

CHAPTER 3

Regulatory updates

SEBI LODR fifth amendment regulations

Pursuant to approval of amendments to the RPT provisions in its Board meeting on 4 August 2025, SEBI has notified the SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2025 (Amendment regulations) and introduced the following key amendments:

- 1. Broader definition of related parties:** Regulation 2 of the LODR Regulations excludes certain transactions from being classified as related party transactions. Previously, this included retail purchases by a listed entity's directors or employees from the entity or its subsidiary, provided there was no business relationship and terms were uniformly applicable to all. The amendment now replaces "directors or

employees" with "directors, key managerial personnel (KMP), and their relatives" of the listed entity or its subsidiary.

- 2. Scale-based thresholds based on annual consolidated turnover of listed entities:** Prior to the amendment any RPT exceeding INR1,000 crore or 10 per cent of a listed entity's annual consolidated turnover (whichever is lower) was considered to be material and required shareholders' approval. SEBI has now approved below scale-based approach for computing the materiality threshold for RPTs of a listed entity amending regulation 23(1) by introducing schedule XII which is provided in the following table:

Annual consolidated turnover of listed entity	Proposed threshold
Upto INR20,000 crore	10 per cent of annual consolidated turnover of the listed entity
Between INR20,001-40,000 crore	INR2,000 crore + 5 per cent of annual consolidated turnover of the listed entity above INR20,000 crore
More than INR40,000 crore	INR3,000 crore + 2.5 per cent of annual consolidated turnover of the listed entity above INR40,000 crore or INR5,000 crore, whichever is lower.



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3. Revised thresholds for approval by Audit Committee, for RPTs undertaken by subsidiaries:

- SEBI has now harmonised the approval requirements for RPTs undertaken by subsidiaries of listed entities by amending regulation 23(2) as follows:
- **For subsidiaries with audited financials available:** For an RPT transaction above INR1 crore and to which the subsidiary of a listed entity is a party, will require a prior approval of the audit committee of a listed entity if:
 - The value of such transaction, whether entered into individually or taken together with previous transactions, exceeds lower of the below:
 - 10 per cent of the subsidiary's annual standalone turnover, or
 - listed entity's materiality threshold calculated as per the table on the previous page.
 - **For subsidiaries without audited financials of at least one year:** For an RPT transaction above INR1 crore and to which the subsidiary of a listed entity

is a party, will require a prior approval of the audit committee of a listed entity if:

- The value of such transaction, whether entered into individually or taken together with previous transactions, exceeds lower of the below:
 - 10 per cent of the aggregate value of paid-up share capital and securities premium account of the subsidiary, or
 - listed entity's materiality threshold calculated as per table on the previous page.

4. Validity of shareholders' omnibus approvals:

Regulation 23(4) of the SEBI LODR has been amended to align it with the Para (C)11 of Section III of the Master circular on LODR, which provides that omnibus RPT approvals given by shareholders in Annual General Meetings (AGMs) will remain valid until the next AGM or up to 15 months, whichever is earlier. In addition, approvals granted in general meetings other than AGMs will be valid for up to 1 year.

5. Clarifications on applicability of RPT provisions:

In Regulation 23(5), SEBI has clarified that exemption for transactions between holding companies and its wholly owned subsidiaries apply only when the holding company is listed.

6. Submission of annual report:

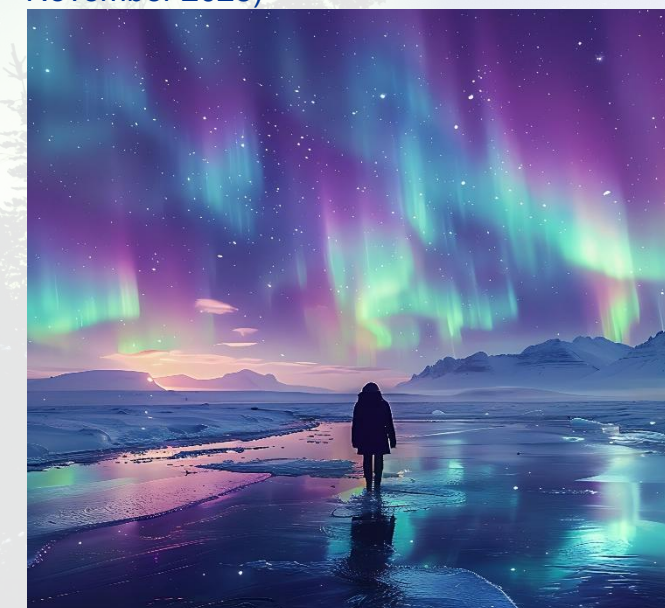
As per Regulation 53, the listed entity is required to submit to the stock exchange and the debenture trustee as well as publish on its website a copy of the annual report on or before the date of dispatch of the same to its shareholders or the date of submission to the Central Government or the State Government, as the case may be. Earlier the report was to be sent to the shareholders along with the notice of the AGM and not later than date of commencement of dispatch to its shareholders.

7. Documents and information to holders of Non-Convertible Securities (NCS):

Under Regulation 58 of the LODR Regulations, the listed entity was earlier required to send hard copy of the statement containing the salient features of all the documents, as specified in Section 136 of Companies Act, 2013. However, the amendment now requires the listed entity

to send a letter providing the web-link including the exact path where complete details of the annual report is available, which may at the option of the listed entity, also include a static Quick Response Code (QR Code), to those holder(s) of NCS that have not registered their respective email addresses.

(Source: SEBI Notification No F. No. SEBI/LAD-NRO/GN/2025/273. Securities And Exchange Board Of India (Listing Obligations And Disclosure Requirements) (Fifth Amendment) Regulations, 2025, dated 18 November 2025)



Proposed amendment on HVDLE threshold and compliance relaxations

Corporate governance norms prescribed for equity listed entities were extended to High Value Debt Listed Entities (HVDLE) (entities that has listed outstanding amount of non-convertible debt securities of INR500 crore and above) in September 2021 under Securities and Exchange Board of India's (SEBI) Listing Obligations and Disclosure Requirements Regulations, 2015 (LODR Regulations). These norms were initially applicable on a 'comply or explain' basis and became mandatory from 1 April 2025.

Through notification dated 28 March 2025, SEBI introduced Chapter VA in the LODR Regulations specifically for HVDLEs and raised the identification threshold from INR 500 crore to INR1,000 crore. However, market participants, particularly Non-Banking Financial Companies (NBFCs), expressed concerns about the compliance burden and misalignment with equity-listed entity norms.

In response, SEBI has now issued a consultation paper on 27 October 2025 to

gather public feedback on following key areas:

1. **Threshold for HVDLE identification:**

SEBI proposes increasing the threshold for identifying HVDLEs from INR 1,000 crore to INR 5,000 crore. This change would reduce the number of entities classified as HVDLEs from 137 to 48, significantly lowering compliance obligations for smaller issuers.

2. **Ease of doing business measures:**

In December 2024, SEBI had approved introducing a separate chapter in the LODR Regulations exclusively for HVDLEs with certain relaxations. This chapter VA, notified on 28 March 2025 prescribes corporate governance norms for HVDLEs. While SEBI made amendments to Chapter IV on governance norms for equity-listed entities in December 2024, they did not apply to HVDLEs. To ensure alignment, SEBI has now proposed a series of amendments for HVDLEs. These changes aim to simplify compliance and promote consistency across regulatory frameworks. Key proposals include:

- Replacing the term “income” with “turnover” in the definition of material subsidiaries in the Explanation to Regulation 62L of the LODR Regulations.
- Regulation 62D(2) of the LODR Regulations states that an HVDLE cannot appoint or retain a non-executive director aged 75 or above unless a special resolution is passed, with the explanatory statement providing justification for such appointment. SEBI has now proposed that HVDLEs ensure compliance with this provision at the time of appointment, re-appointment, or before the director reaches 75 years of age, aligning with similar requirements for equity-listed entities.
- Regulation 62D(3) of the LODR Regulations requires HVDLEs to obtain shareholder approval for the appointment or reappointment of any person as a director or manager at the earlier of next general meeting or within three months of appointment. SEBI has now proposed that where such

appointments are subject to regulatory, government, or statutory approvals, the time taken to secure these approvals be excluded from the prescribed period. Additionally, it is proposed that such requirement should not be applied to appointments or reappointments of persons nominated by a financial sector regulator, court, or tribunal, as such nominations serve oversight and public interest purposes, making shareholder approval unnecessary.

- Regulation 62D(5) prescribes timelines for filling vacancies in the office of a director for HVDLEs. Currently, HVDLEs must also maintain continuous compliance with the composition of Board Committees, including the Audit Committee, Nomination and Remuneration Committee, Stakeholders Relationship Committee, and Risk Management Committee. It is proposed that any vacancy in these committees arising from a Board vacancy be filled within three months of its occurrence.

- SEBI has proposed change to terminology such as substituting “year” with “financial year” in relevant regulations.
- Regulation 62L(6) requires shareholder approval for selling, disposing, or leasing assets exceeding 20 per cent of an unlisted material subsidiary’s assets on an aggregate basis during a financial year. Since Regulation 24(6) for equity-listed entities exempts such transactions between two wholly-owned subsidiaries of the listed entity, it is proposed to extend the same exemption to HVDLEs, so shareholder approval will not be required for such intra-group transactions.
- For companies emerging from insolvency under the corporate insolvency resolution process (CIRP) framework, a 3-month timeline is proposed for appointing key managerial personnel (KMPs).
- SEBI has also proposed to omit the requirement of disclosure of material transactions with related parties along with the periodic compliance report of

HVDLEs since the same already exists in Regulation 23(9) of Listing Regulations.

3. Proposals in relation to Related Party Transactions (RPTs):

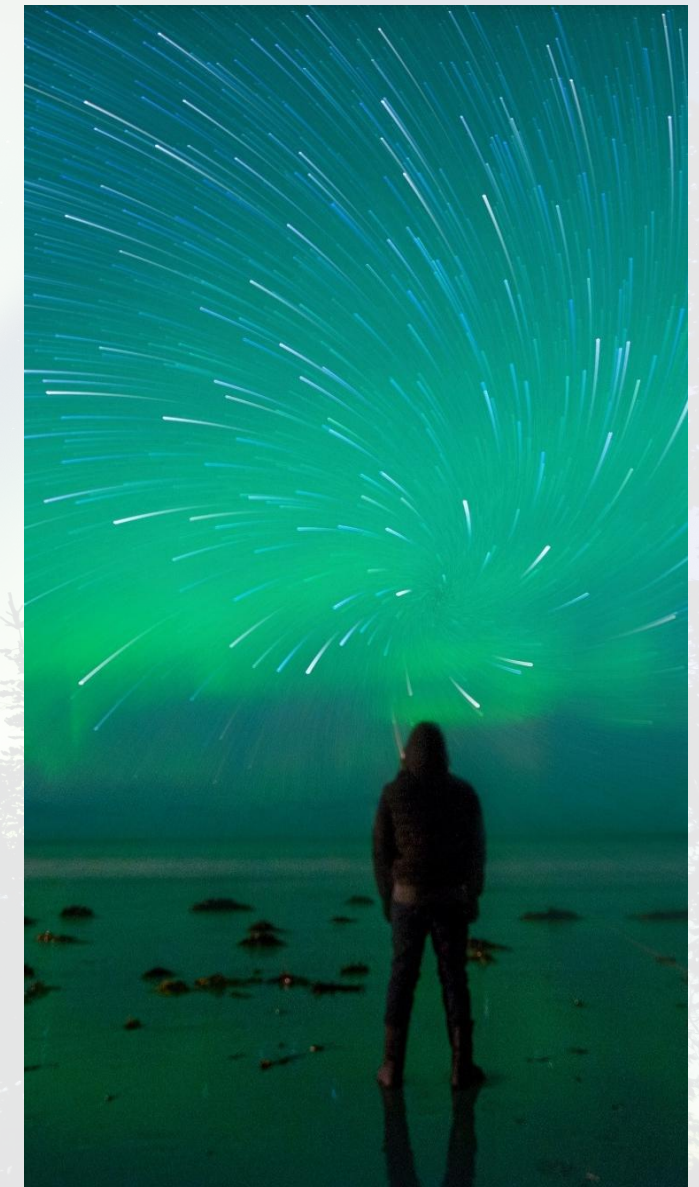
Regulation 62K¹ of the LODR Regulations for HVDLEs is proposed to be cross-referenced with Regulation 23² of the LODR Regulations, ensuring consistency in RPT governance. The proposed amendments are as follows:

- Remuneration and sitting fees paid by the listed entity or its subsidiary to its director, key managerial personnel or senior management, except who is part of promoter or promoter group, shall not require approval of the audit committee or disclosures provided that the same are not material.
- Introduction to post facto ratification to RPTs within three months from the date of the transaction, subject to certain conditions.
- The audit committee may grant omnibus approval to RPTs proposed to be entered into by subsidiaries of the listed entity subject to certain conditions

- The requirements of NOC of Debenture trustee and the debenture holders shall be retained for HVDLEs as provided under Regulation 62K(5), 62K(6) and 62K(7) of LODR Regulations
- Under Regulation 62 of the LODR Regulations, corresponding to Regulation 23(5), the following two transactions will also be exempted from compliance with regulations 23(2), (3) and (4) of the LODR regulations
 - a) transactions which are in the nature of payment of statutory dues, statutory fees or statutory charges entered into between an entity on one hand and the Central Government or any State Government or any combination thereof on the other hand
 - b) transactions entered into between a public sector company on one hand and the Central Government or any State Government or any combination thereof on the other hand

1. Regulation 62K deals with obligations of HVDLEs with regards to RPT.

2. Regulation 23 deals with obligations of listed entities with regards to RPT which were modified w.e.f. 13 December 2024.



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- **Materiality thresholds:** A scale-based approach will be introduced to define material RPTs, based on the entity's annual consolidated turnover as per last audited financial statements (similar to amendments made for listed companies – for details refer to point 2 of the LODR Amendment Regulations above).
- **Revised thresholds for approval by Audit Committee, for RPTs undertaken by subsidiaries:** The approval requirements for RPTs undertaken by subsidiaries of listed entities are proposed to be amended in line with amendment to Regulation 23(2) for listed entities (for details refer to point 3 of the LODR Amendment Regulations above).
- **Validity of shareholders' omnibus approvals:** In line with amendment to regulation 23(4) of the SEBI LODR to align it with the Para (C)11 of Section III of the Master circular on LODR, amendments are proposed to the HVDLE regulations (for details refer to point 4 of the LODR Amendment Regulations above)
- **Clarifications on applicability of RPT provisions:** SEBI had clarified under regulation 23(5) that exemption for transactions between holding companies and its wholly owned subsidiaries apply only when the holding company is listed. This clarification is now proposed to be introduced to HVDLE chapter as well.

The timeline for submitting public comments ended on 17 November 2025.

(Source: SEBI Consultation paper titled "Consultation paper on Relaxation in the threshold for identification of High Value Debt Listed Entities (HVDLEs) and measures facilitating ease of doing measures for HVDLE including provisions relating to Related Party Transactions" dated 27 October 2025)



SEBI ICDR third amendment regulations

The SEBI issued the SEBI (Issue of Capital and Disclosure Requirements) (Third Amendment) Regulations, 2025 (ICDR Amendments) to amend the SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018 (ICDR Regulations). The key amendments introduced therein are as follows:

1. Anchor investor³ allocation limits revised:

Under the ICDR Regulations, the number of anchor investors is fixed with prescribed minimum and maximum limits, based on the overall anchor investor allocation in an Initial Public Offer (IPO) in book-built issues, with specific caps per investor. These allocation limits for anchor investors in an IPO have been revised as follows:

- For issues with an allocation up to INR250 crore, a minimum of 2 and a maximum of 15 investors are permitted, subject to each investor receiving a minimum allotment of INR5 crore.
- For issues above INR250 crore,

a minimum of 5 and maximum of 15 investors may participate for the first INR250 crore. Additionally, 15 more investors may be added for every additional INR250 crore (or part thereof), maintaining the minimum 5 crore allotment per investor.

2. Reservation within anchor investor portion:

A revised reservation framework has been implemented within the anchor investor segment, restructuring its internal allocation norms, to enhance participation from Domestic Institutional Investors (DIIs). The ICDR amendments now provide:

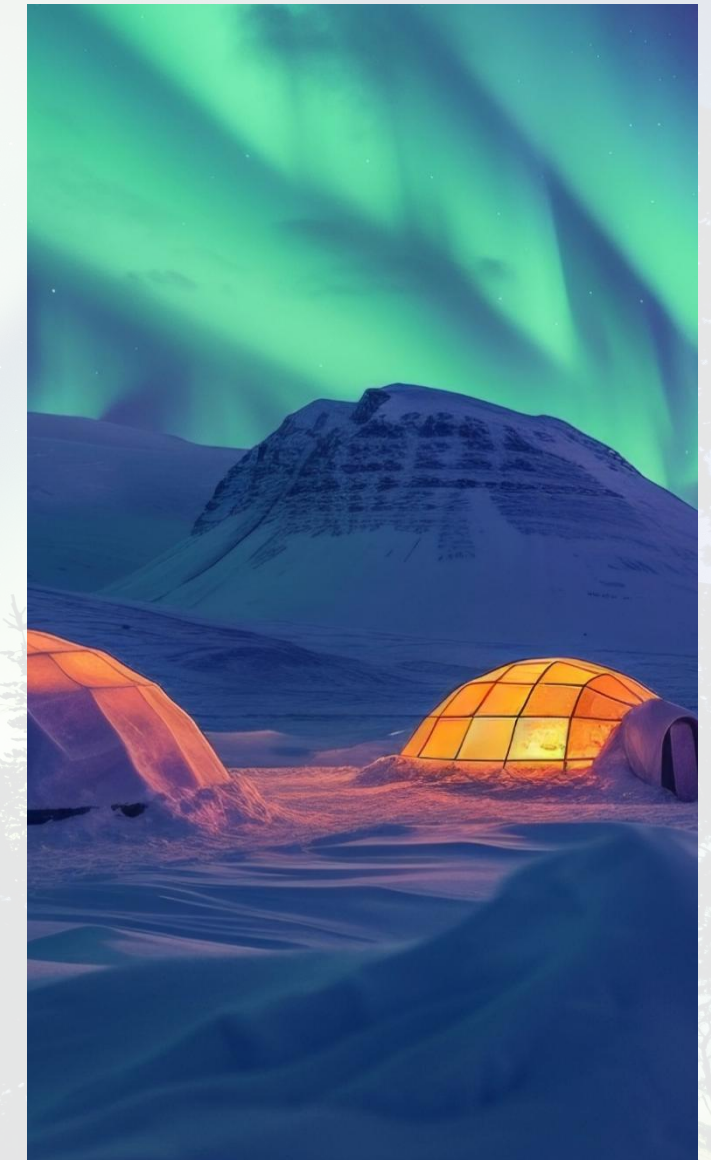
- 40 per cent of total anchor investor portion to be reserved as follows:
 - 33.33 per cent for domestic mutual funds.
 - 6.67 per cent for life insurance companies and pension funds.
- Any under-subscription in the insurance/pension fund category can be reallocated to domestic mutual funds.

- Further life insurance companies have been defined as entities registered with the Insurance Regulatory and Development Authority of India and pension funds have been defined means a fund registered with the Pension Fund Regulatory and Development Authority

These amendments will come into force on the 30th day from the date of their publication in the Official Gazette (30 November 2025)

(Source: SEBI Notification No F. No. SEBI/LAD-NRO/GN/2025/271, Securities And Exchange Board Of India (Issue Of Capital And Disclosure Requirements) (Third Amendment) Regulations, 2025, dated 31 October 2025)

3. 'Anchor investor' means a qualified institutional buyer who makes an application for a value of at least ten crore rupees in a public issue on the main board made through the book building process in accordance with these regulations or makes an application for a value of at least two crore rupees for an issue made in accordance with Chapter IX of ICDR Regulations



Exposure draft for 13th edition of ICAI Code of Ethics

The Institute of Chartered Accountants of India (ICAI) issued an exposure draft of the 13th edition of its Code of Ethics on 27 October 2025 (the CoE exposure draft). The CoE exposure draft brings in changes in all the three existing volumes. The revision proposes alignment with the 2024 edition of International Ethics Standards Board for Accountants (IESBA) Code of ethics issued by the International Federation of Accountants (IFAC). Some of the key changes include:

- Technology-related revisions – addressing digital and AI-related ethical issues
- Changes in definitions of Public Interest Entity (PIE)
- Restrictions on audits after non-assurance services provided to PIEs
- Non-assurance services restrictions tightened for PIEs
- Changes in guidelines for advertising to make them more contemporary

- Introduction of new chapters on sustainability assurance, minimum fees; non-payment of undisputed audit fees across volumes
- Guidelines issued by the Council, mentioned in 12th edition of Volume-II of Code of Ethics to be separate publication as Volume III of the Code of Ethics and the erstwhile applicable Volume-III (Case Laws Referencer) will be a separate publication, apart from the Code of Ethics.

The Code will apply from the date notified by the Council, with transitional provisions for engagements started under earlier editions (2019 and 2009), and specific sections having phased applicability.

The period for comments on the draft ended on 26 November 2025.

(Source: Ethical Standards Board, ICAI, 'Exposure Draft: 13th edition of ICAI Code of Ethics - Request for Comments', dated 27 October 2025)



Transfer pricing tolerance range for AY 2025–26

The Department of Revenue, Ministry of Finance, has issued a notification under section 92C of the Income-tax Act specifying the tolerance range for transfer pricing adjustments for Assessment Year (AY) 2025-26. It states that if the difference between the arm's length price and the actual transaction price does not exceed 1 per cent for wholesale trading transactions and 3 per cent for all other cases, the actual price will be deemed to be at arm's length. Hence, the tolerance range remains unchanged in comparison to past years. This notification, however, also defines wholesale trading as trading in goods where the purchase cost of finished goods is at least 80 per cent of total cost of such trading activities and the average monthly closing inventory is 10 per cent or less of sales. The notification is applicable retrospectively and confirms that no adverse impact will result from this retrospective effect.

(Source: Ministry of Finance (Department of Revenue) Income Tax Notification No S.O. 5053(E), dated 6 November 2025)

CBDT circular on performance audit of entertainment sector

Central Board of Direct Taxes (CBDT) issued a circular on 21 October 2025 referencing the Comptroller and Auditor General's (C&AG) performance audit report no. 1 of 2019 and the 51st Public Accounts Committee (PAC) report of 17th Lok Sabha. The circular addresses audit findings related to the entertainment sector⁴, particularly in relation to the verification of expenses such as pre-operative costs and film production expenses. The circular provides guidance to Assessing Officers (AOs) to promote uniformity and compliance with the Income-tax Act and Rules during assessments. Key aspects covered are as follows:

- 1. Pre-operative expenses:** Verify actual commencement of business for allowance of preoperative expenses for amortisation.
- 2. Feature film expenses:** Ensure submission of Form 52A within prescribed timelines, wherein details of production commencement date, completion date

4. Entertainment sector covers all the different segments such as television, radio, music, event management, films, animation & VFX, broadcasting, sports, amusement, etc.
5. Clause (a) of Explanation 2 to Section 139(1) of the Income-tax Act, 1961 covers the following categories of assesseees:

- Company

and details of payments exceeding INR50,000 made or due to any person from the producer must be disclosed. Also, AO may consider penalty u/s 272A of the Income-tax Act for failure to furnish form 52A.

- 3. Production and distribution costs:** AO to allow deductions as per:
 - **Rule 9A** of the Income-tax Rules, 1962 for cost of production for film producers.
 - **Rule 9B** of the Income-tax Rules, 1962 for acquisition cost of distribution rights for distributors.

(Source: Ministry of Finance, Department of Revenue, Central Board of Direct Taxes, F.No.225/215/2018/ITA-II, 'Subject: C&AG's performance Audit report No.1 of 2019 on "Assessment of assesses in entertainment sector- verification of expenses in assessment of Entertainment sector – reg', dated 21 October 2025)

Extension of timelines for filing Income Tax Returns (ITRs)

The CBDT has extended the timelines for filing Income Tax Return (ITR) for Assessment Year (AY) 2025-26 for assesseees covered under clause (a) of Explanation 2 to Section 139(1)⁵ of the Income-tax Act from 31 October 2025 to 10 December 2025. Consequently, the due date for submission of audit report under section 44AB of the Income Tax Act, 1961 has been extended to 10 November 2025.

(Source: Ministry of Finance, Department of Revenue, Central Board of Direct Taxes F. No. 225/131/2025/ITA-II, Circular No 15/2025, 'Subject: - Extension of timelines for filing of various reports of audit and Income Tax Returns (ITRs) for the Assessment Year 2025-26- reg', dated 29 October 2025)

• A person other than company whose accounts are required to be audited under the Income-tax Act or under any other law in force or
• Partners of firms whose accounts are required to be audited under the Income-tax Act or any other law (including spouses of such partners if Section 5A applies to such spouse)

RBI master direction on repo transactions, 2025

The Reserve Bank of India (RBI) issued the Master Direction – Reserve Bank of India (Repurchase Transactions (Repo)) Directions, 2025 (the Master Direction), effective 11 November 2025, replacing the earlier directions of 2018 and subsequent amendments. The Master Direction updates the earlier 2018 framework by expanding the list of eligible collateral securities for repo and reverse repo transactions to include municipal debt securities. This change aims to deepen liquidity in municipal bonds and support urban infrastructure financing. Apart from this inclusion, the Master Direction reaffirms existing provisions on eligible participants, permissible securities, tenor (1 day to 1 year), etc. The Master Direction also specifies the list of circulars and directions that stand repealed as a result of its issuance.

(Source: [RBI FMRD/2025-26/142 FMRD.DIRD.04/14.03.038/2025-26, 'Master Direction – Reserve Bank of India \(Repurchase Transactions \(Repo\)\) Directions, 2025', dated 11 November 2025](#))

Trade Relief Directions, 2025

The RBI issued the Reserve Bank of India (Trade Relief Measures) Directions, 2025, to support exporters impacted by global trade disruptions, by mitigating debt servicing burdens. These Directions apply immediately. Key highlights include:

- **Applicability:** It applies to Regulated Entities (REs) which includes Commercial Banks, Co-operative Banks (Urban, State, Central), Non-Banking Financial Companies (NBFCs) (including Housing Finance Companies), All-India Financial Institutions (AIFIs) and Credit Information Companies (limited scope as only para 16 applies to them).
- **Eligibility criteria:** REs shall frame a policy for providing the relief measures specified hereinafter in these Directions. An RE shall satisfy itself that the borrower's business is impacted by trade disruptions caused by global headwinds. A borrower shall be deemed to be eligible to claim relief under these directions if it fulfils following conditions:
 - a) The borrower is engaged in exports relating to any of the sectors specified in the annexure to these directions

- b) The borrower should have an outstanding export credit facility from a RE as of 31 August 2025.
- c) The account(s) of the borrower with all REs was/were classified as 'standard' as on 31 August 2025.

- **Relief measures:** Following are the key relief measures introduced:

1) Moratorium/deferment

- a) **Term loans:** RE may grant moratorium on payment of all instalments (principal and interest) falling due between 1 September 2025 and 31 December 2025 (effective period).
- b) Defer recovery of interest on cash credits/overdrafts during the effective period.
- c) During the moratorium/ deferment period interest will accrue on simple interest basis (no compounding).
- d) The accrued interest during the moratorium/deferment period can be converted into a funded interest term loan, which shall be repayable after 31 March 2026 but by 30

September 2026.

- e) REs may recalculate drawing power by reducing margins or reassess working capital limits during the effective period.

2) Extension of export credit tenor

- a) **Credit period enhancement:** An RE may permit enhanced credit period up to 450 days for pre-shipment and post-shipment export credit disbursed till 31 March 2026.
- b) **Liquidation of packing credit facility:** In respect of packing credit facilities already availed by exporters on or before 31 August 2025, where dispatch of goods could not take place, an RE may allow liquidation of such facilities from any legitimate alternate sources, including domestic sale proceeds of such goods or substitution of contract with proceeds of another export order.

- **Asset classification and provisioning:**

- The moratorium period/deferment, wherever granted, shall be excluded by the RE while calculating the number of days past-due for the purpose of asset classification.
- Grant of moratorium/deferment of instalments and recalculation of the 'drawing power' in accordance with these Directions shall not be treated as an event of restructuring. Hence, such a measure, by itself, shall not result in asset classification downgrade.
- After the expiry of the moratorium/deferment period, the asset classification shall be as per the extant Income Recognition, Asset Classification and Provisioning (IRACP) norms applicable to the respective RE.
- For eligible standard accounts that were in default as of 31 August 2025 and received relief under these directions, REs must create a general provision of

at least 5 per cent of the outstanding by 31 December 2025.

- The above general provision may be adjusted against the specific provisioning for slippages⁶ from these borrower accounts. Any residual general provisions at the end of the FY 2025-26 must be either written back or adjusted against the provisions for all other borrower accounts by 30 June 2026.

- **Disclosure and reporting:** REs to maintain MIS on the reliefs provided to its borrowers and submit fortnightly reports on RBI's DAKSH platform. Also, REs must report to Credit Information Companies (CIC) without adverse impact on borrower's credit history.

(Source: RBI/2025-26/96 DOR.STR.REC.60/21.04.048/2025-26, 'Reserve Bank of India (Trade Relief Measures) Directions, 2025', dated 14 November 2025)

MCA clarifies scope of 'Business of financing industrial enterprises' under section 186

The Ministry of Corporate Affairs (MCA) issued the Companies (Meetings of Board and its Powers) Amendment Rules, 2025 (the Amendment Rules) to amend Rule 11(2) of the Companies (Meetings of Board and its Powers) Rules, 2014 (the 2014 Rules). Section 186(11)(a) of the Companies Act, 2013 (the 2013 Act) provides exceptions to the applicability of section 186 provisions to certain class of companies. One of the exceptions related to companies established with the objective of and engaged in the business of financing industrial enterprises. Previously, the 2014 Rules did not clearly define what constitutes 'business of financing industrial enterprises'. The Amendment Rules now clarify that the term includes:

- For Non Banking Financial Company (NBFCs) registered with the RBI – the

business of providing loans or guarantees/security for due repayment of any loan availed in the ordinary course of business; and

- For finance companies registered with the International Financial Services Centers Authority (IFSCA) – activities specified under Regulation 5(1)(ii)(a) or (e) of the IFSCA Finance Company Regulations, 2021, in its ordinary course of business.

This change provides clarity and broadens the scope of permissible financial activities under the 2013 Act and is effective from 3 November 2025.

(Source: MCA, Notification No. G.S.R. 811(E), dated 3 November 2025)

6. A slippage occurs when a bank's loan becomes a non-performing asset (NPA) within a given period. Essentially, it represents the deterioration in asset quality

NFRA's audit practice toolkit

The National Financial Reporting Authority (NFRA) has commenced issuing an audit practice toolkit aimed at supporting the small and medium practitioners engaged in audits. As part of this initiative, the NFRA issued the Audit-Practice Toolkit on Audit Strategy Memorandum-Sample Document (the NFRA Audit Practice Toolkit) on 3 November 2025. This audit practice toolkit is introduced to guide auditors on a fundamental aspect of the audit process - developing and documenting an audit strategy that aligns with the auditee's risk profile. The toolkit serves as an illustrative template designed to be scalable and adaptable for companies of varying sizes and across different industry sectors. The toolkit details the audit planning process, including engagement scope, risk assessment, materiality determination, internal control evaluation, involvement of specialists, and coordination with component auditors. NFRA has clarified that this toolkit is only an illustrative and is not an official policy or standard and does not replace legal or professional obligations under applicable laws and regulation.

(Source: NFRA, Audit-Practice Toolkits Audit Strategy Memorandum-Sample Document, dated 3 November 2025)

Government of India implements four new Labour Codes, replacing existing laws

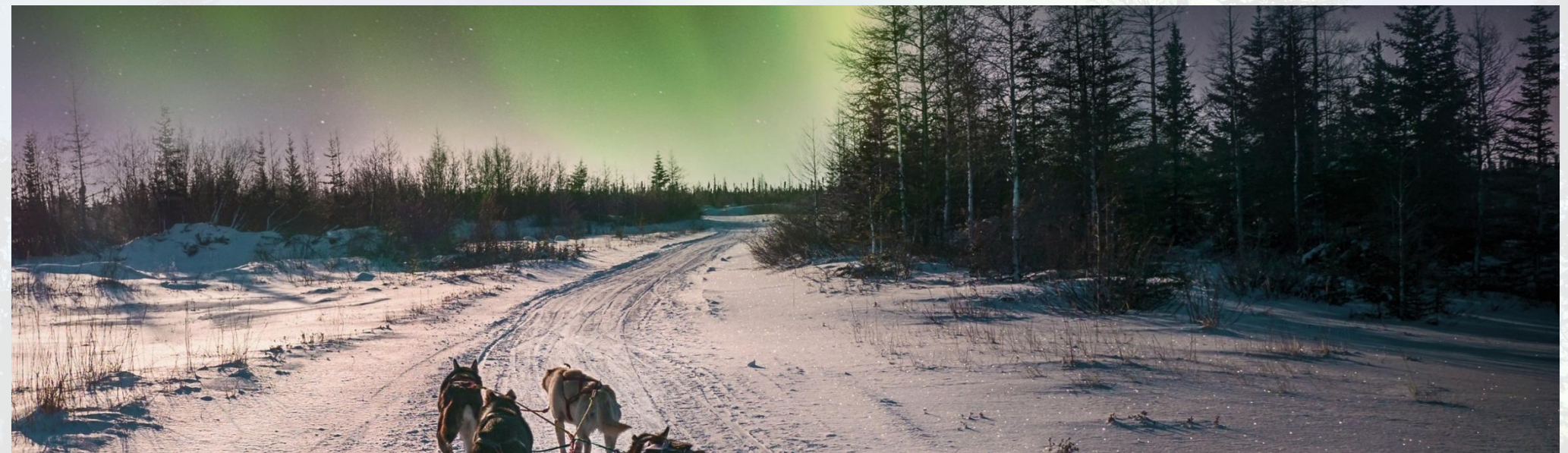
Government of India has announced implementation of four new Labour Codes (the Codes) with effect from 21 November 2025 which are as follows:

1. The Code on Wages, 2019
2. The Industrial Relations code, 2020
3. The Code on Social Security, 2020 and the
4. Occupational Safety, Health & Working Conditions (OSH) Code.

The Codes rationalise 29 existing central labour laws into four comprehensive labour codes. These Codes aim to simplify compliance for employers, modernise workplace norms, strengthen worker force protection and extend nationwide portability of entitlements across the economy. The government plans to engage the public and stakeholders in the framing of the corresponding rules, regulations, schemes, etc, under the Codes. The press release by the Ministry of Labour and Employment

stated that during transition, the relevant provisions of the existing labour acts and their respective rules, regulations, notifications, standards, schemes, etc. will continue to remain in force.

(Source: Press release by Ministry of Labour and Employment, 'Government Announces Implementation of Four Labour Codes to Simplify and Streamline Labour Laws', dated 21 November 2025)



FASB discusses stablecoin classification as cash equivalents

The Financial Accounting Standards Board (FASB) in its board meeting on 29 October 2025 discussed two key aspects:

- a) the recent stakeholders' feedback received on the accounting for digital assets
- b) considered whether to add a project to its technical agenda in relation to consideration of certain stablecoins and other similar assets as cash equivalents under United States Generally Accepted Accounting Principles (US GAAP).

This is a matter of global concern as stablecoins, often pegged to fiat currencies⁷ and backed by reserves, have become integral to global payments and digital finance. Yet, their accounting treatment remains inconsistent—sometimes classified as intangible assets, other times as financial

instruments. FASB had issued a consultation paper in January 2025 wherein it had received mixed reviews as follows:

- **Supporters** argued that fiat-backed, fully collateralised stablecoins should be treated as cash equivalents⁸ to reflect their liquidity and stability.
- **Skeptics** cautioned against broadening the definition, citing risks of misclassification and audit challenges.

The FASB has decided to evaluate the potential project on the classification of stablecoins as cash equivalent and weighing the following three alternatives:

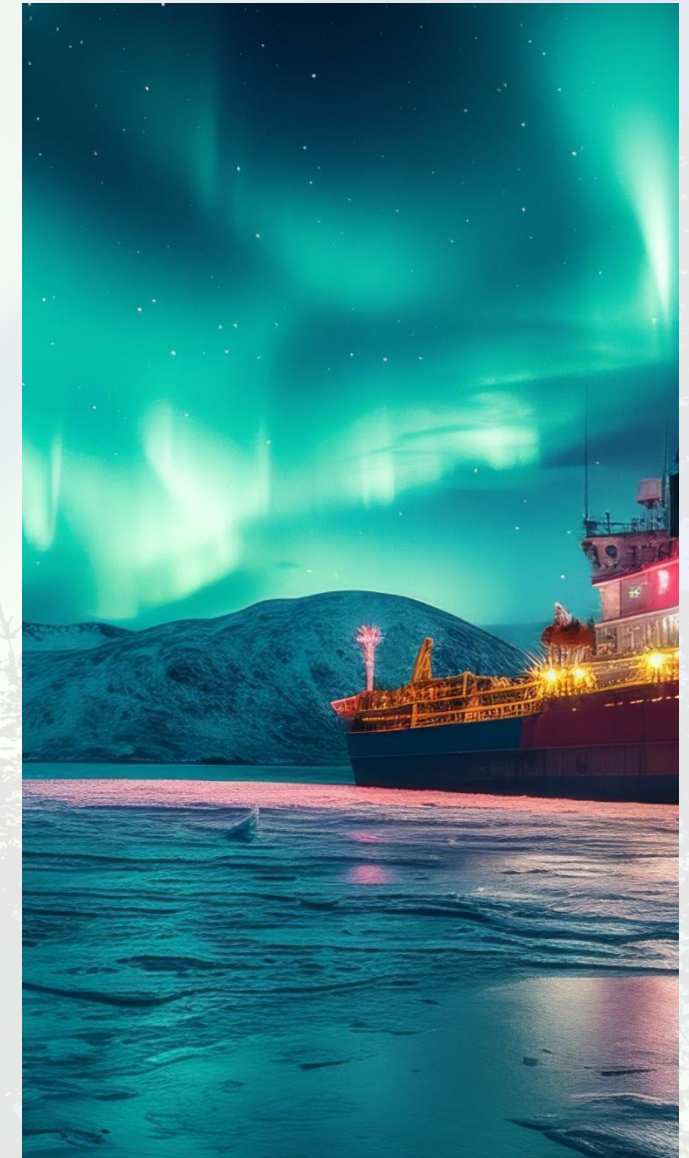
- 1) Revise the current definition of cash equivalents in the Master Glossary that would apply to stablecoins and other digital assets
- 2) Add a new definition of the term digital

cash equivalents in the Master Glossary

- 3) Add examples to illustrate whether certain types of stablecoins and/or other digital assets would or would not qualify as a cash equivalent under existing guidance.

FASB's decision would depend on whether the benefits of clarity outweigh the costs and complexity of change. If adopted, this would align the accounting standards with the evolving digital economy.

(Source: FASB, Board Meeting Handout, Digital Assets—Classification of Stablecoins and Similar Assets, dated 29 October 2025)



7. A fiat currency is a national currency that is not pegged to the price of a commodity such as gold or silver. Fiat currencies are a classification of currency that is authorised by a government but lacks any intrinsic or fixed value.

8. Existing definition of cash equivalents: short-term, highly liquid investments, readily convertible to known amounts of cash, which are near their maturity that they present insignificant risk of value change because of change in interest rates. (only investment with original maturity of ≤ 3 months are covered).

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ASU on Financial Instruments-Credit losses (purchased loans)

The FASB issued an Accounting Standards Update (ASU) to simplify and improve accounting for purchased loans. Previously, different treatments were required for purchased credit-deteriorated (PCD) assets and non-PCD assets, creating complexity and inconsistency. Under the old rules:

- **PCD assets** used a 'gross-up approach', adjusting the amortised cost basis for expected credit losses.

- **Non-PCD assets** recorded an initial allowance as a direct expense, often leading to double counting.

The new ASU eliminates this dual approach by expanding the use of the gross-up method to a broader set of acquired financial assets, including most purchased seasoned loans⁹ (excluding credit cards) that meet specific criteria. Under the gross-up approach, the Allowance for Credit Losses (ACL) is added

to the purchase price to determine the initial amortised cost basis, improving comparability and reflecting the economics of acquisition. This change enhances comparability, consistency, and better reflects the economics of loan acquisitions. The ASU is effective for annual periods beginning after 15 December 2026 and interim periods within those annual periods and early adoption is permitted. The amendments are required to

be applied prospectively to loans that are acquired on or after the initial application date.

(Source: FASB, ASU No 2025-08, Financial Instruments—Credit Losses (Topic 326) Purchase loans, dated 12 November 2025)

9. Purchased seasoned loans are defined as loans (excluding credit cards) acquired:
- In a business combination (automatically deemed seasoned), or
 - More than 90 days after origination, provided the acquirer was not involved in origination.

