



Regulatory Roundup

Financial reporting and regulatory
developments for Q2 FY 2025-26

Board Leadership Center (India)

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Reserve Bank of India (RBI)

Reserve Bank of India (Co-Lending Arrangements) Directions, 2025¹:

On 6 August 2025, RBI issued Co-Lending Arrangements Directions, that provide a comprehensive framework for co-lending between regulated entities (REs). Key highlights include the requirement for minimum retention of loans by REs, the introduction of Default Loss Guarantee (DLG) provision of up to 5 percent of loans outstanding under the co-lending arrangement and detailed quarterly and annual disclosure requirements. These directions shall come into effect from 1 January 2026.

Questions for the Audit Committee

1. How is the minimum retention requirement being factored into the company's risk appetite and capital planning?
2. Which new management controls have been incorporated in the risk control matrix to help monitor and manage credit risk for jointly originated loans?
3. What is the expected impact of DLG provisioning on the financial statements and regulatory capital?
4. How is compliance with asset classification, reporting norms and enhanced disclosure requirements being ensured for co-lending portfolios?

Applicability – Commercial Banks (excluding Small Finance Banks, Local Area Banks and Regional Rural Banks), All-India Financial Institutions and NBFC (including Housing Finance Companies).

Click [here](#) for RBI Directions



Reserve Bank of India (RBI)

RBI (Investment in AIF) Directions, 2025²:

On 29 July 2025, RBI issued Investment in AIF Directions. These directions set prudential norms for REs that invest in Alternative Investment Funds (AIFs). Key provisions include caps on individual and aggregate investments in AIF schemes, mandatory provisioning if the AIF invests in a borrower of the regulated entity, and capital deduction for investments in subordinated units. These directions aim to mitigate systemic risk and will be effective from 1 January 2026.

Questions for the Audit Committee

1. What is the current exposure to AIFs and what is the change due to new directions?
2. Are there any AIFs in which the entity has invested that also hold exposure to borrower companies? If so, what is the provisioning impact?
3. What are the changes envisaged in internal controls and monitoring mechanisms to ensure compliance with these directions?

Applicability – Commercial Banks (including Scheduled Commercial Banks), Co-operative Banks, NBFCs (including HFCs), AIFs

Click [here](#) for RBI Directions



Securities and Exchange Board of India (SEBI)

SEBI Board Meeting³ and Circular on Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions⁴

On 12 September 2025, SEBI approved in its board meeting, amendments to the SEBI (LODR) Regulations. It approved a scale-based materiality threshold for Related Party Transactions (RPTs), replacing the earlier flat INR1,000 crore or 10 percent turnover limit. SEBI decided to also clarify approval requirements for subsidiary transactions, simplify disclosures for smaller RPTs, and incorporate omnibus shareholders' approval provisions into the regulations. These amendments aim to streamline compliance while strengthening governance. On 13 October 2025, SEBI issued the circular to implement the above changes.

Questions for the Audit Committee

1. Has management identified RPTs above the revised scale-based materiality thresholds on existing and proposed RPTs?
2. How is the management preparing to communicate these changes to shareholders, especially if new approvals are required?
3. Do we plan to seek omnibus shareholders' approval for recurring RPTs? If so, what safeguards are proposed?
4. What changes have been made to our RPT policy post the SEBI circular?

Applicability – Listed Entities, High-Value Debt Listed Entities and Related Parties of Listed Entities

Click [here](#) for SEBI Board Meeting and [here](#) for Circular



IND AS 12

International Tax Reform – Pillar Two Model Rules⁵

On 22 September 2025, the Ministry of Corporate Affairs notified amendments to Ind AS 12 introducing temporary relief from deferred tax accounting for top-up taxes arising under the Organisation for Economic Co-operation and Development (OECD's) Pillar Two global minimum tax framework. Pillar Two seeks to ensure that large multinational groups pay a minimum effective tax rate of 15 percent on profits, regardless of the jurisdiction in which they operate. While the recognition of deferred tax liabilities related to top-up taxes is deferred, entities are required to provide qualitative and quantitative disclosures from FY 2025–26 onwards to help users understand their potential exposure to Pillar Two taxation.

Questions for the Audit Committee

1. Has the company assessed its exposure to Pillar Two taxes across jurisdictions?
2. Are systems in place to track and estimate top-up tax liabilities?
3. Is the company prepared to disclose indicative ranges and qualitative impacts in FY 2025–26?
4. How is management revisiting tax strategies and data readiness for compliance?

Applicability – Listed Entities

Click [here](#) for KPMG First Notes

Click [here](#) for MCA Notification



Ind AS 1

Presentation of Financial Statements – Ind AS 1⁵

On 22 September 2025, the Ministry of Corporate Affairs notified amendments to Ind AS 1, amending the guidance on current versus non-current classification of liabilities. The revised standard clarifies that a company must have a right to defer settlement that exists at the reporting date and has substance. This change removes the earlier requirement for the right to be unconditional. Additionally, the amendments introduce enhanced disclosure requirements for liabilities subject to future covenant conditions, thereby improving transparency around potential repayment risks and aligning Indian standards more closely with IFRS.

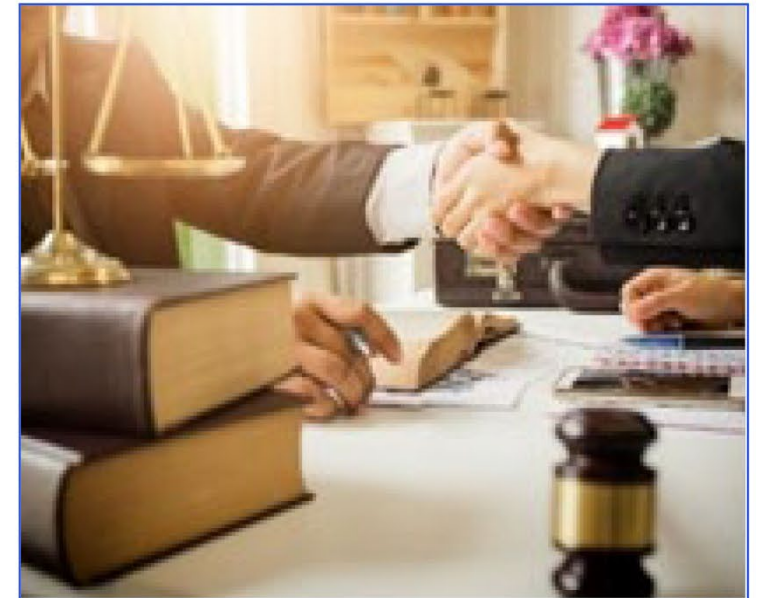
Questions for the Audit Committee

1. Has the management assessed which long-term loans are likely to be affected by the change?
2. Has the management assessed covenants on its long-term loans and the ones which if breached can make the loan repayable on demand?
3. What disclosures are required for liabilities subject to future covenants?
4. Has the management assessed if the classification of convertible loan is likely to change?

Applicability – Listed and Un-Listed Entities

Click [here](#) for KPMG First Notes

Click [here](#) for MCA Notification



Ind AS 7 & Ind AS 107

Supplier Finance Arrangements – Ind AS 7 & Ind AS 107⁵

The Ministry of Corporate Affairs has introduced amendments to Ind AS 7 and Ind AS 107, requiring enhanced disclosures for entities that engage in supplier finance arrangements, often referred to as reverse factoring or payables finance. These arrangements typically involve a finance provider settling supplier invoices on behalf of the entity, with repayment deferred to a later date. The amendments aim to improve transparency regarding the impact of such arrangements on financial liabilities, cash flows, and liquidity risk, and are applicable for annual reporting periods beginning on or after 1 April 2025.

Questions for the Audit Committee

1. What new disclosures are required under Ind AS 7 and Ind AS 107?
2. Has management identified all supplier finance arrangements and assessed their impact on financial liabilities and liquidity risk?
3. Has management started collating additional data to meet the new disclosure requirements that may not be readily available such as carrying amount of financial liabilities for which suppliers have already received payment from finance providers?

Applicability – Listed and Un-Listed Entities

Click [here](#) for KPMG First Notes

Click [here](#) for MCA Notification



GST 2.0 – Accounting and reporting considerations

GST 2.0 – Accounting and reporting considerations⁶

The GST Council, in its 56th meeting held on 3 September 2025, approved a three-tier rate structure aimed at simplifying India's indirect tax regime. The revised framework includes Standard rate of 18 percent (for most goods and services). Merit rate of 5 percent (for essential items) and De-merit rate – 40 percent (for select luxury and sin goods). The reform package also includes rate reductions on consumer goods, exemptions for life and health insurance, and procedural simplifications such as risk-based refund processing and streamlined registration for MSMEs. These changes are expected to improve affordability, reduce litigation, and enhance compliance.

Questions for the Audit Committee

1. Has management assessed the impact of the revised GST rate structure on product pricing and margins?
2. Are systems and controls updated to comply with simplified registration?
3. What is the expected impact on inventory valuation and accounting for input tax credits?

Applicability – All Sectors

Click [here](#) for KPMG Voice on Reporting

Click [here](#) for GST Council Meeting



Sources

1. Reserve Bank of India (Co-Lending Arrangements) Directions, 2025 dated 6 August 2025.
2. RBI (Investment in AIF) Directions, 2025 dated 29 July 2025
3. SEBI Board Meeting dated 12 September 2025.
4. SEBI Circular on Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions dated 13 October 2025.
5. Companies (Indian Accounting Standards) Second Amendment Rules, 2025 notified by MCA on 13 August 2025.
6. Frequently Asked Questions (FAQs) on the decisions of the 56th GST Council held in New Delhi.



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