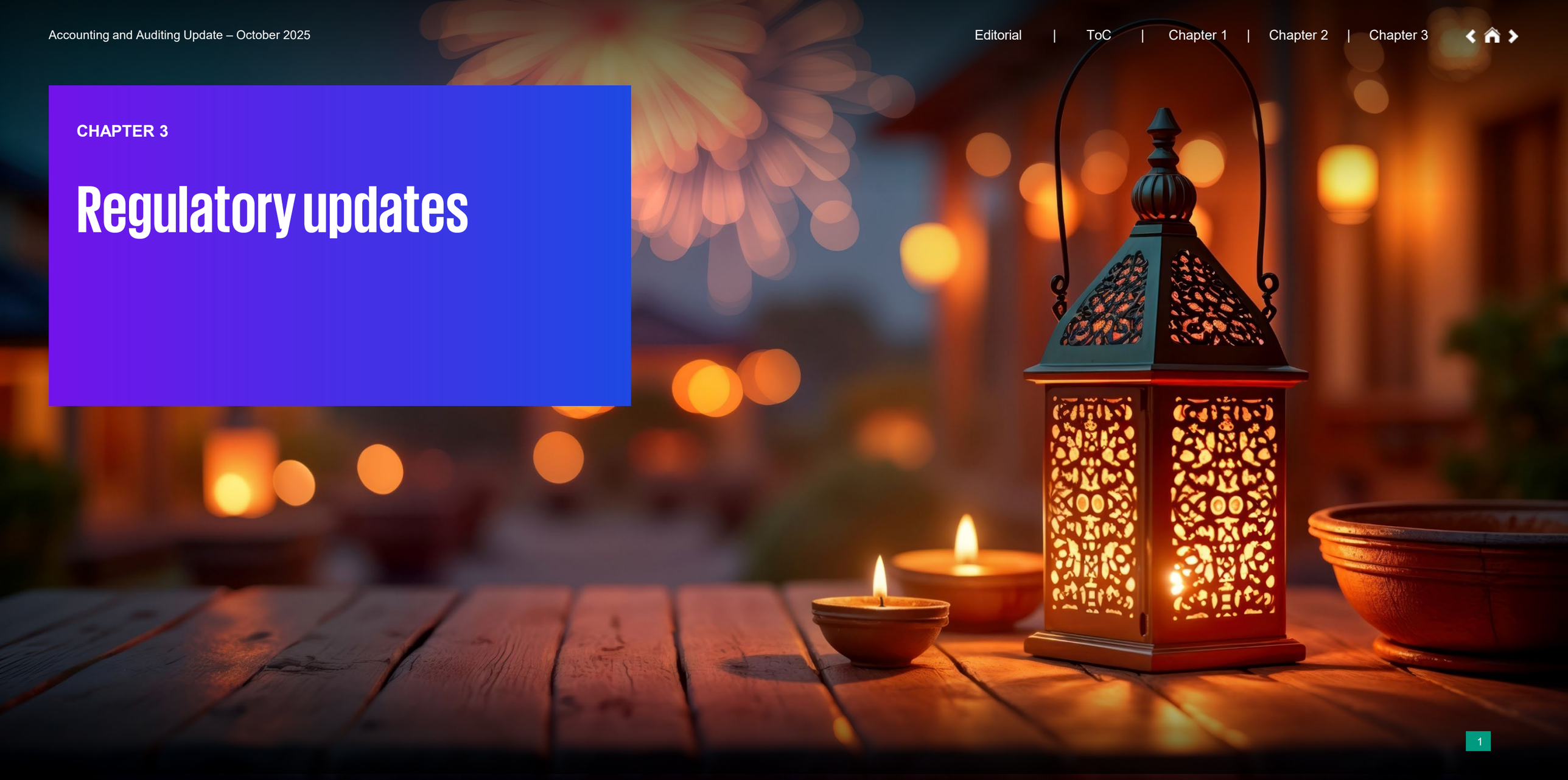
CHAPTER 3

Regulatory updates



Relaxation in minimum information to be provided for RPT approvals

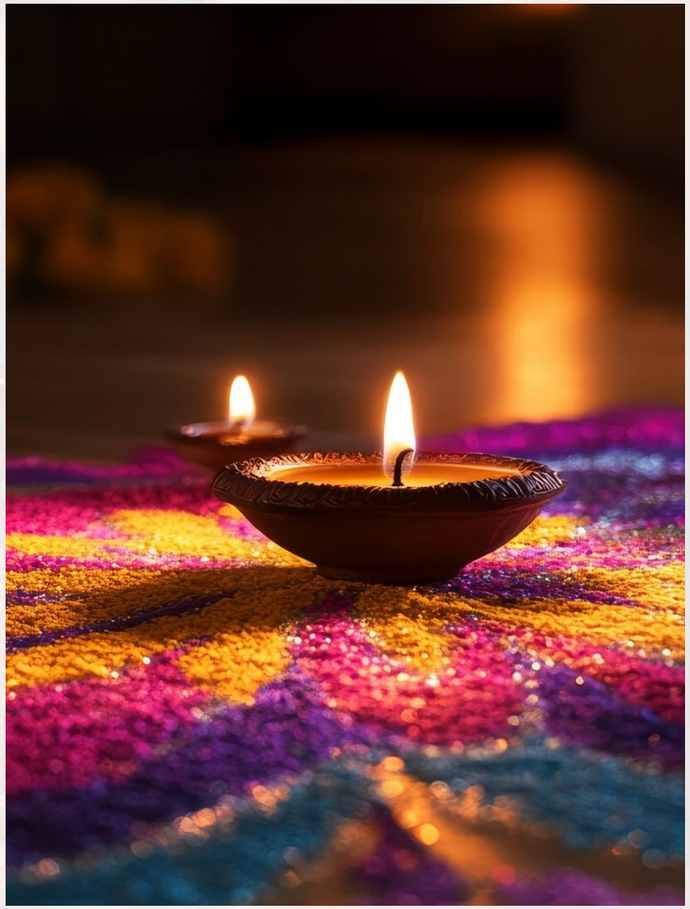
Securities and Exchange Board of India's (SEBI) circular dated 26 June 2025 (the original circular) prescribed Industry Standards for minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions (RPTs) (RPT Industry Standards). Subsequently, the Industry Standards Forum (ISF) submitted a representation to SEBI seeking relaxation from mandatory application of these RPT Industry standards to all RPTs. In response, SEBI issued a consultation paper on 4 August 2025 proposing threshold-based applicability of RPT Industry Standards, following which SEBI in its board meeting held on 12 September 2025 approved the said proposals. Consequently, SEBI has issued a circular on 13 October 2025 (the Circular), modifying the Master Circular[1] and the original circular to appropriately operationalise the RPT Industry Standards.

As per the Circular, information to be placed before the Audit Committee and Shareholders by a listed entity for approval of RPTs, if entered individually or taken together with previous transactions during a financial year (including those which are approved by way of ratification) will be as follows:

- RPTs below **INR1 crore** are exempted from complying with the RPT Industry Standards. Accordingly, for such transactions disclosures stated in the Annexure-13A of the circular are not mandatory.
- For RPTs whose value **is ≤ 1 per cent of annual consolidated turnover as per last audited financial statements of the listed entity or INR10 crore**, whichever is lower, minimum information as specified in Annexure-13A of this Circular will apply.
- For RPT's **exceeding INR10 crore**, full disclosures as specified in the RPT Industry Standards should be provided.

The circular came into effect from 13 October 2025.

(Source: SEBI Circular No SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/13, 'Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions', dated 13 October 2025)



1. Master circular for compliance with the provisions of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 by listed entities.

NSE extends single filing system to annual secretarial compliance report

Under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations), listed companies are required to submit a range of periodic disclosures - such as governance reports, investor grievance summaries, board meeting outcomes, and audit-related filings - to each stock exchange where they are listed. These submissions across multiple stock exchanges often result in duplication and added compliance effort. To streamline this, SEBI introduced the Single Filing System (SFS) - also known as the API-based integrated filing system on 30 September 2024[2] . This framework enables listed entities to submit a disclosure once on one exchange, which is then automatically shared with other exchanges through API connectivity.

The National Stock Exchange of India (NSE), via Circular issued on 12 September 2025, has announced an extension of the single filing system wherein effective 15 September 2025, the Annual Secretarial Compliance Report under Regulation 24A(2) of the LODR Regulations, will now be included in the single filing system. The NSE circular outlines, in a tabular format, the disclosures currently under the single filing system, along with their respective effective dates and categories of listed companies to which they apply - i.e. only equity, equity and debt, exclusively debt, REITs and InvITs.

As per the circular, Annual Secretarial Compliance Report will initially apply only to equity and equity and debt-listed entities. Applicability to exclusively debt-listed entities, REITs and InvITs is yet to be communicated.

(Source: NSE circular No.NSE/CML/2025/37, 'Subject: Update on single filing system through API-based integration between Stock Exchange'; dated 12 September 2025)

2. SEBI Circular No. NSE/CML/2024/28 dated 30 September 2024.rc

Relaxation on compliance with guidance notes for non-corporate entities and LLPs

On 19 September 2025, the Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI) announced a relaxation in compliance requirements for two recently issued guidance notes:

- *Guidance Note on Financial Statements (FS) of Non-Corporate Entities*
- *Guidance Note on Financial Statements (FS) of Limited Liability Partnerships (LLPs).*

Originally made effective for financial periods beginning on or after 1 April 2024, these guidance notes will now be voluntary for the annual reporting period 2024–25, in view of practical considerations and members' interest. This relaxation, however, does not affect the applicability of Accounting Standards or the Framework for the Preparation and Presentation of Financial Statements, which remain binding as per ICAI's other pronouncements.

(Source: ICAI, ASB, Announcement providing relaxation in compliance with the 'Guidance Note on Financial Statements of Non-Corporate entities' and 'Guidance Note on Financial Statements of Limited Liability Partnerships' for annual reporting period 2024-25; dated 19 September 2025)

Handbook on certificates by chartered accountants

Centre for Audit Quality Directorate (CAQ) of the ICAI issued the 'Handbook on Certificates by Chartered Accountants: Comprehensive Checklist & Formats', on 13 October 2025. This handbook is crafted as a practical and authoritative resource for members tasked with issuing certificates across diverse statutory, regulatory, and financial domains. It underscores that certificates are not mere formalities- they are professional attestations that demand sound judgement, ethical rigor, and strict compliance with established procedures. Based on the principles of the Guidance Note on Reports and Certificates for Special Purposes (Revised 2016), the handbook clarifies the scope of engagements, levels of assurance, and documentation protocols essential for certificate issuance. It also reinforces the mandatory use of Unique Document Identification Number (UDIN) to ensure traceability and authenticity.

The publication offers:

- Structured step-by-step procedural guidance
- Illustrative formats for frequently issued certificates - such as net worth, turnover, fund utilisation, proposed accounting treatment in relation to a scheme of merger/ amalgamation, etc.
- Checklists recommended to be filled before issuance of certificates.

Certificates are systematically categorised by purpose and intended user, with clear guidance on engagements that fall outside the scope of standard audits or reviews. Designed to support both experienced practitioners and newly qualified members, the handbook reinforces the importance of diligence, consistency, and professional integrity in all certification engagements.

(Source: CAQ of ICAI, Handbook on Certificates by Chartered Accountants: Comprehensive Checklist & Formats, dated 13 October 2025)

Directions for settlement of claims pertaining to bank accounts of deceased customers

On 26 September 2025, the Reserve Bank of India (RBI) issued the RBI (Settlement of Claims in respect of Deceased Customers of Banks) Directions, 2025 (Settlement directions), aimed at streamlining and harmonising procedures across banks for handling claims with respect to a deceased person's deposit accounts, safe deposit lockers, and articles in safe custody. These Settlement directions replace earlier fragmented practices with a uniform framework, improving transparency, reducing delays, and minimising hardship for nominees, survivors, and legal heirs. Some key aspects are as follows:

- **Applicability:** The settlement directions are applicable to all commercial and co-operative banks but excludes government savings schemes like Public Provident Fund (PPF) and Senior Citizen Savings Scheme (SCSS). Settlement of claims in such cases shall be as per the provisions of the respective schemes.
- **Simplified claim settlement:**
  - For accounts with nomination or survivorship clause, banks must settle claims without insisting on legal documents (e.g., succession certificate), provided basic identity and death proof are submitted.
  - For accounts without nomination/survivorship clause, simplified procedures apply up to a threshold of INR15 lakh or such higher limit as may be fixed by the bank (INR5 lakh for co-operative banks), with minimal documentation and no third-party surety. Claims above threshold require additional documents such as succession certificates or affidavits, with discretion for banks to seek surety bonds.
- **Locker and safe custody claims:** Simplified and standardised procedures introduced, including inventory protocols and timelines.
- **Time-bound processing:** Banks must settle deposit-related claims within 15 calendar days of receiving complete documentation. Delays if any, would attract compensation - Bank Rate + 4 per cent interest per annum or INR5,000 per day for locker-related delays.
- **Customer awareness:** Banks are required to publicise nomination benefits and make claim forms and procedures accessible online and at branches.

These directions are to be implemented by 31 March 2026, and supersede earlier RBI circulars (specified in Annexure II of the circular) on the subject.

(Source: RBI Notification, RBI/2025-26/82DoR.MCS.REC.50/01.01.003/2025-26 'Reserve Bank of India (Settlement of Claims in respect of Deceased Customers of Banks) Directions, 2025'; dated 26 September 2025)

RBI issues draft directions pursuant to policy announcement

In pursuance of the announcement made in the 'Statement on Developmental and Regulatory Policies' dated 1 October 2025, the RBI has issued the following draft directions for public comments:

1. **Draft Reserve Bank of India (Commercial Banks - Capital Market Exposure) Directions, 2025**: The draft aims to streamline and strengthen the regulatory framework governing banks' exposure to capital markets. It is applicable to all commercial banks (excluding Small Finance Banks (SFBs), Regional Rural Banks (RRBs), Local Area Banks (LABs), and Payment Banks). The directions consolidate norms for both direct exposures (e.g., direct investments in equity and preference shares, mutual funds, convertible debentures, Alternate Investment Funds (AIFs)) and indirect exposures (e.g., loans against securities, financing to capital market intermediaries, advances to individuals for investment in shares). Some key aspects are as follows:
   - **Exposure limits:** Aggregate capital market Exposure (CME) capped at 40 per cent of Tier 1 capital and bank's direct capital market exposure, shall not exceed 20 per cent of solo and consolidated Tier 1 Capital, as applicable.
   - **LTV Norms:** Specific loan-to-value (LTV) ceilings are prescribed for loans against eligible securities to individuals (e.g., 60 per cent for listed shares, 75 per cent for equity mutual funds, 85 per cent for debt mutual funds).
   - **Prohibited lending**: Loans against partly paid shares, own securities, Indian Depository Receipts (IDRs), and for buybacks are disallowed.
   - **Limits:** Individuals may avail loans up to INR1 crore against eligible securities such as listed shares, mutual fund units (excluding debt schemes), and other approved instruments, with a sub-limit of INR25 lakh specifically permitted to be used for acquiring securities from the secondary market.
   - **IPO/FPO/ESOP financing:** Banks may extend loans up to INR25 lakh to individuals for subscribing to shares under Initial Public Offers (IPOs), Follow-on Public Offers (FPOs), or Employee Stock Options (ESOPs), subject to a minimum 25 per cent cash margin. However, such loans are prohibited for a bank's own employees or its Employees' Trust when purchasing the bank's own securities.
   - **CMI lending:** Banks may provide need-based credit facilities to Capital Market Intermediaries (CMIs) to fund their day-to-day operations, including general working capital facilities and specific facilities. The lending has been permitted with strict collateral requirements and exposure limits; banks must avoid financing proprietary trading.
   - **Acquisition finance**[3]**:** Aggregate exposure of a bank towards acquisition finance shall not exceed 10 per cent of Tier 1 capital, subject to stringent eligibility and disclosure norms.

3. Acquisition finance may be extended by banks to Indian corporates for acquiring equity stakes in domestic or foreign companies as strategic investments, i.e. those investments which are driven by the core objective of creating long-term value for the acquirer through potential synergies, rather than mere financial restructuring for short term gains.

2. **Draft Reserve Bank of India (Small Finance Banks - Capital Market Exposure) Directions, 2025:** These directions provide a comprehensive framework for managing Capital Market Exposure (CME) by Small Finance Banks (SFBs). These draft guidelines aim to align SFB practices with evolving market standards while ensuring financial stability. It covers various aspects such as exposure limits, loan to value norms, ceilings for retail lending to individuals, corporate lending limits, etc.
3. **Draft 'Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Amendment Directions, 2025:** The purpose of these draft amendment directions is to amend certain applicable risk-weights for infrastructure exposures of Non-Banking Financial Companies (NBFCs), based on operational performance and credit quality of projects. Following are the amendments expected to be introduced:

A. A new classification called the 'high quality infrastructure projects' is proposed to be introduced for infrastructure projects that meet six specific criteria which are as follows:

- The infrastructure project should have completed at least one year of satisfactory operations post achievement of the date of completion of commercial operations.
- Exposure classified as 'standard' in lender's books.
- Revenue linked to a central government or public sector counterparty with predictable payment terms.
- Strong creditor protections (e.g., escrow of cashflow, first charge on assets, etc.).
- Adequate internal and external financial arrangements for working capital and future fund needs.
- Restrictions on issuing additional debt without creditor consent.

B. Revised risk weights for infrastructure loans:

- **50 per cent risk weight:** For loans to high-quality infrastructure projects where the obligor has repaid at least 10 per cent of the sanctioned amount.
- **75 per cent risk weight:** For loans to high-quality infrastructure projects where obligor has repaid at least 5 per cent but less than 10 per cent of the sanctioned amount. Projects failing to maintain these conditions will revert to higher risk weights as per standard norms.

The draft guidelines are open for comments from the public/stakeholders until 21 November 2025 and .they are expected to be made effective from 1 April 2026.

(Source: RBI Press Release 2025-2026/13, 'RBI issues Draft Directions pursuant to Policy Announcement', dated 24 October 2025)

NFRA Audit Committee-Auditor Interaction Series 4

The National Financial Reporting Authority (NFRA), with an aim to enhance communication between statutory auditors and audit committees launched a series of auditor -Audit Committee interactions to draw attention of the auditors to the potential questions the Audit Committees/Board of Directors may ask in respect of accounting estimates and judgements. This initiative aims to improve overall audit quality and promote awareness of accounting and auditing standards, in line with the Companies Act 2013 and relevant Standards on Auditing.

NFRA released Series 4 of its guidance focusing on the audit of accounting estimates and judgements related to impairment of non-financial assets under Ind AS 36, *Impairment of Assets* and SA 540, *Auditing Accounting Estimates, Including Fair Value Accounting Estimates and Related Disclosures*.

Series 4 covers key aspects in relation to:

- Impairment vs. depreciation
- Definition of recoverable value
- Indicators of impairment
- Audit committee oversight
- Auditor responsibilities, and
- Disclosure requirements.

This guidance equips Audit Committees with targeted questions to challenge and validate auditor judgements, fostering transparency and investor confidence

(Source: NFRA publication 'Audit Committee -Auditor Interactions Series 4 audit of accounting estimates and judgements, impairment of non-financial assets - Ind AS 36, SA 540 etc.; dated 30 September 2025)

Extension of time for FY 2024–25 annual filings under Companies Act, 2013

The MCA had recently deployed updated versions of the following annual filing forms on the MCA-21 Version 3 portal:

- MGT-7, MGT-7A (annual return)
- AOC-4, AOC-4 CFS, AOC-4 NBFC (Ind AS), AOC-4 CFS NBFC (Ind AS), AOC-4 (XBRL) (Financial Statements)

In response to stakeholders' feedback and to allow companies time to adapt to the new filing process, MCA has granted an extension for filing these forms for FY 2024-25. Companies can file the above forms without payment of additional fees until 31 December 2025. However, the circular clarifies that this relaxation does not extend the statutory deadline for holding Annual General Meetings (AGMs), and companies failing to comply with AGM timelines will remain liable under the Companies Act, 2013.

(Source: MCA General circular No. 06/2025, File No. Policy-17/111/2022-CL-V-MCA, 'Relaxation of additional fees and extension of time for filing of Financial Statements and Annual Returns under the Companies Act, 2013-reg dated 17 October 2025)

GHG emission intensity targets under carbon credit trading scheme

The Ministry of Environment, Forest and Climate Change (MoEFCC) on 8 October 2025 formally notified the Greenhouse Gas (GHG) Emission Intensity Target Rules, 2025 (the GHG Rules), under the Energy Conservation Act, 2001 and the Carbon Credit Trading Scheme, 2023. These rules establish binding emission intensity targets for designated entities across key industrial sectors, starting from FY 2025-26. The primary objective is to operationalise India's carbon credit market by:

- Assigning sector-specific GHG emission intensity targets to designated entities
- Enabling issuance and trading of carbon credit certificates (includes purchase and banking of credits)
- Enforcing compliance through penalties and compensatory mechanisms.

The key provisions of the GHG Rules are as follows:

- **Applicability:** GHG emission intensity targets apply to designated entities in sectors like aluminium, cement, paper and pulp, with performance tracked annually.
- **Emission intensity targets:** Targets have been defined in terms of CO_2 per unit of output, with progressive reductions over FY 2025-26 and FY 2026-27.
- **Compliance obligations:** The designated entities will be expected to meet the annual GHG intensity targets and to register on the Indian carbon market portal. Further, they will be required to submit required documentation and data periodically.
- **Carbon credit issuance:** Credits will be awarded for outperforming targets and deficits will require purchase of carbon credits based on a defined formula or use of banked credits.
- **Environmental compensation:** Non-compliance with the provisions of the GHG Rules, may attract penalties equal to twice the average market price of carbon credits and the funds so collected to be used for national carbon market development.
- **Targets:** Schedule to the rules includes industry wise list of designated entities and their baseline (FY2023-24) GHG emission intensity and the GHG emission intensity target for FY 2025-26 and 2026-27.

(Source: MOEFCC, Notification no G.S.R. 739(E), Greenhouse Gas (GHG) Emission Intensity Target Rules, 2025, 8 October 2025)

IRDAI guidelines 2025: strengthening insurance fraud risk management

The Insurance Regulatory and Development Authority of India (IRDAI) on 9 October 2025, issued the IRDAI (Insurance Fraud Monitoring Framework) Guidelines, 2025, effective from 1 April 2026. These guidelines establish a unified regulatory framework for insurers and distribution channels to proactively prevent, detect, report, and respond to insurance fraud. Some key provisions of the guidelines are as follows:

- **Scope and applicability:** The fraud risk framework is mandatory for all insurers and distribution channels, unless otherwise specified.
- **Fraud classification**: Fraud has been classified into following categories:
  1. Internal fraud: involving employees or management
  2. Distribution channel fraud
  3. Policyholder/claims fraud
  4. External fraud: by vendors or third parties
  5. Affinity fraud or complex fraud involving collusion among multiple parties across above categories.
- **Fraud risk management framework:** This framework under the said guidelines has the following aspects:
  1. Every insurer shall target for zero tolerance for fraud
  2. Board-approved anti-fraud policy with Red flag Indicators (RFIs), should be reviewed at least once every year.
  3. There should be defined roles, responsibilities, and escalation protocols.
  4. Internal turnaround times (TATs) for detection-to-response to be established
  5. Whistleblower protection mechanisms have to been put in place.
- **Governance structure:** Every insurer should establish:
  1. Fraud Monitoring Committee (FMC): Headed by a Key Management Person (KMP), responsible for operationalising and oversight of the fraud risk framework. It will also be responsible for submitting various quarterly and annual reports.
  2. Fraud Monitoring Unit (FMU): Independent of internal audit, it will support FMC in implementation of measures suggested by the FMC.
- **Cyber or new-age fraud:** In order to prevent cyber or new age fraud following measures are specified:
  1. Emphasis on robust cybersecurity infrastructure
  2. Continuous monitoring of digital fraud risks and evolving threats
  3. Establish a team with relevant risk and technological expertise to manage cyber fraud risks.
- **Monitoring and reporting:** Following are the reporting requirements under these guidelines
  1. Incidents of frauds to be reported to law enforcement authorities
  2. Quarterly reports to the Risk Management Committee (RMC) on findings and recommendations of the FMC
  3. Annual fraud risk assessment reports to the Board of directors
  4. Mandatory reporting of internal frauds to the Audit Committee.

(Source: IRDAI Ref: IRDAI/IID/GDL/MISC/112/10/2025 'Insurance Regulatory and Development Authority of India (Insurance Fraud Monitoring Framework) Guidelines, 2025'; dated 09 October 2025)

3-part FAQs on GST

In light of the major GST restructuring effective 22 September 2025, the Ministry of Consumer Affairs, Food and Public Distribution issued a 3-part FAQs on GST. The FAQs address common questions that consumers may have, following the implementation of the GST reforms. They cover various aspects of to the revised GST framework including:

- Clarity on applicable GST rates
- Input tax credit, bringing in clarity on treatment of input tax credit balances post the reforms including aspects of inverted duty structure
- Mandatory price reductions
- Packaging and labeling flexibility
- Guidance on transitional issues
- Impact on e-way bills for goods in transit on date of rate transition.

(Source: Ministry of Consumer Affairs, Food and Public Distribution, Frequently asked questions on GST part-1, part-2, part-3; dated 22 September 2025)

IESBA released 2025 Handbook of the International Code of Ethics

The International Ethics Standards Board for Accountants (IESBA) on 7 October 2025 issued the 2025 edition of the Handbook of the International Code of Ethics for Professional Accountants (including the International Independence Standards). This updated handbook introduces significant enhancements to ethical guidance for accountants globally. Some key aspects are as follows:

- **Volume 1 additions:** Includes approved revisions addressing:
  - Use of external experts
  - Sustainability reporting-related ethics.

  These revisions will take effect from December 2026.
- **New volume 2:** Introduces the International Ethics Standards for Sustainability Assurance (including Independence Standards), covering:
  - Ethical and independence standards for sustainability assurance engagements
  - Expanded guidance on using external experts
  - Additional revisions to the Code related to sustainability assurance.

  These provisions are effective December 2026, with value chain-related independence standards deferred to July 2028.

This release marks a pivotal step in aligning professional ethics with evolving global expectations around sustainability, transparency, and responsible tax practices.

(Source: Ethicsboard.org>>news-events>>IESBA Handbook 2025 Edition; dated 7 October 2025)

Policy statement on evaluating the reliability of external electronic information provided by companies

On 12 June 2024, the Public Company Accounting Oversight Board (PCAOB) adopted amendments to AS 1105, *Audit Evidence*, introducing a new provision in paragraph .10A, focused on evaluating the reliability of external electronic information provided by companies as an audit evidence. This amendment becomes effective for audits of financial statements for fiscal years beginning on or after 15 December 2025. Paragraph .10A requires auditors to:

- Understand the source of the external information and the company's process for receiving, maintaining, and processing it.
- Test the information for modifications or evaluate the controls over how the information is handled.

During the rulemaking process, commenters sought guidance on paragraph. 10A, especially regarding the testing requirements in .10A(b). The Securities Exchange Commission (SEC), upon approving the amendments, encouraged the PCAOB to provide such guidance. In response, the PCAOB has released a Board policy statement on 18 September 2025 to assist auditors in implementing paragraph .10A of AS 1105.

(Source: PCAOB Release No. 2025-004, Policy Statement Regarding Implementation of Paragraph .10A of AS 1105, Audit Evidence'; dated 18 September 2025)

FASB issues ASU to update accounting for internal-use software

The Financial Accounting Standards Board (FASB) issued an Accounting Standard Update ASU 2025-06 to update the guidance on accounting for internal-use software costs. The amendments in the new ASU apply to all entities subject to guidance in FASB Accounting Standards Codification Subtopic 350-40, Intangibles - Goodwill and Other -Internal-Use Software. The update aims to:

- Align accounting practices with modern software development methods
- Clarify when cost capitalisation should begin
- Improve consistency and transparency in financial reporting
- Reduce complexity and judgement inconsistencies in applying outdated staging criteria.

The ASU will be effective for fiscal years beginning after 15 December 2027, with early adoption permitted.

(Source: FASB.org>>news and meeting>>in the news>> FASB Issues Standard That Makes Targeted Improvements to Internal-Use Software Guidance; dated 18 September 2025)

ASU on scope of derivative accounting and on accounting for share-based noncash consideration received from customers

On 29 September 2025, FASB issued ASU 2025-07 covering:

1. Targeted refinements to the scope of derivative accounting under Topic 815, *Derivative and Hedging*. A new exception excludes certain non-exchange traded contracts from derivative accounting if the relevant underlying is tied to operations or activities specific to one party (e.g., regulatory approvals, product milestones).
2. Clarifying how entities should account for share-based non-cash consideration received from customers under Topic 606, *Revenue from Contracts with Customer* and its interaction with other Topics (including Topic 815 and Topic 321, *Equity Securities*).

This ASU aims to reduce complexity, clarity and bring consistency in financial reporting given the evolving contractual arrangements.

The ASU is applicable for fiscal years beginning after 15 December 2026 and early adoption of the same is permitted. Also, transition may be prospective or on modified retrospective basis.

(Source: FASB, Accounting Standard Update No 2025-07 Derivatives and Hedging (Topic 815) and Revenue from Contracts with Customers (Topic 606); 29 September 2025)