



# Voices on Reporting

2 April 2026

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# Speaker for the webinar



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# Key updates for the year



# NFRA - Summary of key circulars and notifications

## NFRA Circulars


- **NFRA Circular on Effective Communication between Statutory Auditors and Those Charged With Governance, including Audit Committee- 7 Jan 2026**
- **NFRA Circular on Maintenance, archival and submission of Audit File to NFRA. - 16 Dec 2025**
- NFRA Circular on Responsibilities of Principal Auditor and Other Auditors in Group Audit – 03 Oct 2024
- NFRA circular on Statutory Auditors' responsibilities in relation to Fraud in a Company – 26 Jun 2023
- NFRA Circular Non Compliance with Ind AS policies on Revenue – 29 Mar 2023
- Non-Accrual of interest on borrowings by the companies in violation of Indian Accounting Standards – 20 Oct 2022

## Auditor-Audit committee interaction series

- i. Series 1: Accounting estimates and judgements - 10 Jan 2025
- ii. Series 1 Part 2: Income Taxes – 7 Mar 2025
- iii. Series 2- Audit strategy and audit plan – 28 Mar 2025
- iv. Series 3 – Dealing with audit of related parties – 28 Mar 2025
- v. **Series 4: Impairment of non-financial assets – 30 Sep 2025**
- vi. **Series 5: Dealing with Audit of Provisions, Contingent Liabilities & Contingent Assets- 31 March 2026**

## Audit Practice Toolkit Reports

- **Audit-Practice Toolkits Audit Strategy Memorandum-Sample Document – 3 Nov 2025**
- **Audit-Practice Toolkits – ROMM for Revenue-Sample Document – 1 Jan 2026**
- Report on Valuation Methodology of AT-1 Bonds

 Issued during the year

# NFRA Circular: Effective Communication between Statutory Auditors and Those Charged With Governance, including Audit Committee<sup>1</sup>

## Role and responsibility to establish an effective two-way communication:

- The Board of Directors, AC, Management, and Auditors share a joint obligation to establish and oversee effective auditor–TCWG communication
- Appropriate policies and operating procedures must be implemented

## Appropriate determination and documentation of TCWG as per Indian Legal and Regulatory Framework:

- Identification of who constitutes TCWG
- Assessment if any sub-group (e.g. Audit Committee and few Board Members) has the authority to act on the matters communicated
- Auditor to assess whether sub-group communications are effectively conveyed to the full Board and where necessary directly communicate with Board.

## Establishing a robust two-way communication process:

- SA 260 mandates a two-way communication process to be documented alongside any matters communicated orally.
- Recommended that Auditor and TCWG agree on scope, timing and expectations at the beginning of the year
- Recommended that Board establishes a communication framework between TCWG and Auditors which includes:
  - Purpose and governance structure
  - Scope of two-way information exchange
  - Policies, processes, and meeting cadence
  - Formal documentation and acknowledgment by both Auditors and TCWG through minutes or formal correspondence

## Communication by Auditors with TCWG to meet following requirements:

- Should be in writing; oral discussions to be documented in detail, and included in audit work papers and Board/AC agendas and minutes held subsequently.
- Should be issue-specific; generic bullet-only presentations or implied acceptance are not acceptable
- Communications should clearly capture the views, suggestions, and responses of both the Auditors and TCWG

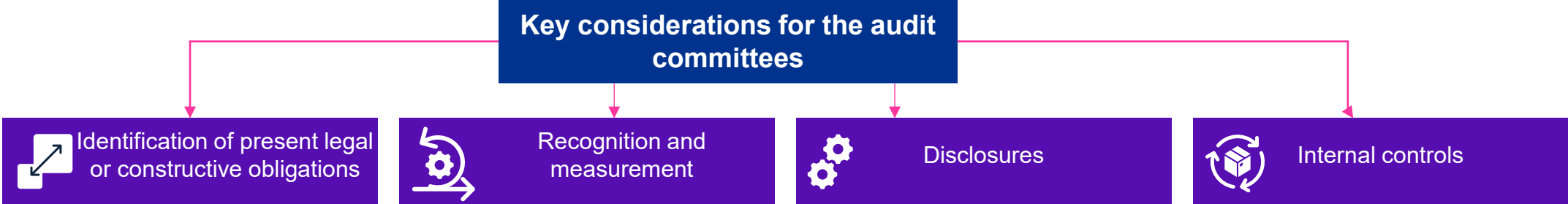
## Following steps recommended for timely communication:

- Auditors and TCWG should meet at least twice annually
- Meetings to be planned timely and aligned, where possible, with quarterly Board meetings to support effective deliberation
- Formal requests for issue-driven ad-hoc meetings, which TCWG should either accept/decline with written reasons.

## Agenda and matters to be communicated with TCWG to include:

- Communications under the Companies Act 2013 and Standards on auditing
- Audit planning and risk assessment
- Audit progress and significant findings including major difficulties encountered, significant transactions and accounting policy issues, material weaknesses in internal controls, and discussions on critical estimates such as valuations, impairments, going concern, and ECL.
- Auditor's compliance with independence and the Code of Ethics

# Auditor-Audit committee interaction series 5: Dealing with Audit of Provisions, Contingent Liabilities & Contingent Assets<sup>2</sup>



## Key themes for interaction highlighted by NFRA

- 1 Significant accounting estimates and management judgments in recognising and measuring provisions, contingent liabilities, and contingent assets.
- 2 Identification of present legal or constructive obligations arising from past events, including obligations related to litigations, onerous contracts, restructuring events, environmental and decommissioning liabilities.
- 3 Basis of measurement of provisions, including the appropriateness of estimation techniques, consideration of time value of money where relevant, selection of discount rates, etc.
- 4 Design and operating effectiveness of internal controls over identification, measurement, monitoring and periodic reassessment of provisions, contingent liabilities and related disclosures.
- 5 Recognition of restructuring provisions only where a detailed formal restructuring plan exists and has created a valid expectation of implementation through binding events or agreements.
- 6 Clear disclosures explaining the nature, timing and uncertainties of obligations, movements in provisions, and contingent exposures.

# Ind AS amendments effective in FY 2025-26

## Ind AS 1 – Classification of liabilities<sup>3</sup>

- Amendments clarify that liability classification (current/non-current) depends on whether an entity has a **right to defer settlement for at least twelve months as at the reporting date**.
- Only covenants required to be complied with **on or before** the reporting date are relevant for determining such classification.
- **Additional guidance and enhanced disclosures** introduced for liabilities subject to covenants.

## Ind AS 7 and Ind AS 107 – Supplier finance arrangements<sup>3</sup>

- **Additional disclosures introduced** for companies that enter into supplier finance arrangements. These include:
  - Terms and conditions
  - Carrying amount and associated line items.
  - Range of payment due dates for financial liabilities disclosed under supplier finance arrangements and comparable payables that are not part of such arrangements.
  - Exposure to liquidity risk.

## Ind AS 12 – Pillar Two taxes<sup>3</sup>

- **Mandatory temporary exception** from accounting of deferred taxes arising from Pillar Two model rules.
- **Targeted disclosures** introduced to help users of financial statements understand an entity's exposure to Pillar Two taxes.

## Ind AS 21- Lack of exchangeability<sup>4</sup>

- Amendments specify how to assess **whether a currency is exchangeable or not**
- Provides **guidance for determining a spot exchange rate** when there is lack of exchangeability
- **Disclosures** explaining the financial impact of a non-exchangeable currency required

# Other regulatory updates

## New Labour Code<sup>7 to 15</sup>



- 29 central labour laws consolidated into 4 Labour Codes, effective 21 November 2025.
- Uniform definition of 'wages'
- Employee coverage has been expanded to include fixed-term, contract and gig/platform workers (phased implementation).
- Multiple guidance released:
  - a) Ministry of Labour and Employment issued:
    - Additional FAQs on labour code
    - Compliance Handbook for Employers under the Labour Code.
  - b) Institute of Chartered Accountants of India released Guidance on Labour Code.

## BRSR reporting updates<sup>16</sup>



- Assessment or assurance applicable instead of mandatory reasonable assurance effective 28 March 2025.
- Voluntary value chain disclosures for top 250 listed entities from FY 2025-26 (earlier mandatory)
- Revised scope of value chain by restricting coverage to only those upstream and downstream partners that individually account for 2 per cent or more of a listed entity's purchases or sales by value
- This revised scope replaces the earlier requirement of covering partners cumulatively representing 75 per cent of purchases/sales.

# Other regulatory updates

## MSME thresholds revised<sup>5</sup>



Revised MSME classification effective 1 April 2025:

- Micro enterprise: Investment up to INR2.5 crore and turnover up to INR10 crore (earlier INR1 crore and INR5 crore respectively).
- Small enterprise: Investment up to INR25 crore and turnover up to INR100 crore (earlier INR10 crore and INR50 crore respectively).
- Medium enterprise: Investment up to INR125 crore and turnover up to INR500 crore (earlier INR50 crore and INR250 crore respectively).

## SEBI RPT Updates<sup>6</sup>



### 1) Disclosure for RPT approvals

- No specific information required for RPTs < INR1 crore.
- Simpler disclosures for RPTs between INR1 crore and lower of
  - INR10 crore, or
  - 1 per cent of annual consolidated turnover
- Disclosures as per the RPT Industry Standards for all other RPTs.

### 2) Other RPT updates

- Expanded retail purchase exclusion to include directors, KMPs, and their relatives, subject to uniform terms and no business relationship (earlier limited to directors and employees).
- Revised threshold for determination of material RPTs
- Clarified validity of shareholders' omnibus approvals

# Other regulatory updates

## Ind AS for insurance companies<sup>17</sup>



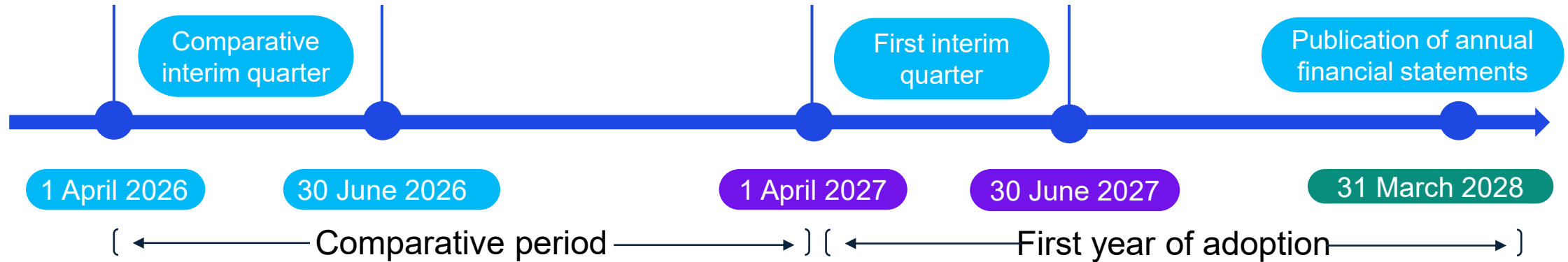
- Insurance Regulatory and Development Authority of India (IRDAI) has approved the Insurance Regulatory and Development Authority of India (Actuarial, Finance and Investment Functions of Insurers) (Amendment) Regulations, 2026
- Mandates implementation of Indian Accounting Standards (Ind AS) **from 1 April 2026**
- Applies to all insurers: life, general, standalone health, and reinsurance
- Permits parallel reporting under Ind AS and existing accounting framework for up to two years, or as specified – in accordance with Ind AS and the existing accounting framework.
- Provides one-year **forbearance** for insurers facing transition challenges (with approval from IRDAI), with continued submission of Ind AS-based financials – **to be applied by 30 April 2026.**

## Forthcoming requirements – Ind AS<sup>3&18</sup>



- **Ind AS 1 – Breach of a material covenant:** Amendment issued to remove the carve-out allowing classification of loans as non-current on breach of covenants when lender agrees after reporting date to and before approval of financial statements to not demand payment effective 1 April 2026.
- **Ind AS 118 – Presentation and disclosure in financial statements:** Exposure draft issued to replace Ind AS 1 with a new framework focused on profit and loss presentation, enhanced aggregation/disaggregation, defined subtotals, and management-defined performance measures effective 1 April 2027. Refer to roadmap on slide 12.

# Ind AS 118 - Roadmap



- NFRA has recommended Ind AS 118 to the Central Government for notification
- Effective date: 1 April 2027
- Restatement Requirement: Comparative financial statements for 2026-27 and interim periods must be adjusted to comply with Ind AS 118.
- Major amendments to Schedule III of the Companies Act, 2013 expected.

- Assessment of impact and would involve judgement for complex groups
- Changes to IT systems & processes
- Plan for communication of changes to investors, auditors and other stakeholders

# Newly effective and forthcoming requirements

Amendment issued but not yet effective <sup>3</sup>	Effective date
The carve-out under Ind AS 1 relating to classification of liabilities subject to covenant breaches has been removed. (Ind AS 1, <i>Presentation of financial statements</i> )	01 April 2026
Forthcoming requirements (exposure drafts stage) <sup>18</sup>	
Classification and Measurement of Financial Instruments (Amendments to Ind AS 109, <i>Financial Instruments</i> and Ind AS 107, <i>Financial Instruments: Disclosures</i> )	01 April 2026
Contracts Referencing Nature-dependent Electricity (Amendments to Ind AS 109 and Ind AS 107)	01 April 2026
Ind AS 118, <i>Presentation and Disclosure in Financial Statements</i>	01 April 2027
Ind AS 119, <i>Subsidiaries without Public Accountability: Disclosures</i>	01 April 2027
Translation to a Hyperinflationary Presentation Currency (Ind AS 21, <i>The Effects of Changes in Foreign Exchange Rates</i> )	01 April 2027
Annual Improvements to IFRS Accounting Standards (Ind AS 101, Ind AS 107, Ind AS 109, Ind AS 110 and Ind AS 7)	01 April 2026

# Impact of geopolitical risks and uncertainties

- External events such as geopolitical tensions and armed conflict drivers of market volatility, inflationary pressures, disrupted supply chains and increased estimation uncertainty.
- In late February 2026, geopolitical tensions in the Middle East escalated significantly.
- Given the pervasive economic and market implications, entities across sectors—including energy, manufacturing, aviation, logistics, chemicals, financial services, and consumer goods—may experience direct or indirect financial reporting impacts.

## Potential impact on Financial Statements:

**1** Impairment of non-financial assets

**2** Expected credit losses

**3** Inventory valuation

**4** Provisions and onerous contracts

**5** Foreign exchange volatility

# FEMA Updates



## Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026<sup>19</sup> (Effective – 9 Feb 2026)

- Recognised lenders: non-resident entities, overseas branches of RBI-regulated lenders, and financial institutions or branches in IFSC
- **ECB limits revised** to the higher of USD 1 billion or 300 per cent of last audited net worth
- Maturity of ECBs specified
- **Stricter end-use restrictions**
- Reporting compliances prescribed
- **Transition provision for existing ECBs:** ECBs obtained before the effective date to continue under erstwhile regulations, except for revised reporting requirements, which will be as per the amended framework.



## Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026<sup>20</sup> (Effective – 1 Oct 2026)

- Consolidated framework for import, export and Merchanting Trading Transactions (MTT)
- Extended realisation timeline for INR settled exports from 15 months to 18 months. (The timelines were previously increased from 9 months to 15 months vide circular dated 13 November 2025)
- Import payments are to be made within the period specified in the underlying contract (earlier 6-month limit), can be extended by the AD Bank.
- Non-realisation of export proceeds for more than one year beyond the due date (including any AD-approved extension) restricts further exports only against advance payment or irrevocable Letter of Credit only.
- Unified reporting in Export Declaration Form ('EDF') for goods and services (including software)

Note - Extension of realisation timelines does not eliminate credit risk



## Foreign Exchange Management (Guarantees) Regulations, 2026<sup>21</sup> (Effective – 6 Jan 2026)

- Consolidates all rules on foreign exchange guarantees
- Key terms defined (guarantee, principal debtors, surety)
- No resident in India can be a party to guarantee involving non-resident except as per these regulations, FEMA or with RBI permission
- Exemptions include:
  - Guarantees issued by overseas branches of AD banks or IFSC units
  - IPCs by custodian banks for FPIs
  - Guarantees given under Overseas Investment Regulations, 2022
- **Quarterly reporting of all guarantees** to AD banks with 15 days from quarter-end. Provisions for delays prescribed
- Quarterly reporting for trade credit guarantees discontinued from Q4 FY26 (certain exceptions)

# SEBI (Issue of Capital and Disclosure Requirements) (Amendment) Regulations, 2026<sup>22</sup>

## Introduction and standardisation of the Abridged Prospectus as a core offer document

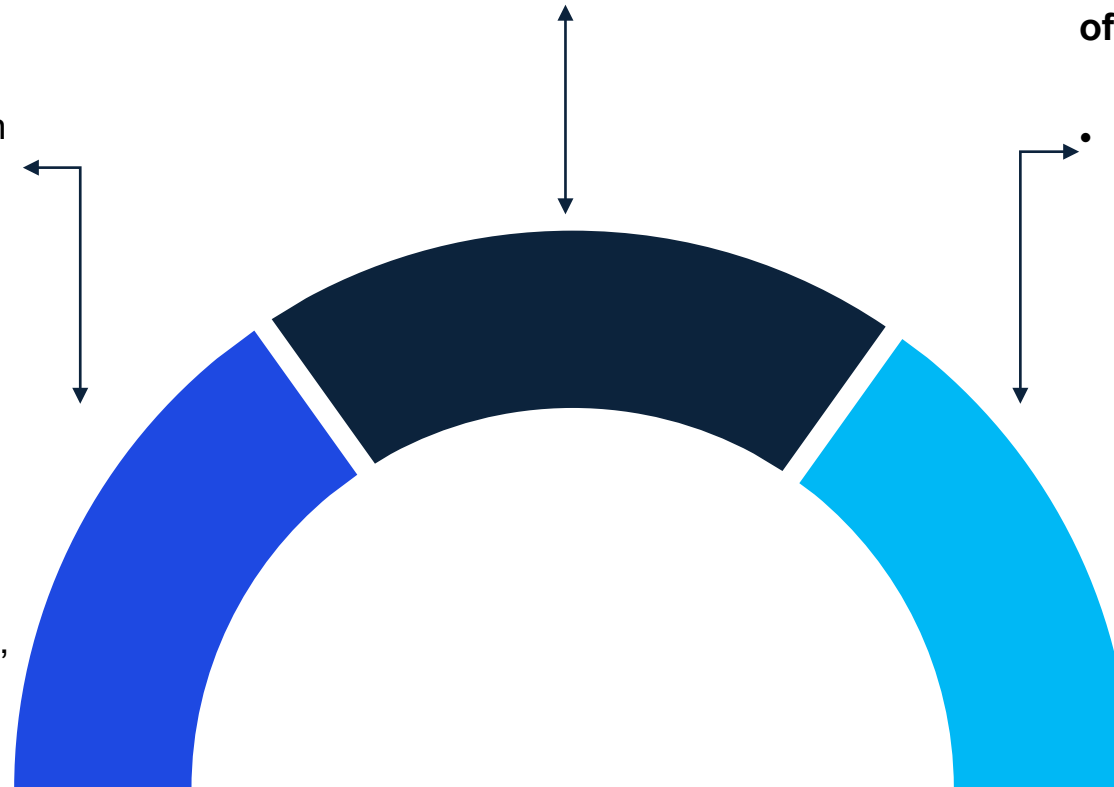
- Draft abridged prospectus introduced as a mandatory offer document under Regulation 25, with prescribed content set out in Schedule VI, Part E.
- To be filed and published along with the draft offer document on lead managers' websites for public comments for 21 days.
- Requires structured, investor-focused disclosures, including business and industry overview, promoters and shareholding, objects of the issue, financial summaries, KPIs, risk factors, litigations, and auditor qualifications.

## Lock-in of encumbered securities

- New sub-regulation inserted in Regulation 17 enabling depositories to record specified securities as “non-transferable” where physical lock-in is not feasible.

## Digital access and rationalisation of offer document dissemination

- Inclusion of QR codes and web links in offer related documents and advertisements to provide direct digital access to the red herring prospectus, abridged prospectus and price band advertisements



# Securities Contracts (Regulation) Amendment Rules, 2026<sup>23</sup> (1/2)



## Minimum public offer and minimum public shareholding (MPS) timelines

The revised framework provides minimum public offer at listing and phased timelines to reach 25 per cent public shareholding, linked to post-issue market capitalisation. Refer slide 17 for more details.



## Applicability to existing listed companies

Phased timelines to achieve public shareholding are also available to companies listed on or before the commencement of these Amendment Rules



## Companies with Superior Voting Rights (SR shares)

Companies with SR shares issued to promoters or founders must mandatorily list SR shares on the same stock exchange as the ordinary shares offered to the public.



## Past non-compliance with public shareholding norms

Recognised stock exchanges may impose fine or penalty for non-compliance committed before the commencement of these Amendment Rules.



## International Financial Services Centre (IFSC) listings

For listings in an IFSC, a uniform 10 per cent public offer applies irrespective of size; other capital-based slabs do not apply.

# Securities Contracts (Regulation) Amendment Rules, 2026<sup>23</sup> (2/2)

Post-issue market capitalisation (INR)	Minimum public offer at listing	Timeline to reach 25 per cent public shareholding (MPS)
Up to 1,600 crore	25 per cent of each class or kind of equity shares or debentures convertible into equity shares ('each class')	NA
> 1,600 crore – 4,000 crore	at least such percentage of each class that is equivalent to the value of NR 400 crore	Within 3 years from listing
> 4,000 crore – 50,000 crore	10 per cent of each class	Within 3 years from listing
> 50,000 crore – 1 lakh crore	at least such percentage of each class that is equivalent to the value of INR 1,000 crore and at least 8 per cent of each class	Within 5 years from listing
> 1 lakh crore – 5 lakh crore	at least such percentage of each class that is equivalent to the value of INR 6,250 crore and at least 2.75 per cent	<ul style="list-style-type: none"> <li>• If MPS &lt;15 per cent at listing: 15 per cent in 5 years, 25 per cent in 10 years</li> <li>• If MPS ≥15 per cent at listing: 25 per cent in 5 years</li> </ul>
Above 5 lakh crore	at least such percentage of each class that is equivalent to the value of INR 15,000 crore and at least 1 per cent*	Same phased approach as above

\* Minimum 2.5 per cent of each class shall be offered to public

# Annexures



# Key takeaways from the NFRA Circular

1

**Two-way communication** between auditors and TCWG is mandatory and must be robust, continuous, and **well documented**

2

The Audit Committee does not constitute **TCWG by default** – **requires evaluation / communication and agreement** between the auditors and the company

3

All major **communications** must be in **writing**, and **oral discussions** must also be **documented** with date, time, and participants

4

**Shift from end of audit communication to continuous engagement:** At least two structured and timely meetings per year, between auditors and TCWG are expected – before the meeting that approves the financial statements

5

**Auditors' independence and safeguards** must be transparently communicated, including non-audit services and relationship

# Key takeaways from the NFRA Circular

6

**Board and Audit Committee retain full oversight responsibility.** An audit does not dilute their accountability for financial reporting quality. Boards must adopt a formal, structured communication framework

7

**Pre circulation of meeting / presentation material and early discussions** can help auditors and TCWG engage effectively

8

Governance bodies **should strengthen their oversight culture.** Independent Directors and Audit Committee members are expected to bring informed challenge

9

**The following matters should be discussed early and throughout the audit cycle in writing:**

- Audit strategy, scope, timing, materiality, and key risks
- Internal control deficiencies and significant weaknesses
- Significant accounting estimates, judgements, unusual transactions, and related party issues

# Other NFRA updates- Auditor-Audit committee interaction series 4: Impairment of non-financial assets<sup>24</sup>



- 1** Critical areas such as identification of cash-generating units (CGUs), impairment indicators, estimation of future cash flows, use of management experts etc.
- 2** Appropriateness of process of identification of impairment indicators
- 3** Annual impairment test for goodwill/intangibles with indefinite life
- 4**
  - Correct estimation of recoverable amount, future cash flows, discount rates
  - Reasonableness and appropriateness of fair value
- 5** Compliance with applicable accounting standards and disclosure requirements
- 6** Key audit matter identified by the Auditor

# Environment Rules and Regulations – Recent developments (1/3)

S. No.	Regulation/Rule	Effective Date	Sectors impacted
1	Environment (Protection) Amendment Rules, 2025	22 Jan 2025	Thermal power
2	Battery Waste Management Amendment Rules, 2025	24 Feb 2025	Battery producers
3	Environment Protection (End-of-Life Vehicles) Rules, 2025	01 Apr 2025	Automotive sector
4	Green Hydrogen Certification Scheme of India	29 Apr 2025	Hydrogen producers
5	Plastic Waste Management (Amendment) Rules, 2025	01 Jul 2025	Plastic packaging users
6	Environment (Protection) Fourth Amendment Rules, 2025	Jul 2025	Thermal power
7	Environment Audit Rules, 2025	29 Aug 2025	All sectors (compliance audits)
8	Forest (Conservation and Augmentation) Rules Amendment for Critical Minerals, 2025	31 Aug 2025	Critical mineral mining
9	Greenhouse Gases Emission Intensity Target Rules, 2025	08 Oct 2025	Aluminum, cement, chlor-alkali, and pulp & paper industries.
10	Greenhouse Gas Emission Intensity Target (Amendment) Rules, 2025	13 Jan 2026	Petrochem, textile etc.
11	Environmental (Protection) Fund Rules, 2026	15 Jan 2026	All
12	Environment (Construction and Demolition) Waste Management Rules, 2025	01 Apr 2026	Construction
13	Hazardous and Other Wastes (Management and Transboundary Movement) Amendment Rules, 2025	01 Apr 2026	Non-ferrous metal sectors
14	Solid Waste Management Rules, 2026	01 Apr 2026	Waste generators



Issued during the quarter

# Environment Rules and Regulations – Recent developments (2/3)

S. No.	Regulation/Rule	Effective Date	Sectors impacted
15	E-waste (management) Rules, 2022 and amendments thereof	01 Apr 2023	Manufacturing (electrical and electronic equipment)
16	Corporate Average Fuel Efficiency (CAFE) standards	01 Apr 2017	Automobiles
17	Draft CAFE standards, 2027	Draft (01 Apr 2027)	Automobiles
18	Draft Environment Protection (Extended Producer Responsibility for Packaging made from paper, glass and metal as well as sanitary products) Rules, 2024	Draft (01 Apr 2026)	Paper & Paperboard, Glass Containers & Bottles, Metal Packaging (Excluding hazardous Non-Ferrous Metals), Sanitary Products (Diapers, Sanitary Napkins, etc.)
19	Draft Plastic Waste Management (Second Amendment) Rules, 2025	Draft (01 Apr 2026)	Plastic packaging entities

# Environment Rules and Regulations – Recent developments (3/3)

## Greenhouse Gases Emission Intensity Target (Amendment) Rules, 2025<sup>25</sup>

- Notified by the Ministry of Environment, Forest and Climate Change (MoEFCC) under the Environment (Protection) Act, 1986 on 13 January 2026.
- Principal Rules issued on 8 October 2025 covered aluminum, cement, chlor-alkali, and pulp and paper sectors
- The Amendment Rules add the **following sectors under mandatory compliance**:
  - Petroleum refineries
  - Petrochemical units (gas/naphtha crackers)
  - Textile sector (spinning, processing, fibre and composite units)
  - Secondary aluminum
- **Entity wise baseline output** (based on FY 2023-24) and GHG emission intensity, and **prescribed emission intensity targets** for each compliance year (FY 2025–26 and FY 2026–27) specified.
- **FY 2025–26 targets for newly notified sectors would be pro-rated for January–March 2026.**

## The Solid Waste Management Rules, 2026<sup>26</sup>

- Notified by the MoEFCC under the Environment (Protection) Act, 1986, superseding the Solid Waste Management Rules, 2016.
- Effective from **1 April 2026**
- The Rules **mandate four-stream segregation of solid waste** at source - wet waste, dry waste, sanitary waste and special-care waste, including hazardous household items.
- The Rules provide an expanded and quantified definition of Bulk Waste Generators (BWGs) based on built-up area, water consumption or volume of waste generated.
- **Enhanced responsibilities are prescribed for BWGs**, including obligations relating to segregation, scientific processing of waste, and compliance with prescribed reporting and monitoring requirements.
- The Rules provide for **levy of environmental compensation** based on the “Polluter Pays” principle in cases of non-compliance.

## Environmental (Protection) Fund Rules, 2026

The Rules primarily govern the utilisation and administration of environmental penalties by Government authorities, through a statutory fund maintained in the Public Account of India.



## Companies Compliance Facilitation Scheme (CCFS 2026)<sup>27</sup>



The MCA launched the CCFS 2026 to offer companies a one-time chance to regularise overdue Annual Returns and Financial Statements at significantly reduced cost



**Scheme duration:** 3 month window (from 15 Apr 26 to 15 Jul 26) provided for companies to complete filings or avail any option under the scheme



### Key benefits:

- 90 per cent reduction in additional filing fees for forms such as MGT 7, MGT 7A, AOC 4, XBRL variants
- Reduced fees for - inactive companies applying for dormant status (by 50 per cent of normal fee) and for strike off applications (at 25 per cent of usual fee) by filing relevant forms



**Applicability:** Available to all companies with pending filings, except - those under strike off proceedings, dissolved or who applied for dormancy before this Scheme, or categorised as vanishing companies.



**Immunity:** No penalty for timely filings of overdue annual returns, financial statements and other forms under the scheme subject to fulfilment of certain criteria.



**Post scheme action:** After 15 July 2026, Registrars will initiate strict action against companies that did not avail the scheme and remain non-compliant.



## Companies (Appointment and Qualification of Directors) Amendment Rules, 2025<sup>28</sup>



The MCA issued these Rules, streamlining the director KYC process. The following are the key amendments introduced



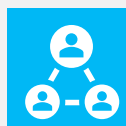
**Applicability:** These amendments are applicable from 31 March 2026.



**Single KYC form:** Older KYC formats (DIR 3 KYC and DIR 3 KYC Web) replaced with a unified DIR 3 KYC Web form incorporating detailed identity, contact, and address verification fields.



**Revised KYC filing cycle:** Every Director Identification Number (DIN) holder must file KYC by 30 June immediately following every third consecutive financial year, based on DIN status as of 31 March.



**Mandatory updates:** Any change in mobile number, email, or residential address must be updated within 30 days via the new web based form.



**Professional certification:** The new form requires digital certification by a practicing Chartered Accountant (CA), Company Secretary (CS), or Cost and Management Accountant (CMA) to strengthen verification standards.



## Companies (Compromises, Arrangements and Amalgamations) Amendment Rules, 2025<sup>29</sup>

The Ministry of Corporate Affairs notified significant amendments to the Companies (Compromises, Arrangements and Amalgamations) Rules, 2016 on 4 September 2025



### Notice of Scheme (Form CAA-9) for a proposed fast-track merger

- The notice inviting objections or suggestions is now required to be issued not only to the Registrar and the Official Liquidator but also to the relevant sectoral regulators in case of regulated entities.
- Additionally for listed companies, the notice is to be issued to the concerned stock exchanges.



### The fast-track route will now also cover mergers between:

- Unlisted companies (other than section 8 companies) where aggregate borrowings\* do not exceed INR200 crore and there is no default
- A holding company (listed or unlisted) and its subsidiary (listed or unlisted), except where the transferor company is listed.
- Subsidiaries of the same holding company, provided the transferor companies are not listed.
- A foreign holding company with its wholly owned subsidiary incorporated in India (reverse flip).



### Application to demerger (Addition of Sub-Rule 9)

- The fast-track provisions have now been expressly extended to cover schemes of division or transfer of undertakings (demergers).

\*including loans, debentures and deposits

## AS 22-Amendment in relation to Pillar Two Tax Reforms <sup>30</sup>

### Accounting Standards Amendment

- The Ministry of Corporate Affairs (MCA) issued the Companies (Accounting Standards) Amendment Rules, 2026 on 10 March 2026, amending AS 22 – *Income Taxes* to incorporate OECD Pillar Two tax reforms.

### Key accounting implications and disclosure requirements

- AS 22 now explicitly applies to income arising from tax law enacted or substantively enacted to implement the Pillar Two model rules published by the Organisation for Economic Co-operation and Development (OECD) (Pillar Two Taxes), including tax law that implements qualified domestic minimum top-up taxes described in those rules.
- Mandatory exception in relation to recognition of deferred tax assets and liabilities related to Pillar Two income taxes provided. Companies must disclose application of this exception
- Companies to separately present current tax expense or income relating to Pillar Two taxes.
- Where Pillar Two legislation is enacted but not yet effective, entities must provide qualitative and quantitative disclosures on potential exposure.

### Exemptions

- Small and Medium-sized Companies are exempt from certain disclosure requirements.

### Applicability

- The amendments are effective upon publication, with specified disclosure requirements applicable from annual periods beginning 1 April 2025.
- No interim disclosures required for period ending on or before 31 March 2026.

# Updates from NSE and BSE

## NSE's API based single filing system<sup>31</sup>

- **30 September 2024:** The National Stock Exchange's (NSE's) single filing system - an Application Programming Interface (API)-based process to avoid duplicate submissions - was first introduced, enabling companies to file Investor Grievance Redressal disclosures under Regulation 13(3) of the SEBI LODR through a single submission from 1 October 2024, with filings mirrored across exchanges.
- **3 January 2026:** This system was further expanded, extending single-window filing to Integrated Financial Filings under Regulation 33 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR), covering quarterly and annual financial results and clarifying that any queries post submission must be addressed directly to the exchange that raises them.
- **20 February 2026:** The circular issued has expanded the system to include XBRL filings for select Regulation 30 events such as fraud/default disclosures, debt restructuring, resolution plans, and buyback Issue Summary Document (ISD) submission and integrated financial and governance filings effective 21 February 2026, while requiring entities to continue filing PDF versions separately with both exchanges until further notice.

## BSE FAQ on submission of financial results<sup>32</sup>

BSE Limited released Frequently Asked Questions (FAQs) clarifying various aspects of submission of financial results under Regulation 33 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR), including the following:

- Timelines and disclosure requirements for newly listed entities, Small and Medium Enterprises (SMEs), companies migrating between boards, and entities with subsidiaries.
- Requirements relating to consolidated results, segment disclosures, treatment of revisions of financial results and XBRL filings.

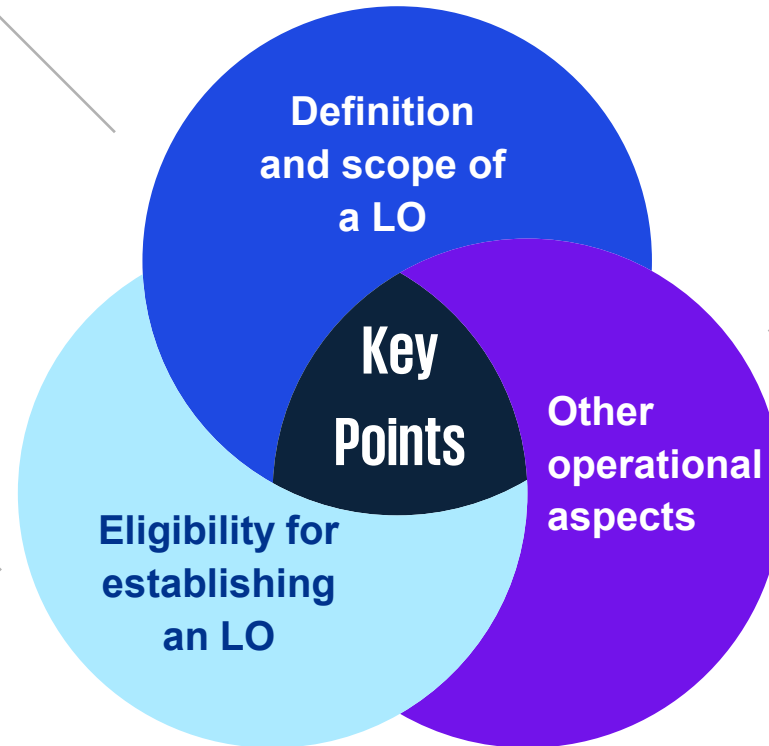
The Insurance Regulatory and Development Authority of India (IRDAI) issued revised 'Guidelines on Establishment and Closure of Liaison Office in India by an insurance company registered outside India' issued and effective from 11 February 2026, superseding all previous instructions on the subject.

A Liaison Office (LO) is defined as a non-commercial establishment that:

- Serves solely as a communication link between an overseas insurer's head office and entities in India
- Is prohibited from soliciting business or undertaking any activity that generates revenue and
- Meets all its expenses exclusively through foreign inward remittances from the head office

To establish a LO, an overseas insurer must satisfy following conditions:

- Have a profit-making record for the preceding 3 financial years and
- A minimum net worth of USD65 million. However, IRDAI may relax this net-worth requirement in exceptional cases



The guidelines further outline key operational requirements, including:

- Scope of permitted activities,
- Conditions attached to IRDAI's approval,
- Obligations relating to the maintenance of books and records,
- Submission of annual financial statements and the Annual Activity Certificate,
- Restrictions applicable to LOs and the actions the authority may take in the event of non-compliance.



## Insurance Act made effective<sup>34</sup>

- The Sabka Bima Sabki Raksha (Insurance Amendment Laws) Bill, 2025 was passed on 17 December 2025 and received Presidential assent on 20 December 2025.
- The Ministry of Finance has now notified the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 on **5 February 2026, with the exception of Section 25**, which remains to be brought into force.
- Section 25 introduces stricter conflict-of-interest safeguards by prohibiting any director/officer of an insurer from simultaneously serving as a director/officer of another insurer in same class of business, or of a banking/investment company
- The Act amends the Insurance Act, 1938, the Life Insurance Corporation Act, 1956, and the Insurance Regulatory and Development Authority Act, 1999



## Rules for insurer investments in AIFs<sup>35</sup>

- IRDAI has clarified the rules on AIF investments for insurers.
- The rules confirm that insurers may invest in AIFs that provide valid excusal rights ensuring their capital is fully excluded from any overseas exposure under Section 27E of the Insurance Act, 1938.
- Such AIFs must hard-code the no-overseas-investment restriction in fund documents and certify that insurer funds are never deployed abroad.
- Insurers must follow a three-layer compliance mechanism (declarations, audit trails, periodic confirmations) and comply with combined direct + indirect exposure limits for AIF investments.



## Clarification on data maintenance rules for Foreign Reinsurer Branches (FRBs)<sup>36</sup>

- The IRDAI, in its 132nd Authority meeting, approved a clarification to proviso (iii) of Regulation 9 under the IRDAI (Maintenance of Information and Sharing of Information) Regulations, 2025.
- The proviso specifies that insurers must maintain all policy and claims records, including electronic records in **data centres located and maintained in India**.
- The Authority reiterated that all records, digital or otherwise, must continue to **comply with India's data-maintenance requirements**.

# Other IRDAI updates - Insurance Act, 2025<sup>34</sup>

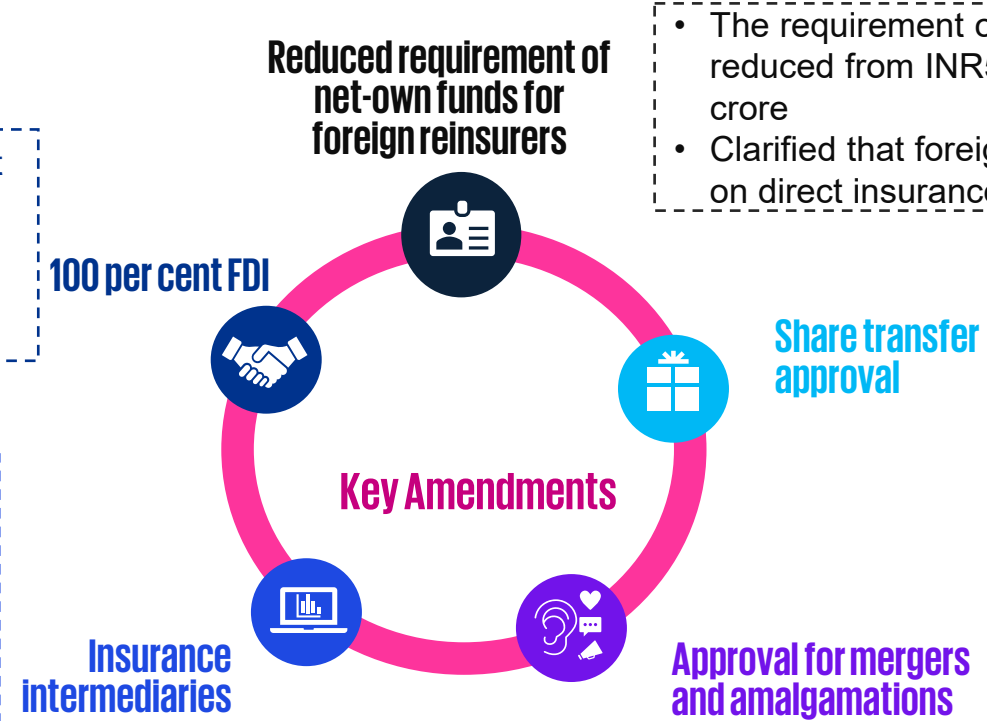
[3/3]

- The Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025 (the Bill) was introduced in the Lok Sabha on 16 December 2025 and received President's assent on 20 December 2025.
- The **Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 (the Act)** was published for general information on 21 December 2025
- The Ministry of Finance has now notified the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 on 5 February 2026, with the exception of Section 25, which remains to be brought into force.

- The foreign direct investment (FDI) limit raised to 100 per cent from 74 per cent in Indian insurance companies
- Requirement of at least one of the top executive officers to be an Indian.

- The requirement of net-owned fund reduced from INR5,000 crore to INR1,000 crore
- Clarified that foreign entities cannot carry on direct insurance in India

- Broader definition of insurance intermediaries to include managing general agents and insurance repositories
- Validity of intermediary registration certificates (including corporate agents and insurance brokers) to continue until suspension or cancellation, replacing the earlier three-year validity, with further clarity on renewal-related references awaited.



The Act has increased the threshold for IRDAI approval for share transfers from 1 per cent of paid-up capital to 5 per cent, simplifying compliance for insurers.

The Act introduces a major shift by allowing insurers to merge or transfer insurance business with non-insurance companies - something that was not legally permitted earlier

## Updates in relation to Alternate Investment Funds (AIFs)

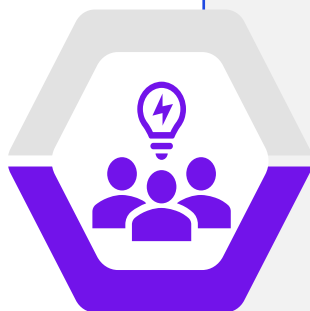


### SEBI circular on regulatory reporting by AIFs (effective 4 March 2026)<sup>37</sup>

Issued to streamline reporting requirements for AIFs by replacing existing quarterly reporting with an Annual Activity Report and a limited Quarterly Activity Report. AIFs must now:

- A. File a Comprehensive Annual Activity Report online on SEBI's Intermediary Portal (SI Portal) within 30 calendar days of each financial year end, with the first report due by 31 May 2026 for FY 2025–26.
- B. Submit a Limited Quarterly Activity Report within 15 calendar days of end of each quarter, starting June 2026, with no separate reporting required for the March quarter, which will be covered by the annual report.

This circular also revises reporting formats to reflect regulatory changes, assigns Indian Venture and Alternate Capital Association (IVCA) the role of assisting AIFs, and supersedes earlier reporting provisions to enhance ease of compliance.



### SEBI circular on reporting of AIF units to Depositories (effective 6 February 2026)<sup>38</sup>

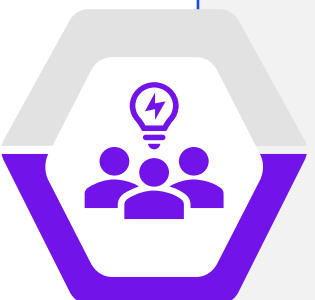
- SEBI has mandated that all AIFs must upload the latest Net Asset Value (NAV) for each ISIN of their units onto the depository system, through their Registrars and Transfer Agents (RTAs), by 1 May 2026 or within 30 days of each valuation, whichever is later.
- This requirement supports the move to dematerialised units, enhances transparency, and leverages depository infrastructure.
- Valuation date would be:
  - In case the valuation is carried out by independent valuers – Date of valuation report.
  - In case the valuation is carried out by internal valuers – Date on which the valuation is documented in the internal records of the fund.
- The circular also assigns managers responsibility for timely and accurate NAV uploads and requires depositories to build supporting systems and display a standard NAV disclaimer.
- Holds trustee/sponsor responsible for ensuring the Compliance Test Report prepared by the manager

## Updates in relation to Mutual Funds (MFs)



### Valuation of physical gold and silver by MF Schemes (effective 1 April 2026)<sup>39</sup>

- SEBI has revised the valuation methodology for physical gold and silver held by mutual fund schemes to reflect domestic market conditions and ensure greater transparency and uniformity.
- Valuation must be based on polled<sup>1</sup> spot prices published by recognised stock exchanges, used for settlement of physical bullion derivative contracts.
- This replaces the earlier London Bullion Market Association (LBMA) based valuation which was adjusted for domestic factor.
- Spot polling must follow SEBI-specified guidelines, and AMFI, in consultation with SEBI, will issue a uniform industry policy.



### Categorization and rationalization of MF Schemes (effective 26 February 2026)<sup>40</sup>

- SEBI has superseded Clause 2.6 of the Mutual Fund Master Circular dated 27 June 2024, to reflect evolving market conditions
- MF schemes are now reclassified into five broad groups: equity schemes, debt schemes, hybrid schemes, life cycle funds, and other schemes (includes Fund of Funds (FoF) schemes and passive schemes such as Index Funds/ETFs)
- Uniform scheme characteristics and descriptions mandated across AMCs.
- Solution-oriented schemes are discontinued; existing schemes must stop subscriptions immediately and merge with similar schemes
- AMCs must align scheme nomenclature, objectives, strategies, and benchmarks with the new categories **within 6 months** from this circular
- Monthly portfolio-overlap disclosures are required on AMC websites for equity, debt, and hybrid schemes.
- Portfolio overlap limits introduced for equity schemes
- Incase of Value funds and Contra funds being offered, overlap to be  $\leq 50$  per cent
- Overlap between thematic/sectoral and other equity schemes is also capped at 50 per cent.

1. Polling is process of eliciting information from a cross section of market players about the prevailing spot price of the commodity in the market. Primarily the data on spot prices is captured at the identified basis centres which are also termed as the primary centre of a commodity, by inviting price quotes from the empanelled polling participants representing the value chain comprising various user class viz. traders/ brokers, processors, importers/ exporters and users.

## SEBI Informal Guidance on Creeping Acquisition (SAST Regulations) <sup>41</sup>

- SEBI has issued an interpretive letter under the Informal Guidance Scheme clarifying the applicability of the creeping acquisition limits under Regulation 3(2) of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011 (SAST Regulations), in the context of preferentially issued warrants and their staggered conversion.
- For creeping acquisition, gross acquisitions during a financial year are considered, ignoring dilution, sales, or staggered conversions
- In the case cited, the promoter had already acquired 4.95 per cent voting rights in the same FY; only 0.05 per cent more was permissible without triggering an open offer.
- Conversion of remaining warrants (totaling 7.37 per cent) in the same FY would breach the 5 per cent annual cap, triggering an obligation to make an open offer under Regulations 3(2) and 3(3) of the SAST Regulations.
- Compliance with ICDR Regulations on warrant tenure does not override SAST Regulations; promoters must track cumulative FY-wise acquisitions carefully



## SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2026 <sup>42</sup>

At its Board Meeting held on 17 December 2025, SEBI approved certain amendments to the framework applicable to High Value Debt Listed Entities (HVDLEs). Pursuant to this approval, SEBI notified the SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2026 on 20 January 2026. The key provisions are as follows:

### 1. Threshold Relaxation for HVDLE Identification

- The threshold for identifying HVDLEs has been raised from INR1,000 crore to INR5,000 crore of outstanding non-convertible debt, facilitating easier fund-raising for regulated entities like NBFCs, HFCs, ARCs, insurance companies, and REITs.

### 2. Alignment of Corporate Governance Norms

- Corporate Governance norms for HVDLEs have been aligned with those for equity listed entities, streamlining compliance and enhancing ease of doing business.

### 3. Board and Committee Provisions

- New requirements include shareholder approval for non-executive directors above 75 years, exemptions for nominee directors, and a 3-month timeline to fill Board Committee vacancies. Recommendations to shareholders must now include the Board's rationale.

### 4. Subsidiary and IBC-Related Relaxations

- Exemptions for intra-group asset sales among subsidiaries and additional time for filling KMP vacancies for companies emerging from insolvency, ensuring smoother compliance with LODR.

### 5. Related Party Transactions (RPTs) Harmonization

- RPT provisions for HVDLEs have been harmonised with those for equity listed companies, while retaining the requirement for NOC from Debenture Trustees and debenture holders.

Below Directions applicable to banks, Non-Banking Financial Companies (NBFCs), All India Financial Institutions (AIFI) effective 1 April 2026, with early implementation permitted

## Reserve Bank of India (Credit Risk Management) Amendment Directions, 2026

- Expanded and harmonised definitions - aligned with the Companies Act, 2013 and the Insolvency and Bankruptcy Code, 2016
- Committee on lending to related party to be incorporated or any other committee other than Audit committee to be entrusted with sanctioning of loans
- Comprehensive board-approved Credit Risk Management Policy to be put in place, specifically covering lending to Related Parties (RPs)
- Strict restrictions on loans to directors, entities where directors have interest, or cases that pose conflict of interest
- Loans to related parties subject to thresholds based on asset size (different for commercial banks, NBFCs, AIFIs)
- RP loans above specified materiality thresholds to be approved by Board or Committee
- Interested directors or officials must recuse themselves from approval process
- Enhanced requirements for monitoring, reporting, internal audit review and whistle-blower mechanisms in respect of RP lending.
- Any policy deviations must be reported to the Audit Committee
- Non-compliances may attract RBI actions such as monetary penalty, requirement of full provisioning etc.

## Presentation and Disclosure Amendment Directions, 2026

Below disclosures related to RPs exposures introduced:

- Aggregate value of loans sanctioned to RPs during the year, outstanding amount as at 31 March, and exposure as a percentage of total credit exposure
- Classification of RP loans into 'Special Mention Accounts' and 'Non-Performing Assets', along with provisions.
- Value of contracts and arrangements with RPs, both -awarded during the year and outstanding at year-end.

# Other RBI updates-Amendments for Banks - Disclosure in financial statements [2/10]

## First Amendment <sup>44</sup>

1. Below disclosures with respect to **Credit Risk Management** added:
  - Amount of deposit held under Section 11(2)(b)(i) of the Banking Regulation Act, 1949 that is **earmarked as Credit Risk Mitigation (CRM)** for offsetting of exposures to the Head Office, including overseas branches, to be disclosed under Schedule 1 – Capital
  - Amount so earmarked shall not be reckoned as regulatory capital or for any other statutory requirement
2. Effective from earlier of - the date the bank adopts paragraphs 3(1) to 3(4) of the Concentration Risk Management Amendment Directions, 2026, or **April 1, 2026**



## Fifth Amendment <sup>45</sup>

1. Below disclosure with respect to **Deposit Insurance and Credit Guarantee Corporation (DICGC) insurance premium** amended:
  - Disclosure of payment of DICGC premium and arrears removed
  - Banks to disclose in annual report that 'deposit insurance premium as applicable was paid to DICGC within the prescribed timelines.'
  - In case the bank has not paid as per the required timelines, the same shall also be disclosed.
2. Effective from **1 April 2026**



## Third Amendment (Revised) <sup>46</sup>

1. Below disclosure with respect to **capital market exposure** introduced:
  - Direct investments or advances linked to equity shares, preference shares, convertible instruments, REITs/InvITs, AIFs, and units of non-debt mutual funds, including IPO/FPO/ESOP-related funding.
  - Advances for other purposes are eligible where shares, convertible instruments or mutual fund units are taken as primary security or collateral, with exposure limited to realizable value of such collateral.
  - Credit facilities to Capital Market Intermediaries (CMI), acquisition finance, bridge finance (including overseas branches), underwriting commitments, and financing to non-debt mutual funds.
  - Irrevocable payment commitments to clearing corporations and trade-related exposures (including funded margins) where the bank acts as a clearing member.
2. Effective from earlier of - the date the bank adopts the Credit Facilities Amendment Directions, 2026, or **1 July 2026**.



# Other RBI Updates: Dividend and Profit Remittance Framework, 2026<sup>47</sup> [3/10]

On 10 March 2026, RBI issued:

- RBI (Commercial Banks – Prudential Norms on Declaration of Dividend and Remittance of Profit) Repeal Directions, 2026\* (2026 Repeal Directions) and
- RBI (Commercial Banks – Prudential Norms on Declaration of Dividend and Remittance of Profits) Directions, 2026\* (2026 Dividend directions)

- 2026 Dividend Directions replace the RBI (Commercial Banks – Prudential Norms on Declaration of Dividends and Remittance of Profit) Directions, 2025 (2025 Dividend directions).
- Applies to all commercial banks\*
- Effective from FY 2026-2027
- Key terms defined: Adjusted PAT, dividend (which includes interim dividends but excludes Perpetual Non-Cumulative Preference Shares), Remittance of Profit (refers to repatriation by foreign bank branches) etc, defined.
- All previous actions, rights taken and obligations, liabilities, penalties applied, and ongoing legal proceedings under the 2025 Repeal Directions remain valid.

**Eligibility conditions:** For bank to be able declare dividends:

- Must meet regulatory capital requirements (previous and current FY)
- Capital must remain above regulatory minimum post-distribution
- Indian-incorporated banks must have positive Adjusted PAT
- Foreign bank branches must have positive PAT
- The bank is not under explicit RBI restrictions

**Board oversight requirements:** Before recommending dividends or remittance, the Board must examine:

- NPA divergence and provisioning
- Auditor's report (including modifications)
- Capital adequacy (current & projected)
- Long-term growth and capital planning

\*Similar directions have been issued for Payments Bank (PBs), Small Finance Banks (SFBs), Local Area Banks (LABs) and Regional Rural Banks (RRBs)

# Other RBI Updates: Dividend and Profit Remittance Framework, 2026 (*Contd.*)<sup>47</sup>

[4/10]

## Dividend quantum framework:

- Indian-incorporated banks may declare dividends up to 75 per cent of PAT, subject to Common Equity Tier 1 (CET1) based limits.
- CET1-based bucket system (B1–B10): 0 to 100 per cent of Adjusted PAT allowed.
- Items not eligible for dividend: extraordinary income, overstated PAT, Level-3 fair value gains, specific unrealised/reversal-based profits

## Reporting and compliance:

- Banks to report dividend payments/remittances within 15 days to the RBI Department of Supervision
- RBI may restrict dividends/remittances for non-compliance with violations inviting supervisory/enforcement actions.

## Profit remittance by foreign bank branches:

- RBI issued RBI (Setting Up of Wholly Owned Subsidiaries by Foreign Banks) Amendment Guidelines, 2026 to amend the 2025 guidelines.
- Paragraph 13 (Dividend Declaration) of the above guidelines have been amended to require wholly owned subsidiaries of foreign banks (incorporated in India) to declare dividends in line with the 2026 Dividend Directions.
- Dividend repatriation remains subject to FEMA, 1999 provisions.
- Foreign branches can remit net profit (post-tax) without RBI approval, where excess remittances must be returned.



## RBI (Priority Sector Lending (PSL) – Targets and Classification) (Amendment) Directions, 2026<sup>48</sup>

The RBI has issued the RBI (Priority Sector Lending (PSL) – Targets and Classification) (Amendment) Directions, 2026 on 19 January 2026 (effective same date)

- 1. Revised priority sector targets** - Revised PSL norms now specify updated targets for each bank category, including provisions.
- 2. Sector Classification:**
  - **Housing loans:** Population based eligibility for housing loans to be determined using Census 2011 'Urban Agglomeration (UA)/Town' population figures.
  - **Health infrastructure:** Loans of up to INR12 crore per borrower can be given for building healthcare facilities in Tier II–VI centres (For UCB these centres are with population <1 lakh).
- 3. Clarifications on ANBC exemptions and computation:** Banks cannot deduct more from Adjusted Net Bank Credit (ANBC) than the actual eligible increase in Foreign Currency Non-Resident (Bank) Account (FCNR(B))/ Non-Resident External Account (NRE) deposits, when claiming exemptions linked to these deposits. Banks must compute off balance sheet exposures using the updated RBI prudential norms under the Exposures and Capital Adequacy Frameworks.
- 4. On lending (NBFCs/HFC/NCDC):** On lending to NBFCs/Housing Finance Corporations (HFCs)/ National Co-operative Development Corporation (NCDC) permitted with tightened safeguards, **including external auditor certification** to avoid double counting. Further bank loans to NCDC now eligible for PSL, if **quarterly auditor certification** is provided..
- 5. Export credit clarifications:** Definition of export credit aligned with updated Credit Facilities Directions, 2025.
- 6. PSLC framework:** A new Annex IIIA has been inserted, fully detailing the PSL Certificate (PSLC) framework. Banks may issue PSLCs up to 50 per cent of previous year's PSL achievement even if they do not have equivalent underlying PSL loans in their books, subject to conditions.
- 7. Independent verification of PSL status:** A stronger due diligence requirement for banks when purchasing loan portfolios that they intend to classify as PSL. Two layers of check required being **certification from the originator's external auditor and** sample checks conducted by the purchasing bank's own staff or its appointed auditor



## RBI (Non Banking Financial Companies – Concentration Risk Management) Amendment Directions, 2026 <sup>49</sup>

- This amendment creates a **new category of ‘high-quality infrastructure projects’** enabling differentiated regulatory treatment for select infrastructure lending.
- These are effective from the earlier of - date when the NBFC implements the RBI (NBFC – Prudential Norms on Capital Adequacy) Amendment Directions, 2026, or from 1 April 2026
- NBFCs may classify loans as ‘high-quality infrastructure’ only where the underlying projects meet all prescribed qualifying criteria as follows:
  1. The project has completed at least one year of successful operations with no material loan covenant breaches.
  2. The exposure is classified as ‘standard’ in the lender’s books.
  3. The revenue is contractually secured by government/statutory body, with strong protections for the concession period.
  4. Lenders benefit from robust security and cash flow safeguards, including escrow/Trust and Retention Account (RTA), pari passu charge in favor of the lender over assets, and early-termination risk mitigation.
  5. The borrower has adequate funding arrangements for current and future project needs.
  6. The borrower actions are restricted if detrimental to lenders (such as raising additional debt, encumbering assets without lender consent)



## Amendment directions on Capital Market Exposure <sup>46</sup>

RBI has finalised amendments to modernise bank lending to capital markets - enabling acquisition finance, expanding lending against market instruments, and strengthening frameworks for lending to Capital Market Intermediaries (CMI). Key amendment directions issued effective 1 July 2026 are:

**RBI (Commercial Banks – Credit Facilities) Amendment Directions, 2026 (Revised):** Updates definitions, expands permissible products (acquisition/bridge finance), strengthens governance, and clarifies eligible securities and collateral.

**RBI (Commercial Banks - Concentration Risk Management) Amendment Directions, 2026 (Revised):** Redefines and broadens capital-market exposure (CME) categories; revises prudential ceilings and computation norms.

**RBI (Commercial Banks – Undertaking of Financial Services) – Amendment Directions, 2026 (Revised):** These amendments revise the rules governing lending activities undertaken by banks’ NBFC/HFC group entities. Key amendments are:

- They newly permit acquisition and bridge finance specifically for promoter stakes in new companies - creating an exception to earlier restrictions.
- They also simplify capital-market-related lending by allowing lending to individuals only against “eligible securities” instead of a broad category of shares and instruments..

## SEBI issues informal guidance on review requirement for governance reports<sup>50</sup>



- Applicable to listed entities, including public sector banks.
- Quarterly Integrated filing (Governance) Report is mandated under Regulation 27 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, as amended from time to time (LODR Regulations)
- RBI (Commercial Banks – Governance) Directions, 2025 allows public sector banks to delegate certain compliance matters to Board committees
- SEBI has clarified that requirements of LODR Regulations are distinct and explicit
- LODR Regulations require the **integrated governance report to be placed before the full Board of Directors**, along with the Board's comments, each quarter.
- Such review cannot be delegated to its Audit Committee.

## Draft directions for 'Review of Framework of Limiting Customer Liability in Digital Transactions'<sup>51</sup>



- Revised framework for customer liability on unauthorised electronic banking transactions to be effective from 1 July 2026
- **Bank to formulate policy for customer protection in electronic banking transactions**, design systems and procedures for the same
- Mandatory alerts / instant SMS for certain transactions
- For small value fraudulent transactions (less than INR50,000) – customer to be compensated for lower of 85 per cent of the net loss amount or INR25,000 which will be borne by RBI, customer bank and beneficiary bank
- Introduces a time-bound compensation mechanism for small-value fraud
- Bank to design suitable mechanism for periodic reporting of complaints involving fraudulent electronic banking transactions to the Board or its Committees.

## RBI - NBFCs – Prudential Norms on Capital Adequacy - Amendments



### First Amendment<sup>52</sup> (Effective 1 April 2026)

- For the computation of risk weighted assets, the original directions provided 50 per cent risk weight to infrastructure projects.
- The amendment now introduces the concept of '**high-quality infrastructure projects**' – for projects meeting the criteria defined Revised risk weights for eligible projects:
  - ✓ 75 per cent risk weight if at least 2 per cent of sanctioned debt has been repaid
  - ✓ 50 per cent risk weight if at least 5 per cent of sanctioned debt has been repaid
- If the project subsequently ceases to meet the eligibility criteria, it will revert to applicable standard risk weights.
- Transitional relief - Existing exposures with lower risk weights may continue under earlier treatment until earlier of next renewal or 31 March 2027



### Second amendment<sup>53</sup> (Effective 10 March 2026)

- The amendment was introduced to clarify the definition of '**Free reserves**' included in the computation of **owned fund** (used for the purpose of computation of Tier 1 Capital and other ratios under the original directions)
- This is now clarified to **include quarterly profits**, subject to the following conditions:
  - Quarterly financial statements must undergo limited review or audit by statutory auditors
  - Profit eligible for inclusion must be reduced by average dividend of past 3 years.
- Formula has been provided for computation of profit to be included:  
YTD Eligible profit = YTD Net profit minus 25 per cent of average dividend paid for the last three financial years
- Losses of current financial year must be fully deducted from owned fund

These amendments do NOT impact ECL computation under Ind AS 109

## RBI (NBFC – Concentration Risk Management) Second Amendment Directions, 2026 <sup>54</sup>



- Effective from 10 March 2026
- The RBI (NBFC – Concentration Risk Management) Directions, 2025 provides a framework for credit and investment concentration limits
- The amendment now **aligns the definition of ‘Owned Funds’ and ‘Tier 1 Capital’** with the amended directions on Capital Adequacy (refer previous slide).
- The amendment also **introduces two additional requirements**:
  - **Tier 1 Capital** has to be based on **latest audited or reviewed** financial statements
  - **Introduces a requirement to obtain external auditor's certificate on completion of augmentation of capital**, before any additions to capital funds.

## RBI (NBFC – Income Recognition, Asset Classification and Provisioning) Amendment Directions, 2026 <sup>55</sup>



- Effective from 13 February 2026
- **Default loss guarantee (DLG)** arrangements are contractual arrangements under which a third party agrees to compensate a Regulated Entity (RE) for losses due to borrower default, up to a pre-specified percentage of a loan portfolio
- The amendment now provides that **DLGs can be considered for determining provisions under ECL** across all stages, subject to Ind AS requirements:
  - DLG should be integral to the contractual terms of the loan and
  - DLG should not be recognised separately
- Disclosure requirements of Ind AS 1 needs to be complied with

## RBI Updates for commercial banks - Prudential Norms on Capital Adequacy



### First amendment<sup>56</sup>

(Effective immediately i.e. 9 January 2026)

- The risk weights for claims on non-resident corporates were based on credit ratings by international rating agencies
- Ratings assigned by CareEdge Global IFSC Limited were identified in relation to claims on all non-resident corporates originating at International Financial Services Centre (IFSC)
- Now, **CareEdge Global IFSC Limited ratings can be used** for claims on all non-resident corporates.



### Second amendment (Revised)<sup>46</sup>

(Effective from earlier of 1 July 2026 or implementation of Credit Facilities Amendment Directions 2026)

- **Irrevocable Payment Commitments (IPC)** are now explicitly issued to clearing corporations and apply to all clients, not just Mutual Funds and FIIs.
- Fixed capital market exposure (CME) percentages linked to T+1 (30 per cent) / T+2 (50 per cent) have been removed; CME must now be calculated as per RBI (NBFCs - Concentration Risk Management) Directions, 2025.
- No change in terms of the capital to be maintained on the amount taken for CME and the risk weight to be 125 per cent thereon.



### Third amendment<sup>57</sup>

(Effective 10 March 2026)

- **Counterparty Credit Risk (CCR) exposures** of all entities within the consolidated group to be considered for consolidated capital requirements. Earlier CCR inclusion at consolidated level was not explicitly mandated.
- Higher add-on factors for equity and commodity derivatives based on residual maturity buckets.
- Minimum add on floor of 0.50 per cent prescribed for interest rate contracts with residual maturity of >1 year
- Clearing member exposures to **QCCPs (Qualified Central Counterparty)** was not standardised. Now Clearing member banks must hold CCR capital, and QCCPs attract a 2 per cent risk weight

# Other updates [1/2]

## Cross utilisation of ITC under GST 3B <sup>58</sup>

- Under the earlier provisions of GST and ITC utilisation rules, ITC in relation to IGST had to be utilised first, followed by ITC related to CGST and finally SGST#.
- Order for payment of IGST liability was
  1. GST ITC – mandatory to be used first
  2. CGST ITC – after IGST ITC is fully exhausted
  3. SGST ITC – only after IGST and CGST ITC are exhausted
- From the January 2026 tax period onward, after exhausting available IGST ITC, the GST Portal will permit the use of CGST ITC and SGST ITC in any order to discharge the remaining IGST liability while filing GSTR-3B.

# GST - Goods and Services Tax ; ITC - Input Tax Credit; IGST - Integrated GST; CGST- Central GST (CGST); SGST - State GST

## Deferred payment of customs duty for EMIs (1 April 26 to 31 March 28) <sup>59</sup>

CBIC has extended the deferred payment of customs duty facility which was earlier limited to Authorised Economic Operators (AEO T2/T3) entities to a newly defined category of Eligible Manufacturer Importers (EMIs).

- Approved EMIs can pay import duty after clearance of goods, instead of at the time of filing the Bill of Entry, thereby speeding up cargo release.
- To avail the benefit of deferred payment, EMI must fulfill certain pre-conditions for e.g., should have an active GST registration, the turnover should be above INR5 crore, should have a clean compliance history (no prosecution, arrests, tax not deposited, etc.) etc.
- Duty must be paid on the 1st of the next month, except for March clearances, which must be paid by 31 March.

## Supreme court clarifies GAAR applicability <sup>60</sup>

- The Supreme Court of India in a recent judgement held that the Mauritius-based entities of Tiger Global were liable to Indian capital gains tax on a post - 1 April 2017 share transfer.
- This was because the arrangement was found to constitute an impermissible tax avoidance structure under the General Anti-Avoidance Rules (GAAR).
- Stated that GAAR would be applicable on the date of transfer, not the date of initial investment.
- Possession of a Tax Residency Certificate (TRC) does not bar tax authorities from scrutinising the commercial substance and purpose of a transaction. This narrows the long-standing presumption that TRCs alone secure treaty benefits.
- Consequently, earlier CBDT circulars and pre-GAAR judicial precedents were deemed inapplicable

# Other updates [2/2]



## Broadened definition of a startup <sup>61</sup>

The Department for Promotion of Industry and Internal Trade (DPIIT) has updated India's official startup definition to expand eligibility, support high-growth and deep-tech ventures. Some key points are as follows:

- **Applicability:** The new framework replaces the 2019 notification and is effective from 4 February 2026.
- **Eligible entities:** Private limited companies, Limited Liability Partnerships (LLPs), partnership firms, state/UT-registered cooperatives, and multi-state cooperatives up to 10 years from incorporation/registration.
- **Eligibility turnover cap:** Has not exceeded INR200 crore turnover (previously INR100 crore) in any financial year since incorporation
- **Innovation/scalability criteria:** Must work on innovation/improvement or operate a scalable model generating employment/wealth.
- **New category – Deep Tech Startups (DTS):** Must build solutions based on new scientific/engineering knowledge, invest significantly in R&D, create/own novel IP, or operate in long-gestation, high-uncertainty sectors. DTS get an extended threshold of 20 years eligibility and a turnover of up to INR 300 crores
- **Exclusions:** Entities formed by splitting/restructuring existing businesses or those exceeding time/turnover limits
- **Recognition process:** Application via the DPIIT portal; DTS must provide additional evidence
- **Tax benefits:** Eligible companies/LLPs may apply to the Inter-Ministerial Board (IMB) for Section 80-IAC of the Income Tax Act, 1961, approval
- **Use of funds:** Must be applied towards core business, R&D, scaling, and operations; non-productive investments restricted
- **Revocation & flexibility:** DPIIT may cancel recognition for false information; government may grant exceptions in special cases

# Resources on new Labour Codes

## Industrial Relations Code, 2020 (IR Code) <sup>62</sup>

- 1
- Ministry of Labour & Employment (MoLE) issued 2 notifications on 2 February 2026 to ensure smooth transition to the Industrial Relations Code, 2020 (IR Code).
  - As per these 2 notifications, existing authorities under the below Acts will continue functioning until new bodies are constituted under the IR Code.
    - ✓ Trade Unions Act, 1926
    - ✓ Standing Orders Act, 1946, and
    - ✓ Industrial Disputes Act, 1947
  - The above 3 Acts stand repealed from 21 November 2025 (commencement of the IR Code)

## Additional FAQs on Labour Codes <sup>14</sup>

- 3
- MoLE issued FAQs in relation to new Labour Codes on 16 March 2026.
  - The document provides additional FAQs clarifying key issues under India's Labour Codes, including the Code on Wages, Code on Social Security, Industrial Relations Code, and Occupational Safety, Health and Working Conditions Code, 2020 (OSHWC Code), addressing topics such as wage definition, gratuity, overtime, leave, fixed-term employment, and social security provisions.

## Compliance handbook for employers under the Labour Codes <sup>15</sup>

- 2
- The MoLE issued a Handbook as a quick guide on implementation of the 4 new Labour Codes
  - It explains key reforms: consolidation of 29 laws, reduction of returns, forms, licences, and registers, and shift to single electronic filings
  - Summarises major obligations for employers, including wages, working hours, safety, social security, contract labour, migrant workers, and women-related provisions.
  - Provides chapter-wise compliance checklists for day-one, monthly, annual, and event-based requirements.
  - Includes annexures of key definitions, schedules, and applicability tables for quick reference.

## Guidance on new Labour Codes by ICAI <sup>15</sup>

- 4
- Institute of Chartered Accountants of India's (ICAI's) Auditing and Assurance Standards Board (AASB) issued the Guidance on New Labour Codes to help auditors assess compliance and financial-reporting impacts.
  - Guidance highlights risk of misstatements (wage restructuring, definitions, employee classification, actuarial valuations) and mandates expanded substantive and analytical procedures.
  - Impact to be evaluated on reporting, documentation, governance communication, and implications on audit report or CARO reporting where non-compliance exists.
  - Annexure includes ICAI ASB FAQs on accounting implications under the new Codes.

# EAC Opinions issued by ICAI during the quarter ended 31 March 2026

January 2026

1. Accounting treatment of interest cost arising on fair valuation of interest free subordinate debt provided by the Government of India (GoI), Government of National Capital Territory of Delhi (GNCTD) and other government agencies for construction of metro projects, and
2. Accounting treatment of interest income earned on temporary investment of aforementioned interest free subordinate debt funds in flexi deposits till their utilisation in the project.

February 2026

Accounting for commission paid for performance bank guarantees, under Ind AS framework

March 2026

Accounting treatment of non-construction fee under Ind AS framework.

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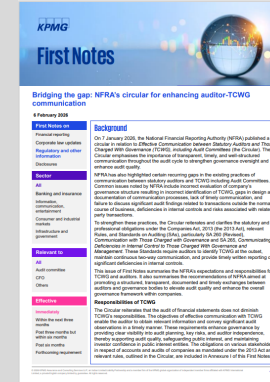
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