 FY 2024-25 and Q1 FY 2025-26

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Table of content



RBI
updates



SEBI
updates



IRDAI
updates



IND AS
updates



Other
updates

Reserve Bank of India (RBI)

Reserve Bank of India (Digital Lending) Directions, 2025¹:

The updated RBI Digital lending Directions, effective 8 May 2025, apply to banks, NBFCs, co-operative banks, and All-India Financial Institutions. They aim to enhance transparency, borrower protection, and data privacy in digital lending. Key changes include stricter norms for Digital Lending Apps (DLAs), mandatory written agreements between Regulated Entities (REs) and Lending Service Providers (LSPs), and explicit borrower consent for data use and credit limit changes. From 1 November 2025, LSPs must offer unbiased loan comparisons across multiple lenders ensuring transparency and fair comparison for borrowers.

Questions for the Audit Committee

1. Which entities within company's group are impacted by the new RBI Directions?
2. Has management identified all Lending Service Providers (LSPs) and Digital Lending Apps (DLAs) operated by the company?
3. Is Company's data storage and privacy policy aligned with RBI's technology standards?
4. Is there any significant change in the amount of provisions relating to Non-Performing assets (NPA) due to introduction of RBI's guidelines on Default Loss Guarantee (DLG)?



Applicability – Banks, NBFCs, co-operative banks, and All-India Financial Institutions

Click [here](#) for RBI Circular

Reserve Bank of India (RBI)

Accounting and reporting of Right-of-Use (ROU) Asset for Regulatory Capital Purposes²

On 21 March 2025, the Reserve Bank of India (RBI) has issued a circular, effective immediately, clarifying the accounting and reporting of Right-of-Use (ROU) assets for regulatory capital calculations, particularly for Non-Banking Financial Companies (NBFCs), Housing Finance Companies (HFCs), and other regulated entities. The RBI circular clarifies that Right-of-Use (ROU) assets from tangible leased assets will no longer be deducted from regulatory capital but instead risk-weighted at 100 per cent.

Questions for the Audit Committee

1. How does the revised accounting and reporting requirement of ROU assets impact the company's Common Equity Tier 1 (CET 1) capital?
2. Has the company conducted a stress test to assess the impact on capital adequacy ratios?
3. What steps have been taken to align financial reporting with regulatory expectations?



Applicability – NBFCs and HFCs and other regulated entities

Click [here](#) for RBI Circular

Securities and Exchange Board of India (SEBI)

Environment, Social and Governance (ESG) Debt Securities Framework for Non-Green Instruments³

SEBI issued a revised framework for ESG debt securities (excluding green debt securities), applicable to listed entities and issuers seeking to raise funds through instruments such as Social Bonds, Sustainability Bonds, and Sustainability-Linked Bonds. The framework mandates disclosures on project eligibility, fund allocation, ESG performance targets, and annual impact reporting, along with independent third-party certification. It aligns with global ESG standards and aims to enhance transparency and investor confidence. The framework is effective for all issuances from 5 June 2025 onwards.

Questions for the Audit Committee

1. Are there any plans to issue ESG debt?
2. Which categories of ESG debt securities (Social, Sustainability, or Sustainability-Linked Bonds) are relevant to company's operations?
3. How is the company preparing for third-party certification and continuous disclosures?
4. What mechanisms are in place for independent verification of ESG KPIs and impact reporting?
5. How is the company planning to mitigate risks of 'purpose-washing' and ensuring transparency in fund utilisation?

Applicability – Listed /Proposed to be listed ESG debt securities Companies

Click [here](#) for SEBI Circular



Securities and Exchange Board of India (SEBI)

Disclosure of Risk adjusted Return - Information Ratio (IR) for Mutual Fund Schemes⁴

On 17 January 2025, SEBI mandated the disclosure of 'Risk Adjusted Return' (RAR) for Asset Management Companies (AMC). Accordingly, AMCs should disclose the Information Ratio (IR) to measure the RAR of any scheme portfolio. The IR is expected to enhance transparency in disclosures provided by AMCs and support investors in decision making. The provisions of this circular come into effect within three months from issuance of its issuance i.e., from 17 April 2025.

Questions for the Audit Committee

1. Has the management of Mutual Funds/AMCs disclosed the Risk Adjusted Return – Information Ratio (IR) of equity-oriented scheme portfolios on their website, along with daily performance disclosures, and in the format specified by SEBI?
2. What are the key judgements and assumptions determined by management in calculating and disclosing the Information Ratio (IR) for equity-oriented schemes particularly in selecting benchmarks, computing returns, and handling data anomalies or outliers?
3. What are the key changes in disclosure requirements for AMCs following SEBI's mandate for equity-oriented schemes, and how has management implemented these changes to ensure compliance with the prescribed format and transparency standards?

Applicability – Mutual funds/Asset Management Companies (AMCs)

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



Securities and Exchange Board of India (SEBI)

Securities And Exchange Board Of India (Listing Obligations And Disclosure Requirements) (Amendment) Regulations, 2025⁵

The SEBI (Listing Obligations and Disclosure Requirements) Amendment Regulations, 2025 were issued on 27 March 2025 and are applicable to High-Value Debt Listed Entities (HVDLEs) - those with listed non-convertible debt securities and an outstanding value of INR1,000 crore or more as of 31 March 2025. These entities must comply with enhanced governance norms including board composition, directorship limits, mandatory committees, and Related Party Transaction (RPT) policies. Compliance must begin within six months of crossing the threshold, and the norms cease to apply if the debt remains below INR1,000 crore for three consecutive financial years.

Questions for the Audit Committee

1. Has the management assessed the impact of the amended regulations with regard to composition of board of directors, minimum number of meetings, code of conduct, vigil mechanism, stipulated RPTs, etc.?
2. Has management started the process to obtain confirmation from Independent Directors regarding the maximum number of the directorships and membership or chairpersonships held in various committees (including HVDLEs) ?
3. Has the company formulated its RPT policy with regards material RPT transactions in compliance with Chapter VA of LODR regulations?

Applicability – High value debt listed entities (HVDLEs)

Click [here](#) to access the Notification



Securities and Exchange Board of India (SEBI)

Clarification on the position of Compliance Officer in terms of regulation 6 of SEBI (LODR) Regulation, 2015⁶

On 1 April 2025, SEBI issued a clarification regarding the role of the Compliance Officer of a listed entity must be in whole-time employment, report to senior management not more than one level below the Board and be designated as a Key Managerial Personnel (KMP). Applicable to all listed companies, this aligns with the LODR Regulations and the Companies Act, 2013 and follows the Third Amendment notified on 12 December 2024.

Questions for the Audit Committee

1. Has the Compliance Officer been formally designated as a KMP?
2. Does the Compliance Officer report directly to the MD/WTM/CEO as required?
3. Is the Compliance Officer positioned not more than one level below the Board?
4. Do the Board resolutions, corporate governance disclosures, and website reflect the revised designation?
5. Has the employment contract of the Compliance Officer been reviewed to ensure it reflects a full-time role with appropriate responsibilities and reporting lines?

Applicability – Listed Companies

Click [here](#) for SEBI Circular



Securities and Exchange Board of India (SEBI)

Industry Standards on Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions (Revised RPT Standards)⁷

The Revised RPT Standards, effective from 1 September 2025, mandate listed entities to present minimum information in a structured format (Parts A, B, and C) for Audit Committee and shareholders' approval of Related Party Transactions. These standards simplify earlier requirements by reducing disclosure burdens for non-material transactions and eliminate mandatory peer benchmarking and bid processes. Certification is now required only from the Chief Executive Officers/Managing Directors/Whole Time Directors /Managers and Chief Finance Officers, affirming that the transaction is in the interest of the listed entity. The Audit Committee and Board of Directors must jointly approve redactions in shareholders' disclosures and ensure sufficient information is provided for informed decision-making. Overall, the revised framework enhances transparency and governance while easing compliance for lower-risk transactions.

Questions for the Audit Committee

1. What are the key changes introduced in the Revised RPT Standards effective from 1 September 2025, and how does the company plan to implement them in terms of disclosure obligations, approval processes, and governance oversight of the RPTs? (For detailed questions, refer the [annexure](#))

Applicability – All Sectors

Click [here](#) to access the KPMG in India First Note

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Insurance Regulatory and Development Authority of India (IRDAI)

Circular on Cyber Incident or Crisis Preparedness⁸

On 24 March 2025, IRDAI has issued the Circular on Cyber Incident or Crisis Preparedness emphasising preparedness for response to any cyber incident effectively to prevent or minimise damage to information assets, including customer data and ensuring business continuity. The requirement in this circular is effective immediately.

Questions for the Audit Committee

1. Has management developed and implemented a Cyber Crisis Management Plan (CCMP) in accordance with the requirements of the IRDAI circular dated 24 March 2025, and has the plan been formally reviewed and approved by the Board of Directors?
2. Does CCMP Plan covers requirements of the circular such as:
 - a) process to report cyber incidents to IRDAI within the mandated 6-hour window
 - b) clearly defined roles, responsibilities, and escalation procedures in the event of a cyber crisis
 - c) certified external forensic experts for investigating severe cyber incidents
 - d) systems and tools are in place to ensure that all ICT infrastructure and application logs are retained for a minimum of 180 days?



Applicability – All regulated entities, Insurance Intermediaries, and Training institutes

Click [here](#) to access the Notification

Companies (Indian Accounting Standards) Amendment Rules, 2025.

The Effects of Change in Foreign Exchange Rates⁹

The recent amendment to Ind AS 21 (The Effects of Changes in Foreign Exchange Rates), notified by the Ministry of Corporate Affairs (MCA) on 7 May 2025. This amendment addresses the issue of lack of exchangeability between currencies. This amendment aligns Ind AS 21 with the corresponding changes made to IAS 21 by the International Accounting Standards Board (IASB) and is effective from 1 April 2025. This amendment requires entities to assess whether a currency can be exchanged into another in a timely manner and at a quoted exchange rate, without undue restrictions. If a currency is not exchangeable, entities are required to estimate the spot exchange rate that would have applied if exchangeability existed.

Questions for the Audit Committee

1. Has the company identified any jurisdictions or operations where currency exchangeability is currently restricted or at risk and the impact of these amendments on existing foreign operations and financial reporting?
2. If this amendment is applicable, then
 - a) What estimation techniques are being used to determine spot exchange rates when exchangeability is lacking?
 - b) What disclosures will be made in the financial statements regarding lack of exchangeability and estimated exchange rates?
 - c) How is the company documenting significant judgements made in estimating exchange rates, especially in hyperinflationary or restricted economies?

Applicability – All Sectors

Click [here](#) to access the Notification



National Financial Reporting Authority (NFRA)

NFRA Auditor-Audit Committee Interaction Series 1 Audit of Accounting Estimates and Judgments: Expected Credit Losses (Ind AS 109), Series 2 Audit Strategy and Planning and Series 3 Related Parties (Ind AS 24 and SA 550)¹⁰

The National Financial Reporting Authority (NFRA) launched a three-part Auditor-Audit Committee Interaction Series to strengthen audit quality and governance. Series 1, issued on 10 January 2025, focusses on Expected Credit Losses (ECL) under Ind AS 109, guiding audit committees to scrutinise assumptions and models used in credit loss estimation.

Series 2, released on 28 March 2025, addresses Audit Strategy and Planning, encouraging dialogue on audit scope, risk assessment, and resource allocation.

Also issued on 28 March 2025, Series 3 covers RPTs under Ind AS 24 and SA 550, emphasising transparency, proper approvals, and fraud risk mitigation. Together, these series aim to enhance financial integrity and investor protection.

Questions for the Audit Committee on above NFRA Series1 to Series 3

1. How has management ensured that it is implementing the guidance outlined in NFRA's Auditor-Audit Committee Interaction Series?

Applicability – All Sectors

Click [here](#) to access the Publication



Ministry of Micro, Small and Medium Enterprises (MSME)

Threshold for classifying an Enterprise as Micro, Small & Medium¹¹

On 21 March 2025, the Ministry of Micro, Small & Medium Enterprises issued a notification to amend the threshold for classifying an enterprise under the MSME Development Act, 2006 as Micro, Small & Medium Enterprise. The revised limits are applicable from 1 April 2025. The limits for investment in plant and machinery or equipment has increased from INR1 crore to INR2.5 crore for micro enterprises, from INR10 crore to INR25 crores for small enterprise and INR50 crores to INR125 crores for medium enterprise. The turnover limits have increased from INR5 crore to INR10 crore for micro enterprises, from INR50 crore to INR100 crores for small enterprise and INR250 crores to INR500 crores for medium enterprise.

Questions for the Audit Committee

1. What was the process followed by management to identify and classify vendors as MSMEs in the company's system, particularly in light of the revised thresholds effective from 1 April 2025?
2. Is the management compliant with the 45-days payment rule under Section 43B(h) of the Income Tax Act, and is this reflected in their tax disclosures?
3. Has management updated their financial statements disclosures to reflect the revised MSME thresholds?
4. Are there any changes in provisioning or liabilities due to reclassification of vendors as MSMEs?

Applicability – All Sectors

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Annexure to Revised RPT Standards: Questions for the Audit Committee

1. Have all RPTs been identified and classified in accordance with the Revised RPT Standards and Regulations 23(2), (3), and (4) of the LODR Regulations?
2. What steps have been taken to ensure compliance with the effective date of 1 September 2025, including transition arrangements for RPTs approved prior to this date?
3. Has the management defined the process to ensure that
 - a) The minimum information for each RPT being would be presented in the standardised format (Parts A, B, and C)? How would completeness and accuracy be ensured?
 - b) For fields marked 'NA', reasons for non-applicability be documented and justified?
 - c) How would the segregation of transaction types (e.g., sale of goods vs. services, loans vs. guarantees) be handled in disclosures?
4. How will management ensure that
 - a) financial extracts or audited financials of related parties for the preceding financial year would be available and reviewed?
 - b) For material transactions, how is the latest credit rating of the related party would be factored into decision-making?
 - c) A process to document the strategic rationale for each material RPT, and ensure that it aligns with the company's objectives?
 - d) the CEO/MD/WTD/Manager and CFO jointly certify that the RPTs are in the interest of the listed entity?
 - e) External valuation reports or expert opinions would be available for high-value or complex transactions? If not, what is the justification?

Annexure to Revised RPT Standards: Questions for the Audit Committee - Continued

5. Has the management built the process that

- a) Board of Directors formally approve and recommend each material RPT for shareholders' approval?
- b) Redactions in shareholders' disclosures are approved jointly by the Audit Committee and the Board, and is it confirmed that sufficient information remains for informed voting?
- c) Ensures dual compliance with both the Companies Act, 2013 and the Revised RPT Standards?

Sources

1. Reserve Bank of India (Digital Lending) Directions, 2025 – RBI notification dated 08 May 2025.
2. Treatment of Right-of-Use (ROU) Asset for Regulatory Capital Purposes- RBI notification dated 21 March 2025.
3. Framework for Environment, Social and Governance (ESG) Debt Securities (other than green debt securities) by SEBI dated 05 June 2025.
4. SEBI Disclosure of Risk adjusted Return - Information Ratio (IR) for Mutual Fund Schemes dated 17 January 2025.
5. Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2025 dated 27 March, 2025.
6. Clarification on the position of Compliance Officer in terms of regulation 6 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 dated 01 April 2025.
7. Industry Standards on “Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions” by SEBI circular dated 26 June 2025.
8. Circular on Cyber Incident or Crisis Preparedness by Insurance Regulatory and Development Authority of India (IRDAI) dated 24 March 2025
9. MCA amends Ind AS 21 to address lack of exchangeability of exchange rates - KPMG through First notes publications
10. Auditor- Audit Committee Interaction Series 1, 2 and 3 by NFRA dated 10 January 2025 for Series 1 and 28 March 2025 for Series 2 and 3.
11. Ministry Of Micro, Small And Medium Enterprises Notification by Government of India dated 21 March 2025.



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KPMG Assurance & Consulting Services LLP, Lodha Excelus, Apollo Mills Compound, NM Joshi Marg, Mahalaxmi, Mumbai - 400 011 Phone: +91 22 3989 6000, Fax: +91 22 3983 6000

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