

Quarterly GAAP Bulletin

April 2026



Introduction

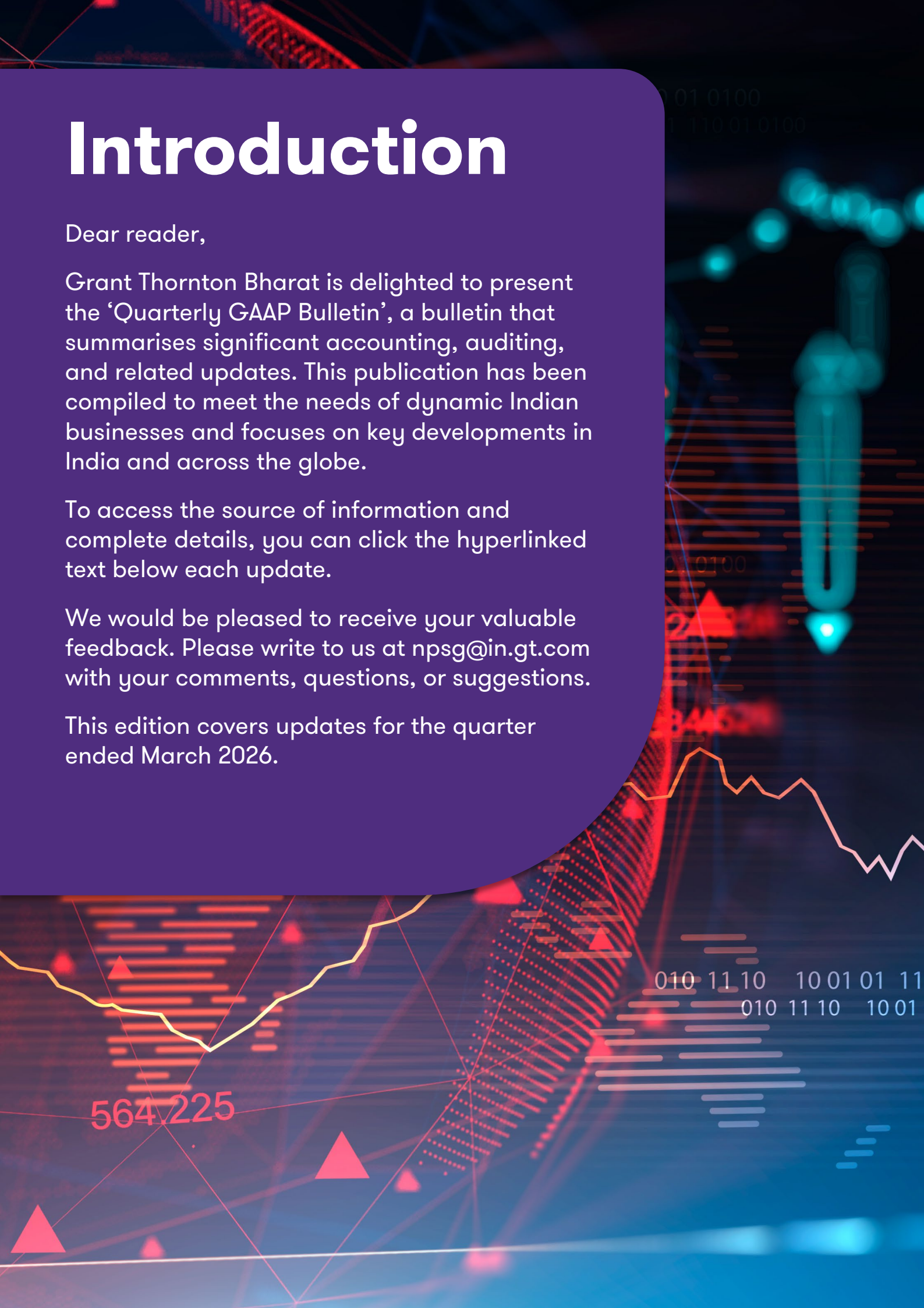
Dear reader,

Grant Thornton Bharat is delighted to present the 'Quarterly GAAP Bulletin', a bulletin that summarises significant accounting, auditing, and related updates. This publication has been compiled to meet the needs of dynamic Indian businesses and focuses on key developments in India and across the globe.

To access the source of information and complete details, you can click the hyperlinked text below each update.

We would be pleased to receive your valuable feedback. Please write to us at npsg@in.gt.com with your comments, questions, or suggestions.

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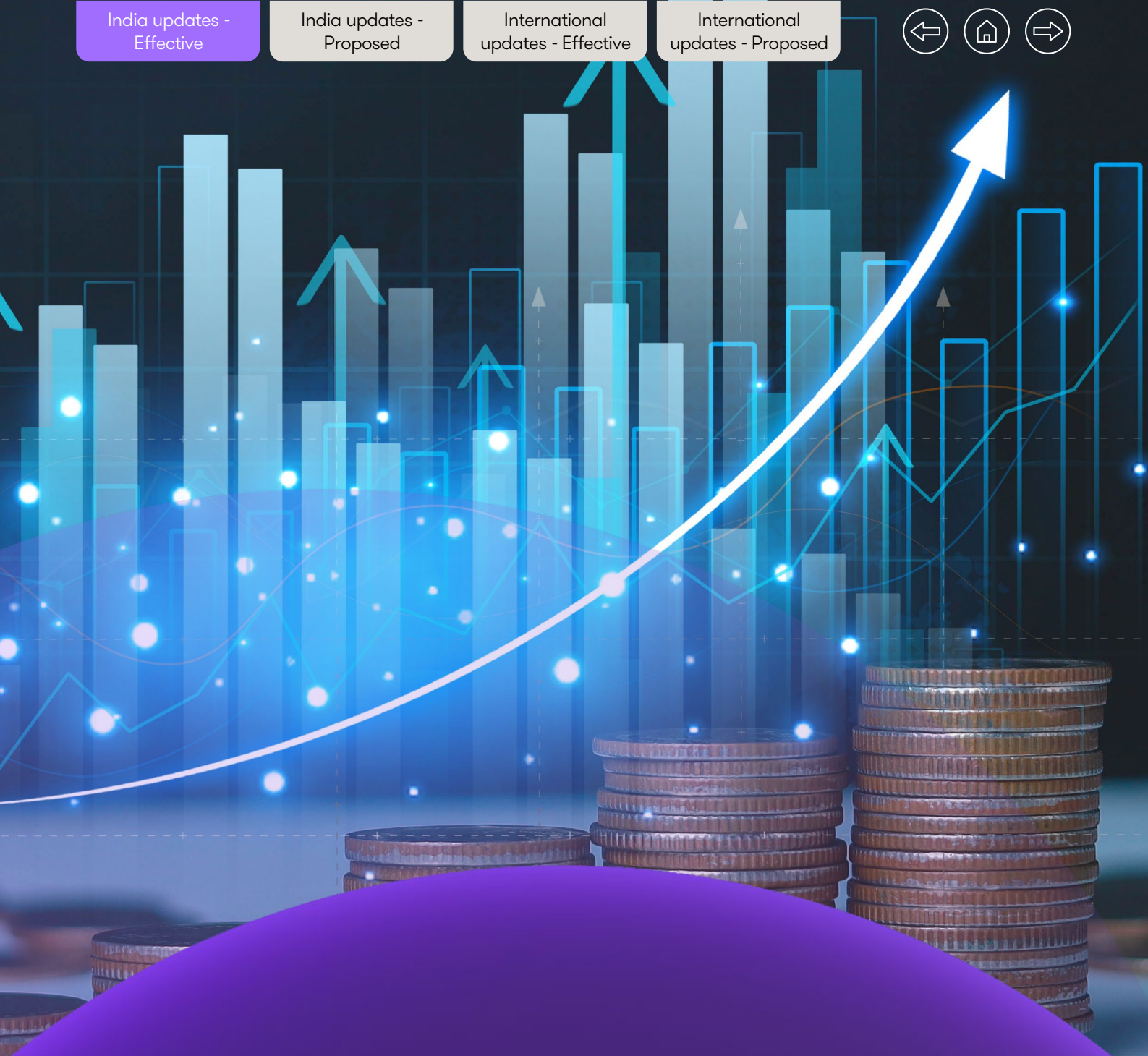
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A. Accounting updates

1. EAC opinion on accounting treatment of interest-free subordinate debt provided by the government

Facts of the case

Based on the facts of the case, a company (hereinafter referred to as 'the Company') is engaged in the construction and operation of metro projects. The project is financed through a mix of equity, grants, loans, and interest free subordinate debts provided by the Government of India (GoI) and other government agencies, primarily for land acquisition, rehabilitation, and taxes.

Accounting followed by the company

The aforesaid interest-free subordinate debts have been measured at fair value at initial recognition and subsequently at amortised cost in accordance with the Indian Accounting Standards (Ind AS) 109, Financial Instruments (Ind AS 109). The difference between the carrying value and the fair value of the interest-free subordinate debts at the time of initial recognition is recognised as a government grant. The interest expense on subordinate debts, calculated using the effective interest method as described in Ind AS 109, has been recognised in the Statement of profit and loss for completed phases and capitalised for under-construction phases. In addition, the interest income earned on the temporary investment of these funds has been recognised in the statement of profit and loss.

Query to EAC

The company has sought an opinion from the Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI) on the following accounting issues:

- a) Whether capitalising interest cost on subordinate debts arising using the effective interest method for phases that are under construction is correct?
- b) Whether recognising the interest income from the temporary investment of subordinate debt funds in the statement of profit and loss is correct?

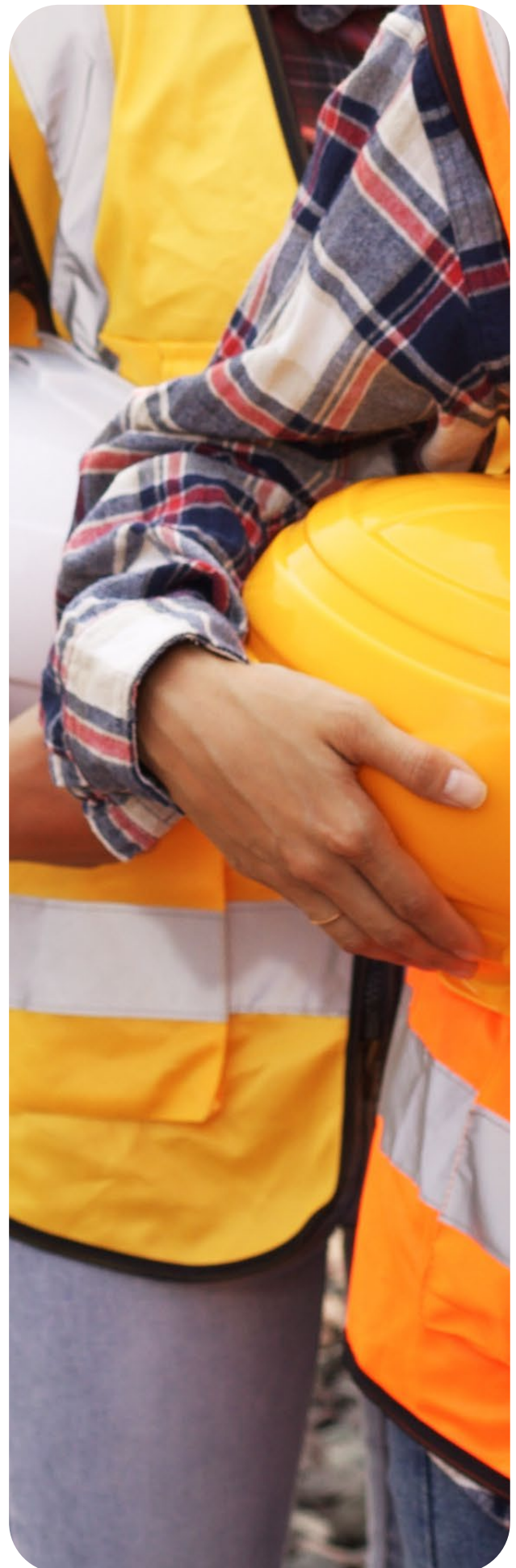
Technical literature referred to by EAC

In accordance with Ind AS 109, financial liabilities are measured at amortised cost using the effective interest method, with interest accrued at the effective interest rate and is not notional interest. Furthermore, in accordance with Paragraph 6(a) of Ind AS 23, Borrowing Costs (Ind AS 23), borrowing costs include interest expense calculated using the effective interest method as described in Ind AS 109, and as per Paragraph 1 of Ind AS 23, borrowing costs that are directly attributable to the construction of a qualifying asset should be capitalised. Ind AS 23 also requires that investment income earned on temporary investments of the funds specifically borrowed for qualifying assets should be deducted from the borrowing costs eligible for capitalisation.

EAC's opinion

In the extant case, the EAC noted that the funds are borrowed and used for the metro project (specific purpose), which qualifies as a qualifying asset under Ind AS 23. Therefore, the EAC opined that the interest cost calculated using effective interest method on interest-free subordinate debt is a borrowing cost and should be capitalised during the construction phase. Further, the EAC opined that interest income earned on temporary investments of subordinate debt funds borrowed specifically to obtain the qualifying asset should be adjusted against the borrowing costs eligible for capitalisation, rather than being recognised in the statement of profit and loss.

[Click here to access the EAC opinion](#)



2. EAC opinion on accounting for leasehold land and applicability of Ind AS 116

Facts of the case

Based on the facts of the case, a company (hereinafter referred as 'the Company') is a special purpose public company established by the government of Karnataka (represented by the Karnataka Industrial Acquisition and Development Board or 'KIADB') and the Government of India (represented by the National Industrial Corridor Development and Implementation Trust or 'NICDIT') (collectively referred as 'shareholders') to implement and develop the government's infrastructure project. It was mutually agreed among the shareholders that both would equally finance the project. KIADB has contributed a parcel of land, and the NICDIT has contributed cash of an equivalent value. Initially, a 99-year lease agreement was executed in favour of the company, with renewal options, and the land was handed over to the Company.

Subsequently, the lease arrangement was modified into a lease cum sale agreement for a period of two years, with an obligation on the lessor to execute the sale deed during or at the end of the lease period once specified conditions were met. No additional consideration was required for the transfer of ownership. The company was granted unrestricted rights to develop, sub lease, license, or create third party rights over the land.

Accounting followed by the company

The company applied the provisions of Ind AS 116, Leases (Ind AS 116), and assessed the arrangement as a lease and recognised a Right-of-Use (RoU) asset and corresponding lease liability. Further, the company has opted to disclose such RoU asset under inventory, assuming eventual ownership of the land, and it was intended for development and subsequent sale/lease to industrial units.

In addition, the company did not depreciate the RoU asset disclosed under inventory, on the grounds that the land has an indefinite life.

Query to EAC

The company has sought an opinion from the EAC of the ICAI on the presentation and depreciation of the RoU assets after the execution of lease-cum-sale agreement between the company and KIADB.

Technical literature referred to by EAC

The EAC has referred to the provisions of Ind AS 116, read with certain relevant paragraphs of the basis for conclusions to International Financial Reporting Standard (IFRS) 16, leases, and notes that accounting for a transaction depends on the substance of that transaction and not on its legal form. Where a lease contract is similar to the purchase of the underlying asset, or it grants rights that represent the in-substance purchase of an item that transfers control of the underlying asset/item, it should be accounted for as a purchase, applying the respective requirements of the applicable standards.



EAC's opinion

In the extant case, the EAC noted that:

- Legal title to the land will be transferred to the company after 2 years or upon project implementation;
- No further payment is required on such transfer; and
- The company has unrestricted rights to develop, sub-lease, license, or create encumbrances on land.

The above features collectively demonstrate that the company has obtained control over the land. Accordingly, the arrangement

represents an in-substance purchase of land, not a lease. Consequently, the EAC opined that Ind AS 116 should not be applied to this arrangement under lease-cum-sale agreement, and accordingly, the question of presentation as Right of Use Asset and depreciation of the same does not arise.

The classification and presentation of land under development depend on the intended use by the company: if intended for sale, it should be recognised as 'inventory'; if held for leasing or capital appreciation, or an undetermined future use, it should be recognised as 'investment property'.

[Click here to access the EAC opinion](#)

3. EAC opinion on accounting for change in the measurement technique of expected credit loss on financial assets

Facts of the case

Based on the facts of the case, a company (hereinafter referred to as 'the Company') is providing engineering consultancy services and is also engaged in small construction projects. In 2017, the Company had transitioned to Ind AS. Before the Ind AS transition, the company was making a 100% provision for doubtful trade receivables aged more than 5 years. However, post-transition, the company began to provide expected credit loss (ECL) on financial assets through a grid matrix ranging from 5% to 100% based on the ageing of the financial assets. The Company further proposed adopting a scientific actuarial valuation approach to provide ECL on financial assets in accordance with Ind AS 109.

Accounting followed by the company

The Company's management applied Paragraph 35 of Ind AS 8 Accounting Policies, Changes in Accounting Estimates and Errors (Ind AS 8). It was assessed that the above change is a change in measurement basis; hence, it is a change in an accounting policy, not an accounting estimate, and therefore shall be applied retrospectively.

Query to EAC

The Company has sought the opinion of the EAC of the ICAI on whether treating the transition from an internal grid matrix to scientific actuarial valuation as a change in accounting policy with retrospective application is correct.

Technical literature referred to by EAC

In accordance with Paragraphs 32 and 32A of Ind AS 8, the EAC evaluated that a loss allowance for the ECL is an example of accounting estimates and techniques used to measure a loss allowance for ECL is an example of estimation technique, which is part of the measurement technique used to develop an accounting estimate. Furthermore, as per Paragraph 34A, the effects on an accounting estimate of a change in measurement technique are changes in accounting estimates, unless they result from the correction of prior period errors.

EAC's opinion

The EAC opined that the transition from an internal grid matrix to scientific actuarial valuation to determine the ECL is a change in measurement technique, not a change in measurement basis, and cannot be considered a change in accounting policy. Rather, it is a change in accounting estimate, unless it results from the correction of prior period errors, and should be accounted for prospectively in accordance with Paragraph 36 of Ind AS 8.

[Click here to access the EAC opinion](#)





4. EAC opinion on valuation of land transferred as part of net assets to a newly floated company under common control

Facts of the case

Based on the facts of the case, a company (hereinafter referred to as 'the Company') was incorporated on 17 August 2021 and was wholly controlled by the GoI. The Company had voluntarily adopted Ind AS during FY 21-22.

Following the decision of the GoI to dissolve the Ordnance Factory Board (OFB), a long-standing arm of the GoI, the Company took over the assets and management of 12 production units and 4 non-production units of the OFB with effect from 1 October 2021. As part of the purchase consideration, the company issued its equity shares to the GoI.

Accounting followed by the company

The Company recognised the net assets received, including land, at their carrying amounts as per the books of the erstwhile OFB, which followed the General Financial Rules (GFR) applicable to government departments. However, during the supplementary audit, the Comptroller & Auditor General (CAG) raised an objection, stating that the Company should have recognised the land transferred as part of net assets at its fair market value.

Query to EAC

The Company has sought an opinion from the EAC of the ICAI on whether its accounting treatment is consistent with the requirements of Ind ASs.

Technical literature referred to by EAC

Although both OFB and the Company were under the ultimate control of the GoI, the Company was a newly incorporated entity that did not meet the definition of a 'business', as a newly formed entity issuing shares is not automatically the acquirer as per Paragraph

B18 of Ind AS 103, Business Combinations (Ind AS 103). Therefore, the transfer does not meet the definition of a common control business combination under Appendix C to Ind AS 103.

The EAC notes that no Ind AS specifically prescribes the accounting treatment for common control transactions involving the transfer of a business that does not meet the definition of a common control business combination or for common control capital reorganisations. In this case, it would be appropriate for the company to apply Appendix C to Ind AS 103 by analogy, in line with Paragraph 11(a) of Ind AS 8.

Considering that the Company is a first-time adopter of the Ind AS and the OFB was following the GFR applicable to government departments, the Company should recast the financial information of the acquired business in accordance with Ind ASs before applying the pooling of interests method to harmonise accounting policies as required under Appendix C to Ind AS 103. Furthermore, the Company can avail of the deemed cost exemption for the property, plant, and equipment (including land) taken over, as per Paragraph D7AA of Ind AS 101.

EAC's opinion

The EAC opined that the Company's accounting treatment of recording the land at its previous GAAP carrying value rather than fair market value is appropriate and compliant with the Ind AS.

[Click here to access the EAC opinion](#)



5. EAC opinion on capitalisation of commission paid on performance bank guarantees - Ind AS 16

Facts of the case

A joint venture company (hereinafter referred to as 'the Company') between two public sector undertakings with equal shareholding, was authorised by the Petroleum and Natural Gas Regulatory Board (PNGRB) to develop City Gas Distribution (CGD) networks in two geographical areas. The company furnished upfront performance Bank Guarantees (BG) through its promoters as a condition for obtaining such authorisation. In consideration thereof, the promoters charged the company a periodic bank guarantee commission.

Accounting followed by the company

The company had capitalised BG commission (INR 13.44 crore up to 31 March 2024) as part of the project cost under Ind AS 16, 'Property, Plant and Equipment' (Ind AS 16), treating it as directly attributable to bringing assets to their intended condition.

Query to EAC

The company has sought an opinion from the EAC of the ICAI on whether the capitalisation of the BG commission expenditure incurred by the company up to 31 March 2024, is correct and in line with the provisions of Ind AS 16, and if not, what should be the treatment as per the applicable Ind AS?

Technical literature referred to by EAC

The EAC observed that the company had not undertaken any borrowings and that the BG commission did not relate to borrowings for a qualifying asset; hence, the Ind AS 23 is not applicable in the extant case.

Furthermore, the BG commission was incurred to obtain regulatory authorisation and not in relation to any construction activity as such. Although furnishing PBG may be an essential part of obtaining regulatory authorisation, the BG commission does not attribute to or add any value to the construction of the project, bringing the project into the condition and location necessary for it to be capable of operating.

EAC's opinion

Accordingly, the EAC concluded that capitalising the BG commission under Ind AS 16 is not appropriate and that the expenditure should be charged to the statement of profit and loss as incurred. Since the Company's accounting treatment does not conform to the treatment described above, it should be corrected in accordance with Ind AS 8.

[Click here to access the EAC opinion](#)

6. EAC opinion on accounting treatment of construction extension fee/non-construction fee under Ind AS

Facts of the case

Based on the facts of the case, a company (hereinafter referred to as 'the Company') was incorporated as the steel plant construction arm of the Gol, and Ind AS became applicable to the Company with effect from 1 April 2017.

The Company was allotted a plot by the Greater Mohali Area Development Authority (GMADA) on 22 February 2011 for the construction of an office building complex. As per the conveyance deed entered into between the GMADA and the Company, the construction of the office complex was to be completed within a period of 3 years from the date of possession of land, but due to financial crunch and pending restructuring proposal, the process for construction was delayed and could not be completed on time. The GMADA levied, from time to time, a construction extension fee/non-construction fee for the delay in construction.

Accounting followed by the company

The construction extension fee/non-construction fee paid to the GMADA and the accrual made towards such fee payable to the GMADA were debited to Capital Work-in-Progress (CWIP) by the company.

Query to EAC

The company has sought the opinion of the EAC of the ICAI on whether the accounting treatment adopted by the Company for non-construction fees paid and payable, debited to the CWIP, complies with Ind AS 16.

Technical literature referred to by EAC

The EAC has referred to the provisions of Ind AS 16, specifically Paragraphs 16, 17, and 19, and has concluded that only the costs directly attributable to bringing an asset to its intended location and operating condition should be capitalised. Since the above non-construction fee relates to a delay in construction or non-compliance with the initial condition of construction within stipulated timelines under the terms of allotment, it cannot be considered as cost directly attributable to bringing the land or building to the location and condition necessary for it to be capable of operating in the manner intended by management and are instead comparable to administration costs incurred during construction.

EAC's opinion

The EAC opined that the construction extension fee/non-construction fee cannot be capitalised and should be expensed through a charge to the statement of profit and loss with appropriate disclosures.

[Click here to access the EAC opinion](#)



7. Companies (Accounting Standards) Amendment Rules, 2026 [amendments to AS 22, accounting for taxes on Income]

The Ministry of Corporate Affairs (MCA) notified the Companies (Accounting Standards) Amendment Rules, 2026, amending the Companies (Accounting Standards) Rules, 2021, with respect to Accounting Standard (AS) 22, Accounting for Taxes on Income (AS 22).

This amendment introduced recognition and separate disclosure requirements for income taxes arising from tax law enacted or substantively enacted to implement the Organization for Economic Co-operation and Development (OECD) Pillar Two Model Rules, including tax law that implements qualified domestic minimum top-up taxes described in those rules. Such tax law, and the taxes on income arising from it, are hereafter referred to as 'Pillar Two legislation' and 'Pillar Two Income Taxes', respectively.

A temporary exemption has been granted from recognising or disclosing information about deferred tax assets and liabilities related to Pillar Two Income Taxes, provided the entity discloses that it has applied this exception. The current tax expense (or income) related to the Pillar Two Income Taxes must be disclosed separately.

Further, when Pillar Two legislation is enacted or substantively enacted but not yet in effect, the entity must disclose any known or reasonably estimable information that helps users understand their potential exposure to these taxes, which includes both qualitative and quantitative details. However, small and medium-sized companies have been provided with the option not to disclose such information.

An entity shall apply the amendments introducing the scope and temporary exemption from recognising or disclosing deferred tax assets and liabilities related to the Pillar Two income taxes immediately upon issuance retrospectively. The remaining amendments, which prescribe disclosure requirements for exposure to Pillar Two Income Taxes, shall be applied to annual reporting periods beginning on or after 1 April 2025. Enterprises are not required to disclose information as introduced by this amendment for any interim period ending on or before 31 March 2026.

[Click here for the MCA notification](#)



8. Educational material on Ind AS 24 and Ind AS 36

The Accounting Standards Board (ASB) of the ICAI, on 28 February 2026, issued educational materials on Ind AS 24, Related Party Disclosures (Ind AS 24) and Ind AS 36, Impairment of Assets (Ind AS 36) to facilitate a better understanding of the Standards and promote their consistent application in practice.

The educational materials comprehensively summarise the key requirements of the

Standards, include frequently asked questions (FAQs) addressing practical implementation issues faced by preparers of financial statements, and contain appendices highlighting differences vis-à-vis the corresponding IAS and AS.

Click the links below for educational material on Ind AS 24 and Ind AS 36, respectively.

[Ind AS 24](#)[Ind AS 36](#)

9. Research report on 'Liquidation accounting'

The Research Committee of the ICAI has issued a research report on liquidation accounting, addressing the practical difficulties entities encounter when preparing financial statements on a basis other than going concern, given the absence of any specific accounting standard providing guidance.

The publication outlines the principles for preparing financial statements under a non-going-concern basis of accounting, along with related application guidance and disclosure

requirements. The publication also includes global practices under IFRS and US Generally Accepted Accounting Principles (US GAAP), applicable provisions of the Indian legal framework, i.e., under the Insolvency and Bankruptcy Code, 2016, transition adjustments, consolidation implications, and emerging developments. The report also includes a checklist for ensuring compliance with accounting and regulatory requirements.

[Click here for the ICAI research report](#)



B. Auditing updates

1. NFRA circular on effective communication between statutory auditors and those charged with governance, including audit committees

On 7 January 2026, the National Financial Reporting Authority (NFRA) issued a circular to strengthen the communication between statutory auditors and Those Charged with Governance (TCWG) in line with the requirement of Companies Act, 2013 (the Companies Act), Standards on Auditing (SAs) prescribed under the Companies Act, and other relevant rules and regulations.

The circular highlights the common non-compliances observed by the NFRA during its investigations with respect to SA 260 (Revised), Communication with Those Charged with Governance, and SA 265, Communicating Deficiencies in Internal Control to Those Charged with Governance and Management. Some of the non-compliances noted are as follows:

01 Incorrect identification of TCWG

Auditors did not adequately evaluate the entity's governance structure and identified only the audit committee, and at times, management executives and executive directors as TCWG.

02 Incomplete and inadequately documented communication

Communication with the TCWG was fragmented and poorly documented, and improper reliance was placed on the audit engagement letter as evidence of compliance. Auditors failed to communicate significant matters, including audit scope and timing, materiality, key audit matters, significant risks, non-compliance with laws and regulations, and unusual transactions.

03 Failure to establish two-way communication

Auditors did not establish or document the form, timing, and two-way nature of communication with the TCWG, nor did they document expected inputs from the TCWG on significant strategic decisions, suspected or identified fraud, and the integrity and competence of senior management.

04 Management meetings treated as TCWG communication

Auditors incorrectly treated meetings and discussions with management as equivalent to communication with the TCWG.

05 Non-communication of internal control deficiencies

In some cases, auditors failed to communicate identified deficiencies, weaknesses, or the absence of internal controls to the TCWG.

In view of the above non-compliances, the NFRA has reiterated the following for the attention of statutory auditors, the TCWG, audit committees, and management of companies covered under the NFRA rules:

01

Role and responsibility for effective two-way communication: It is the joint or collective accountability of the board, audit committee, management, and auditors to establish and sustain robust, effective two-way communication through appropriate policies and processes.

02

Determination and documentation of TCWG: The auditor is to document who constitutes the TCWG at the start of the audit, and if the auditor communicates with a sub-group, the auditor is to ensure that the sub-group has appropriate authority, communication between the sub-group and the full board is adequate, and matters are communicated with the full board also, in addition to communication with the sub-group, where needed.

03

Establishing a robust two way communication process: It is recommended that the auditor and the TCWG discuss the planned scope and timing of the audit, as well as expectations for two-way communication at the start of the financial year. Further, it is recommended that the Board prepare and document an overall communication framework between the TCWG and auditors, covering objectives, nodal contacts, the escalation process, documentation, minutes of the meeting, etc.

04

Appropriate form and documentation of communication: Communications shall be unambiguous and specific, adequately discussed, and properly documented in writing, capturing the views of both the auditors and the TCWG to enable meaningful two-way communication.

05

Timely communication with TCWG: Timely and regular interactions between the auditor and TCWG throughout the audit are key to enabling early issue resolution, informed decision-making, and avoiding last-minute outcomes. They should meet at least twice a year, i.e., before the audit starts and well before the approval of financial statements.

06

Agenda and matters for communication with TCWG: Agenda and matters to be communicated shall cover audit strategy, risk of material misstatement, significant judgements and estimates, significant audit findings, internal control weaknesses, auditor independence, etc., to support effective oversight and audit quality.

[Click here to access the NFRA circular](#)



2. NFRA - Auditor-Audit Committee - Interaction Series 5

The NFRA has released a publication titled 'Auditor–Audit Committee - Interactions Series 5 dealing with Audit of Provisions, Contingent Liabilities and Contingent Assets: Ind AS 37, SA 540, and SA 501 etc.' (Series 5) on 31 March 2026. This publication continues the NFRA's ongoing series aimed at strengthening communication between statutory auditors and audit committees/TCWG.

Similar to the earlier publications in this series, the current release is intended purely to promote the awareness of accounting and auditing standards and audit quality as part of the NFRA's education, training, seminar and advocacy initiatives and does not constitute a policy, standard, recommendation or binding guidance from the NFRA or the government, and is not issued as a substitute for any obligations of auditors, management, TCWG, including audit committees, as are provided in law, rules, and regulations.

Below is a brief summary of Series 5 issued by the NFRA:

- The Series 5 outlines key recognition, measurement, and disclosure requirements of Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets, including the identification of legal and constructive obligation, distinction between provisions and contingent liabilities, prohibition on the recognition of contingent assets, measurement at best estimate, application

of expected value techniques where appropriate, and discounting for the time value of money. It also discusses areas such as onerous contracts, restructuring provisions, reimbursements, decommissioning, and environmental rehabilitation obligations.

- From an audit perspective, the NFRA has highlighted relevant requirements under SAs, including SA 540, SA 501 and SA 505, which emphasise the need for robust audit procedures, professional skepticism, the identification of possible management bias, external confirmations and direct communication with the entity's external experts where required and also draws attention to the need to appropriately consider subsequent events that may affect the recognition or disclosure of provisions and contingencies.
- It further reiterates the responsibilities of the Board of Directors and audit committees, particularly in relation to the oversight of significant accounting estimates and judgements, internal controls, and risk management systems.
- Similar to earlier NFRA publications, it has identified potential questions the Board of Directors/audit committees may ask auditors.

[Click here to access Series 5 issued by NFRA](#)

3. NFRA publishes 'Audit-Practice Toolkit - ROMM for Revenue' with respect to risk and response memorandum: Risk of material misstatements assessment at assertion level for revenue

The NFRA has released the second audit practice toolkit dealing with audit strategy memorandum with a focus on supporting the small and medium audit practitioners.

The toolkit addresses a key phase of the audit process by providing structured guidance to assist auditors in identifying and assessing risks of material misstatement (ROMM) at the assertion level for revenue. It is intended to serve as a practical and illustrative sample document that demonstrates how an auditor

can apply the principles of SA 315 and SA 240. The toolkit seeks to enhance the auditors' understanding of risk-based audit planning by illustrating assertion-level risk assessment, the linkage of inherent and control risks, the identification of significant and fraud risks (including the presumption of fraud in revenue recognition), and the alignment of audit responses with assessed risks.

[Click here for the NFRA publication](#)

4. Guidance note on audit of banks (2026 edition)

The AASB of the ICAI has updated the 'Guidance Note on Audit of Banks' (Guidance Note) in March 2026 as part of its annual exercise to incorporate the latest developments, the impact of amendments, and changes in the banking landscape. These updates encompass master directions, circulars, notifications, the FAQs issued by the Reserve Bank of India (RBI), relevant advisories, the ICAI's pronouncements affecting bank audits, and changes to laws and regulations.

The updated Guidance Note aims to help auditors strengthen internal controls, ensure compliance, improve financial reporting quality, and also includes illustrative formats for audit reports, engagement letters, and management representation letters.

[Click here to access the Guidance Note](#)

5. Guidance on new labour codes

The Auditing And Assurance Standards Board (AASB) of the ICAI has released a publication 'Guidance on New Labour Codes' to help auditors understand the impact of the four new labour codes namely, the Code on Wages, 2019, the Industrial Relations Code, 2020, the Code on Social Security, 2020, and the Occupational Safety, Health and Working Conditions Code, 2020 (collectively referred to as the 'Labour Codes'), which became effective from 21 November 2025, while planning and performing audit engagements.

Key highlights of the guidance are as follows:

- **Responsibility under SA:** The Labour Codes qualify as laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements under SA 250, Consideration of Laws and Regulations in an Audit of Financial Statements. Accordingly, auditors are required to obtain sufficient and appropriate audit evidence to evaluate their compliance, with specific focus on their impact on the recognition, measurement, presentation, and disclosure of employee-related liabilities and expenses.
- **Understanding of the entity, audit plan, and identification of the risk of material misstatement:** The guidance outlines key considerations for auditors when obtaining an understanding of the entity, including management actions, such as revisions to payroll structures, changes in HR policies, and the engagement of experts in response to the Labour Codes. It also highlights considerations relevant to the formulation of audit strategy and the identification and assessment of risks of material misstatement.
- **Evaluating internal controls and service organisations:** Auditors should test the design and operating effectiveness of payroll configuration changes, reconciliations between the HR master data and payroll/statutory registers, and recalculation routines for PF/ESI/new funds on revised wage bases. Where service organisations process payroll, auditors should apply considerations under SA 402, Audit Considerations Relating to an Entity Using a Service Organisation, to review type 1/type 2 reports, and reconcile service-provider outputs to the general ledger and filings.
- Substantive and analytical procedures:
 - Substantive procedures suggested include the independent recalculation of wages under the new definition for sampled employees (permanent, fixed-term, gig/platform), verification of statutory contributions to challans/returns, and contract addendum checks where terms changed.
 - For actuarial liabilities, auditors test data completeness and assumptions (discount rate, salary escalation, attrition) for reasonableness, consistency, and bias, as well as the classification/presentation of obligations in the financial statements.
 - The suggested analytical procedures include analysing the proportion of allowances to total compensation and comparing it with prior periods, and ratios of statutory contributions to gross wages as per the revised wage definition, etc.

- Legal opinions and management representation:** Where the management relies on legal opinions, auditors should evaluate the competence, independence, and experience of legal counsel. In addition, auditors should obtain specific management representations confirming their responsibility for identifying, interpreting, and complying with applicable provisions of the Labour Codes.
- Communication with TCWG:** The auditor's communication with the TCWG may include a discussion of the management's impact assessment, whether implementation of the Labour Codes represents an area of heightened risk of material misstatement due to complexity or interpretational challenges, the resulting impact on actuarial valuations, and any identified deficiencies or gaps in internal controls.
- Reporting:** The guidance note reiterates the reporting implications for audit reports, the Companies (Auditor's Report) Order, 2020 (CARO), and the Internal Financial Controls (IFC) report in cases of non-compliance.

The guidance also includes an annexure on 'FAQs on key accounting implications arising from the New Labour Codes' as released by the ICAI on 26 December 2025. These FAQs are covered in detail in our previous GAAP bulletin, refer '[Quarterly GAAP Bulletin - February 2026](#)'.

[Click here for the ICAI guidance](#)

6. Technical guide on revised directions issued by CAG under Section 143(5) of the Companies Act, 2013

The AASB of the ICAI has issued the 'Technical Guide on Revised Directions issued by CAG under Section 143(5) of the Companies Act, 2013', providing guidance to statutory auditors of government companies and government-owned/controlled entities on complying with the CAG directions dated 23 May 2025 and 17 October 2025.

These directions require the auditors to focus on five high-impact thematic areas, inter alia, specifically:

- Fair valuation of investments made for post-retirement employees' benefits.
- IT-based processing of accounting transactions with emphasis on IT controls and cybersecurity-related controls. Implications arising from transactions processed outside the IT system.
- Accounting and utilisation of government grants/subsidies.

- Risk management policy for key risk areas, and identification and valuation of data assets.
- Compliance with the applicable legal and regulatory requirements.

This technical guide aims to assist members by providing area-wise guidance on audit approach and reporting considerations, along with illustrative reporting formats/examples.

Click the links below for the CAG directions dated 23 May 2025 and 17 October 2025, respectively.

[23 May 2025](#)

[17 October 2025](#)

[Click here for the technical guide released by the ICAI](#)

7. Practitioner's guide on drafting modified opinions in independent auditors' reports

The AASB of the ICAI has issued 'Practitioner's Guide on Drafting of Modified Opinions in Independent Auditor's Reports', providing an overview of the concept and types of modified opinions under SA 705 (Revised). The guide includes 44 illustrative circumstances, along with suggested reporting language, for the 'Basis for Qualified Opinion' section of the

auditor's report in those scenarios. In addition, the guide includes illustrative reporting language for cases where an adverse opinion or a disclaimer of opinion is issued.

[Click here for the publication issued by the ICAI](#)

8. Bridging the expectation gap: Audit vs. forensic

The Centre for Audit Quality Directorate of the ICAI has released a publication, 'Bridging the Expectation Gap: Audit vs Forensic'. The publication aims to clarify fundamental differences between statutory audit and forensic engagements - two professional activities that are often perceived as similar but serve distinctly different purposes within an organisation. It dispels the common misconception that statutory auditors are responsible for detecting all fraud, emphasising that audits have inherent limitations due to their defined scope and methodology.

The publication also outlines the distinct roles of auditors and forensic professionals in fraud detection, explaining key concepts, objectives, legal frameworks, standards, methodologies, and expected deliverables for each type of engagement. Furthermore, it includes a set of FAQs addressing common questions from stakeholders on the roles, responsibilities, and limitations of statutory audits and forensic investigations.

[Click here for the publication issued by the ICAI](#)





C. Regulatory updates

New Labour Code updates

1. FAQs on Occupational Safety, Health and Working Conditions Code, 2020

On 13 March 2026, the Ministry of Labour and Employment (MoLE) released FAQs on the Occupational Safety, Health and Working Conditions Code, 2020 (OSH & WC 2020 Code), which are effective immediately.

Key aspects clarified by the FAQs includes the applicability of provisions of OSH & WC 2020 Code for dock workers (other than major ports), annual health examination of employees, measures or standards prescribed by the state government, enforcement of OSH & WC 2020 Code if inspectors will be replaced with inspector-cum-facilitators, impact on employers due to reduction of penalties for violations, coverage of contract workers for welfare facilities, and issuance of experience certificate to contract labour.

[Click here to access FAQs on OSH & WC 2020 Code](#)

2. Additional FAQs on labour codes

On 16 March 2026, the MOLE issued additional FAQs, providing further clarifications following the implementation of Labour Codes.

The FAQs primarily address practical compliance issues relating to the definition of wages and the 50% wage rule, treatment of overtime payments in wage calculations, distinction between wages and minimum wages, gratuity eligibility (including for fixed-term employees), the continued applicability of the current ESI wage threshold, overtime entitlement, and guidance on leave carry-forward provisions.

[Click here to access additional FAQs](#)



RBI updates

1. Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026, and Directions on Export and Import of Goods and Services

The RBI, on 16 January 2026, issued the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026, and Directions on Export and Import of Goods and Services (together referred to as 'Amended Regulations 2026') in supersession of the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015 (Earlier Regulations 2015).

The Amended Regulations 2026 are primarily principle-based and intended to promote ease of doing business, especially for small exporters and importers, and to empower authorised dealers (AD) to provide quicker, more efficient service to their customers. It also consolidates export and import compliance under a single cohesive framework, simplifying cross-border trade obligations.

Some of the key changes introduced in the Amended Regulations 2026 compared to the earlier regulations in 2015 are as follows:

Particulars	Earlier Regulations 2015	Amended Regulations 2026
Declaration of export value and reporting	Reporting compliances through the Export Declaration Form (EDF) for goods and SOFTEX for software. Services exports have no specific reporting compliances.	Unified reporting in EDF for goods and services, including software (replacing the earlier SOFTEX form). EDF should be submitted as part of the shipping bill for goods and within 30 days of the end of the month in which the invoice for services is raised.
Realisation of exports proceeds	Generally, 9 or 12 months from the date of shipment for goods/date of invoice for services	15 months from the date of shipment for goods/date of invoice for services, for all exports, and 18 months for exports invoiced in Indian Rupees. If the export proceeds remain unrealised beyond one year from the due date, further export is permitted only against full advance payment or an irrevocable letter of credit.

Particulars	Earlier Regulations 2015	Amended Regulations 2026
Time period for making import payments	Payment for imports is required to be made within 6 months from the date of shipment, with an extension of up to 3 years.	Payment pertaining to import is aligned with the period specified in the underlying contract. The AD may, on request from the importer citing reasons for the delay, allow extension of time for making the payment.
Set-off of export receivables against import payables	There are restrictive conditions for set-offs.	The AD may allow the set-off of export receivables against import payables, provided the set-off occurs within the prescribed export realisation period or the extended period, if any.
Third-party receipts and payments	There are restrictive conditions for third-party receipts and payments.	The AD may permit third-party receipts and payments for export and import transactions, subject to their satisfaction with the bonafides of such transactions.
Reduction in the export realisation	There are limited powers subject to percentage caps for approval by the AD.	The AD may allow under-realisation or non-realisation of the full export value, subject to the reasons cited being satisfied. If the export value is up to 10 lakhs, a reduction in the export value may be allowed on declaration by the exporter.
Receipt of advance against exports	Receipts of advances against export are permitted subject to certain conditions, such as shipment of goods within three years from the date of receipt of the advance, and the interest rate should not exceed specified thresholds.	Receipts of advance against exports should be routed through the AD Bank, and interest payable on such receipts should not exceed the all-in-cost ceiling of trade credit.
Advance import payment	Advance remittance for import of goods is permitted, subject to a standby letter of credit or bank guarantee requirement if the advance exceeds specified thresholds.	Advance payments for imports continue to be permitted, subject to the AD bank's satisfaction regarding the genuineness of the payment. The AD Bank may consider specifying thresholds for advance payment beyond which the payment may require a standby letter of credit or a guarantee. Advance remittance is no longer permitted for the import of gold and silver.

These regulations will come into effect from 1 October 2026. This will allow stakeholders to smoothly transition to the Amended Regulations 2026 by strengthening documentation and compliance frameworks to meet the AD banks' verification and monitoring requirements.

[Click here for the RBI's press release](#)

2. Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026

The RBI, on 9 February 2026, issued the Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026, amending the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018, and Master Directions on External Commercial Borrowings (ECB), Trade Credit and Structured Obligations, which have substantially streamlined the ECB framework.

The key amendments are outlined below:

Expanded eligible borrowers and lenders

The revised ECB framework expands eligibility by allowing any person resident in India, other than an individual, that is incorporated, established or registered under a central or state act and permitted under the applicable law to borrow and permitting ECBs from any person outside India, including individual lender irrespective of equity linkage, overseas branches and financial institution set up in the International Financial Services Centre (IFSC).

ECB limit

The ECB limit has been increased to the higher of:

- Outstanding ECB up to USD 1 billion; or
- Total outstanding borrowing (external and domestic) up to 300% of net worth as per the last audited standalone balance sheet of the borrower.

Financial sector-regulated borrowers have been exempted from this limit. Furthermore, the requirement to maintain a 7:1 liability-to-equity ratio has also been removed.

Conversion

ECBs can now also be converted into permitted non debt instruments (earlier only equity).

Maturity

The minimum average maturity period (MAMP) has been streamlined to 3 years (earlier category-specific MAMP requirements ranged from 3 to 10 years), with shorter maturity permitted for an eligible borrower engaged in the manufacturing sector, i.e., 1-3 years allowed, provided ECB is up to USD 150 million.

End-use restrictions

The ECB end-use restrictions have been rationalised, with specific carve-outs permitted for construction development projects, industrial parks, certain agricultural and animal husbandry activities, and for transacting in securities during corporate actions, such as mergers, demergers, amalgamations, etc., subject to certain conditions.

Cost of borrowing

Specific caps, as earlier prescribed for the cost of borrowing, have been removed and are now aligned with market conditions.

Reporting

Reporting requirements under Forms ECB 1 (new) and ECB 2 (updated) are now event-based rather than monthly return filings.

Refinancing

An existing ECB may be refinanced, in whole or in part, with a new ECB, subject to compliance with the original MAMP.

The amendment regulations are effective from 16 February 2026.

[Click here for the RBI's amendment regulations](#)



3. Amendment directions on lending to related parties by regulated entities

On 5 January 2026, the RBI has issued amendments to Credit Risk Management Directions and Financial Statements: Presentation and Disclosures Directions (hereinafter referred to as ‘Amendment Directions’) for Regulated Entities [Regulated Entities (REs) includes commercial banks, small finance banks, local area banks, regional rural banks, urban co-operative banks, rural co-operative banks, non-banking financial companies (NBFCs) and all India financial institutions] on lending to related parties (RPs) to ensure prudent risk management of loans to related parties and strengthening governance standards around such exposures.

Key amendments are as follows:

- The definition of RPs has been broadened and aligned with the Companies Act and the Insolvency and Bankruptcy Code, 2016, while excluding nominee directors of other banks appointed by the government, the RBI, or any statutory body.
 - Lending to RP includes both extending funded and non-fund-based credit facilities. While investments in RPs' debt instruments are covered for this purpose, equity investments have been excluded.
 - The board must approve the credit risk management policy covering lending to RPs and establish a dedicated committee other than the audit committee. The board has
- the overall responsibility for ensuring that suitable mechanisms are put in place to implement the policy on lending to RP.
- Transaction-level materiality thresholds linked to asset size have been introduced for banks and regulatory layers for NBFCs. All loans above the prescribed materiality threshold are sanctioned either by the board or by the ‘Committee on Lending to Related Parties’. As regards loans below the materiality threshold, the same can be sanctioned by the appropriate authority within the powers delegated to them.
 - Prohibitions on exposure (including investments in equity/debt capital instruments) to promoters and their relatives, shareholders holding more than 10% or more in the paid-up equity capital in REs, or entities where such person exercises significant influence or control (as defined under Ind AS 28, Investments in Associates and Joint Ventures and Ind AS 110, Consolidated Financial Statements).
 - Directors, KMPs, and specified employees must abstain from discussions/decisions on loan proposals, contracts, or arrangements that involve them or their related parties. Such recusal is also extended to deliberations and decisions relating to any subsequent material changes to the terms of such loans, including one-time settlements, write-offs, waivers, etc.

- REs must disclose:
 - The aggregate value of loans sanctioned to related parties during the year.
 - The aggregate value of outstanding loans at the end of the financial year.
 - The aggregate value of outstanding loans to related parties as a proportion of total credit exposure.
 - Classification of such outstanding loans into Special Mention Accounts (SMA) and Non-Performing Assets (NPA).
 - Provisions held against these exposures.
 - The aggregate value of contracts and arrangements with related parties during the year.
 - The aggregate value of outstanding contracts as of 31 March in its financial statements.

Furthermore, it is clarified that REs are permitted to continue with their existing related party transactions until maturity that are not in conformity with the Amendment Directions. However, REs should not renew/review such loans/limits after their expiry, on the same or different terms, unless they comply with these Amendment Directions. Any non-compliance would result in supervisory and enforcement actions.

The above amendments have come into effect from 1 April 2026. However, REs may decide to implement the amendments in their entirety from an earlier date.

[Click here for the RBI's press release](#)

4. RBI (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Amendment Directions, 2026, and RBI (Non-Banking Financial Companies - Concentration Risk Management) Amendment Directions, 2026

The RBI, vide notifications dated 1 January 2026, has issued the RBI (Non Banking Financial Companies – Prudential Norms on Capital Adequacy) Amendment Directions, 2026 (Prudential Norms Amendment Directions), and the RBI (Non Banking Financial Companies – Concentration Risk Management) Amendment Directions, 2026 (Concentration Risk Amendment Directions) (together referred to as 'Amendment Directions'). These amendments operate as a combined regulatory framework to refine the treatment of infrastructure exposures by NBFCs.

Defining 'High quality infrastructure projects'

Concentration Risk Amendment Directions introduced a dedicated category under infrastructure lending for lending to 'high-quality infrastructure projects' under the RBI (Non-Banking Financial Companies - Concentration Risk Management) Directions, 2025.

NBFCs may classify certain infrastructure lending to projects that meet all the following prescribed criteria as lending to 'high-quality infrastructure projects':

- The infrastructure project has completed at least 1 year of operations since the commencement of commercial operations, with no breach of any material lender covenants.
- Exposure is classified as a standard asset on the lender's balance sheet.
- Project revenues arise from government/public-sector concessions or contracts that protect lender rights throughout the concession period.
- Strong lender safeguards are embedded in project documentation, including:
 - Escrow or trust and retention account mechanisms to ring fence cash flows,
 - Pari passu charge over project assets, and
 - Risk mitigation features, such as step-in rights and minimum termination payments upon early termination.
- The borrower demonstrates adequate funding arrangements to meet working capital and future project requirements.

Changes introduced in risk-weight framework

Further, the RBI, vide the Prudential Norms Amendment Directions, has modified the risk-weight framework applicable to the NBFC exposures to infrastructure projects and has introduced two new categories for loans to 'High-quality infrastructure projects' assigning lower risk weights as defined under the Concentration Risk Amendment Directions, namely –

- The risk weight of 75% in cases where the borrower has repaid at least 2% of the sanctioned project debt, and
- The risk weight of 50% in cases where the borrower has repaid at least 5% of the sanctioned project debt.

The repayment threshold is to be computed with reference to the total sanctioned project debt, including any additional funding extended through takeovers or incremental sanctions against the same project assets or cash flows. Where a project subsequently ceases to meet the qualifying conditions, the exposure will revert to the higher risk weights (100%) prescribed for infrastructure lending under the existing framework.

Applicability

The Prudential Norms Amendment Directions are effective from 1 April 2026, or earlier if adopted in full by an NBFC, with transitional relief provided until the next review or 31 March 2027 for exposures that would be subject to higher risk weights under the Prudential Norms Amendment Directions.

The Concentration Risk Amendment Directions are effective when the NBFC decides to implement the Prudential Norms Amendment Directions or from 1 April, 2026, whichever is earlier.

[Click here for the Prudential Norms Amendment Directions](#)

[Click here for the Concentration Risk Amendment Directions](#)



5. Amendment directions on capital market exposure

On 13 February 2026, the RBI issued amendment directions on capital market exposure for commercial banks and small finance banks, originally proposed to take effect from 1 April 2026. However, following representations from banks, capital market intermediaries, and industry associations seeking additional time and clarifications on certain operational and interpretational aspects, the RBI issued revised directions on 30 March 2026, superseding the earlier amendment directions.

The revised amendment directions are effective from 1 July 2026, and are aimed at:

- Provide an enabling framework for banks to finance acquisitions by Indian corporates;
- Rationalise the limits for lending by banks to individuals against shares, units of Real Estate Investment Trusts (REITs), Infrastructure Investment Trust (InvITs), etc., and
- Put in place a more principle-based framework for lending to capital market intermediaries (CMLs).



Key amendments

A. Overhaul of acquisition finance framework:

Existing provisions of 'Acquisition Finance' as under Chapter XI of the extant Reserve Bank of India (Commercial Banks – Credit Facilities) Directions, 2025, have been amended as under:

Acquiring company (eligibility criteria)

- Non-financial listed/unlisted company directly or indirectly (subsidiary/SPV)
- Net worth \geq INR 500 crore
- Net profits after tax in each of the preceding three financial years.
- Investment grade credit rating BBB- or above, before disbursement (in case of an unlisted company).

Control acquisition requirements

Control of the target company should be achieved within 12 months from the date of the first disbursement of the acquisition finance. Where control already exists, acquisition finance is permitted only for acquiring additional specified stakes crossing 26%, 51%, 75% or 90%.

Financing parameters and safeguards

- Credit assessment shall be conducted on a pro-forma consolidated basis.
- Bank financing capped at 75% of the acquisition value, with the remaining contribution from the acquirer's own funds.
- Mandatory corporate guarantee from the acquiring company.
- Post-acquisition debt equity ratio capped at 3:1 (consolidated level).

B. Loans against eligible securities:

Expansion of eligible securities

Banks are permitted to lend against collateral of 'Eligible Securities' as per the board-approved policy.

Eligible securities include:

- Listed Group 1 equity and preference shares
- Government securities, including treasury bills and sovereign gold bonds;
- Listed debt securities, including convertible debt securities (BBB or higher);
- Certain specified units of mutual funds, ETFs (excluding commodity ETFs), REITs, and InvITs

C. Lending to capital market intermediaries (CMI):

General conditions

Banks may lend only to regulated CMIs and must treat all CMI exposures as capital market exposure (CME).

Further, banks are to cap such exposures within the CME, LEF, and ITE limits as per the RBI's Concentration Risk Management Directions, 2025.

Permissible and prohibited credit facilities

- Banks may fund day-to-day operations, including general working capital facilities and specific facilities.
- A bank may also issue guarantees on behalf of brokers or professional clearing members and in favour of exchanges or clearing houses.
- Banks shall not provide finance to a CMI for the acquisition of securities on its own account.

Security coverage

- Intra-day limits to CMIs to meet any shortfall arising on account of settlement timing difference in centrally cleared trades placed on behalf of clients, may be extended against a minimum collateral of 50%, subject to the condition that receivables to the bank are from a Qualified Central Counterparty (QCCP).
- All credit facilities shall be provided on a fully secured basis.
- In respect of financing to brokers for the margin trading facility (MTF), the facility shall be fully secured by collateral of cash, cash-equivalents, and government securities, out of which a minimum 50% shall be cash.
- Suitable haircuts to various eligible securities accepted as collateral will be a minimum of 40% in case of equity shares.



D. Concentration risk management directions:

Capital market exposure (CME)

- CME has been comprehensively revised to include both direct and indirect exposures (fund based and non fund based), including investment and credit exposures.
- The directions also include a list of exposures to be specifically excluded from CME computation, such as investment in own subsidiaries, joint ventures, investment in certificate of deposits, investment in and loan against preference shares without voting rights, etc.

Prudential ceilings prescribed for CME

- Aggregate CME capped at 40% of the eligible capital base.
- Direct capital market investments capped at 20%.
- Aggregate exposure to acquisition finance capped at 20%, within the overall CME limit.

E. Financial statement disclosures:

The Presentation and Disclosures Directions requiring disclosure of 'Exposure to capital markets' have been amended. Entities are now required to disclose credit facilities to the CMI, acquisition finance (including overseas branch exposure), bridge finance, etc.

[Click here for the RBI's press release](#)





6. RBI (NBFCs – Income Recognition, Asset Classification and Provisioning) Amendment Directions, 2026

On 13 February 2026, the RBI issued the RBI (NBFCs- Income Recognition, Asset Classification and Provisioning) Amendment Directions, 2026, permitting NBFCs to factor in Default Loss Guarantee (DLG) for determining provisions under the expected credit loss framework across all stages, subject to the requirements as laid down under Ind AS, which inter alia require the DLG arrangement to be integral to the contractual terms of the loan and the DLG not being recognised separately.

Furthermore, since each invocation of DLG reduces the available guaranteed cover, NBFCs should mandatorily recompute ECL provisioning across stages. Also, NBFCs should comply with the disclosure requirements as prescribed under Ind AS 1.

These amendments are effective from 13 February 2026.

[Click here for the RBI's amendment directions](#)

7. Lending to Micro, Small & Medium Enterprises (MSME) Sector (Amendment) Directions, 2026

On 9 February 2026, the RBI issued the 'Lending to MSME Sector (Amendment) Directions, 2026', amending the 'Master Direction - Lending to Micro, Small & Medium Enterprises (MSME) Sector' applicable to all commercial banks, to ease access to credit for Micro and Small Enterprises (MSEs).

These amendments include an enhancement of the limit for extending loans to the MSE sector, without collateral security, from INR 10 lakh to up to INR 20 lakh. Further, the banks are advised to extend collateral-free loans of up to INR 20 lakh to all units financed under

the Prime Minister Employment Generation Programme. Banks may increase such collateral-free loan limits to INR 25 lakh based on the good track record and financial history of MSE units.

However, the voluntary pledge of gold or silver by borrowers for loans sanctioned up to the collateral-free limit shall not be considered a violation of the above mandate.

These amended provisions apply to all loans to MSE borrowers sanctioned or renewed on or after 1 April 2026.

[Click here for the RBI's amendment directions](#)

[Click here for the amended Master Direction - Lending to Micro, Small & Medium Enterprises \(MSME\) sector](#)



8. Amendment Directions on 'clarification on owned fund/Tier 1 capital computation for NBFCs/ARCs and applicability to credit/investment concentration norms'

On 10 March 2026, the RBI issued 7 amendment directions to propose clarifications on the computation of owned fund/ Tier 1 capital applicable for NBFCs, Housing Finance Companies (HFC), Core Investment Companies (CIC), Mortgage Guarantee Companies (MGC), Asset Reconstruction Companies (ARC), and Standalone Primary Dealers (SPD).

Key highlights of the amendment directions are as follows:

- Inclusion of quarterly profits in 'free reserves' for computing owned fund and Tier 1 capital. However, the inclusion of quarterly profit is subject to certain conditions, such as a limited review/audit of the quarterly financial statements by the statutory auditors and a reduction in the average dividend paid for the last three years. Further, it is stated that current-year losses would be fully deducted in computing owned fund/Tier 1 capital.

- The applicable Tier 1 capital for compliance with credit/investment concentration norms should be determined based on the latest available financial statements (audited or subject to limited review).
- For concentration norms, the NBFC shall obtain an external auditor's certificate on completion of the augmentation of capital and submit the same to the Department of Supervision of the RBI before reckoning the additions to capital funds.
- HFCs, CICs, and MGCs need not deduct ROU assets (created under Ind AS 116) from the owned fund if the leased asset is tangible.

These amendment directions are effective from 10 March 2026.

[Click here for the RBI's directions](#)

9. Amendment directions on prudential norms on declaration of dividend and remittance of profit by regulated entities

On 10 March 2026, the RBI issued 5 master directions, four repeal directions, and one amendment guidelines to revise the prudential norms on the declaration of dividend and remittances of profit applicable to commercial banks, small finance banks, payments banks, local area banks, regional rural banks, and foreign banks operating as branch(es) in India.

Key highlights of the master directions are as follows:

- The board of directors, while deciding on the proposal for dividend declaration or remittance of profit, should consider the auditors' report on the financial statements, including a modified opinion or emphasis of matter, for the financial year for which the dividend is proposed, along with other continuing considerations.

- The following eligibility criteria have been introduced, which replaced the earlier eligibility criteria, to declare dividends or remit profits:
 - Compliance with regulatory capital requirements as at the end of the previous financial year, the financial year during which the dividend is proposed to be paid, and even after the payment of the dividend.
 - Banks incorporated in India should have a positive adjusted Profit After Tax (PAT) for the period for which the dividend is proposed.
 - Foreign banks operating through the branch mode should have a positive PAT for the period for which the profits are to be remitted to the head office.
 - A bank should not have any explicit restrictions on the declaration of dividends or the remittance of profits from the RBI or any other authority.
- Indian banks may declare and pay dividend up to the limits prescribed in these master directions, subject to the aggregate not exceeding 75% of the PAT for the period for which the dividend is proposed. In the earlier guidelines, the maximum dividend payout ratio was 40% of net profit.
- Foreign banks may remit net profit/surplus (net of tax) earned in the normal course of business arising out of their Indian operations, without prior approval of the RBI, subject to the condition that the bank's accounts are audited. Under the earlier guidelines, foreign banks were also required to meet additional conditions beyond having audited accounts.

These Directions shall come into effect from Financial Year 2026-27.

[Click here for the RBI's Master Directions](#)

10. Amendment directions on counterparty credit risk - add-on factors for computation of potential future exposure

On 10 March 2026, the RBI issued four amendment directions with respect to prudential norms on capital adequacy to amend the instructions related to add-on factors for computation of Potential Future Exposure (PFE) applicable for commercial banks, small finance banks, payments banks, and all India financial institutions to impart clarity to the entities on certain aspects of the Counterparty Credit Risk (CCR) framework and largely align the Current Exposure Method (CEM) framework with international guidelines.

Key highlights from the amendment directions are as follows:

- Banks to include the CCR exposures of all entities under the capital adequacy framework when computing capital requirements on a consolidated basis.
- The add-on factors for market-related off-balance-sheet items have been revised.

- Clarification on the calculation of residual maturity for reset contracts has been included, and a minimum add-on factor for certain interest rate contracts has been prescribed.
- Additional provisions included in relation to the maintenance of capital charges for CCR exposures in derivatives segments for banks acting as clearing members of the SEBI-recognised stock exchanges.
- Exposures of clearing member banks to a Qualifying Central Counterparty (QCCP) are subject to a 2% risk weight, unless the bank is legally insulated from client-loss reimbursement obligations.

These directions are effective from 10 March 2026.

[Click here for the RBI's amendments directions](#)

11. Amendment directions on disclosure requirements relating to deposit insurance premium

On 16 March 2026, the RBI amended the presentation and disclosure requirements in the financial statements relating to the payment of deposit insurance premiums to the Deposit Insurance and Credit Guarantee Corporation (DICGC) by various categories of banks, such as rural cooperative banks, urban cooperative banks, regional rural banks, local area banks, payments banks, small finance banks and commercial banks.

Under the revised directions, banks are required to disclose whether the applicable deposit insurance premium payable to the DICGC has been paid within the prescribed timelines, and, in cases of delayed payment or

arrears beyond the prescribed timelines, the same shall also be disclosed.

These amended disclosure requirements will come into effect from 1 April 2026.

Click below for the respective RBI directions

- [Rural Co-operative Banks](#)
- [Urban Co-operative Banks](#)
- [Regional Rural Banks](#)
- [Local Area Banks](#)
- [Payments Banks](#)
- [Small Finance Banks](#)
- [Commercial Banks](#)





SEBI Updates

1. SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2026

On 20 January 2026, SEBI issued amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR) for High Value Debt Listed Entities (HVDLEs), intending to facilitate ease of doing business, streamline compliance requirements, and align the corporate governance norms for HVDLEs with those applicable to equity-listed entities.

The key amendments are as follows:

01 Revised threshold for HVDLE classification

The threshold for identifying an entity as HVDLE has been increased to INR 5,000 crores from INR 1,000 crores, to be determined based on the value of the principal outstanding of listed non-convertible debt securities as on the date of notification of this amendment regulation. Furthermore, the provisions of Regulations 16 to 27 of SEBI LODR would not apply to entities that cease to be classified as HVDLEs under the revised threshold as per Regulation 15(1A) of SEBI LODR.

02 Corporate governance (CG) norms

The CG norms for HVDLEs are aligned with those applicable to equity-listed entities regarding board composition and the shareholders' special resolution requirement for a non-executive director who has reached the age of 75 years.

03 Related party transactions (RPTs)

The provisions related to RPTs have been harmonised with those for equity listed companies by cross-referencing Regulation 23 of Regulation 62K of SEBI LODR, while retaining the requirements for obtaining a NOC from the debenture trustee and the debenture holders.

04 Subsidiary-related compliances

Exemption from the requirement of shareholder approval for the sale, disposal, or lease of assets between two wholly owned subsidiaries of the HVDLE.

05 Relaxation from compliance requirements under the IBC framework

An additional three months has been provided for filling vacancies for KMPs, subject to having at least one full-time KMP, for companies coming out of the corporate insolvency resolution process (CIRP) to ensure compliance with SEBI LODR.

06 Framework for secretarial auditors

The framework for secretarial auditors is aligned with Regulation 24A of SEBI LODR with respect to the appointment, reappointment, removal, and disqualification of secretarial auditors for HVDLE.

These regulations are effective from 22 January 2026.

[Click here for the SEBI amendment regulations](#)

2. SEBI (Mutual Funds) Regulations, 2026

On 14 January 2026, the Securities and Exchange Board of India (SEBI) issued SEBI (Mutual Funds) Regulations, 2026 (MF Regulations 2026), replacing the existing SEBI (Mutual Funds) Regulations, 1996 (MF Regulations 1996) to modernise mutual fund regulation, improve transparency and risk management, higher governance standards, updated operational norms, and strong investor protection.

Key changes introduced in the MF Regulations 2026 are as follows:

- **Revised expense ratio framework:** One of the major components of the MF Regulation 2026 is the revision of the expense ratio framework. The total expense ratio of a scheme will be the sum of the Base Expense Ratio (BER), brokerage costs, transaction costs, and regulatory and statutory levies. The BER represents the core fee charged for managing the fund. Regulatory and statutory levies include actual taxes and charges incurred, such as GST, securities transaction tax, and stamp duty.
- **Mutual fund lite:** A specialised, simplified regulatory framework for passive schemes (index funds, ETFs) has been introduced to encourage innovation and reduce compliance burdens for passive schemes.
- **Governance and independent directors:** The responsibilities of trustees and independent directors have been expanded to enable closer oversight of investment management agreements, compensation paid by schemes, service contracts with related parties, and the overall fairness of fees charged to investors. The framework also requires trustees and independent directors to avoid conflicts of interest.
- **Removal of redundant provisions:** These MF Regulations 2026 significantly reduce the complexity and length of the regulatory framework, including the deletion of chapters that already have separate frameworks.
- **Ease of compliance:** The framework adopts a digital approach, shifting to online monitoring and using email, SMS, and website-based disclosures. Investor communications, including annual reports, moved to digital formats. The regulator has also reduced the frequency of mandatory trustee meetings.
- **Intraday borrowings:** The regulations permit mutual funds to borrow funds for repurchase or redemption of units or payment of interest or income distribution cum capital withdrawal payout to the unitholders or for settlement of trades by equity-oriented index funds and equity-oriented exchange traded funds (ETFs) on account of under execution of sell trades on the stock exchange. Such borrowings shall not exceed 20% of the net assets of a scheme, and the duration of such borrowings shall not exceed a period of 6 months. Further, for intraday borrowings, the 20% limit is not applicable, subject to such conditions as may be specified by the board.

These regulations are effective from 1 April 2026.

[Click here for SEBI Mutual Funds Regulations 2026](#)

In furtherance of the above regulations, on 13 March 2026, SEBI issued a circular that clarified the conditions subject to which 20% limit will not be applicable for intraday borrowings by mutual funds, which are summarised as below:

- The policy for the use of the intraday borrowing facility shall be approved by the Board of AMC and the Board of Trustees, and shall be uploaded on the AMC website.
- Intraday borrowing shall be used only for the purpose of repurchase or redemption of units or payment of interest or income distribution cum capital withdrawal payout to the unitholders.
- The amount of intraday borrowing shall not exceed the guaranteed receivables due on the same day from the GoI, the RBI, and the Clearing Corporation of India Limited.
- AMCs shall ensure compliance with the relevant provisions of the MF Regulations 2026 and the SEBI Master Circular for mutual funds, dated 27 June 2024.
- The cost of intraday borrowing, or any loss or cost incurred on account of any unforeseen event or delay in receiving funds from receivables, shall be borne by the AMC.

The provisions of this circular are effective from 1 April 2026 and have been further extended to 15 July 2026 by the SEBI-wide addendum circular dated 25 March 2026.

[Click here for the SEBI circular on intraday borrowing](#)

[Click here for the addendum to the SEBI circular on intraday borrowing](#)



3. SEBI circular on categorisation and rationalisation of mutual fund schemes

On 26 February 2026, SEBI issued a circular on the categorisation and rationalisation of mutual fund schemes, superseding Clause 2.6 of Chapter 2 of the master circular for mutual funds, dated 27 June 2024, and replacing it with a new framework.

Key highlights of the new framework

01 **Equity funds** (Mutual fund scheme predominantly investing in equity and equity-related instruments)

- Portfolio overlap limits introduced for certain equity schemes (e.g., value, contra, or thematic funds)
- Equity schemes may invest residual assets in equity, money market instruments, other liquid instruments, gold and silver instruments, and InvITs, subject to mutual fund regulatory ceilings.

02 **Debt funds** (Mutual fund scheme predominantly investing in debt and debt-related instruments)

- Medium and medium-to-long-term debt funds' duration may be reduced by up to 1 year in adverse market conditions, with mandatory documentation and SEBI reporting if regulatory floors are breached.
- Introduced new duration buckets (e.g., ultra short to short term) and 'Sectoral Debt Funds' with 80% investment in AA+ and above rated corporate debt of a specific sector.
- Debt schemes may invest residual assets in InvITs, except for certain short-term funds, such as overnight funds and liquid funds, subject to mutual fund regulatory ceilings.

03 **Hybrid funds** (Mutual fund scheme investing in a mix of asset classes, i.e., equity, debt, InvITs and commodities-related instruments as permitted by SEBI)

- To maintain the prescribed equity-debt balance, to remain true to the category.
- Residual portion of hybrid funds can be invested in InvITs (excluding arbitrage funds), ETCDs, and gold/silver ETFs, within regulatory limits.

04 **Solution oriented funds** (discontinued)

- All solution-oriented schemes, including children's funds and retirement funds, have been discontinued.
- No fresh investments allowed; all existing funds shall be merged with similar schemes (after SEBI approval)

05 **Life cycle funds** (new category)

An open-ended fund with a pre-determined maturity date following a glide path for goal-based investing in a mix of asset classes, i.e., equity, debt, InvITs, ETCDs, gold, and silver ETFs.

Furthermore, to ensure uniformity, easy investor identification, and true-to-label schemes, scheme names must align with prescribed categories and must not emphasise returns. Mutual funds shall also disclose category-wise portfolio overlap with other schemes in the same category (equity, debt, and hybrid) on the AMC website every month.

The above provisions are effective from the date of the circular, i.e., 26 February 2026.

Existing schemes are required to comply with the provisions of this circular within 6 months, i.e., by 26 August 2026.

[Click here for the SEBI circular](#)

4. SEBI circular on valuation of physical gold and silver held by mutual fund schemes

SEBI has issued a circular on 26 February 2026 to revise the valuation methodology for physical gold and silver held by mutual fund schemes. Under the existing framework, gold and silver Exchange Traded Funds (ETFs) valued physical gold and silver holdings based on the AM fixing prices of the London Bullion Market Association (LBMA), adjusted for necessary metric and currency conversions, transportation costs, customs duty, taxes, levies, and notional premium or discount for domestic valuation.

SEBI has now decided that such valuation should be carried out using the polled spot prices published by recognised stock exchanges, which are used for the settlement of physically delivered gold and silver derivatives contracts, to ensure that the valuation reflects domestic market conditions and brings uniformity in valuation practices.

The provisions of the circular are effective from 1 April 2026.

[Click here to access the SEBI circular](#)

5. SEBI circular on regulatory reporting by AIFs

On 4 March 2026, SEBI issued a circular revising the regulatory reporting framework for AIFs under Regulation 28 of the SEBI (Alternative Investment Funds) Regulations, 2012. This circular has superseded the provisions under Clause 15.1 of Chapter 15 – ‘Reporting by AIFs’ of the Master Circular for Alternative Investment Funds (AIFs) dated 7 May 2024.

Earlier, AIFs were required to submit detailed activity reports to SEBI quarterly, within 15 days of the end of each quarter, in formats hosted by the Indian Venture and Alternate Capital Association (IVCA). To promote the ease of doing business, SEBI has introduced a new reporting structure under which:

- AIFs shall submit a comprehensive annual activity report once a year, within 30

calendar days from the end of March of every financial year, online, on the SEBI Intermediary Portal (SI Portal). The first such annual activity report shall be submitted for the year ending March 2026, at the latest by 31 May 2026.

- A limited quarterly activity report shall be submitted by all AIFs online in a revised format within 15 calendar days from the end of each such quarter. The first such report shall be submitted for the quarter ending June 2026, and no separate submission of quarterly activity report will be required for the quarter ending March of every year.

The provisions of the circular are effective from 4 March 2026.

[Click here for the SEBI circular](#)

6. Securities Contracts (Regulation) Amendment Rules, 2026

On 13 March 2026, SEBI notified 'The Securities Contracts (Regulation) Amendment Rules, 2026', which shall come into force immediately to amend Rule 19(2)(b) of the Securities Contracts (Regulation) Rules, 1957, to revise the minimum public offer and allotment requirements for companies seeking the listing of equity shares or equity convertible debentures on stock exchange.

The amendment introduces a graded framework linking the Minimum Public Offer (MPO) to the company's post-issue capital and rationalises the MPO requirement and the timeline for achieving the Minimum Public Shareholding (MPS) of 25% of the issuer's share capital post-listing.

The key elements of the new framework are as follows:

		Pre-amendment		Post-amendment	
S.N	Post-issue capital (calculated at offer price in INR)	MPO*	MPS timeline - (from the date of listing)	MPO*	MPS timeline - (from the date of listing)
1	Up to 1,600 crore	At least 25% of post-issue capital	Already compliant with the listing	MPO and MPS requirements remain unchanged for issuers with post-issue capital up to INR 50,000 crore	
2	More than 1,600 crore but up to 4,000 crore	At least INR 400 crore	3 years		
3	More than 4,000 crore but up to 50,000 crore	At least 10% of post-issue capital	3 years		
4	More than 50,000 crore but up to 1 lakh crore	At least 10% of post-issue capital	3 years	At least INR 1,000 crore and at least 8% of post-issue capital	5 years
5	More than 1 lakh crore but up to 5 lakh crore	At least INR 5,000 crore and at least 5% of post-issue capital	10% public shareholding to be achieved in 2 years, and 25% public shareholding to be achieved in 5 years from the date of listing on the Indian stock exchanges	At least INR 6,250 crore and at least 2.75% of post-issue capital	<ul style="list-style-type: none"> If public shareholding upon listing is <15%, the timeline to achieve: 15% public shareholding is 5 years, and 25% public shareholding is 10 years. If public shareholding upon listing is 15% or above, 25% public shareholding is to be achieved in 5 years
6	More than 5 lakh crore			At least INR 15,000 crore and at least 1% of post-issue capital, subject to a mandatory MPO of 2.5% of post-issue capital	

*MPO is provided as (a) % of post-issue capital and (b) % of post-issue capital and an offer equivalent to the minimum prescribed amount, as applicable.

- Companies with Superior Voting Rights (SVR) shares issued to promoters/founders must list the SVR shares on the same recognised stock exchange as the ordinary shares offered to the public.
- Stock exchanges may levy fines or penalties for non-compliance committed before the commencement of these amendments.
- For companies seeking a listing in the IFSC, a minimum public offer has been fixed at 10%, irrespective of the post-issue capital and other public shareholding thresholds.

The amendment rules are effective from 13 March 2026.

[Click here for the SEBI circular](#)

Other regulatory updates

1. Income-tax Rules, 2026, FAQs on transition from the Income-tax Act, 1961, to the Income-tax Act, 2025, and FAQs and Guidance Notes on new forms

On 20 March 2026, the Central Board of Direct Taxes (CBDT) notified the Income Tax Rules, 2026, which prescribe detailed provisions governing computation, valuation, reporting, and compliance mechanisms, aligned with the structure of the Income Tax Act, 2025. Also, it introduces revised forms, enhanced disclosure requirements, and expanded electronic filing processes to facilitate system-driven administration and strengthen compliance.

Furthermore, the CBDT has issued FAQs to clarify the transition from the Income-tax Act, 1961, to the Income-tax Act, 2025, to ensure continuity and certainty during the migration to the new tax regime.

The FAQs and Guidance Notes on prescribed forms under the Income Tax Rules, 2026, have also been released to facilitate uniform interpretation and practical implementation of the new compliance framework under the Income Tax Act, 2025.

These rules came into effect from 1 April 2026.

[Click here to access the Income Tax Rules, 2026](#)

[Click here for FAQs on transition](#)

[Click here for FAQs and Guidance Notes on new forms](#)

2. IRDAI (Actuarial, Finance and Investment Functions of Insurers), (Amendment) Regulations, 2026

The Insurance Regulatory and Development Authority of India (IRDAI) has notified the IRDAI (Actuarial, Finance and Investment Functions of Insurers) (Amendment) Regulations, 2026 (the Regulations), which mandate insurers to prepare and present their financial statements in accordance with Ind AS to align financial reporting with globally accepted accounting practices. In furtherance to this the IRDAI on 1 April 2026 has issued a circular that provides clarity on certain operational, accounting and regulatory aspects arising during course of

implementation to ensure uniformity in implementation across the industry.

These amendments set out the regulatory framework governing the recognition, measurement, presentation, and disclosure of financial statements under Ind AS (including revised guidance and reporting formats) and are effective from 1 April 2026. Furthermore, they will be applicable to all categories of insurers, including life, general, standalone health insurers, and reinsurers.

Key highlights of the amendments/circular are as follows:

Financial statements

- A new Schedule IIA has been inserted, which lays down a comprehensive Ind AS-based financial reporting framework for insurers.
- During the first two years from the date of implementation or such period as may be specified, insurers will be required to report under both Ind AS (Ind AS financial statements) and IGAAP (Existing Financial Information) to facilitate the assessment of transition impacts.

Forbearance

- One year forbearance may be provided to insurers facing implementation challenges, provided such a request is raised by 30 April 2026 along with a Board-approved action plan. Insurers to whom forbearance is granted shall furnish monthly progress reports to the Authority, clearly indicating the status of implementation, key gaps identified and remedial actions undertaken.

- During this forbearance period, the insurer must prepare Ind AS Proforma Statement in the formats as specified under Schedule - IIA of the Regulations and submit to the Authority every quarter.

Others

- During the first year of implementation or such period as may be specified, insurers shall obtain independent validation of the process adopted in the implementation of Ind AS. The Authority may specify the scope and manner of such validation in consultation with Joint expert group constituted under the Regulations.
- Insurance contract liabilities are to be discounted using a risk-free rate based on GoI securities, using zero-coupon yield curve published by the Clearing Corporation of India Limited (CCIL) or other sources specified by IRDAI.
- The provisions related to actuarial valuation, surplus determination, or solvency computation under Insurance Act, 1938 will not be impacted by adoption of Ind AS.



Following table summarises the financial reporting requirements pursuant to the Circular

(A) Entities adopting Ind AS 117

Particulars	Ind AS Financial statement		Financial information as per existing framework	
Frequency	Quarterly		Quarterly	
Format	Schedule II – A		Schedule II	
Period	First 3 quarter	Annual	First 3 quarter	4th quarter
Subject to audit/ review	Limited review	Audit	Limited review	
Timelines	Unlisted /Listed	Unlisted/Listed	Unlisted/ Listed	
(For FY 2026- 27)	Unlisted: Within 3 months from quarter end Listed: Within 45 days from quarter end	Unlisted: Within 6 months from year-end Listed: within 60 days from year-end	Within 3 months from quarter end	Not yet clarified
Website disclosure?	Yes	Yes	Yes	Yes

(B) Entities granted forbearance

Particulars	Financial statements under existing framework		Ind AS Proforma Financial Information	
Frequency of submission	Quarterly		Quarterly	
Format	Schedule – II		Schedule – II A	
Period	First 3 quarter	Annual	First 3 quarter	4th quarter
Subject to audit/Review	Limited review	Audit	Limited review	
Timelines	Unlisted/Listed	Unlisted/Listed	Unlisted /Listed	
(For FY 2026- 27)	Unlisted: Within 3 months from quarter end Listed: Within 45 days from quarter end	Unlisted: Within 6 months from year end Listed: Within 60 days from year end	Within 3 months from quarter end	Not yet clarified
Website disclosure?	Yes	Yes	No	No

The IRDAI has also released a general statement of response to the public comments.

[Click here for the amended regulations](#)

[Click here for the statement of response to public comments](#)

[Click here for the IRDAI circular](#)



3. IRDAI circular on clarifications on provisions with respect to investment in AIFs

The IRDAI has issued a circular on 12 February 2026 giving clarifications regarding insurers' investments in AIFs. Under the Master Circular on Actuarial, Finance and Investment Functions, dated 17 May 2024, the IRDAI allowed insurers to invest in Fund of Funds (FoFs), subject to strict compliance with Section 27E of the Insurance Act, 1938, and restrictions on investments in overseas companies/funds.

In response to representations from insurers seeking clarity on investments in AIFs involving 'excusal rights' and limits on direct and indirect exposure through FoFs, the IRDAI has now clarified that:

- Investments in AIF must be subject to 'Excusal Rights' as per a SEBI circular dated 10 April 2023, ensuring that insurers' capital is not deployed outside India.
- Insurers must submit a Section 27E formal declaration as the basis for their inability to participate in overseas investments of AIF.

- The Private Placement Memorandum of the AIF must state that insurer capital will not be drawn, deployed, utilised, or pledged for overseas investments.
- Statutory auditors of AIFs should confirm that the insurer's capital is not invested outside India.
- Insurers must obtain a compliance certificate from the AIF confirming disclosure of all overseas investments, valid invocation of excusal rights, and that no overseas investment related costs are charged to the insurer.
- Concurrent auditors of insurers must certify compliance with the 'Excusal Rights' provisions with respect to the insurers' investments in AIFs with overseas exposure outside India.

[Click here for the IRDAI circular](#)

4. The Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025

The Ministry of Finance has notified 5 February 2026 as the date on which provisions of the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 (the Amendment Act) shall come into force, except for Section 25, which provides that a director or officer of an insurer shall not hold the position of director or officer in another insurer carrying on the same class of insurance business, or in a banking company or an investment

company. Further, this restriction does not apply to directors nominated by the central government.

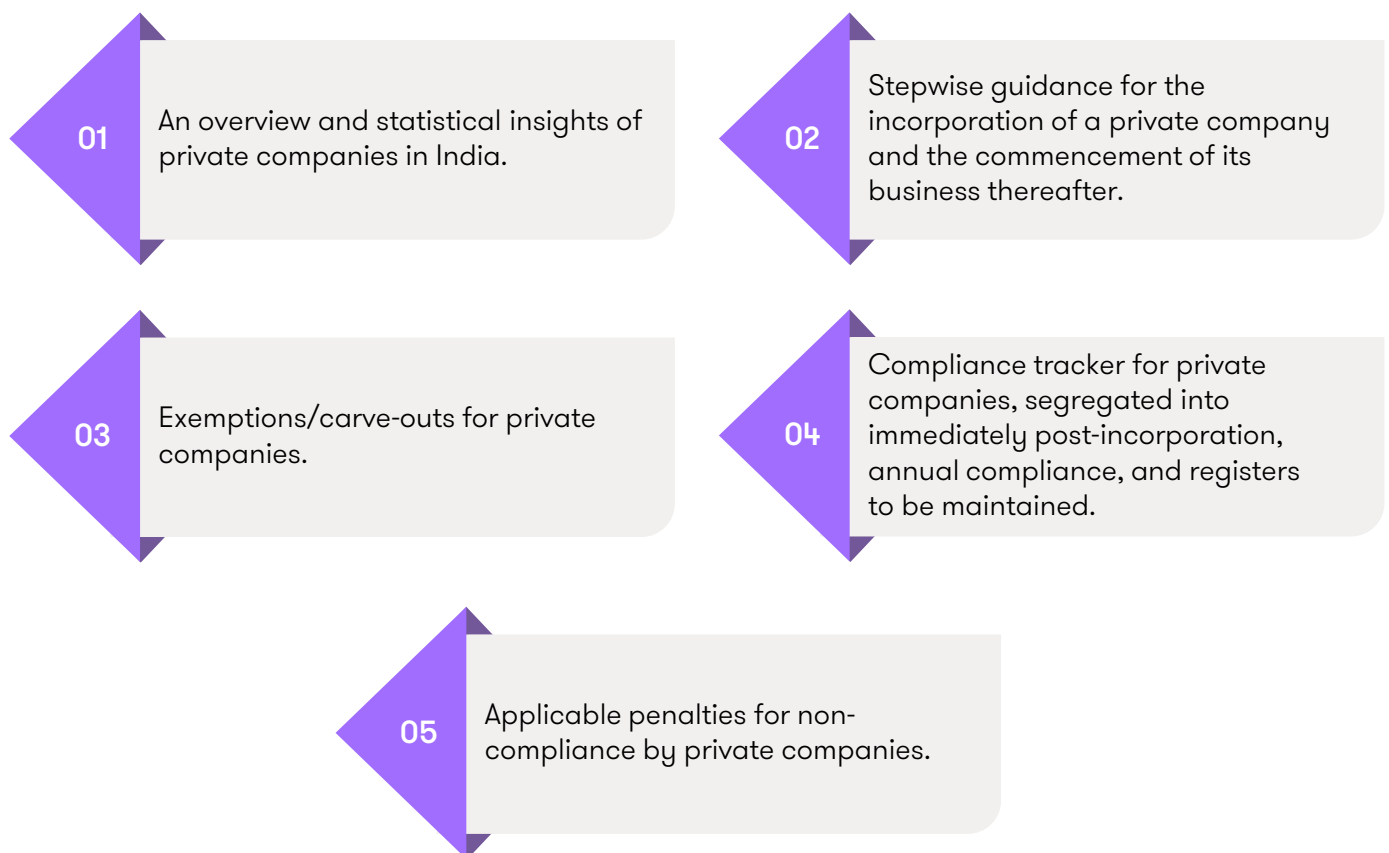
[Click here for the notification from the Ministry of Finance](#)

Key aspects of the Amendment Act are covered in detail in our previous GAAP bulletin, refer '[Quarterly GAAP Bulletin – February 2026](#)'.

5. Handbook on key compliances and exemptions for a private limited company under the Companies Act, 2013

The ICAI's Corporate Laws and Corporate Governance Committee (CLCGC) has published the 'Handbook on Key Compliances and Exemptions for Private Limited Company under the Companies Act, 2013', aimed to provide all the key compliances, exemptions, and procedural requirements applicable to private limited companies in a structured and accessible format, which helps stakeholders to navigate governance and compliance obligations with clarity and confidence.

The handbook covers various aspects such as:



[Click here to access the handbook](#)

6. Corporate reporting practices of listed companies in India

The Research Committee of the ICAI has issued a research publication titled 'Corporate Reporting Practices of Listed Companies in India'. The publication discusses the evolving corporate reporting landscape in India and the growing expectation that listed companies provide more holistic, decision-useful disclosures beyond traditional financial statements to meet the information needs of a wider set of stakeholders.

The publication highlights the broader shift in annual reports from being primarily financial summaries to becoming more comprehensive narratives that integrate financial and non-financial information with the adoption of Integrated Reporting (IR), Business Responsibility and Sustainability Reporting (BRSR), and sustainability frameworks that

communicate a company's strategy, performance, and broader value creation story. It underscores the expanding role of CFOs and top management in leading corporate reporting, the increasing emphasis on stakeholder engagement and governance, and the use of benchmarking and continuous improvement mechanisms to enhance report quality.

While the research observes meaningful progress in aligning Indian reporting practices with global standards, it also identifies challenges, including frequent regulatory changes, complex data (especially ESG), skill gaps, and tight timelines.

[Click here for the report released by the ICAI](#)

7. FAQs on Section 8 companies under the Companies Act, 2013

The ICAI's CLCGC has published the 'FAQs on Section 8 Companies under the Companies Act, 2013' in February 2026 to provide structured, practice-oriented guidance that explains the legal framework governing Section 8 companies in a clear, coherent, and accessible manner and also assists in its effective procedural implementation to facilitate the functioning of Section 8 companies.

The FAQs address key aspects, including the legal framework, emerging regulatory issues, exemptions, relaxations, eligibility, licensing,

formation, the ROC approval process, capital structure, and membership of Section 8 companies. They also provide clarity on regulatory violations, fines and penalties, and Corporate Social Responsibility (CSR) interface with Section 8 companies. Further provisions regarding the Board of Directors and their meetings, as well as conversion, merger, and exit routes, have also been clarified.

[Click here to access the FAQs](#)

8. Cross-border transactions and investments

The ICAI's Committee on International Taxation (CIT) during February 2026 has issued the second edition of its publication on 'Cross-border transactions and investments', aimed to provide practical insights and guidance on key aspects of cross-border investments, international taxation, and regulatory considerations, keeping in view the current global and Indian scenarios, thereby enabling professionals to identify and address material risks in cross-border dealings more effectively.

The publication incorporates various aspects of cross-border transactions and investments,

covering broad procedures for export and import, provisions of FEMA, including its guidelines on inbound and outbound investments, import remittances, and export receivables. It also covers FEMA regulations on cross-border mergers, critical aspects of transfer pricing, treaty provisions relevant to cross-border remittances, and guidelines on external commercial borrowing. It provides clarity on various export incentives under indirect tax laws.

[Click here for the publication issued by the ICAI](#)

9. Taxation of the digital economy - A study

The ICAI's CIT during February 2026 has issued a publication titled 'Taxation of Digital Economy- A study' aimed to examine the multidimensional aspects of taxation in the digital era through the lens of India's evolving policy response and its participation in the OECD's Two-Pillar Solution. The objective of this study is to provide a comprehensive, well-researched, and accessible analysis of how digitisation affects tax policy, tax compliance, and international tax cooperation.

The publication examines current tax frameworks, emerging proposals for digital taxation, and the strategic considerations for

jurisdictions seeking to adapt their tax systems to the realities of digital business. It addresses foundational concepts, legal interpretations, international tax policy developments, and selected case studies. It offers practical perspectives and the deeper theoretical and doctrinal analysis necessary for sophisticated advisory and policymaking work.

[Click here for the publication issued by the ICAI](#)

02

India updates - Proposed



A. Regulatory updates

RBI updates

1. Draft RBI (Credit Derivatives) Directions, 2022

The RBI has released the draft revised Master Direction – RBI (Credit Derivatives) Directions, 2022 (draft Master Directions), inviting public comments to deepen and modernise India’s credit derivatives market, in line with announcements made in the Union Budget 2026–27.

The draft Master Direction has introduced new derivative instruments - Derivatives on credit indices and Total Return Swaps (TRS) on corporate bonds alongside Credit Default Swaps (CDS), along with underlying directions on the issuance of these instruments. Furthermore, the directions on credit derivatives widen the eligibility of resident companies as non-retail users if they have an

annual turnover of at least INR 1,000 crore, based on their latest audited financial statements, and it provides that TRS can be offered to resident non-individuals without any restriction on purpose and to persons resident outside India only for hedging.

[Click here for the RBI’s draft Master Directions](#)

2. Draft RBI (NBFC–Registration, Exemptions and Framework for Scale Based Regulation) Amendment Directions, 2026

The RBI has issued the draft RBI (NBFCs - Registration, Exemptions and Framework for Scale Based Regulation) Amendment Directions, 2026. As per the draft directions, NBFCs not availing public funds and not having a customer interface, and with an asset size of less than INR 1000 crore (i.e., Unregistered Type I NBFC), shall be exempted from the registration requirement under Section 45IA of the RBI Act, 1934. The existing eligible NBFCs, including those holding the Certificate of Registration as ‘Type I NBFC’ as

on 1 April 2026, meeting these criteria may apply for deregistration within the stipulated timeline of 6 months, i.e., by 30 September 2026.

A set of FAQs has also been released to help stakeholders understand the expectations and regulatory intent of the amendments.

These directions are proposed to be effective from 1 April 2026.

[Click here for the RBI’ draft directions](#)

3. Draft amendment directions for instructions on 'Lending to REITs and InvITs'

The RBI has issued draft amendment directions for the instructions on lending to REITs and InvITs, amending various regulations as applicable to commercial banks, small finance banks, and all India financial institutions.

These draft amended directions propose to permit commercial banks to extend finance to REITs, subject to appropriate prudential safeguards and regulatory ceilings. Further, the existing guidelines on lending to InvITs (applicable to commercial banks, small finance banks, and all-India financial institutions) are also proposed to be harmonised by the draft amendments to ensure parity in prudential safeguards for InvITs, given the similarity in organisational structure and risks between the two.

[Click here for the RBI's draft amendment directions](#)





Other update

Corporate Laws (Amendment) Bill, 2026

The Corporate Laws (Amendment) Bill, 2026, was introduced in the Lok Sabha on 23 March 2026. The bill proposes amendments to the Companies Act and the Limited Liability Partnership Act, 2008, with the aim of improving compliance mechanisms and aligning corporate practices with the evolving financial and regulatory environment.

Key amendments proposed in the amendment bill include:

- Strengthening the regulatory oversight by enhancing the powers and role of the NFRA.
- Amending requirements related to the appointment of auditors and non-audit services, including introducing a 3-year cooling-off period for such restrictions after the audit tenure.
- Facilitating entities operating in an IFSC by allowing them to issue and maintain share capital and prepare and maintain financial statements in foreign currency.
- Increasing thresholds for small companies: the paid-up capital limit is proposed to be increased from INR 10 crores to INR 20 crores. The turnover limit increased from INR 100 crores to INR 200 crores, and exemptions provided from CSR requirements for small companies and from auditor appointment requirements for the prescribed class of small companies.
- Enabling companies to hold Annual General Meetings (AGMs) and Extraordinary General Meetings via video conferencing or other audio-visual means, with the requirement to hold at least one AGM in physical mode at least once every 3 years.
- Enabling multi-disciplinary partnerships for cost auditors and secretarial auditors in a similar manner as provided for financial auditors.
- Relaxing CSR requirements through the revision of eligibility thresholds, enhancing the timelines for the transfer of unspent amounts, and revising the eligibility threshold for the constitution of CSR committees.
- Simplifying procedures relating to mergers and amalgamations.
- Simplifying procedures relating to voluntary strike-off of companies.
- Enhancing monetary thresholds of fines for compounding of offenses by Regional Directors to reduce the burden on the National Company Law Tribunal.
- Making third-party professional certification at the time of incorporation optional;
- Flexibility in buy-back of shares for the prescribed classes of companies;
- Clarifying that a compromise or arrangement under the Companies Act shall not be allowed, where the process of liquidation has commenced under the Insolvency and Bankruptcy Code, 2016.
- Enhancing penalty frameworks across various provisions, replacing certain fines with structured penalties.

[Click here for Corporate Laws \(Amendment\) Bill, 2026](#)

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03

International updates – Effective



Auditing update

Narrow-scope amendments to IAASB standards arising from IESBA's use of the work of an external expert project

The International Auditing and Assurance Standards Board (IAASB) has issued narrow scope amendments to the International Standards on Auditing (ISA) 620, International Standards on Review Engagements (ISRE) 2400 (Revised), International Standards on Assurance Engagements (ISAE) 3000 (Revised) and International Standards on Related Services (ISRS) 4400 (Revised) as a result of the revisions to its International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA) Code, which introduced explicit ethical requirements for using the work of external experts. This update has been issued to maintain coherence between the IAASB standards and the IESBA Code.

The narrow scope amendments include:

01

Evaluate whether an auditor's external expert (expert) has the necessary competence, capabilities, and objectivity to use the expert's work for the intended purposes.

02

Obtain the information in writing from the expert regarding interests, relationships, or circumstances that may create a threat to the expert's objectivity, and communicate in case of any changes.

03

Prohibition on using the work of an expert, in case threats to the expert's objectivity cannot be eliminated or reduced to an acceptable level.

These amendments are effective for the periods beginning on or after 15 December 2026.

[Click here to access the narrow scope amendments issued by the IAASB](#)



04

International updates – Proposed



A. Accounting updates

Exposure draft on proposed amendments to IAS 28

The International Accounting Standard Board (IASB) has published an exposure draft proposing targeted amendments to IAS 28, Investments in Associates and Joint Ventures (IAS 28), clarifying which investments in associates and joint ventures can be measured using the fair value option.

As per current Paragraphs 18 and 19 of IAS 28, the fair value option is available when an investment is held by ‘an entity that is a venture capital organisation, or a mutual fund, unit trust and similar entities, including investment-linked insurance funds’. The IASB had identified diversity in practice, particularly in the insurance sector, in assessing whether an investment is held by an entity that meets this description.

The exposure draft removes the reference to ‘investment linked insurance funds’ and instead clarifies that ‘similar entities’ include entities whose principal business activity is investing in specific types of assets, as described in Paragraph 49(a) of IFRS 18, Presentation and Disclosure in Financial Statements.

Entities are required to apply the proposed amendments when they adopt IFRS 18 in accordance with Paragraph C7 of IFRS 18.

[Click here for the exposure draft released by the IASB](#)



B. Auditing updates

Survey for Post-Implementation Review of ISA 540 (Revised)

The IAASB has launched a survey as part of its post-implementation review of the International Standard on Auditing (ISA) 540 (Revised), Auditing Accounting Estimates and Related Disclosures [ISA 540 Revised]. ISA 540 (Revised) was effective for the audits of financial statements for the periods beginning on or after 15 December 2019.

The survey focuses on three principal areas:

01

Overall views on ISA 540 (Revised), including related to non-authoritative guidance and tools that were issued to support the implementation of the standard.

02

Perceived benefits resulting from the implementation of the revised standard.

03

Potential issues, challenges, or impacts experienced or observed relating to ISA 540 (Revised).

The survey is open for comments and feedback until 15 June 2026.

[Click here for the alert from the IAASB](#)



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