KPMG

Risk and Compliance Update

3rd Edition | August 2025

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Executive summary

Global and domestic shifts are redefining India's risk landscape, shifting organisational focus toward resilience and cost-of-risk management. Tensions in the Middle East, including disruptions near the Strait of Hormuz, have added volatility to global energy markets. Rising oil prices and higher freight and insurance costs are pressuring transport, chemical, and manufacturing sectors, with broader implications for input costs and inflation. Businesses are reassessing energy dependencies, supply chain exposure, and procurement strategies to build greater resilience.

Trade policy changes are amplifying these pressures. The EU's phased carbon border adjustments and selective tariff measures in North America and East Asia are reshaping cost structures and market access for Indian exporters, particularly in automotive components, electronics, and specialty chemicals. Compliance with emissions reporting and traceability requirements has shifted from long-term planning to an immediate operational priority, accelerating investment in supply chain diversification and sustainability reporting.

Domestically, regulators are signaling a stronger enforcement posture. SEBI has advanced enhanced ESG disclosure norms, while financial regulators, including the RBI and IRDAI, are tightening oversight of digital lending and transitioning to risk-based capital frameworks. These measures reflect a broader focus on transparency, sustainability, and systemic resilience, raising both compliance expectations and governance standards across industries.

Overall, these developments point to a risk environment where external shocks and regulatory expectations are converging. Organisations must strengthen geopolitical and trade risk monitoring, build adaptive compliance frameworks, and enhance resilience to energy price and supply chain volatility to navigate a more complex operating landscape.

In this issue:

- Risk radar: Key trends and updates
- Featured article: Unpublished Price Sensitive Information (UPSI)
- Risk landscape: Key developments
- Compliance corner: Key updates
- Curated insights: Our recent publications

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Risk radar: Trends and updates

India's business environment is evolving rapidly, with regulation turning anticipatory and risks becoming cross-functional—spanning AI, industrial policy, data sovereignty, and geopolitics.

Governance boundaries are being redefined. Issues like ecosystem fragility, algorithmic accountability, and dual-use innovation now demand greater oversight. This shift signals a strategic evolution in risk leadership, moving beyond compliance to proactive engagement.

The uncomfortable truth is that the future may not reward caution — but clarity. Organisations must anticipate impact before policy arrives, align governance with transformation, and design for uncertainty—not just react to disruption.

We hope you find this edition valuable and look forward to your feedback and suggestions for future issues.

The rise of autonomous decisions: Time to reassess AI governance exposure?

As artificial intelligence becomes more deeply embedded in business workflows, Indian enterprises are increasingly relying on systems that make decisions once reserved for human judgment. From credit approvals and vendor scoring to hiring recommendations and content curation, AI is no longer just assisting — in many cases, it is acting.

This shift has accelerated through mid-2025, with a sharp rise in the use of agentic AI — systems that plan, decide, and execute autonomously. While adoption has driven gains in speed and productivity, it has also introduced new risks: opaque logic, fragmented accountability, and uncertainty within the workforce around how and where decisions are made. These risks are not yet fully visible to most compliance frameworks, but they are becoming harder to ignore.

Organisations and risk leaders now face a pivotal opportunity. With India's Digital India Act under consultation and global AI governance models gaining traction, the second half of FY2025–26 is a critical window to embed oversight into AI-led systems — ensuring they are explainable, auditable, and aligned with both regulatory and organisational trust standards.

Sector in the limelight

BFSI

BFSI sector is under renewed scrutiny as structural vulnerabilities—from loan evergreening to model governance and climate exposure—draw tighter regulatory focus. As institutions scale embedded lending, AI underwriting, and ESG-linked products, legacy risk frameworks are proving inadequate. The convergence of fintech, shadow banking, and AI-led credit has outpaced oversight, raising questions around systemic resilience and regulatory reach. The rise of green bonds and ESG instruments lacks robust impact verification, exposing firms to greenwashing and disclosure risks. Companies now face growing pressure to govern data, models, and third-party dependencies across a fast-evolving financial ecosystem.

Some key recent developments include:

- April 2025, the **RBI flagged persistent loan evergreening** practices among certain private banks and NBFCs, prompting forensic-level scrutiny of credit models, audits, and internal controls
- The **Digital Lending Guidelines (2025 update)** tightened LSP disclosure norms, but enforcement remains patchy—especially for embedded lending within unregulated platforms.

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Featured article

UPSI is evolving — is your governance keeping up?

As markets react faster to operational signals and AI increases data mobility, regulators are expanding what qualifies as sensitive and market-moving. Effective 9 June 2025, SEBI expanded Insider Trading Regulations to formally define 16 UPSI event categories—including rating actions, guarantees, audits, legal orders, defaults, and regulatory actions—marking a shift beyond traditional financial disclosure

Companies must log all UPSI, internal or external, within two calendar days, and implement clear audit trails across all access points. Trading window restrictions will now depend on whether UPSI originated internally or externally, placing new responsibility on risk and compliance teams to classify information in real-time.

For companies, the message is clear: UPSI oversight is no longer legal hygiene—it's a leadership imperative tied to investor trust, reputational capital, and digital governance.

Major regulatory and compliance updates

PAN freeze extended to relatives of designated persons:

Effective **1 July 2025,** for Top 500 companies and **1 October 2025,** for others, SEBI mandates **PAN freezing** for **immediate relatives** of Designated Persons during trading window closures — aimed at curbing insider trading through family members.

Read more

Broadened definition of 'connected persons':

SEBI's third amendment to PIT Regulations, effective 4 **December 2024**, expands "connected persons" to include **household members** and **former associates** from the past **six months** — placing the burden of proof on those in possession of UPSI.

Read more

Way forward

UPSI governance is no longer about access control—it's about strategic foresight. Companies must treat it as systemic exposure embedded across decision cycles: early-stage deals, litigation, credit actions, and regulatory interactions. Effective oversight now means integrating UPSI classification into workflows, embedding digital traceability, and reframing disclosures as proactive signals. Leadership must also reassess how connected persons—law firms, consultants, advisors—fit into the governance perimeter, ensuring no blind spots. The real test isn't just preventing leaks, but stewarding market-moving information with intent, agility, and institutional maturity.

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Risk landscape: key updates (1/2)

SEBI streamlines RPT governance rules

SEBI's 25 June 2025, circular removed the requirement for promoter certification on Related Party Transactions (RPTs). Now, the MD/CEO or WTD and CFO must certify that RPTs are in the company's best interest. Boards must also approve and redact commercial details before shareholder disclosure, strengthening accountability.

Read more

Key points to consider

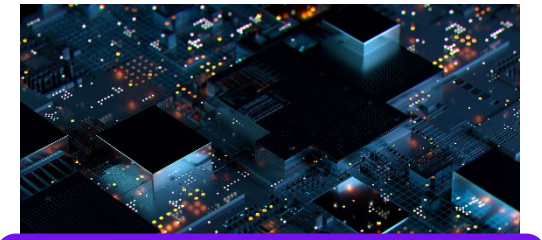
How will organisations ensuring enhanced oversight of RPTs and strengthening assurance frameworks to support the CEO/CFO certifications?

Introduction of New Presentation and disclosure Standard- Ind AS 118

ICAI has issued an exposure draft of Ind AS 118 based on IFRS 18 and will replace Ind AS 1, Presentation of Financial Statements proposed to be effective from 1 April 2027. Currently, Ind AS 1 and Schedule III of Companies Act 2013 governs the presentation and disclosure of financial statements and mandates classification of expenses by nature while presenting the statement of profit and loss. Once Ind AS 118 is notified, any potential amendments to Schedule III may significantly impact the current reporting practice.

Read more

Are organisations ready to operationalise the new disclosure framework—aligning systems, investor communications, and audit readiness ahead of 2027?



Dematerialisation mandate for private companies

The MCA's extended deadline of 30 June 2025, has now passed. Private companies (excluding small and producer companies) are required to dematerialise their shares. This reform aims to enhance ownership transparency, curb untraceable holdings, and align private entities with digital securities norms.

Read more

Are we ensuring shareholder readiness, communication, and overseeing internal controls to comply with dematerialisation requirements?

SEBI Framework for ESG debt securities

SEBI released a detailed framework for the issuance and listing of ESG debt securities, specifically targeting social bonds, sustainability bonds, and sustainability-linked bonds—excluding green debt securities. The framework introduces eligibility criteria, disclosure obligations, and monitoring mechanisms.

Read more

How are issuers aligning bond frameworks with ESG metrics, ensuring accurate disclosure, and preparing compliance structures for ongoing monitoring?

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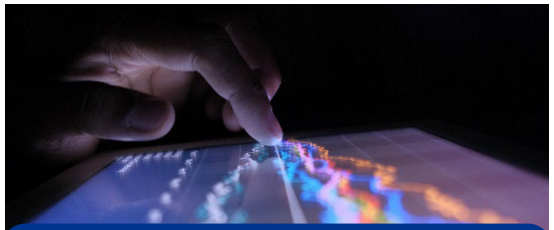
Risk landscape: key updates (2/2)



RBI's push for AI-enabled cyber risk oversight

The RBI is its bi-annual the Financial Stability Report has highlighted critical gaps in cyber risk management across financial institutions, calling for adoption of AI-driven threat detection and zero-trust architecture. This marks a shift from reactive IT controls to predictive, intelligence-led frameworks. The message is clear: resilience must be embedded across operations, with leadership visibility and ownership.

Read more

FIU-RBI alignment on AML data architecture

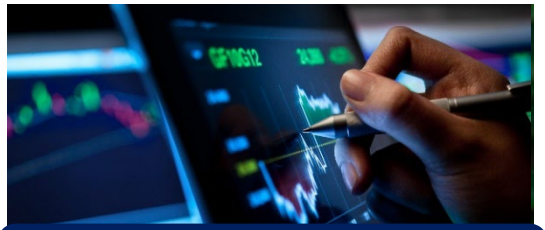
Financial Intelligence Unit (FIU)-IND and RBI have signed an MoU to strengthen coordination under the Prevention of Money Laundering Act. As part of this effort, FIU is developing a new reporting framework to elevate compliance standards and improve data quality shared with the Reserve Bank of India.

Read more

RBI's mandate to use DoT's FRI technology in banks

On 30 June 2025, the RBI directed all Scheduled Commercial Banks, Small Finance Banks, Payments Banks, and Co-operative Banks to incorporate the Financial Fraud Risk Indicator (FRI) developed by the Department of Telecom (DoT) into their systems. The move embeds telecom analytics into banking systems to detect early warning signs of fraud.

Read more



SEBI's proposed AI rulebook for capital markets

SEBI's consultation paper in July 2025, outlines governance for AI/ML in capital markets, including fairness, explainability, and human oversight. As AI tools gain ground in trading, surveillance, and compliance, organisations face rising scrutiny on algorithmic risks, bias, and opaque decision-making—especially where regulated decisions are delegated to machines.

Read more

Key points to consider

Are organisations accelerating the integration of AI into cyber defences while upgrading governance and assurance mechanisms?

How are organisation redesigning AML programmes to incorporate real-time regulatory data while strengthening governance over data quality, risk prioritisation, and escalation protocols?

Are organisations integrating cross-sector intelligence to enhance pre-emptive detection while maintaining systemic integrity and control assurance?

Are firms strengthening oversight of AI systems to ensure ethical design, regulatory compliance, and explainable outcomes?

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Compliance corner: Key highlights (1/2)

	Points to consider:
Companies (filing of documents and forms in extensible business reporting language) amendment rules, 2025: Companies filing financial statements in XBRL format must now also attach a signed PDF copy of the financial statements, including the Board's report and Auditor's report Read more	• Have filing workflows been updated to generate and attach signed PDF reports consistently? • Are controls in place to ensure accuracy and prevent duplication or omission during filings?
RBI digital lending directions, 2025 Updated norms define roles of Lending Service Providers (LSPs) and Digital Lending Apps (DLAs) and set data governance and Default Loss Guarantee (DLG) standards impacting provisioning norms for non-performing assets Read more	• Have all group entities engaging with LSPs and DLAs been identified and reviewed for compliance? • Are data governance and risk management processes aligned with RBI's new digital lending requirements?
Review of qualifying asset criteria for NBFC-MFIs RBI has revised qualifying asset criteria from seventy-five percent to sixty percent of total assets (excluding intangibles), aligned with microfinance loan definitions under Master Directions 2022. NBFC-MFIs failing this threshold for four consecutive quarters must submit a remediation plan to the RBI (effective 6 June 2025) Read more	• How will the revised qualifying asset threshold affect portfolio strategy and business planning? • Are monitoring systems capable of tracking qualifying asset levels in real time to avoid compliance breaches?
SEBI LODR (second amendment) regulations, 2025 – Special Purpose Distinct Entities (SPDEs): SPDEs or their trustees must register with SCORES and provide annual disclosures to stock exchanges, including outstanding litigation, significant developments impacting investor interests, and any servicing defaults by servicers Read more	• Have reporting frameworks been adapted to capture litigation and servicing default data required under the new norms? • Is the trustee oversight process equipped to manage ongoing compliance with SCORES registration and disclosure obligations?
Companies (management and administration) amendment rules, 2025: Changes to Forms MGT-7, MGT-7A, and MGT-15 include: (i) mandatory disclosure of debenture-related borrowings, (ii) specification of AGM financial year for traceability, and (iii) uploading a clear external photograph of the registered office prominently showing the company name Read more	• Are secretarial teams prepared to collect and validate new information, including registered office photographs? • Have disclosure templates and checklists been revised to include the new AGM financial year and debenture details?

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Compliance corner: Key highlights (2/2)

	Points to consider:
Companies (Indian accounting standards) amendment rules, 2025 – Ind AS 21: Addresses lack of exchangeability between currencies. Companies must determine if a currency is exchangeable, and if not, estimate an appropriate spot exchange rate. This aligns with IAS 21 changes and is effective from 1 April 2025 Read more	• Has the company identified jurisdictions with currency exchange restrictions and evaluated their impact on financial reporting? • Are estimation techniques and documentation processes in place to comply with the new Ind AS 21 requirements?
NFRA – Auditor–audit committee interaction series (Jan and Mar 2025) NFRA: issued a 3-part series to strengthen audit committee oversight: Series 1 (10 Jan) – ECL under Ind AS 109, Series 2 (28 Mar) – Audit Strategy and Planning, and Series 3 (28 Mar) – Related Party Transactions under Ind AS 24 and SA 550 Read more	• Has management embedded NFRA's guidance into audit planning, model governance, and RPT oversight frameworks? • Is the audit committee actively engaging with auditors to challenge ECL assumptions and monitor related party risk?
SEBI clarification – compliance officer role (LODR regulation 6): SEBI clarified that the Compliance Officer must be in whole time employment, report to senior management no more than one level below the Board and be designated as Key Managerial Personnel (KMP). This aligns with Companies Act 2013 and follows the third LODR amendment Read more	• Has the compliance function been reviewed to confirm the officer's designation as KMP and reporting alignment? • Are board resolutions and corporate disclosures updated to reflect the clarified requirements?
SEBI committee on conflict-of-interest rules: SEBI has constituted a high-level committee in March to review conflict-of-interest norms, focusing on disclosure and governance standards for boards and directors across regulated entities. The committee will recommend enhanced transparency, stricter disclosure requirements, and oversight mechanisms Read more	• How could proposed changes in conflict-of-interest rules affect director independence and disclosure obligations? • Should governance frameworks be proactively updated to align with potential new transparency requirements?
RBI digital banking and third-party product restrictions (draft, July 2025): proposes banning banks from promoting non-core third-party products via digital channels. It mandates opt-in consent, separates view-only and transactional access, and enforces stronger digital risk controls Read more	• How could restrictions on cross-selling and opt-in consent requirements change distribution and partnership models? • Are digital banking strategies and revenue models being reviewed to align with these proposed norms?
MCA mandates expanded disclosures via revised e-Forms: From 14 July 2025, companies must file updated statutory returns with disclosures on gender-wise promoter data, harassment and maternity compliance, and office photographs. These updates support digital filings and structured, machine-readable governance reporting. Read more	• Has the organisation assessed its compliance and HR systems' readiness to file new promoter and policy disclosures in machine-readable formats? • What controls are in place to ensure consistency, traceability, and auditability of new data points ahead of filing under the revised e-forms?

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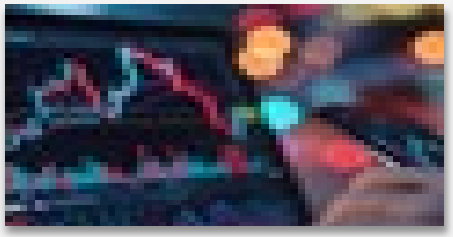
Curated insights: Our recent publications

The board's debt mandate: From compliance to confidence



Beyond the Trade Wars: India's Role in a Fractured Order

Global profiles of the fraudster- India outlook

Fundamental review of the trading book: An overview

IPOs in India –FY 2025

Embracing governance in the age of social media – A playbook for boards

Third-party risk management: Evolving third party landscape in India's media and entertainment industry

Beyond the resume

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