CHAPTER 3

Regulatory updates



Prudential norms and income recognition framework for Specified Non-Financial Assets

The Reserve Bank of India (RBI) has introduced amendments to the stressed asset resolution and income recognition frameworks across various Regulated Entities (REs)[1]. As part of this exercise, the RBI has amended the Income Recognition, Asset Classification and Provisioning (IRACP) Directions, 2026 and the Resolution of Stressed Assets Directions, 2025 to establish a comprehensive prudential framework governing the acquisition, valuation, disposal, disclosure and income recognition of immovable assets acquired in settlement of stressed exposures. The amendments are effective from 1 October 2026.

Key amendments relating to Resolution of Stressed Assets framework

- The amendments introduce the concept of Specified Non-Financial Assets (SNFAs), defined as immovable assets acquired by a bank in full or partial satisfaction of borrower claims, including non-banking assets acquired under the Banking Regulation Act, 1949.
- Banks are required to establish a policy governing acquisition and disposal of SNFAs, covering limits, eligibility criteria, delegation matrix, recovery efforts and disposal timelines (which should not exceed 7 years).
- SNFAs may be acquired only against non-performing exposures and only when legal title has been transferred to the bank.
- Where acquisition results in partial extinguishment of debt, the residual exposure will be treated as a restructured exposure and remain subject to the applicable restructuring framework.
- On acquisition, SNFAs are to be measured at the lower of:
  - Net book value of the extinguished exposure and
  - Distress sale value determined by at least two independent external valuers.
- Subsequent carrying value of SNFAs is linked to the revised net book value of the underlying extinguished exposure, net of notional provisions applicable, had the exposure remained on the bank's books.
- Restrictions and reporting requirements for SNFAs are strengthened and consequently SNFAs cannot be sold back to the borrower or related parties (determined in accordance with the Insolvency and Bankruptcy Code, 2016), must be reclassified to the appropriate fixed asset category if used for the bank's own operations.
- SNFAs are excluded from Gross Non-Performing Assets (NPA), Net NPA, stressed exposure and provisioning coverage ratio calculations and are to be separately disclosed and reported under the relevant accounting head in the balance sheet of the bank. Also, banks are to report these in specified formats.
- Existing ('legacy') SNFAs outstanding as at 30 September 2026 are required to comply with the new framework by 30 September 2027.
- The provisions are similar across the notifications applicable to all the REs, with the only notable difference being that commercial banks and LABs are required to disclose SNFA under the balance sheet head 'non-banking assets acquired in satisfaction of claims', where-as NBFCs and AIFIs are required to disclose them under the head 'Specified Non-Financial Assets'. Further, NBFC and Housing Finance Companies (HFCs) are specifically permitted to furnish the prescribed SNFA reporting to the National Housing Bank (NHB).



1. Commercial Banks, Non-Banking Financial Companies (NBFC), All India Financial Institutions (AIFI), Local Area Banks (LAB), Small Finance Banks (SFBs), Urban Cooperative Banks (UCBs), Rural Cooperative Banks (RCBs) and Regional Rural Banks (RRBs)

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Prudential norms and income recognition framework for Specified Non-Financial Assets *(contd.)*

Key amendments introduced to the IRACP Directions:

- Banks are prohibited from recognising as income any accrued but unrealised interest or charges relating to the extinguished credit exposure prior to acquisition of an SNFA.
- Where such income has already been recognised for SNFAs outstanding as at 30 September 2026, the unrealised amount is to be reversed through the profit and loss account by 30 September 2027.
- Any income subsequently realised from an SNFA must be recognised as 'non-interest / other income' in the period of realisation.
- Expenses incurred towards maintenance or upkeep of an SNFA are required to be recognised in the profit and loss account as and when incurred.
- The amendments reinforce that unrealised income embedded in an extinguished loan exposure cannot be recognised merely upon acquisition of a non-financial asset in settlement of that exposure.

(Source: RBI Press Release No 2026-2027/687, 'RBI issues Prudential Norms on Specified Non-Financial Asset acquired by Regulated Entities'; dated 16 July 2026)

Revised framework for interest rates on bulk deposits

The RBI has issued the Reserve Bank of India (Commercial Banks – Interest Rate on Deposits) Second Amendment Directions, 2026, revising the interest rate framework applicable to rupee bulk deposits and enhancing transparency requirements relating to disclosure of deposit rates. The amendments, effective 1 October 2026, are as follows:

- **Uniform interest rate requirement extended to bulk deposits**: The existing requirement that deposit rates be uniform across branches and customers has been expanded to explicitly cover all deposits, including bulk deposits. Banks cannot discriminate between deposits of similar amount accepted on the same date.
- **Enhanced disclosure requirements:** Banks are required to disclose interest rates applicable to bulk deposits on their websites daily at 10:00 a.m., with a maximum grace period up to 10:10 a.m., replacing the earlier requirement of general advance disclosure of deposit rates.
- **Linkage with Liquidity Coverage Ratio (LCR) framework introduced:** Banks are expressly permitted to offer differential interest rates on bulk deposits based on the applicable run-off rates for deposits or unsecured wholesale funding as specified under RBI (Commercial Banks - Asset Liability Management) Directions, 2025. This flexibility has also been extended for Non-Resident External (NRE)/Non-Resident Ordinary (NRO) bulk deposits.

(Source: RBI Notification No. RBI/2026-27/214, DOR.SOG(SPE).REC.176/13.03.00/2026-27, Reserve Bank of India (Commercial Banks – Interest Rate on Deposits) Second Amendment Directions, 2026, dated 30 July 2026)

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RBI rationalises board governance requirements for commercial banks

On 14 July 2026, the RBI issued the Reserve Bank of India (Commercial Banks – Governance) Amendment Directions, 2026, introducing a significant rationalisation of board governance requirements for commercial banks (both public and private sector banks). The amendments are aimed at enabling Boards to devote greater attention to strategic oversight and risk governance by streamlining the extensive list of matters that were previously required to be placed before the Board. Key amendments introduced are as follows:

- **Board oversight framework retained and consolidated** into key areas including risk management, related-party exposures and corporate governance compliance.
- **Prescriptive board agenda requirements removed**, including detailed requirements relating to Board reviews, action-taken reports and placement of regulatory communications before the Board.
- **Principles-based governance framework introduced**, requiring Boards to clearly define matters reserved for approval, review, information and delegation supported by new appendices specifying the approval, review and delegation matrix.
- **Greater delegation flexibility provided**, allowing various approvals, reviews and reporting matters to be handled by specialised Board committees, while reserving key strategic matters for the full Board.

These amendments come into force from 1 October 2026.

(Source: RBI Notification No. RBI/2026-27/177 DOR.HGG.GOV.150/29.67.001/2026-27, 'Reserve Bank of India (Commercial Banks – Governance) Amendment Directions, 2026', dated 14 July 2026)

Amendment to Pillar 3 disclosure framework

The RBI, through the Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Seventh Amendment Directions, 2026 (Amendment Directions 2026) issued on 30 July 2026, has revised the Pillar 3 disclosure framework under the RBI (Commercial Bank – Prudential Norms on Capital Adequacy) Directions, 2025. The amendments are aimed at enhancing alignment with Basel Pillar 3[2] disclosure standards and improving transparency, comparability and consistency of regulatory disclosures across banks. The key amendments introduced are as follows:

- **Replacement of the existing Pillar 3 disclosure architecture:** RBI has replaced the existing Annex III (Pillar 3 Disclosure Requirements) with a revised framework aligned more closely with Basel standards.
- **Clarification on scope and applicability of Pillar 3 disclosures:** RBI has clarified that Pillar 3 disclosures are required at the top consolidated level of the banking group to which the capital adequacy framework applies. Where a bank is not the top consolidated entity, disclosures are to be made on a stand-alone basis and are required to be made by all banks, including those that are unlisted and not otherwise required to publish financial results or financial statements.
- **Expanded governance and assurance requirements:**
  - Banks are now required to maintain a Board-approved Pillar 3 disclosure policy covering internal controls and disclosure procedures.
  - Pillar 3 information is to be subjected to the same level of internal review and control processes as other financial reporting information.
  - The Board and senior management are expressly responsible for establishing and maintaining effective controls over Pillar 3 disclosures.
  - One or more senior officers at Board level should provide a written attestation confirming compliance with the Board-approved control framework.

2. Basel Pillar 3 is the global disclosure framework issued by the Basel Committee on Banking Supervision (BCBS).

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Amendment to Pillar 3 disclosure framework *(contd.)*

- **Introduction of explicit disclosure principles:** The Amendment Directions 2026 codify five overarching principles - clarity, comprehensiveness, meaningfulness, consistency and comparability across banks and jurisdictions governing Pillar 3 disclosures. Banks will be expected not only to provide quantitative disclosures but also to clearly explain significant developments, emerging risks, and changes in risk profiles.
- **Disclosure publication timelines:** Banks may publish Pillar 3 disclosures:
  - Until reporting periods ending 31 March 2029: within seven working days after publication of corresponding financial statements.
  - From the financial year commencing 1 April 2029: concurrently with financial reports.

  Where a bank is not required to publish a financial report for a particular reporting period, Pillar 3 disclosures to be made in the same time allowed to the bank for its regular financial reporting period-ends. However, up to 31 March 2029, an additional seven days may be added to such period.
- **Dedicated 'Regulatory disclosure section':** Banks are required to maintain a dedicated 'Regulatory disclosure section' on their websites and a direct link to this section must be prominently available on the homepage. Moreover, banks will be required to retain an archive of Pillar 3 reports for a minimum period of five years.
- **Greater disclosure standardisation:** The revised framework introduces detailed Basel-aligned templates covering detailed disclosures. Banks are also required to provide accompanying narrative explanations for significant movements, material exclusions and key risk developments. RBI has clarified that, in exceptional circumstances, banks may withhold specific confidential or proprietary information. However, they should provide broader disclosures on the relevant subject matter and explain the reasons for non-disclosure.
- **Transition and implementation timeline:** The revised Pillar 3 framework will apply from 1 April 2027, with:
  - Quarterly disclosures from quarter ending 30 June 2027
  - Semi-annual disclosures from half-year ending 30 September 2027 and
  - Annual disclosures from year ending 31 March 2028.

Consequent to the revised Basel Pillar 3 disclosure framework discussed above, RBI has issued the RBI (Commercial Banks - Financial Statements: Presentation and Disclosures) Eighth Amendment Directions, 2026. These directions remove the existing disclosure requirements relating to the Liquidity Coverage Ratio (LCR), Net Stable Funding Ratio (NSFR) and remuneration disclosures from the financial statement disclosure framework from 1 April 2027, thereby aligning them with the revised Basel Pillar 3 disclosure framework.

(Source: RBI Notification No. RBI/2026-27/204 DOR.ACC.REC.No.185/21-02-002/2026-27, 'Reserve Bank of India (Commercial Banks – Prudential Norms on Capital Adequacy) Seventh Amendment Directions, 2026' and RBI Notification No. RBI/DOR/2026-27/207, DOR.ACC.REC.No.184/21.04.018/2026-27, 'Reserve Bank of India (Commercial Banks – Financial Statements: Presentation and Disclosures) Eighth Amendment Directions, 2026', both dated 30 July 2026)



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SEBI Informal guidance

Securities and Exchange Board of India (SEBI) recently issued three interpretative letters under the SEBI (Informal Guidance) Scheme, 2025, clarifying (i) the application of Regulation 62A of the SEBI (LODR) Regulations, 2015 (SEBI LODR) in the context of business transfers involving unlisted debt securities, (ii) the regulatory treatment of private sales of unlisted equity shares by IDBI Bank to non-QIB investors and (iii) whether a singular corporate entity can simultaneously hold SEBI stock broker registration and RBI NBFC registration under the SEBI (Stock Brokers) Regulations 2026. Key guidance provided by SEBI is as follows:

1. Applicability of regulation 62A of SEBI LODR to unlisted debt securities assumed by a listed entity

Clarification was sought on whether the transfer of unlisted non-convertible debt securities of a subsidiary pursuant to a business transfer arrangement would trigger the mandatory listing requirement under Regulation 62A of the SEBI LODR and, if so, the process and procedural requirements for effecting such listing, given that no new debt securities were issued, and the transaction merely involved assumption of liabilities under existing debentures.

Key guidance provided by SEBI:

- Regulation 62A seeks to ensure that unlisted non-convertible debt securities issued on or after 1 January 2024 by entities having listed debt securities are brought within the listed regulatory framework and become subject to applicable disclosure and investor protection requirements.
- The applicability of Regulation 62A cannot be determined solely based on the legal structure of a transaction. In a business transfer or corporate restructuring, liabilities associated with outstanding unlisted debt securities effectively become obligations of the listed entity.
- Accordingly, where a debt-listed entity assumes and continues obligations relating to outstanding unlisted non-convertible debt securities issued on or after 1 January 2024, the requirements of Regulation 62A must be complied with, notwithstanding that no fresh securities have been issued.
- SEBI further clarified that operational matters relating to listing, International Securities Identification Number (ISINs), depository records and associated formalities would need to be undertaken in accordance with the requirements prescribed by the relevant stock exchanges and depositories.

2. Sale of unlisted equity shares to non-QIB investors

Clarification was sought on whether:

- The proposed sale of equity shares in various unlisted companies, acquired through restructuring, investment activities and distributions from Venture Capital Funds (VCFs)/ Alternate Investment Funds (AIFs) to identified investors including non-Qualified Institutional Buyers (QIBs) and company promoters through privately negotiated transactions would be regarded as a deemed public issue under the Companies Act, 2013
- Such transfers are required to be restricted to QIBs and
- Transfers to promoters pursuant to contractual rights such as rights of first refusal or first purchase rights are permissible.

Key guidance provided by SEBI:

- A privately negotiated transfer of unlisted shares to identified investors, including non-QIBs, would not be regarded as a deemed public issue, provided the transaction remains within the statutory limit of 200 persons in a financial year prescribed under Section 42 of the Companies Act, 2013 (CA 2013) and the related rules.

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SEBI Informal guidance *(contd.)*

2. Sale of unlisted equity shares to non-QIB investors *(contd.)*

- CA 2013 restricts the number of persons to whom securities may be offered rather than the category of investors to whom the securities may be transferred. Accordingly, transfers may be undertaken through non-advertised and privately negotiated transactions with identified investors, including individuals, corporate entities and other non-QIB investors, subject to compliance with the prescribed limits.
- SEBI also clarified that transfers to promoters pursuant to contractual arrangements, such as rights of first refusal or first purchase rights, may be undertaken subject to compliance with applicable legal requirements.

3. NBFC activities undertaken by stock-brokers

Clarification was sought on whether a SEBI-registered stock-broker can undertake NBFC activities within the same corporate entity under the current regulatory framework.

Key guidance provided by SEBI:

- Regulation 12(1) of the SEBI (Stock-Brokers) Regulations, 2026 permits stock brokers to undertake activities regulated by other financial sector regulators only in the manner specifically prescribed by SEBI.
- SEBI noted that, presently, it has permitted stock-brokers to undertake only certain specified activities under other regulatory frameworks, such as participation in the RBI-regulated Negotiated Dealing System- Order Matching (NDS-OM) platform and securities market activities in Gujarat International Finance Tec-City – International Financial Services Centre (GIFT City-IFSC) under the IFSCA framework.
- No framework or circular has been issued by SEBI permitting stock-brokers to undertake NBFC activities under Regulation 12(1). Accordingly, stock-brokers are not permitted to carry out NBFC business within the existing stock broking entity.
- SEBI also drew attention to Rule 8 of the Securities Contracts (Regulation) Rules, 1957, which restricts stock-brokers from engaging in businesses other than securities-related activities, except as a broker or agent not involving personal financial liability.

(Source: SEBI Nodal Co-ordination Cell, Informal guidance, Issue No.: I/16721/2026, dated 20 July 2026 and Issue No.: I/17888,2026, dated 31 July 2026 and Issue No.: I/18462/2026, dated 10 August 2026)



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Additional clarifications on implementation of Ind AS 117 by insurers

Following the initial clarifications issued on 1 April 2026[3], the Insurance Regulatory and Development Authority of India (IRDAI) has, through its circular dated 14 July 2026, issued further guidance on the implementation of Indian Accounting Standards (Ind AS) by the insurers. The circular provides additional guidance on the role of the appointed actuary, independent validation requirements for Ind AS implementation, and the preparation of Ind AS-compliant financial statements for consolidation purposes, with the objective of supporting consistent implementation across the insurance sector. Key clarifications issued are as follows:

1. **Expanded responsibilities of the appointed actuary**
   - Clarifies the appointed actuary's role in the valuation and measurement of policy liabilities under Ind AS 117 *Insurance Contracts*, Ind AS 109, *Financial Instruments* and Ind AS 115, *Revenue from Contracts with Customers* including actuarial assumptions, methodologies and disclosure inputs.
   - Requires submission of a technical report to the Board of Directors of the insurer (the Board) covering material actuarial assumptions, methodologies, judgements, reliance on management information and compliance with professional standards.
   - On first-time Ind AS adoption, the report should include a reconciliation between liabilities under the previous regulatory framework and Ind AS balances, together with explanations of material differences.
2. **Independent validation framework introduced**
   - Requires insurers to obtain an independent validation of Ind AS implementation processes during the first year of Ind AS adoption. The requirement applies in FY 2026-27 for insurers adopting Ind AS from that year and in FY 2027-28 for insurers granted regulatory forbearance.
   - Validation is required to cover governance, strategy, accounting policies, controls, systems readiness, documentation, key assumptions and actuarial and financial models, all of which are used in implementing Ind AS.
3. **Eligibility and reporting requirements for Independent Validators**
   - The validator must be an independent Chartered Accountant firm, separate from the insurer's statutory auditor and Ind AS implementation advisor engaged by the insurer and should satisfy applicable independence requirements.
   - Validation is to be conducted on an ongoing basis throughout the implementation year, with quarterly reports to the Board and an annual report to IRDAI before publication of audited Ind AS financial statements.
   - The guidance also states the areas that require independent validation.
4. **Clarification on consolidation reporting during forbearance**
   - Insurers granted regulatory forbearance from Ind AS implementation until 31 March 2027 may continue to prepare financial statements under Ind AS 104, *Insurance Contracts* for consolidation purposes by their parent, investor or venturer during the forbearance period.
5. **Additional implementation FAQs issued**
   - Provides guidance on website disclosure requirements, reporting timelines, treatment after expiry of forbearance, determination of foreign-currency risk-free discount rates under Ind AS 117, and SEBI's financial result disclosure formats for listed insurers.

The circular establishes a formal governance and assurance framework around insurers' transition to Ind AS, with particular emphasis on actuarial oversight, Board governance, implementation controls and independent validation.

(Source: IRDAI Circular No. Ref: IRDAI/IFRS/CIR/MISC/94/7/2026, 'Subject: Clarifications on implementation of Indian Accounting Standards', dated 14 July 2026)

3. Circular No. IRDAI/F&I/CIR/MISC/45/4/2026 dated 1 April 2026 on 'Clarifications on implementation of Indian Accounting Standards (Ind AS)'.

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Implementation of SBSR Act reforms through consequential regulatory amendments

In its 137th Authority Meeting held on 28 July 2026, IRDAI approved a series of regulatory reforms to further operationalise the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 (SBSR Act 2025). The reforms are aimed at strengthening policyholder protection, enhancing ease of doing business, facilitating capital formation, attracting greater investment into the insurance sector and improving regulatory efficiency. The regulatory updates introduced are set out below:

IRDAI (Actuarial, Finance and Investment Functions of Insurers) (Second Amendment) Regulations, 2026: The amendments align the actuarial and financial governance framework with the SBSR Act 2025 reforms and provide greater clarity around actuarial responsibilities and reporting requirements. Key updates include the introduction of distinct categories of actuaries, including appointed actuaries, certifying actuaries for foreign reinsurance branches and actuaries for specified statutory purposes and their eligibility criteria, powers and functions. The amendments also rationalise actuarial reporting requirements, strengthen oversight of solvency and reserve certifications, expand the powers of the competent authority to issue directions and introduce updated governance requirements for life, general, health and reinsurance businesses.

IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) (Amendment) Regulations, 2026: The amendments introduce significant changes to the regulatory framework governing insurer ownership, capital structure and corporate reorganisations. Key changes include:

- Revision of the prior approval framework for transfers of shares and issuances of equity capital, introducing threshold-based approval requirements where shareholdings cross 5 per cent, 10 per cent, 25 per cent, 50 per cent or 75 per cent levels, or where an investor becomes the single largest shareholder, and extending approval requirements to certain intra-group transfers.
- Clarification that dilution arising from non-participation in a fresh issue of equity shares may be treated as a transfer of shares for regulatory purposes.
- Amendments to align investor eligibility, foreign investment, and ownership requirements with the SBSR Act 2025 and the Indian Insurance Companies (Foreign Investment) Rules, 2015 (Foreign Investment Rules, 2015).
- Relaxation of lock-in requirements in specified circumstances such as listing, financial distress and reorganisations arising from changes in law.
- Introduction of a new framework permitting amalgamation or transfer of business between insurers and eligible holding companies. An eligible holding company is a company that owns more than 50 per cent of the insurer's paid-up equity share capital, provided the holding company does not carry on any non-insurance business other than holding the insurer. The amendments prescribe conditions for amalgamations to protect policyholders and ensure solvency, governance, and compliances.

IRDAI (Policyholders' Education and Protection Fund) Regulations, 2026: The Regulations operationalise the Policyholders' Education and Protection Fund (PEPF) established under Section 16A of the Insurance Regulatory and Development Authority Act, 1999 (IRDA Act), as introduced through the SBSR Act 2025. PEPF will be financed through contributions made by the Authority, grants and donations given by corporates/institutions, the Central and State governments and the Authority[4], regulatory penalties, and certain unclaimed amounts as stated in the Regulations, and will be used to promote policyholder interest and awareness, financial literacy and insurance inclusion. The framework also supports grievance redressal initiatives, development of technology-enabled policyholder services, creation of infrastructure for tracing and recovering unclaimed insurance amounts and consumer protection programmes. A dedicated Fund Management Committee (the committee) should be constituted by the Authority to oversee governance, utilisation, and investment of the Fund. The Fund is to be invested in Central or State government securities and deposits with scheduled commercial banks and such investment will be made in accordance with policies approved by the Committee.

4. Authority' means the Insurance Regulatory and Development Authority of India established under sub-section (1) of Section 3 of the Act.

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Implementation of SBSR Act reforms through consequential regulatory amendments *(contd.)*

IRDAI (Manner and Procedure for Imposition of Penalties) Regulations, 2026: To strengthen regulatory certainty and transparency, IRDAI has introduced a comprehensive framework governing the imposition of penalties under the Insurance Act, 1938 and the IRDA Act, 1999. The regulations prescribe a structured process covering initiation of proceedings, issuance of show-cause notices, opportunities for representation and personal hearings, issuance of reasoned orders and appeal mechanisms. In determining penalties, IRDAI will consider factors such as the nature and gravity of the violation, gains derived, impact on policyholders, recurrence of default and remedial actions taken.

IRDAI (Insurance Intermediaries) (Amendment) Regulations, 2026: The objective of these regulations is to align the regulatory framework governing insurance intermediaries with the provisions of the SBSR Act 2025 and the Indian Insurance Companies (Foreign Investment) Amendment Rules, 2025 while enhancing accountability and transparency in the conduct of insurance intermediaries and safeguarding policyholders' interests. These amendments overhaul the regulatory framework for insurance intermediaries by replacing periodic registration renewals with a perpetual registration model. Once issued, the registration shall remain in force subject to payment of a non-refundable annual fee, until it is suspended or cancelled by the Authority or surrendered by the insurance broker. The regulations introduce enhanced governance, disclosure and compliance requirements, including annual disclosures by intermediaries with significant foreign ownership or commission income, revised annual fee structures, and strengthened regulatory reporting obligations. A key policyholder protection measure requires the mandatory tagging of the authorised salesperson responsible for soliciting insurance business, with details to be captured in proposal forms, policy documents and certificates of insurance from 1 January 2027.

IRDAI (Insurance Surveyor and Loss Assessors) (Amendment) Regulations, 2026: These amendments transition the surveyor ecosystem from a license-based regime to a registration-based framework, under which registrations will remain valid subject to payment of annual fees and compliance with prescribed requirements. Existing license holders are required to migrate to the new regime through a specified conversion process. The regulations also introduce a revised fee structure comprising processing and annual fees, require annual compliance submissions and fit-and-proper declarations, and establish an automatic framework for suspension and cancellation in cases of non-payment of annual fees.

Collectively, the six regulations approved by IRDAI are effective from 30 July 2026.

(Source: IRDAI Press Release - 137th Authority Meeting, 'IRDAI advances implementation of SBSR Act Reforms, strengthens Policyholder Protection and approves New General Insurer in its 137th Authority Meeting', dated 29 July 2026 and IRDAI Notification No. F. No. IRDAI/Reg/6/220/2026, 'IRDAI (Actuarial, Finance and Investment Functions of Insurers) (Second Amendment) Regulations, 2026'; IRDAI Notification No F. No. IRDAI/Reg/ 9/223/2026., 'IRDAI (Registration, Capital Structure, Transfer of Shares and Amalgamation of Insurers) (Amendment) Regulations, 2026'; IRDAI Notification No F. No. IRDAI/Reg/ 10/224/2026, 'IRDAI (Policyholders' Education and Protection Fund) Regulations, 2026'; IRDAI Notification No F. No. IRDAI/Reg/11/225/2026.,'IRDAI (Manner and Procedure for Imposition of Penalties) Regulations, 2026; IRDAI Notification No. F.No.IRDAI/Reg/8/222/2026., 'IRDAI (Insurance Intermediaries) (Amendment) Regulations, 2026; IRDAI Notification No. F. No. IRDAI/Reg/7/221/2026, 'IRDAI (Insurance Surveyor and Loss Assessors) (Amendment) Regulations, 2026, all dated 30 July 2026)



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Companies (Indian Accounting Standards) Amendment Rules, 2026

The Ministry of Corporate Affairs (MCA) has notified the Companies (Indian Accounting Standards) Amendment Rules, 2026 (Ind AS Amendment Rules, 2026) on 12 August 2026, incorporating several amendments aligned with recent International Financial Reporting Standards (IFRS) developments and annual improvements. These amendments are effective for annual reporting periods beginning on or after 1 April 2026. The key amendments are as follows:

1. **Classification and measurement of financial instruments:** Under Ind AS 109, *Financial Instruments,* a financial asset can be measured at amortised cost or at Fair Value through Other Comprehensive Income only if its contractual cash flows are Solely Payments of Principal and Interest on the principal amount outstanding (SPPI test), subject also to the relevant business model. The Ind AS Amendment Rules, 2026 introduce an additional, structured SPPI test for financial assets with contingent features that are unrelated to a change in basic lending risks or costs (e.g. ESG-linked features being the primary but not the only example - the test applies to all such contingent features). A financial asset can still meet the SPPI criterion if the contingent cash flows are not significantly different from those of an otherwise identical instrument without the contingent feature. The Ind AS Amendment Rules 2026 provide as follows:

   - If the contractual cash flows both before and after the contingent event meet the SPPI criterion, assess whether the contingency relates directly to changes in basic lending risks or costs.
   - If the contingency is unrelated to basic lending risks or costs, compare the instrument with an otherwise identical financial asset that does not contain the contingency. If the contractual cash flows are not significantly different across all possible scenarios, the instrument continues to meet the SPPI criterion.
   - However, if the contingent event causes the contractual cash flows to differ significantly from those of an otherwise identical instrument without the contingency, the instrument fails the SPPI test.

   Additional guidance has been provided on non-recourse financial assets and contractually linked instruments (tranches), including when a 'look-through' assessment is required. Further, enhanced disclosures have been introduced for financial assets and liabilities carrying contingent features, not tied to basic lending risk/cost and that are not measured at FVTPL.

2. **Derecognition of financial liabilities through electronic payment systems under Ind AS 109**

   The Ind AS Amendment Rules, 2026 reiterates when a financial asset and financial liability may be derecognised. Further, the amendment carves out a narrow (optional) exception allowing earlier derecognition (potentially on the payment initiation date) where an electronic payment system meets all of the following conditions:

   - The entity has no practical ability to withdraw, stop or cancel the payment instruction;
   - The entity has no practical ability to access the cash earmarked for settlement once the instruction is given; and
   - Settlement risk associated with the system is insignificant.

3. **Contracts referencing nature-dependent electricity**

   A significant new set of requirements have been introduced under Ind AS 109 for contracts linked to nature-dependent electricity (NDE) generation, such as renewable energy power purchase arrangements where electricity output depends on weather conditions. Key changes include:

   - **Own use exemption**: Introduction of a specific framework for assessing whether such contracts qualify for the 'own use' exemption. Entities may still be considered net purchasers of electricity even when excess electricity must be sold, provided specified conditions are met, including being a net purchaser of electricity and having no practical ability to avoid such sales. Entities applying the own-use exemption are required to provide additional qualitative and quantitative disclosures.

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Companies (Indian Accounting Standards) Amendment Rules, 2026

- **Hedge accounting relief for NDE contracts:** Entities may designate a variable volume of forecast renewable electricity purchases or sales as the hedged item, aligned to expected generation under the NDE contract, thereby facilitating hedge accounting for contracts such as virtual power purchase agreements.
- The amendments also provide specific transition provisions.

4. Annual improvements

The MCA's annual improvements process makes narrow, clarificatory changes across several standards. The key updates arising out of the annual improvements include:

- Trade receivables without a significant financing component must be initially recognised in accordance with the requirements prescribed under Ind AS 115 *Revenue from Contracts with Customers*.
- Where a lease liability is derecognised, the accounting is governed by Ind AS 109, *Financial Instruments*, whereas lease modifications continue to be accounted for in accordance with Ind AS 116, *Leases*. The MCA has further clarified that, upon derecognition of a lease liability under Ind AS 109, any difference between the carrying amount of the liability and the consideration paid is recognised in profit or loss.

5. Other updates

- Ind AS 101, *First-time Adoption of Indian Accounting Standards*: Clarifies the application of hedge accounting requirements by first-time adopters and removes an inconsistency with financial instruments guidance.
- Ind AS 107, *Financial Instruments: Disclosures*: Removes obsolete references and clarifies certain derecognition, fair value and credit risk disclosure guidance.
- Ind AS 110, *Consolidated Financial Statements*: Clarifies the guidance for assessing whether another party is acting as a de facto agent when evaluating control.
- Ind AS 7, *Statement of Cash Flows*: Clarifies the use of the term 'cost method' in cash flow reporting by removing outdated terminology.

(Source: MCA Notification No. G.S.R. 725(E). dated 12 August 2026)



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MoEFCC proposes GHG emission intensity targets for iron and steel sector

The Ministry of Environment, Forest and Climate Change (MoEFCC) has issued a draft notification proposing amendments to the Greenhouse Gases Emission Intensity Target Rules, 2025[5] (GHG Rules 2025). Existing rules had already prescribed emission intensity targets for sectors such as aluminium, cement, chlor-alkali, pulp and paper, petroleum refinery, petrochemicals and textiles.

The proposal introduces greenhouse gas (GHG) emission intensity targets for the iron and steel sector. These proposed amendments will be considered after the expiry of 60 days from its publication in the Official Gazette. The key proposed amendments are as follows:

- The draft amendment proposes addition of a new Third Schedule into the GHG Rules 2025 prescribing entity-specific GHG emission intensity targets for 255 obligated iron and steel sector entities.
- Targets are linked to each entity's 2023-24 baseline production output and GHG emission intensity, establishing the reference point for future compliance assessment.
- The amendment plans to introduce compliance year 2026-27 emission intensity targets for covered entities, which will form the basis for determining achievement of emission reductions.

(Source: MoEFCC, Draft Notification No. G.S.R 517(E), dated 26 June 2026)



5. Issues vide notification no G.S.R 739(E) dated 8 October 2025 and G.S.R 25(E) dated 13 January 2026

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Ministry of Power proposes CAFE 2027 framework for passenger vehicles

The Ministry of Power has issued a draft notification proposing the Corporate Average Fuel Economy (CAFE) 2027 framework for M1 category passenger vehicles manufactured or imported for sale in India during Financial Year (FY) 2027–28 to FY 2031–32, effective from 1 April 2027. The proposal replaces the existing compliance approach with a technology-neutral fuel efficiency framework that incorporates alternative fuels, newer technologies, electric vehicles, compliance credits and carbon-neutrality factors. The key proposals included in the draft CAFÉ 2027 framework are as follows:

- **Applicability and fuel-efficiency targets:** Introduces progressively tighter manufacturer-specific fuel consumption standards for FY 2027-28 to FY 2031-32, based on the weighted average unladen mass of vehicles sold or imported.
- **Technology-neutral framework:** Expands the compliance framework beyond conventional internal combustion engine vehicles by introducing a petrol-equivalent fuel consumption methodology applicable across petrol, diesel, Compressed Natural Gas (CNG), Liquefied Petroleum Gas (LPG), hybrid and electric vehicles.
- **Carbon Neutrality Factors (CNFs):** Provides CNFs that reduce compliance emissions for vehicles using renewable fuels, including ethanol blends, flex-fuel vehicles and CNG/CBG-based vehicles.
- **Fuel-saving technology incentives:** Allows manufacturers to claim fuel consumption reduction benefits for approved fuel saving technologies such as start-stop systems, regenerative braking, tyre pressure monitoring systems, efficient alternators and other approved energy-saving technologies, subject to prescribed limits.
- **Super credits for cleaner vehicles:** Introduces super credits through volume derogation factors for battery electric vehicles, plug-in hybrid vehicles, strong hybrid vehicles and flex-fuel vehicles, incentivising cleaner vehicle technologies.
- **Credit-debit mechanism:** Establishes a credit-debit mechanism, enabling manufacturers exceeding targets to generate compliance credits that may be carried forward or traded with other manufacturers through pooling arrangements and those manufacturers with shortfall may purchase compliance credits from the Bureau of Energy Efficiency to offset compliance shortfalls.
- **Enhanced reporting requirements:** Requires manufacturers to report emissions data under both the Modified Indian Driving Cycle (MIDC) and the Worldwide Harmonised Light Vehicles Test Procedure (WLTP), supporting India's transition towards globally harmonised testing standards.
- **Exemption for small-volume manufacturers:** Small-volume manufacturers with annual sales below 1,000 vehicles will continue to remain exempt from meeting specific emission targets under CAFE 2027.

These amendments will be taken into consideration after the expiry of 21 days from the date of publishing of this draft on the website of Ministry of Power and Bureau of Energy Efficiency.

(Source: Ministry of Power, Draft Notification S.O XXXX(E), dated 16 July 2026)



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NFRA's guidance on technology adoption and governance in statutory audits

The National Financial Reporting Authority (NFRA) has issued the first publication in its staff series on technology in audit, titled 'General Principles for Technology Adoption in Audit.' The guidance comes against the backdrop of increasing use of data analytics, automated tools and techniques (ATTs), machine learning, Generative Artificial Intelligence (GenAI) and agentic AI in audit engagements. While acknowledging the potential benefits of technology in enhancing audit efficiency and enabling broader testing, NFRA emphasises that existing auditing standards, ethical requirements and quality management obligations continue to apply irrespective of the technology used. Some key principles covered therein are as follows:

- **Technology-neutral approach:** Audit quality and sufficiency of evidence remain the focus, regardless of the technology used.
- **Auditor accountability:** Responsibility for audit conclusions and the audit opinion remains solely with the auditor.
- **Audit evidence standards:** Technology-generated outputs to be assessed for reliability and relevance before being relied upon as audit evidence. There is no separate, lower evidentiary bar for technology-generated information.
- **Professional skepticism:** Auditors should guard against automation bias and critically evaluate AI- or tool-generated outputs.
- **Risk-based governance**: Validation, certification and review procedures for audit tools should be applied proportionately based on the risks the tools pose to audit quality, rather than uniformly across all tools.
- **Explainability commensurate with materiality:** Auditors should maintain documentation and understanding of technology-generated outputs that is proportionate to their materiality and relevance to audit conclusions, irrespective of the underlying tool's risk classification.
- **Governance before deployment:** Technology tools should be validated, approved and subjected to revalidation for significant changes before use, with firms ensuring the tools operate as intended and remain reliable over time.
- **Data protection and cybersecurity:** Firms are expected to maintain appropriate safeguards over client data, including oversight of third-party and cloud-based solutions and compliance with Digital Personal Data Protection Act, 2023.
- **Transparency**: Auditors should be able to clearly explain the use of technology where it is material to the audit approach and related audit procedures.
- **Continuous monitoring:** Technology tools require ongoing monitoring and periodic reassessment after deployment, rather than relying solely on initial approval.
- The guidance also outlines key dos and don'ts, including validating source data, maintaining audit trails, evaluating tool logic, and avoiding reliance on unvalidated tools or vendor claims.

(Source: NFRA Staff Series on Technology in Audit: 01, General Principles of Technology Adoption in Audit, 23 July 2026)



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MSMED (Amendment) Act, 2026

The Ministry of Law and Justice has issued the Micro, Small and Medium Enterprises Development (Amendment) Act, 2026 (MSMED (Amendment) Act 2026), marking the first significant update to the Micro, Small and Medium Enterprises Development Act, 2006 (MSMED Act) since its enactment in 2006. Key amendments are as follows:

1. **Statutory recognition of MSME classification criteria**
   - Incorporates the existing investment in plant and machinery and turnover-based classification framework for MSMEs into the MSMED Act.
   - Provides statutory backing to the Udyam Registration Portal as a digital, free and voluntary registration platform for MSMEs.
2. **Strengthened delayed payment framework**
   - Introduces Online Dispute Resolution (ODR) mechanisms for resolving disputes involving Micro and Small Enterprises (MSEs).
   - Requires courts to direct payment of at least 50 per cent of the awarded amount to MSE suppliers where an application challenging the award remains pending for more than six months.
3. **Defined timelines for dispute resolution**
   - The Micro and Small Enterprises Facilitation Council (MSEFCs) or the mediation service provider are required to complete mediation within 90 days from the date fixed for first appearance.
   - Matters must be referred to arbitration within 30 days after termination of mediation
   - Arbitration awards to be issued within 90 days from completion of pleadings.
4. **Enhanced recovery mechanisms**
   - Settlement agreements and arbitral awards issued under Section 18 can be recovered as arrears of land revenue through the relevant district authority where the buyer's assets are located.
5. **Mandatory use of TReDS by CPSEs**
   - Central Public Sector Enterprises (CPSEs) will be required to route MSME invoice settlements through the Trade Receivables Discounting System (TReDS) platform for procurement of goods and services from MSMEs.
   - The amendments also provide an enabling framework for States to encourage similar adoption by State Public Sector Enterprises.
6. **Reforms to MSEFCs**
   - Rationalises the composition of MSEFCs and provides flexibility to State Governments to establish multiple councils for faster disposal of payment disputes.
   - Empowers States to frame rules governing MSEFC operations.
7. **Decriminalisation and ease of doing business**
   - Replaces certain conviction-based offences with a graded civil penalty regime.
   - For furnishing incorrect information, a warning may be issued for the first default, followed by penalties for repeated non-compliance.
   - Similar graded enforcement has been introduced for non-disclosure of MSME dues in annual accounts.

The MSMED Amendment Act, 2026 received the President's assent on 13 August 2026; however, the Central Government is yet to notify its effective date.

(Source: Ministry of Law and Justice (Legislative Department), The Micro, Small And Medium Enterprises Development (Amendment) Act, 2026, No. 16 of 2026; dated 13 August 2026)

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Guidance note on tax audit

Following the exposure draft on Guidance Note on Tax Audit under section 44AB of the Income-tax Act, 1961 which was issued on 9 July 2026, the ICAI has now issued the 'Guidance Note on Tax Audit under Section 44AB of the Income-tax Act, 1961 (Revised 2026)'. The updated edition incorporates guidance on virtual digital assets, carbon credit transactions, data protection considerations, recent judicial pronouncements and prevailing professional practices. It also strengthens clause-wise guidance on Form 3CD reporting, enhances focus on audit documentation and integrates observations from tax audit quality reviews to promote greater consistency and quality in tax audit reporting.

(Source: ICAI Publication portal, Direct Tax Committee, 'Guidance Note on Tax Audit under Section 44AB of the Income-tax Act, 1961 (Revised 2026)', dated July 2026)

ISSB proposes updates to IFRS sustainability disclosure taxonomy

The International Sustainability Standards Board (ISSB) has published the IFRS Sustainability Disclosure Taxonomy - Proposed Update 1 Amendments to Greenhouse Gas Emissions Disclosures on 29 July 2026.

This proposal considers updates to the IFRS Sustainability Disclosure Taxonomy (ISSB Taxonomy) reflecting Amendments to Greenhouse Gas Emissions Disclosures, which made targeted amendments to IFRS S2, *Climate-related Disclosures* issued in December 2025. The proposed update does not introduce new disclosure requirements or alter compliance obligations under ISSB Standards; rather, it updates the digital taxonomy used for tagging sustainability-related disclosures in a machine-readable format, thereby enhancing the comparability and usability of sustainability information for investors and other stakeholders. The proposal is open for comments until 28 September 2026.

(Source: IFRS.org>>news>> ISSB proposes updates to its digital sustainability taxonomy, dated 29 July 2026)



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