

# Quarterly GAAP Bulletin

Updates from April to June 2025

August 2025



# Introduction

Dear reader,

Grant Thornton Bharat is delighted to present the 'Quarterly GAAP Bulletin', a bulletin that summarises significant accounting, auditing, and regulatory 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](mailto:npsg@in.gt.com) with your comments, questions, or suggestions.

This edition covers updates for the quarter ended 30 June 2025.





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01

## India updates – Effective



## A. Accounting updates

### 1. MCA notifies amendments to the Indian Accounting Standard (Ind AS) 21 on the lack of exchangeability

The Ministry of Corporate Affairs (MCA), via the Companies (Indian Accounting Standards) Amendment Rules, 2025, notified amendments to Ind AS 21, 'The Effects of Changes in Foreign Exchange Rates' (Ind AS 21), on the lack of exchangeability. These changes are made under the Companies Act, 2013, in consultation with the National Financial Reporting Authority.

The key amendments include:

a

**Exchangeability definition:** A currency is exchangeable into another currency when an entity is able to obtain the other currency within a time frame that allows for a normal administrative delay and through a market or exchange mechanism in which an exchange transaction would create enforceable rights and obligations.

b

**Assessment of exchangeability:** An entity must assess whether a currency can be exchanged into another currency at a measurement date and for a specified purpose. If, at the measurement date, the entity can obtain only an insignificant amount of the other currency for the specified purpose, the currency is considered non-exchangeable.

c

**Estimating spot exchange rate:** When a currency is not exchangeable at the measurement date, an entity estimates the spot exchange rate to reflect the rate at which an orderly exchange transaction would take place between market participants at the measurement date under prevailing economic conditions using an observable exchange rate without adjustment or another estimation technique.

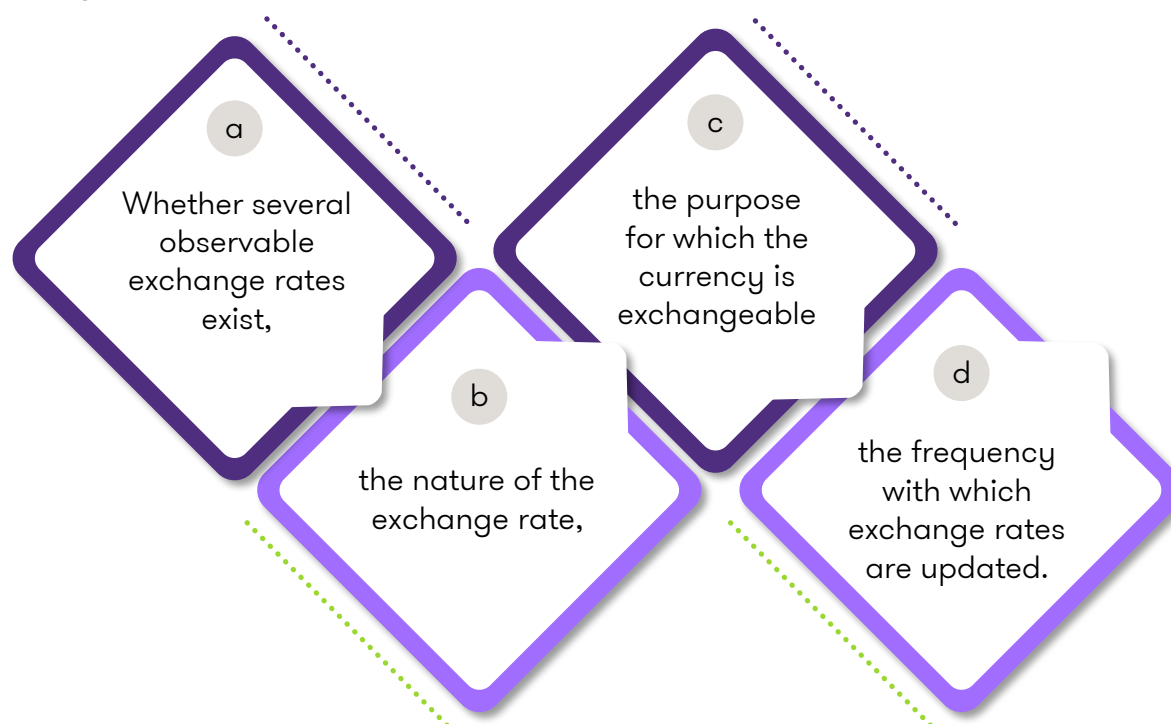




## Using an observable exchange rate without adjustment:

In estimating the spot exchange rate, an entity may use an observable exchange rate without adjustment if that observable exchange rate meets the objective above. The examples of an observable exchange rate include:

- a. A spot exchange rate for a purpose other than that for which an entity assesses exchangeability. In assessing whether such an observable exchange rate meets the objective, an entity shall consider factors such as:



- b. The first subsequent exchange rate at which an entity is able to obtain the other currency for the specified purpose after exchangeability is restored – in assessing whether such a rate meets the objective above, an entity is required to consider factors such as:

a) The time between the measurement date and the date at which exchangeability is restored

b) inflation rates.

## Using another estimation technique

An entity using another estimation technique may use any observable exchange rate, including the rates from exchange transactions in markets or exchange mechanisms that do not create enforceable rights and obligations, and adjust that rate, as necessary, to meet the objective mentioned above.

**Additional disclosures: Entities must disclose:**

d

- |   |                                 |                             |
|---|---------------------------------|-----------------------------|
| i. The nature and financial effects of the currency not exchangeable                        | ii. The spot exchange rate used | iii. The estimation process |
| iv. The risks to which the entity is exposed because the currency is not being exchangeable |                                 |                             |

Appendix A is introduced, which includes the application guidance on the above. Further, in applying the lack of exchangeability, an entity is not required to restate comparative information.

The amendments will be applicable for the reporting periods beginning on or after 1 April 2025.

[Click here for the MCA notification.](#)





## 2. EAC of ICAI has issued an opinion on accounting treatment and classification of sales bills discounting under the Ind AS framework

The Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI) has issued an opinion on accounting treatment and classification of sales bills discounting (SBD). This pertains to a case of a Public Sector Undertaking (PSU) under the Ministry of Coal engaged in the business of mining of lignite and coal and generation of power, which used sales bill discounting (SBD) through bankers to manage trade receivables from state-owned DISCOMs (distribution companies). The PSU de-recognised these receivables, believing it had transferred all risks and rewards, and no financial liability was recognised for pending bills. Still, potential obligations were disclosed as contingent liabilities as per Ind AS 37, 'Provisions, Contingent Liabilities and Contingents Assets' (Ind AS 37), treating SBD as debt realisation upon receipt.

### EAC observation

EAC noted that in case of defaults of the SBD by DISCOMs, the PSU would pay the unpaid amount, and the PSU still had the right to demand the cash from DISCOMs against the trade receivables, as it retained substantially all the risks and rewards of ownership of the receivables despite the transfer. The EAC emphasised that under Ind AS 109, 'Financial Instruments' (Ind AS 109), a financial asset can only be de-recognised if the entity transfers substantially all risks and rewards of ownership. In this case, the PSU's exposure to variability in cash flows did not change significantly after the transfer, indicating that the PSU retained control over the receivables.

Additionally, the EAC pointed out that the probability of default by DISCOMs or past occurrences of default are not relevant for assessing derecognition. The PSU must compare its exposure to variability.

### EAC opinion

EAC opined that the PSU should continue to recognise the trade receivables and recognise corresponding financial liability for the consideration received from the bank in its financial statements.

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

### 3. EAC opinion on the consolidation of the financial statements of a Section 8 company with the sponsor company

The EAC of the ICAI has issued an opinion on consolidating the financial statements of a Section 8 company with a listed company (hereinafter referred to as “the sponsor company”). The sponsor company established a wholly owned Section 8 company to meet its corporate social responsibility (CSR) obligations. As per the Memorandum of Association (MoA), its profits or other income, whatsoever derived, shall be applied solely to promote its objects as outlined in the MoA and shall not be transferred or distributed, directly or indirectly to its members.

In accordance with Ind AS 110, the ‘Consolidated Financial Statements’ (Ind AS 110), read with Basis for Conclusions (BC) to IFRS 10, ‘Consolidated Financial Statements’ (equally applicable to Ind AS 110), the EAC evaluated the existence of “control” over a Section 8 company by the sponsor company in the given case as follows:

#### Power over the investee

A Section 8 company is established by the sponsor company with active involvement in its design and determining its purpose pursuant to its CSR obligations. Further, all the powers to make decisions about the relevant activities of the Section 8 company are either with shareholders or with the board of directors of the Section 8 company. The sponsor company has the right to appoint and remove all board members of a Section 8 company, and one of the two directors of the Section 8 company is the CEO of the sponsor company.

#### Exposure or rights to variable returns

Exposure or rights to variable returns – Returns include not only positive returns, but negative returns also and it is a broad notion that also encompasses non-financial returns, such as exposure to loss or expenses from providing funds, donation, credit or liquidity support and intangible benefits of reputation and image from good governance practices, synergistic returns that are not available to other interest holders, such as combining operating functions to achieve economies of scale, impact on market capitalisation, etc. Here, the sponsor company is subject to potential financial and reputational effects resulting from its association with the Section 8 company, particularly relating to its CSR initiatives, and any non-compliance could lead to statutory penalties, indicating a financial risk that adds to its exposure.

#### Ability to affect returns

The sponsor company has the power to make decisions about relevant activities of the Section 8 company, and outcomes of the Section 8 company’s CSR initiatives can positively affect the sponsor company’s public image/reputation, which can lead to increased stakeholder trust and potentially result in better financial performance.

Based on the above assessment, the EAC opined that the sponsor company exercises “control” over the Section 8 company, and, accordingly, as per Ind AS 110, the sponsor company shall consolidate the financial statements of the Section 8 company while preparing its consolidated financial statements.

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





## 4. EAC opinion on accounting treatment of salary paid to the Company Secretary of the company having a project under construction under Ind AS

The EAC of the ICAI has issued an opinion on the accounting treatment of salary paid to the Company Secretary (CS) in a government company currently engaged in constructing a 500 megawatt electrical (MWe) Prototype Fast Breeder Reactor (PFBR), under the Indian Accounting Standards (Ind AS) framework.

Historically, the company has capitalised all indirect costs and incidental expenses incurred during the construction phase of the project to the respective CWIP head. Costs not relatable to any particular head were recorded in 'Expenditure during construction pending allocation' (EDC), which is subsequently allocated on a pro rata basis to the assets capitalised on the commencement of commercial operation.

The EAC noted that the CS operates from the corporate office and is responsible for secretarial functions, such as maintaining records of minutes of the meetings of the Board of Directors, the Annual General Meeting (AGM), etc., and ensuring legal and regulatory compliance, and is not involved or engaged in construction activities as such. Further, irrespective of whether the project is under construction or not, the services of the CS will still be required; thus, the related salary expense will still be incurred.

The EAC clarified that under Ind AS 16, 'Property, Plant and Equipment' (Ind AS 16), only the costs directly attributable to bringing an asset to the location and its intended operational condition can be capitalised. Accordingly, the Committee believes that the employee benefit costs of workers, engineers, architects, etc., directly engaged in the construction or acquisition of the project should only be considered as directly attributable costs and capitalised with the project.

Therefore, the EAC concluded that as salary paid to the CS cannot be considered a directly attributable cost, hence such cost should not be capitalised as part of the project cost, but rather should be charged to the Statement of Profit and Loss as and when incurred.

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



## B. Auditing updates

### 1. 'Auditor's Opinion' information to be provided during UDIN generation

On 20 June 2025, the ICAI has announced that the members would be required to mandatorily provide information regarding the 'Auditor's Opinion' during the Unique Document Identification Number (UDIN) generation under 'GST & Tax Audit' and 'Audit & Assurance Functions' categories at the UDIN portal, in a phased manner, starting with the 'Audit & Assurance Functions' category. Such information, so entered, would not be visible to any third-party verifiers.

[Click here for the ICAI announcement](#)



## C. Regulatory updates

### MCA updates

#### 1. Companies (Accounts) Second Amendment Rules, 2025

On 30 May 2025, the MCA notified the Companies (Accounts) Second Amendment Rules, 2025. The amendments will come into effect from 14 July 2025.



The key amendments include:

### Mandatory disclosure in the Board's report:

01

Companies are now required to include the following additional disclosures in the Board's report:

- The number of complaints of sexual harassment received in the year.
- The number of complaints disposed off during the year.
- The number of cases pending for more than 90 days.
- A statement confirming compliance with the Maternity Benefit Act, 1961 provisions.



### Filing format and e-Form changes:

02

- All references to physical "Forms" are replaced with "e-Forms" (e.g., e-Form AOC-1, e-Form AOC-2).
- In addition to filing the relevant forms—such as e-Form AOC-4, AOC-4 CFS, AOC-4 XBRL, AOC-4 NBFC (Ind AS), or AOC-4 CFS NBFC (Ind AS), companies are now required to also file e-Form Extract of Board Report, Extract of Auditor's Report (Standalone), and Extract of Auditor's Report (Consolidated), as applicable.
- Additionally, a copy of the signed financial statements, duly authenticated in accordance with Section 134 of the Companies Act (including the Board's Report, Auditor's Report, and other relevant documents), must be attached in Portable Document Format (PDF), along with the XBRL forms.



[Click here for the MCA notification.](#)



## 2. Companies (Management and Administration) Amendment Rules, 2025

On 30 May 2025, the MCA amended the Companies (Management and Administration) Rules, 2014, to issue revised formats for MGT-7 (Annual return (other than OPCs and Small Companies), MGT-7A (Abridged Annual Return for OPCs and Small Companies), and MGT-15 (Form for filing Report on Annual General Meeting).

**Key changes in MGT-7/MGT-7A are as follows:**

Tab for selecting the type of filing, whether the original or revised form is being filed.

SRN of MGT-7 filed earlier for the same financial years

Table asking for details of name, registered office latitude and longitude as on filing date and year-end date.

Photograph of the company's registered office showing the external building and name prominently visible.

Detailed summary of indebtedness for debentures issued by the company.

Gender and category (individual/non-individual) of promoters and other than promoters who are shareholders.

Addition of disclosure with respect to the FIIs (Foreign Institutional Investors) holding shares of the company.

Date of the meetings of the Board, Committee and members' meetings to be provided in Excel format.

An Excel template provided for the list of shareholders, debenture holders, etc.

Key changes in MGT-15: As per the updated Form MGT 15, companies must specify the financial year relevant to the AGM.

The revised forms are effective from 14 July 2025.

[Click here for the MCA notification.](#)

## SEBI updates

### 3. Industry Standards on “Minimum information to be provided to the Audit Committee and Shareholders for approval of a related party transaction” - 26 June 2025

On 14 February 2025, the Securities and Exchange Board of India (SEBI) had issued a circular introducing the Industry Standards on “Minimum information to be provided to the audit committee and shareholders for approval of a related party transaction” to provide a standard format for minimum information to be provided to the Audit Committee and shareholders for related party transactions (RPTs), which was effective from 1 April 2025. The SEBI issued a circular dated 21 March 2025, extending the timeline for applicability to 1 July 2025.

The Industry Standards Forum (ISF), comprising representatives from ASSOCAM, FICCI, and CII, in consultation with SEBI after consideration of the feedback for simplification of Industry Standards, has revised the Industry Standards on “Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions (RPT Industry Standards)”, which SEBI has issued vide a circular dated 26 June 2025 and are effective from 1 September 2025. This circular supersedes the 14 February 2025 and 21 March 2025 circulars.

Consequential amendments have been made to the “Master Circular for compliance with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (“SEBI LODR Regulations”) by listed entities” to require the listed entities to provide the specified information to the audit committee and include the specified information in the notice sent to shareholders seeking approval for any RPT.

Scope of RPTs covered under the Industry Standards:

#### A. Applicability of the RPT Industry Standards:

**01**

The RPT Industry Standards shall be applicable for all RPTs placed for review and approval by the Audit Committee of the listed entity, in terms of Regulation 23(2) and 23(3) of the SEBI LODR Regulations.

**02**

The RPT Industry Standards shall apply in case of material RPTs as defined under Regulation 23(1) & 23(1A) of the SEBI LODR Regulations, which are placed for approval of both the Audit Committee and the shareholders.

03

1. The RPT Industry Standards shall not be applicable to:
  - a. Transactions exempted under Regulation 23(5) of the SEBI LODR Regulations
  - b. Quarterly review of RPTs by the Audit Committee in terms of Regulation 23(3)(d) of the SEBI LODR Regulations ; and
  - c. Transaction(s) with a related party to be entered into individually or taken together with previous transactions during a financial year (including those approved by ratification) do not exceed INR 1 crore.

04

4. Clarification of the applicability of the RPT Industry Standards for which approvals have been obtained before the effective date:
  - a. If the Audit Committee and/or shareholders have granted approval before the effective date for RPTs to be executed on or after the effective date, in that case, it will not be necessary for the listed entity to seek approval during the validity of the approval unless there is any material modification to such RPTs that is presented to the Audit Committee after the effective date.
  - b. If the omnibus approval has been granted before the effective date for RPTs for the financial year 2025-26, in that case, the listed entity is not required to seek fresh approval with disclosures as per the RPT Industry Standards. However, any material modification to such RPTs on or after the effective date shall be subject to the RPT Industry Standards.
  - c. If a Material RPT is approved by the Audit Committee before the effective date, in that case, the RPT Industry Standards shall not apply, irrespective of whether the notice to shareholders is sent before, on, or after the effective date.





## B. Guidelines for placing information before the Audit Committee:

**01**

**The management of the listed entity, while providing the information to the Audit Committee, shall:**

- a. Provide information in the format specified in the RPT Industry Standards. Where a field is not applicable, it shall be indicated as 'NA', and the reason for non-applicability shall be disclosed to the Audit Committee, unless it is self-evident.
- b. Provide a certificate from the Chief Executive Officer (CEO)/Managing Director/Whole Time Director/ Manager, and Chief Financial Officer (CFO) of the listed entity, confirming that the terms of RPTs proposed to be entered into are in the interest of the listed entity (LE).
- c. Provide a copy of an external party's valuation or other report, if any.
- d. If the audited financial statements of the related party are not available for immediately preceding financial year, in that case, it shall provide the financial extracts as relevant to/for the minimum information to be provided under the RPT Industry Standards, duly certified by the related party, as drawn from its books of accounts.
- e. When the related party follows a different financial year, such fact shall be disclosed.
- f. In case of multiple types of proposed transactions, details have to be provided separately for each type of the proposed transaction – For example, (i) the sale of goods and the purchase of goods would need to be treated as separate transactions; (ii) the sale of goods and the sale of services would need to be treated as separate transactions; (iii) the giving of loans and the giving of guarantee would need to be treated as separate transactions.

**02**

The Audit Committee may, at its discretion, comment on the information provided by the management. Such comments and the rationale for not approving a RPT shall be recorded in the minutes of the meeting of the Audit Committee.

**03**

The Audit Committee may seek any additional information from the management, as it deems necessary and reasonable, to evaluate the proposed RPT.

## C. Minimum Information to be provided to the shareholders for approval of Material RPTs:

01

The explanatory statement contained in the notice to the shareholders for seeking their approval for an RPT shall provide the minimum information to enable the shareholders to take a view whether the RPT terms and conditions are favourable to the listed entity.

02

The notice to the shareholders seeking approval for any material RPT shall, in addition to the requirements under the Companies Act, 2013, include the following information as a part of the explanatory statement:

- a) Information as placed before the Audit Committee in the format as specified in the RPT Industry Standards, to the extent applicable.
- b) Justification as to why the proposed transaction is in the interest of the listed entity, basis for the determination of price, other material terms and the conditions of RPT.
- c) Disclose the fact that the Audit Committee has reviewed the certificates provided by the CEO/ Managing Director/ Whole Time Director/ Manager and CFO of the listed entity as required under the RPT Industry Standards.
- d) Disclosure that the material RPT or any material modification thereto has been approved by the Audit Committee and the Board of Directors recommends the proposed transaction to the shareholders for approval.
- e) Provide the web link and QR code through which shareholders can access the valuation report or other reports of an external party, if any, considered by the Audit Committee while approving the RPT.
- f) The Audit Committee and Board of Directors, while providing information to the shareholders, can approve the redaction of commercial secrets and such other information that would affect the competitive position of the listed entity and affirm that, in its assessment, the redacted disclosures still provide all the necessary information to the public shareholders for informed decision-making.
- g) Any other information that may be relevant.

## D. The disclosures are structured as under:

### Part A:

This part of the standards captures the proposed RPT's minimum information and applies to all RPTs.

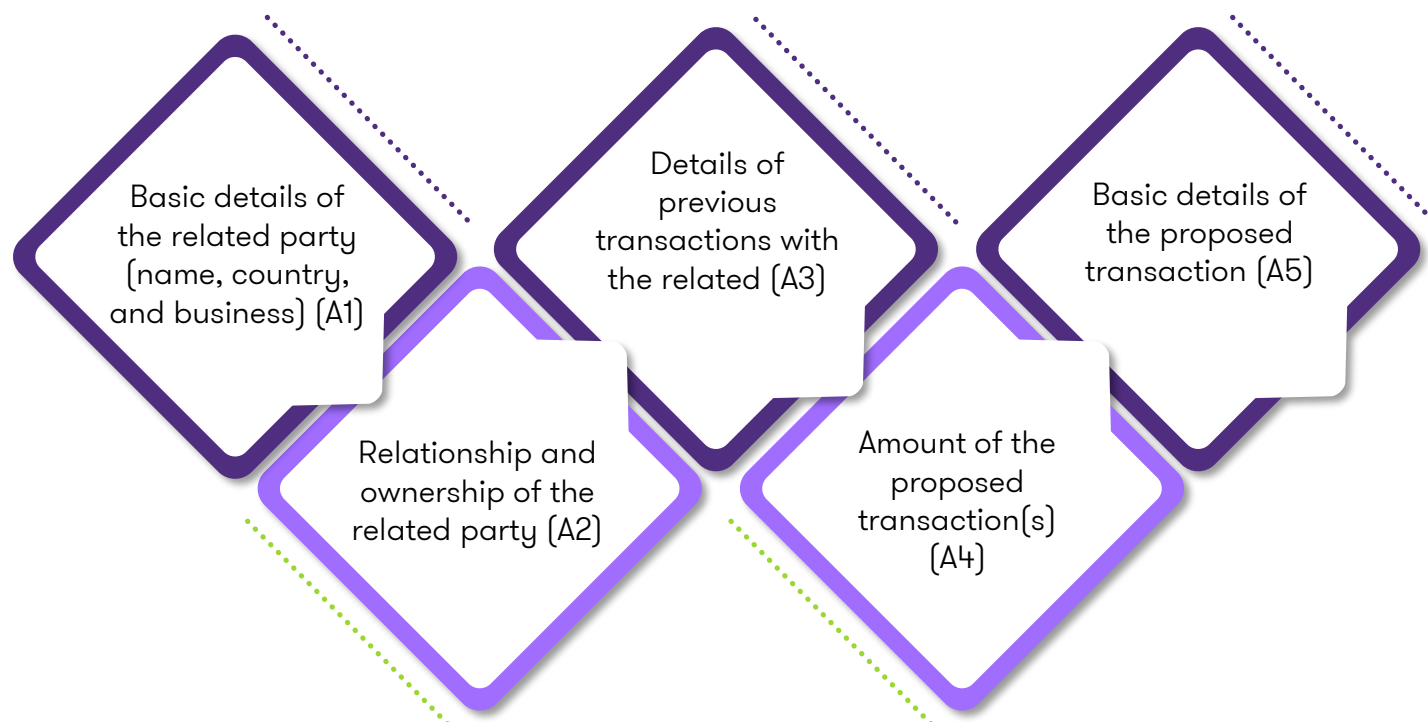
### Part B:

This part is applicable only if a specific type of RPT is proposed to be undertaken and is in addition to Part A. Seven types of RPTs have been specified.

### Part C:

This part is applicable only if a specific type of RPT is proposed to be undertaken (6 types of RPT out of 7 types of RPT covered in Part B) and is also a Material RPT as defined under Regulation 23(1) & (1A) of the SEBI LODR Regulations ("Material RPTs").

## Part A - Minimum information of the proposed RPT, applicable to all RPTs



## Type of RPTs covered in PART B and Part C).

01

Sale, purchase, or supply of goods or services or any other similar business transactions and trade advances (Part B).

02

Loans and advances (other than trade advances) or inter-corporate deposits given by the listed entity or its subsidiary (Part B and Part C).

03

Investment made by the listed entity or its subsidiary (Part B and Part C).

04

Guarantee (including performance guarantee in nature of security/contractual commitment or which could have an impact in monetary terms on the issuer of such guarantee), surety, indemnity, or comfort letter, by whatever name called, made or given by the listed entity or its subsidiary (Part B and Part C).

05

Borrowings by the listed entity or its subsidiary (Part B and Part C).

06

Sale, lease, or disposal of assets of subsidiary or unit, division, or undertaking of the listed entity or disposal of shares of subsidiary or associate (Part B and Part C).

07

Transactions relating to the payment of royalty (Part B and Part C).



**Key disclosures required in Part B and Part C:**

Transaction covered in Part B and C	Information to be disclosed in Part B	Information to be disclosed in Part C
Sale purchase or supply of goods or services (B1)	Bid process, basis for price determination, details of trade advance	NA
Loan and advances (B2+C1)	Source of funds, financial indebtedness, interest rates, maturity, repayment schedule, security, purpose	Credit rating, default history
Investment (B3+C2)	Source of funds, financial indebtedness, purpose, material items	Credit rating, regulatory approvals
Guarantees (B4+C3)	Rationale, material covenants, obligations undertaken,	Credit rating, solvency status, obligations undertaken, default history, is a NPA /willful defaulter, etc.
Borrowings (B5+C4)	Material covenants, interest rate, cost of borrowing, maturity, repayment schedule, security, purpose	Debt to Equity ratio, Debt Service Coverage ratio
Asset sales/Lease (B6+C5)	Bid process, pricing determination, reasons for transaction, financial track record, financial impact	Prior transactions, issue of securities or consideration in kind, segment impact, intangible transfers, any non-financial reasons
Royalty (B7+C6)	Purpose, peer comparison, sunset clause	Historical royalty payments, purpose, % of net profits, change from PYs, peer comparison.

**The circular is applicable from 1 September 2025.**

On 4 August 2025, SEBI released a consultation paper proposing certain amendments to RPT provisions under the SEBI LODR Regulations.

Key proposals include revised thresholds for determining material RPTs by listed entities and their subsidiaries. Further to simplify compliance for non-material RPTs i.e., which do not exceed 1% of annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity or INR 10 Crore, whichever is lower, SEBI suggests relaxed disclosure requirements for Audit Committee and shareholder approvals.

[Click here](#) and [here](#) for the SEBI circular dated 14 February 2025 and 21 March 2025 respectively.

[Click here](#) and [here](#) for the SEBI circular and Industry Standards, respectively.

[Click here](#) for SEBI consultation paper dated 4 August 2025

## 4. SEBI revises financial disclosure and compliance norms for InvITs and REITs

On 7 May 2025, SEBI issued a circular revising the framework for financial disclosures in offer documents and continuous compliance for Infrastructure Investment Trusts (InvITs) and Real Estate Investment Trusts (REITs) with an aim to protect the interests of investors in the securities market and to promote the development of, and to regulate the securities market.

The circular modifies Chapter 3 (Disclosure of financial information in offer document/placement memorandum) and Chapter 4 (Continuous Disclosures and Compliances), along with Paragraph 7 of Annexure-5 and Paragraph 7 of Annexure -6 of the Master Circular for InvITs dated 15 May 2024.

### Key amendments in the disclosure of financial information in offer document/placement memorandum:

- **Period of financial statements:**

- **Historical data:**

The offer document/placement memorandum shall contain audited financial statements for a period of three financial years.

- **Clarification on interim financials:**

Where the audited financial statements of the last completed financial year are older than six months from the date of the offer document, audited stub period financials (not more than six months old) must now be included.

- **Applicability in follow-on offers:**

If a business trust has existed for less than the last three completed financial years, in that case, financial statements shall be disclosed for such financial years for which the business trust has existed and for the stub period (if applicable).

- **Nature of financial disclosure:**

- **Mandatory combined / consolidated financials:** In case of an initial offer, the audited combined financial statements of the business trust shall be disclosed in the offer document/placement memorandum. In case of a follow-on offer, audited consolidated financial statements of the business trust shall be disclosed in the offer document.

- **Standalone financials on website:** The separate audited financial statements of the InvIT/ REIT must be published on the business trust's website, with the offer document providing a direct link.

- **Proforma financials in certain cases:** For follow-on offers, the certified proforma financial statements shall be disclosed for at least the period covering the last completed financial year and the stub period, if any, if the business trust has acquired or divested any material asset after the latest disclosed period but before filing the offer document.

- **Application of Schedule III:** Division II of Schedule III of the Companies Act, 2013 — governing the presentation of financial statements — will now apply to business trusts, ensuring a standardised format with certain exceptions and modifications.

- **Additional financial disclosures:**

- Business trusts must now disclose the following statements/disclosures as a part of the audited financial information, i.e., project-wise operating cash flows, contingent liabilities, commitments, RPTs, capitalisation statement, debt payment history, statement of net assets at fair value, and the statement of total returns at fair value.
- Specifically for follow-on offers, an explanatory note explaining the changes in unit capital (as part of the capitalisation statement) is now mandated.

- **Audit of financial Information:** The audit shall be carried out by the auditor appointed for the InvIT/REIT as per the InvIT/REIT regulations and guided by the requirements of the 'Guidance Note on Reports in Company Prospectuses', issued by the ICAI, to the extent applicable.

- **Projections of revenues and operating cash flows:**

- Business trusts must disclose projections of revenues and operating cash flows, as well as assumptions (project-wise) for the current financial year (in which the offer document is filed with SEBI) and the next three financial years.
- For initial public offers, projections must cover only assets that will be owned before allotment.
- For follow-on offers, projections should cover only assets/projects proposed to be acquired from the proceeds of the follow-on offering.

- **Enhanced disclosure requirements in follow-on offers:**

- Follow-on offer documents must now include additional disclosures under Schedule III of SEBI (InvITs) Regulations, 2014, and the SEBI (REITs) Regulations, 2014, respectively; and details related to objects of the offer, regulatory actions (e.g., show-cause notices, adjudication, prosecution proceedings) involving the parties to the business trusts, and other prescribed disclosures.

## Key amendments on continuous disclosures and compliances:

### Frequency and timelines for financial disclosures:

- **Quarterly and year-to-date (YTD) financial results:** Business trusts are now required to submit quarterly and YTD financial results within 45 days of each quarter (excluding the last quarter) and annual financial results within 60 days of the end of the relevant financial year.
- **Last quarter disclosure:** Results of the last financial quarter are to be submitted along with the annual financial results and must include a note clarifying that: "The figures for the last quarter are the balancing figures between the audited figures in respect of the full financial year and the figures up to the third quarter."
- **Format and nature of disclosure:** The specific formats and nature of disclosures are detailed in the amendment, aligning with SEBI's objective of standardisation.

- **Audit requirements of financial information:**

- Annual financial results must be audited and submitted to the stock exchanges along with the audit report. Quarterly and half-yearly financial results may be audited or unaudited, subject to conditions prescribed in the amendment (e.g., review by statutory auditors, board approval, etc.).

- **Statement of deviation for use of debt proceeds:**

- For debt-listed business trusts, a statement of material deviations (if any) in the use of the proceeds from listed debt securities must be submitted every quarter, along with quarterly financial results.

- **Disclosure of net borrowings ratio and other financial ratios:**

- A statement of net borrowings ratio must now be disclosed in the quarterly financial results and the half-yearly and annual reports of the business trust.
- For debt-listed business trusts, additional ratios (as prescribed in the amendment) must also be disclosed on a consolidated basis in the half-yearly and annual financial results.

- **Grievance redressal mechanism:**

- Adequate steps are taken for expeditious redressal of investor complaints, including mandatory registration on SEBI's SCORES platform or such other electronic platform or system of the Board as shall be mandated from time to time.

These amendments shall be applicable with immediate effect except for requirements specified under Chapter 4, which shall be applicable for the disclosure of financial information for the period beginning on or after 1 April 2025.

[Click here to access the SEBI circular for InvITs](#) and [here to access the SEBI circular for REITs](#).





## 5. Framework for Environment, Social and Governance (ESG) Debt securities (other than green debt securities)

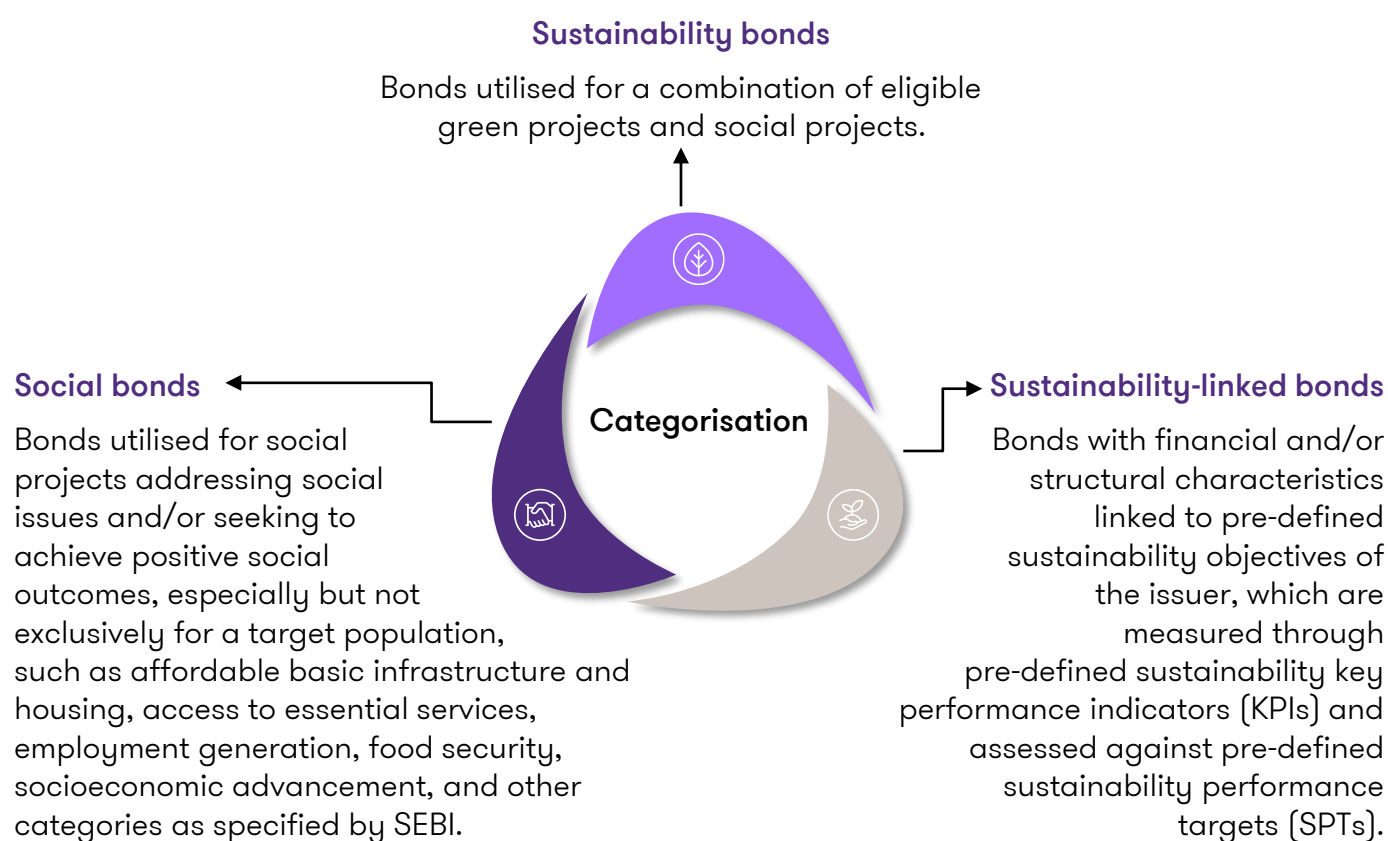
The SEBI, via a circular dated 5 June 2025, introduced an operational framework for the issuance of Environment, Social and Governance (ESG) debt securities (other than green debt securities) labelled as 'social bonds', 'sustainability bonds' and 'sustainability-linked bonds', which are listed or proposed to be listed on a recognised stock exchange. The requirements are supplementary to the requirements under SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 ('SEBI NCS Regulations') and SEBI LODR Regulations.

The framework is effective from 5 June 2025.

Key provisions of the framework:

**Labelling criteria:** The ESG debt securities shall be labelled as 'social bonds' or 'sustainability bonds' or 'sustainability-linked bonds' only if the funds are intended for financing or refinancing projects or assets aligned with any of the following recognised standards:

- International Capital Market Association (ICMA) Principles/Guidelines;
- Climate Bonds Standard;
- Association of Southeast Asian Nations (ASEAN) Standards;
- European Union (EU) Standards;
- Framework or methodology specified by the Indian financial sector regulators.



## 5. Framework for Environment, Social and Governance (ESG) Debt securities (other than green debt securities)

### Disclosure requirements:

#### Initial disclosure requirements

Certain disclosures are required to be made in the offer document as specified in Part I of Annexure A for social bonds and Part I of Annexure B for sustainability-linked bonds.

Continuous disclosure requirements are to be made in the annual report and financial results as specified in Part II of Annexure – A for social bonds and Part II of Annexure – B for sustainability-linked bonds

#### Continuous post-listing obligations

### Other key provisions

#### Appointment of independent third-party reviewer/certifier

The issuer to appoint an independent third-party reviewer/certifier to validate compliance and alignment with recognised standards, validate KPIs, certify compliance processes, etc., as per the guidelines in Part III of Annexure – A for social bonds and Part III of Annexure – B of the circular for sustainability-linked bonds.

Purpose-washing may be defined as “making false, misleading, unsubstantiated, or otherwise incomplete claims about the purpose for which bonds are issued”. The issuers should ensure that purpose-washing is avoided by monitoring operations, ensuring utilisation for eligible purposes, preventing misleading labels and untrue claims, maintaining high standards, and adhering to assigned ratings, etc.

#### Mitigating the risk of purpose-washing

#### Small and Medium Enterprise (SME) exchange issuers

The issuer eligible to list specified securities on the SME exchange and intending to issue ESG debt securities must bi-annually comply with post-listing obligations as specified under the ‘Continuous disclosure requirements’ specified in Annexure-A and Annexure-B, and paragraph 2 of Chapter IX (green Debt Securities) of SEBI NCS Master Circular.

[Click here for the SEBI circular on the framework.](#)

## 6. Timelines for rebalancing portfolios of mutual fund schemes in cases of all passive breaches:

On 26 June 2025, SEBI issued a circular clarifying that the provisions prescribed under paragraph 2.9 of the Master Circular for Mutual funds ('Master Circular') shall apply for **all types** of passive breaches for actively managed mutual fund schemes.

Passive breaches are occurrence of instances not arising out of omission and commission of asset management companies. Previously, paragraph 2.9 of the Master Circular applied to passive breaches from mandated asset allocation as mentioned in the Scheme Information Document. In contrast, now with this circular, all types of passive breaches, such as corporate actions, substantial rise/ fall in the price of an underlying scrip, maturity of any underlying security, large redemptions, etc., are also covered.

[Click here for the SEBI circular.](#)

## 7. SEBI clarification on the position of Compliance Officer in terms of Regulation 6 of the SEBI LODR Regulations, 2015

SEBI, vide SEBI (LODR) (Third Amendment Regulations), 2024, dated 12 December 2024, has inserted a proviso to Regulation 6(1) of the SEBI LODR Regulations, which inter alia states that the Compliance Officer shall be an officer who is in whole-time employment of the listed entity, not more than one level below the Board of directors, and designated as a key managerial personnel.

Based on the queries received from the stakeholders, SEBI, vide a circular dated 1 April 2025, issued a clarification that 'one-level below the Board of directors' shall mean one-level below the Managing Director or whole-time Director(s) who are part of the Board of directors of the listed entity. In case a listed entity does not have a Managing Director or a whole-time Director, in that case, the Compliance Officer shall not be more than one level below the Chief Executive Officer, Manager, or any other person heading the day-to-day affairs of the listed entity.

[Click here for the SEBI circular.](#)

## 8. Limited relaxation from compliance with Regulation 58(1)(b) of SEBI LODR Regulations, 2015

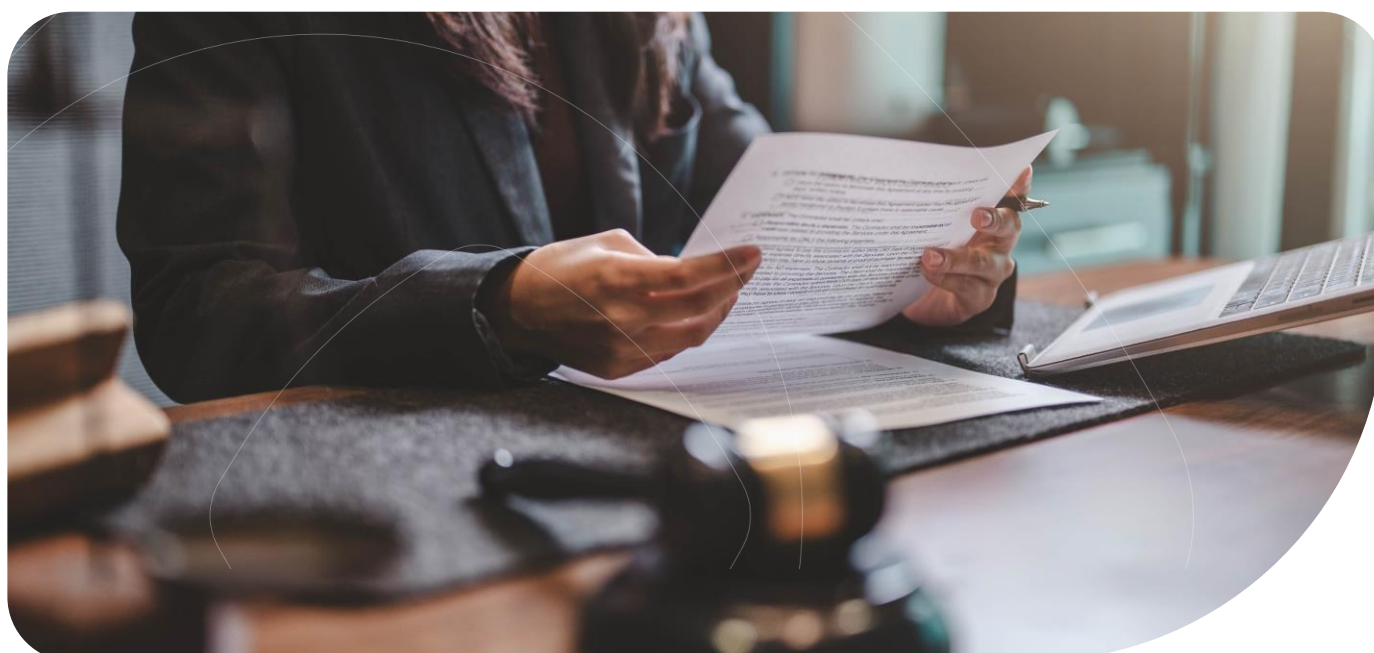
Regulation 58(1)(b) of SEBI LODR Regulations requires a listed entity to send a hard copy of the statement containing the salient features of all the documents, as specified in Section 136 - Right of member to copies of audited financial statement, of the Companies Act, 2013, and rules made thereunder to those holders of non-convertible securities ('NCS') who have not registered their email address with the listed entity or with any depository.

The MCA, vide Circular No.09/2024, dated 19 September 2024, had extended the relaxation from sending physical copies of the financial statements (including the Board's report, the Auditor's report, or other documents required to be attached therewith) to the shareholders, for AGMs conducted till 30 September 2025 (from 30 September 2024).

Consequently, considering the representation received from stakeholders and aligning with the exemption provided by the MCA, SEBI, vide circular dated 5 June 2025, has decided as follows for entities having listed NCS:

- **For the period 1 October 2024 to 5 June 2025:** Entities that have complied with MCA Circular No.09/2024 and have not sent a hard copy of statements as specified in Section 136 of the Companies Act, 2013, to NCS holders without registered email addresses, will not be subjected to any penal action for non-compliance with Regulation 58(1)(b) under the SEBI LODR Regulations.
- **For the period 6 June 2025 to 30 September 2025:** Relaxation is provided to entities that disclose the web link to the statement containing the salient features of all the documents, as specified in Section 136 of the Companies Act, 2013, to the NCS holders, in the advertisement in terms of Regulation 52(8) of the SEBI LODR Regulations.

[Click here for the SEBI circular.](#)





## 9. SEBI 210th Board meeting updates:

SEBI, in its 210th Board meeting, held on 18 June 2025, approved several regulatory amendments to enhance investor protection, streamline specific processes, and ease of doing business.

The key decisions include those pertaining to the following:

01

- Amendments to SEBI (Issue of Capital and Disclosure Requirements) Regulations 2018 ('SEBI (ICDR), Regulations, 2018') and SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021:
  - **Holding period exemption for Compulsorily Convertible Securities (CCS):** Exemption from the requirement of minimum one-year holding period as available for equity shares acquired pursuant to an approved scheme to be eligible for offer for sale in public issue is also extended to equity shares arising from the conversion of fully paid-up Compulsorily Convertible Securities (CCS) pursuant to an approved scheme.
  - **CCS towards minimum promoter contribution (MPC):** Similar to promoters, relevant persons such as alternative investment funds, foreign venture capital investors, scheduled commercial banks, etc., as specified, can now also contribute CCS towards MPC.
  - **ESOPs for founders:** Founders classified as promoters can retain ESOPs granted at least one year before filing the DRHP.

02

- Amendments to SEBI (ICDR) Regulations, 2018, for simplification and streamlining of placement document for qualified institutions placement by: a) Replacing the requirement of complete financial statements with a summary of financial position, b) Including risk factors being specified in relation to the issue, the objects of the issue and the material risks, and c) Providing a summary of the issuer's business and the industry in which it operates.

03

- Various measures to enhance the ease of doing business for the activities of REITs and InvITs, which include:
  - Aligning the timelines for submission of various reports (including quarterly reports to be submitted to stock exchanges, trustee, and the Board of investment manager, and valuation reports) with the timelines for submission of financial results,
  - Not treating the related parties of REIT/InvIT and the related parties of the sponsor, investment manager/manager, and project manager as 'public' unless the related parties are Qualified Investment Buyers (QIB).
  - Adjusting the negative net distributable cash flows generated by a Holdco on its own against the cash received from a Special Purpose Vehicle ('SPV') to arrive at the cash flows for distribution by such Holdco to the REIT/InvIT, subject to appropriate disclosures to the unitholders.

04

Amendments to the regulatory framework for the Social Stock Exchange for the ease of doing business.

05

Permitting Category I and II AIFs to offer 'Co-investment scheme' under the SEBI (Alternative Investment Funds) Regulations, 2012, to facilitate AIFs and investors to co-invest and support capital formation in unlisted companies.

[Click here for the SEBI press release.](#)



## 10. FAQs on SEBI LODR Regulations, 2015, and related circulars

SEBI, vide notification dated 23 April 2025, has issued a set of frequently asked questions (FAQs) to guide listed entities on compliance with the SEBI LODR Regulations and circulars issued thereunder.

The FAQs are categorised into five sections covering the following topics:

- i. The SEBI LODR (Third Amendment) Regulations, 2024, dated 12 December 2024, and the SEBI Circular dated 31 December 2024 on the implementation of recommendations of the expert committee for facilitating ease of doing business for listed entities;
- ii. The SEBI Master Circular, dated 11 November 2024, in respect of the manner of achieving minimum public shareholding;
- iii. The key provisions of the LODR Regulations, which include clarifications pertaining to corporate governance, disclosure of events or information, shareholding pattern, financial results, and others; and
- iv. Disclosure of information related to the forensic audit of listed entities; and
- v. The SEBI Master Circular, dated 11 November 2024, in respect of Business Responsibility and Sustainability Reporting ('BRSR') by listed entities.

The document is intended as guidance and should be read in conjunction with official regulations and circulars available on SEBI's website and those of recognised stock exchanges.

[Click here for SEBI FAQs for LODR regulations.](#)

## 11. SEBI circular on standardised format for system and network audit report of Market Infrastructure Institutions (MIIs)

SEBI, vide a circular dated 7 January 2020, had mandated stock exchanges, clearing corporations, depositories (hereinafter referred to as 'Market Infrastructure Institutions – MIIs') to conduct an annual system audit by an independent auditor. Later, to keep pace with the technological advancements in the securities market and based on discussion with MIIs and recommendations of the Technical Advisory Committee (TAC), SEBI revised the aforementioned circular, and vide its circular dated 2 May 2022, instructed MIIs to conduct a system and network audit as per the framework and Terms of Reference (TOR) annexed in the aforesaid circular.

SEBI had stipulated the guidelines for a system and network audit in the master circulars issued for each MII separately. However, concerning the challenge that each MII has adopted a different template for a system and network audit report, SEBI vide its circular dated 4 April 2025, notified a standardised format for a system and network audit report for MIIs.

The circular is applicable for the audit period FY 2024-25 or the second half of FY 2024-25 as per the frequency of a system and network audit required to be conducted by the MIIs.

[Click here for the SEBI circular.](#)

## 12. FAQs on Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs)

SEBI, vide a circular dated 20 August 2024, issued the 'Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs), intending to address evolving cyber threats, to align with industry standards, to encourage efficient audits, and to ensure compliance by SEBI REs.

In response to stakeholder queries and feedback, SEBI has published a comprehensive set of 76 FAQs categorised into 17 subjects, such as IT asset inventory, classification of critical systems, Vulnerability Assessment and Penetration Testing (VAPT) and cyber audits, cloud adoption, CISO requirements, incident response, etc., to provide better clarity on several concepts related to the CSCRF.

[Click here](#) and [here](#) for the SEBI circular on the CSCRF and FAQs on the CSCRF, respectively.





# RBI updates

## 13. RBI (Project Finance) Directions, 2025

On 19 June 2025, the Reserve Bank of India (RBI) issued the RBI (Project Finance) Directions, 2025 (“the Directions”), to provide a harmonised framework for the financing of infrastructure and non-infrastructure sector projects. These directions apply to project finance exposures of the below REs:

- All commercial banks (including small finance banks but excluding payments banks, local area banks, and regional rural banks)
- All non-banking financial companies (including housing finance companies)
- All primary (urban) cooperative banks
- All India financial institutions (AIFIs).

The Directions primarily lay down the following:

### A. Project phases

#### a. Design phase

This is the first phase, which starts with the project's genesis and includes designing, planning, obtaining all applicable clearances/approvals until its financial closure.

#### b. Construction phase

This is the second phase, which begins after the financial closure and ends on the day before the actual date of commencement of commercial operations (“DCCO”).

#### c. Operational phase

This is the last phase that starts with the commencement of a commercial operation by the project on the day of the actual DCCO and ends with the full repayment of the project finance exposure.

### B. Prudential conditions related to sanction

- The Directions state that in the case of under-construction projects where the aggregate exposure of the lenders is up to INR 1,500 crores, no individual lender shall have an exposure that is less than 10% of the aggregate exposure. For the projects where aggregate exposure of all lenders is more than INR 1,500 crores, the exposure floor for an individual lender shall be 5% or INR 150 crores, whichever is higher.
- The lenders are required to ensure that all applicable approvals/clearances for implementing/constructing the project are obtained before financial closure.

### C. Prudential conditions related to disbursement and monitoring

- Lenders are required to ensure the availability of sufficient land/right of way for all projects before the disbursement of funds, subject to the following minimum requirements:

**a**

For infrastructure projects under the PPP model – 50%

**b**

For all other projects (non-PPP infrastructure, and non-infrastructure including commercial real estate (“CRE”) and commercial real estate-residential housing (“CRE-RH”)) – 75%

**c**

For transmission line projects – as decided by a lender.

- Lenders are required to continuously maintain project-specific data in an electronic and easily accessible format.

### D. Resolution of stress

- A lender shall monitor the performance of the project and any buildup of stress on an ongoing basis and shall be expected to initiate a resolution plan well in advance.
- The occurrence of a credit event with any of the lenders during the construction phase shall trigger a collective resolution in terms of the Prudential Framework. Any such credit event shall be reported to the Central Repository of Information on Large Credit (CRILC) by the lender in the prescribed weekly as well as the CRILC-Main report in compliance with the extant instructions, as applicable.
- A lender in a consortium/multiple lending arrangement shall also report the occurrence of such a credit event to all other members of the consortium/multiple lending arrangement.
- Within 30 days of the event, lenders must review the account, consider signing an inter-creditor agreement, and decide on implementing a resolution plan wherever required, as per the provisions of the Prudential Framework for the Resolution of Stressed Assets (Prudential framework), as updated from time to time, unless specified otherwise in these Directions.

### E. Resolution plans involving extension of original/extended DCCO

- A project finance account classified as standard and that satisfies all relevant prudential conditions specified in Chapter III of these Directions, a resolution plan involving the extension of the original/extended DCCO, as the case maybe, is implemented, shall continue to be classified as ‘Standard’, provided the envisaged resolution plan ab initio conforms to the conditions stipulated in the directions.
- Permitted DCCO deferment** – The original/extended DCCO, as the case may be, can be extended, within the following time limits:

	Infrastructure projects	Non-infrastructure projects (including CRE and CRE-RH)
Permitted deferment of DCCO from the original DCCO	Up to three years	Up to two years

## F. Criteria for upgradation:

A project finance account downgraded to non-performing assets (NPAs) for non-compliance with the provisions of the resolution plans involving the extension of the original/extended DCCO, can be upgraded only after the account performs satisfactorily post actual DCCO or on successful implementation of the resolution plan, provided no further request for DCCO deferment is received, as the case may be.

## G. Income recognition

- A lender may recognise income on an accrual basis concerning project finance exposures, which are classified as 'Standard'. For NPAs, income recognition shall be as per extant instructions contained in the Master Circular – 'Prudential norms on income recognition, asset classification, and provisioning pertaining to advances' dated 1 April 2025, as updated from time to time or the relevant instructions as applicable to a specific category of lenders.

## H. Standard assets:

For project finance exposures, a lender shall maintain a general provision at the following rates for the funded outstanding on a portfolio basis:

	Construction phase	Operational phase - after the commencement of the repayment of interest and principal
CRE	1.25%	1.00%
CRE-RH	1.00%	0.75%
All others	1.00%	0.40%

## I. Provisioning for DCCO deferred standard assets

For accounts that have availed DCCO deferment and are classified as 'standard', lenders shall maintain additional specific provisions of 0.375% for infrastructure project loans and 0.5625% for non-infrastructure project loans (including CRE and CRE-RH), for each quarter of deferment, over and above the applicable standard asset provision. These additional specific provisions shall be reversed upon the commencement of a commercial operation.

## J. Provisioning for existing projects

As stipulated above, the provisions shall not be applicable for existing projects. Such project loans shall continue to be guided by the existing prudential guidelines for provisioning, which otherwise shall be treated as repealed.



## K. Provisioning for NPAs

The provisioning for project loans classified as NPA shall be as per extant instructions contained in the Master Circular - Prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to advances dated 1 April 2025, as updated from time to time or the relevant instructions as applicable to a specific category of lenders.

## L. Disclosures

Disclosures as prescribed in Annexure 4 to the Directions are required to be included in financial statements.

These Directions are effective from 1 October 2025 and do not apply to under-construction projects where financial closure has been achieved as on the effective date. Such projects shall continue to be guided by the existing prudential guidelines on project finance, which otherwise shall be treated as repealed as mentioned in Annexure 5 of the Directions.

[Click here for the RBI notification](#)

## 14. Review of priority sector lending norms - Small finance banks

The RBI, vide a notification dated 20 June 2025, reviews the Priority Sector Lending (PSL) norms for Small Finance Banks (SFBs). Previously, SFBs were required to allocate 75% of their Adjusted Net Bank Credit (ANBC) to the sectors eligible for classification as PSL by the Reserve Bank, with 40% earmarked for specific sub-sectors and 35% allowed for flexible allocation across any PSL sub-sectors where the bank had a competitive edge.

Under the revised framework, effective from FY 2025–26, the additional component (35%) of the PSL shall be reduced to 20%, thereby making the overall PSL target as 60% of ANBC or Credit Equivalent of Off-Balance Sheet Exposures (CEOBE), whichever is higher. The SFB shall continue to allocate 40% of its ANBC or CEOBE, whichever is higher, to different sub-sectors under the PSL as per the extant PSL prescriptions, while the balance 20% shall be allocated to any one or more sub-sectors under the PSL where the bank has a competitive advantage.

[Click here for the RBI circular.](#)



## 15. RBI issued Master Directions - Compounding of Contraventions under FEMA, 1999, and a related circular

RBI, vide its notification dated 22 April 2025, issued Master Direction (“Master Directions”), consolidating instructions regarding the compounding of contraventions under the Foreign Exchange Management Act, 1999 (FEMA), and replaced the previous version dated 22 May 2022. Such Master Directions were issued following the notification of the Foreign Exchange (Compounding Proceedings) Rules, 2024 by the Government of India, vide a notification dated 12 September 2024, in supersession of the Foreign Exchange (Compounding Proceedings) Rules, 2000.

After the notification of Master Directions, the RBI issued two amendments vide circulars dated 22 April 2025 and 25 April 2025.

Amendments vide circular dated 22 April 2025:

a

Para 5.4.II.v of Master Directions was deleted, which earlier used to link a compounding amount to a previous compounding order (in cases where the applicant reapplied for the same contravention). A provision has been added where reapplications for the same contravention will now be treated independently, without linking to previous compounding orders.

b

Improved payment reconciliation: Applicants must now include their mobile number, the RBI office details, and mode of application (PRAVAAH or physical) in their email confirmation after fee payment.

Further, vide a circular dated 24 April 2025, the RBI issued an amendment stating that the maximum compounding amount imposed may be capped at INR 200,000 for the contravention of each regulation/rule subject to the satisfaction of the compounding authority, based on the nature of contravention, exceptional circumstances/facts involved in case, and in wider public interest, with respect to “all other non-reporting contraventions” covered under the Guidance Note on Computation Matrix.

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

[Click here and here for the RBI circulars.](#)

## 16. FAQs on RBI (Classification, Valuation and Operation of the Investment Portfolio of Commercial Banks) Directions, 2023

The RBI, vide a notification dated 12 September 2023, had issued the RBI (Classification, Valuation and Operation of the Investment Portfolio of Commercial Banks) Directions, 2023 (“Directions”). As per these Directions, banks have to classify their entire investment portfolio into three categories: Held to Maturity (HTM), Available for Sale (AFS), and Fair Value through Profit and Loss (FVTPL). These Directions were made effective to all commercial banks (excluding regional rural banks) for the accounting period commencing on or after 1 April 2024.

On 1 April 2025, the RBI issued FAQs to clarify the above Directions. These clarifications address practical market experience and bank practices by providing guidance on key aspects of the Directions.

The FAQs cover topics such as:

- a. **Classification of bonds with put options under the HTM category:** To classify a security as HTM, it shall meet the Solely Payments of Principal and Interest (SPPI) criterion and be acquired with the intention and objective to hold it until maturity. If these conditions are met, a bond with a put option can still qualify as HTM. Exercising the put option before maturity typically contradicts the HTM intent and may be treated as a sale out of HTM. However, if the option is exercised due to the credit rating downgrading or counterparty defaulting, the HTM classification may still be preserved.
- b. **Determination of fair value for investments at initial recognition:** As per Clause 7 of the Directions, all investments shall be measured at fair value on initial recognition. Unless the facts and circumstances suggest that the fair value of investments is materially different from its acquisition cost, it shall be presumed that at initial recognition, the acquisition cost is the fair value. In cases where this presumption does not hold, the fair value of investments at initial recognition shall be determined in terms of Chapter VIII of the Directions.
- c. **Amortisation of discounts or premiums on securities with call or put options:**  
The discount/premium on securities, including those on securities with the call/put option, shall be amortised over its residual contractual maturity. Further, the discount/premium on perpetual debt security shall be amortised up to the earliest call date.
- d. **Classification of instruments received upon the conversion of principal or interest:**
  - i. **Clause 36(a)(v) – Classification of converted instruments:** When a loan is converted into equity shares, debentures, or bonds, etc., (due to restructuring or settlement), these instruments shall be classified as HTM, AFS, or FVTPL (including HFT) at the time of initial recognition. However, the asset classification (e.g., standard, sub-standard, doubtful) of these instruments should match that of the original loan, and provisioning should be done accordingly.
  - ii. **Clause 36(b) – Treatment of non-performing investments (NPIs):** Once an investment becomes an NPI, it should be segregated from the rest of the investment portfolio within the same category (HTM, AFS, or FVTPL) it was originally classified under. Any reclassification of such securities must follow the rules laid out in Chapter VI of the Directions.



- e. **Recognition and valuation of special securities received from the Government of India for bank's recapitalisation:** These special securities shall be initially recognised at their fair value based on the prices/YTM put out by FBIL or as determined under Clause 26.1(c) of these Directions, as the case may be. Any difference between the acquisition cost and fair value so arrived shall be immediately recognised in the Profit and Loss Account. Further, subsequent valuation of such special securities shall be based on the Clause 26.1(c) of these Directions.

For such special securities received before FY 2021-22, as per Clause 43 of the Directions, at the time of transition, the revised carrying value of securities under the HTM category should be its acquisition cost, adjusted for any premium/discount amortised between the acquisition date and 31 March 2024. The acquisition cost of these securities shall be the fair value at initial recognition arrived based on the prices/YTM of similar tenor central government securities put out by FBIL. Further, the difference between the revised carrying value and the previous carrying value shall be adjusted in any General /Revenue Reserves.

[Click here for RBI notification.](#)

## 17. RBI revises qualifying asset criteria for Non-banking Financial Company - Microfinance institution

The RBI, on 6 June 2025, has issued a circular to revise the qualifying asset criteria for Non-banking Financial Company-Microfinance Institution (NBFC-MFIs) by revising Master Direction - RBI (Regulatory Framework for Microfinance Loans) Directions, 2022.

As per the revision, the qualifying assets of the NBFC-MFIs are required to constitute at least 60% of total net assets (netted off by intangible assets) instead of 80% earlier, on an ongoing basis. If this condition is not met for four consecutive quarters, the NBFC-MFI is required to approach the RBI with a remediation plan for taking the RBI's view in the matter.

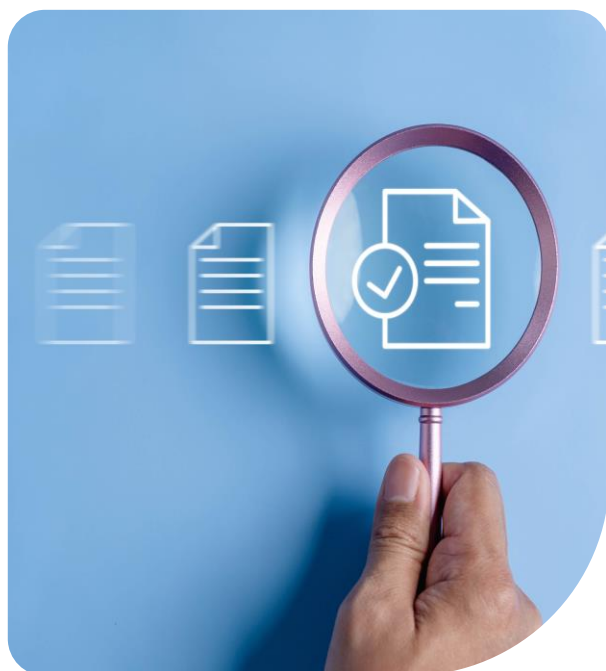
[Click here for the RBI Master Direction](#)

[Click here for RBI notification.](#)



# 02

## India updates - Proposed



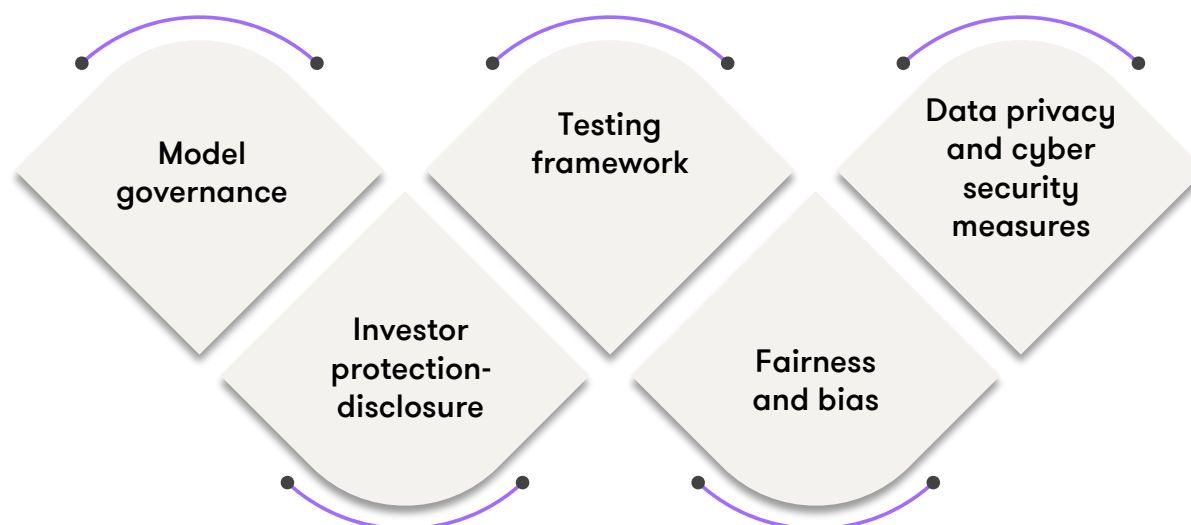
## A. Regulatory updates

### SEBI updates:

#### 1. Consultation paper on guidelines for responsible usage of AI/ML In Indian securities markets

On 20 June 2025, SEBI released a consultation paper proposing certain guidelines for the responsible usage of Artificial Intelligence (AI) and Machine Learning (ML) in the Indian securities markets. This initiative builds upon SEBI's existing reporting requirements for AI/ML systems used by stock exchanges, clearing corporations, depositories, intermediaries, and mutual funds.

The proposed guidelines are anchored on the following core principles:



Additionally, a regulatory lite framework may be adopted for the usage of AI/ML in the securities markets for any purpose other than for business operations that may directly impact customers/clients, such as, when AI/ML is used by SEBI Res only for internal compliance, surveillance, advanced cyber security tools etc.

[Click here for the consultation paper issued by SEBI.](#)



India updates -  
Effective

India updates -  
Proposed

International  
updates - Effective

International  
updates - Proposed



03

## International updates – Effective



## A. Accounting updates

### 1. FASB issues ASU on identifying the accounting acquirer in a business combination with variable interest entity

The Financial Accounting Standards Board (FASB) has issued Accounting Standard Update (ASU) 2025-03 to improve the requirements for identifying the accounting acquirer in Topic 805, Business Combinations.

Prior to ASU 2025-03, a business combination in which a variable interest entity (VIE) is acquired always resulted in the primary beneficiary (i.e., the entity that consolidates a VIE) being the accounting acquirer. This has prevented the acquisitions of a VIE from being accounted for as reverse acquisitions, even when substance over form would suggest otherwise, and created inconsistencies and reduced comparability in accounting for the acquisitions of VIEs and entities that are not VIEs.

In the new ASU, this rule is eliminated. The entities are required to consider the factors in paragraphs 805-10-55-12 through 55-15 to identify the accounting acquirer in transactions involving a VIE that qualifies as a business, as they would in other acquisition transactions.

The amendments in this update do not change the accounting for a transaction determined to be a reverse acquisition or a transaction in which the legal acquirer is not a business and is determined to be an accounting acquiree.

The amendments in this update are effective for annual reporting periods beginning after 15 December 2026, and interim reporting periods within those annual reporting periods, and entities are required to apply this amendment prospectively to any acquisition transaction that occurs after the initial application date. Early adoption is permitted as of the beginning of an interim or annual reporting period.

[Click here to access ASU.](#)

## 2. FASB improves guidance on share-based consideration payable to a customer

The FASB issued ASU 2025-04, which clarifies the guidance in ASC 606, Revenue from Contracts with Customers and ASC 718, Compensation — Stock Compensation, on the accounting for share-based consideration payable to a customer in conjunction with selling goods or services.

The FASB has made the following changes that affect share-based consideration granted to a customer:

### Revises the definition of performance condition:

This ASU revises the Master Glossary definition of the term 'Performance condition' to explicitly include vesting conditions that depend on the volume or monetary value of a customer's purchases, either actual or potential, of goods or services from the grantor, including over a specified time frame. It also extends to performance targets based on purchases made by third parties, such as end-consumers who buy the grantor's products or services through the customer.

### Eliminates the forfeitures policy election for awards granted to customers:

The ASU removes the policy election that previously allowed grantors to account for forfeitures, as they occur for share-based consideration payable to a customer with a service condition, which resulted in a delay in revenue recognition for awards that are not probable of vesting. Under the new guidance, grantors are now required to estimate expected forfeitures upfront when measuring such awards.

### Clarifies the applicability of the variable consideration constraint:

The ASU clarifies that the variable consideration constraint under Topic 606 should not apply to share-based consideration payable to customers. Therefore, the grantor must assess the vesting probability of such awards solely under the guidance of Topic 718.

The amendments in this update are effective for annual reporting periods beginning after 15 December 2026 and interim reporting periods within those annual reporting periods. Early adoption is permitted for all entities. The amendments allow a grantor to apply the new guidance on either a modified retrospective or a retrospective basis.

[Click here to access the ASU](#)

### 3. FASB staff educational paper on the presentation and disclosure of retainage for construction contractors

The FASB released the ‘FASB Staff Educational Paper’ that addresses questions about how to apply revenue recognition guidance of presentation and disclosures to construction contracts that contain retainage (or retention) provisions.

Accounting Standard Codification (ASC) Topic 606, “Revenue from Contracts with Customers”, establishes guidance on the presentation of a contract with a customer on the balance sheet as a contract asset or a contract liability and related disclosures, but ASC Topic 606 does not include specific guidance on retainage.

The educational paper clarifies the presentation and disclosure requirements about the retainage for construction contractors under the generally accepted accounting principles applicable in the United States of America (US GAAP). It provides an example of voluntary disclosures of retainage, which includes:

- a. Parenthetical disclosures of the amount of retainage included in contract assets and contract liabilities on the face of the balance sheet. The parenthetical disclosures provide additional information about the composition of the net balance and are consistent with ASC Topic 606.
- b. Use of subtotals to present contract assets and contract liabilities on the balance sheet to provide additional information to users about those balances.
- c. Alternative descriptions in the balance sheet for the items of contract assets and contract liabilities, such as “billings in excess of revenue” or “revenue in excess of billings”. An entity must provide sufficient information for a user to distinguish between receivables and contract assets.
- d. Additional disclosures of the components of contract asset and contract liability balances within the notes. While individual contracts as contract assets and contract liabilities should not be disaggregated.

[Click here to access the FASB staff educational paper](#)

## 4. IFRS Practice Statement 1 Management Commentary

On 23 June 2025, the International Accounting Standards Board (IASB) issued a revised Practice Statement on management commentary.

The IFRS Practice Statement 1 Management Commentary, issued by the IASB, provides a framework for preparing management commentary that accompanies general-purpose financial statements. The Practice Statement sets out requirements and guidance for the content and presentation of management commentary, aiming to enhance users' understanding of an entity's financial performance and position, and provide the management's insights into factors affecting the entity's ability to create value and generate cash flows over various time horizons, including the long term.

The Practice Statement is not an IFRS Accounting Standard or an IFRS Sustainability Disclosure Standard, meaning financial statements can comply with IFRS Accounting Standards even if they are not accompanied by management commentary or if the commentary does not comply with this Practice Statement. It applies to management commentary that complements financial statements prepared in accordance with the IFRS Accounting Standards or on another basis, and can be used alongside local laws or regulations and other narrative reporting requirements or guidelines.

The IASB has carried out a major overhaul of the Practice Statement to help improve the quality and focus of information provided to investors.

The Practice Statement includes general requirements for identifying, authorising, and stating compliance with management commentary, and specific requirements for providing material information, ensuring completeness, neutrality, and freedom from error, and maintaining coherence and comparability. It also addresses the need for information about long-term prospects, intangible resources, relationships, and ESG matters.

This Practice Statement supersedes IFRS Practice Statement 1 Management Commentary (issued in December 2010) and is applicable for annual reporting periods beginning on or after 23 June 2025.

[Click here to access the IASB publication.](#)





## B. Auditing updates

### 1. IAASB issued ISA 570 (Revised 2024) “Going Concern”

On 9 April 2025, the International Auditing and Assurance Standards Board (IAASB) issued the International Standard on Auditing (ISA) 570 (Revised 2024), “Going Concern”, to enhance and strengthen the auditor responsibilities concerning the evaluation of the management’s assessment of an entity’s ability to continue as a going concern and related communication and reporting.

The table below shows the implications for the auditor's report when a going concern or a Material Uncertainty Related to Going Concern (MUGC) section is included, along with the information required to be provided:

Heading	Applicability	Implications for the auditor’s report
Going concern	All entities	<p>When the auditor's opinion is not modified in relation to the going concern, the auditor shall state that:</p> <ul style="list-style-type: none"> <li>• In the context of the audit and in forming the auditor’s opinion, the auditor concluded that the management's use of the going concern basis of accounting in preparing the financial statements is appropriate.</li> <li>• A material uncertainty has not been identified.</li> <li>• The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report and are not a guarantee as to the entity’s ability to continue as a going concern.</li> </ul>
	Listed entities	<p>When significant judgements are made by management in concluding that there is no material uncertainty (i.e., a so-called ‘close call’ situation), this section of the auditor’s report shall also:</p> <ul style="list-style-type: none"> <li>• Include a reference to the related disclosure(s) in the financial statements, if any.</li> <li>• Describe how the auditor evaluated the management’s assessment of a going concern.</li> </ul>



Heading	Applicability	Implications for the auditor's report
<p>Material uncertainty related to going concern</p> <p>[Adequate disclosure of a MUGC is made in the financial statements]</p>	All entities	<p>When the auditor's opinion is not modified in relation to a going concern and the existence of a material uncertainty is adequately disclosed, this section of the auditor's report shall:</p> <ul style="list-style-type: none"> <li>• Include a reference to the related disclosure(s) in the financial statements.</li> <li>• State that: <ul style="list-style-type: none"> <li>- Events or conditions indicate a material uncertainty exists that may cast significant doubt on the entity's ability to continue as a going concern.</li> <li>- The auditor's opinion is not modified with respect to the matter.</li> <li>- In the context of the audit and in forming the auditor's opinion, the auditor concluded that management's use of the going concern basis of accounting in preparing the financial statements is appropriate.</li> <li>- The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report and are not a guarantee as to the entity's ability to continue as a going concern.</li> </ul> </li> </ul>
	Listed entities	<p>This section shall also:</p> <ul style="list-style-type: none"> <li>• Describe how the auditor evaluated the management's assessment of going concern.</li> </ul>
<p>Material uncertainty related to going concern</p> <p>[Adequate disclosure of a MUGC is not made in the financial statements]</p>	All entities	<p>When a material uncertainty is not adequately disclosed and therefore a qualified or adverse opinion is provided on the financial statements, this section of the auditor's report shall:</p> <ul style="list-style-type: none"> <li>• Draw attention to the Basis for Qualified or Adverse opinion section of the auditor's report that states that a material uncertainty exists that has not been adequately disclosed in the financial statements.</li> <li>• State that: <ul style="list-style-type: none"> <li>- In the context of the audit and in forming the auditor's opinion, the auditor concluded that the management's use of the going concern basis of accounting in preparing the financial statements is appropriate.</li> <li>- The auditor's conclusions are based on the audit evidence obtained up to the date of the auditor's report and are not a guarantee as to the entity's ability to continue as a going concern.</li> </ul> </li> </ul>

Additional changes introduced in ISA 570 (Revised 2024) are as follows-

- a. Management's assessment of going concern** - Auditors must evaluate the management's assessment of a going concern irrespective of whether events or conditions are identified and consider the potential for the management bias by evaluating the underlying method, data used, and judgement and assumptions behind the assessment.
- b. Extended period of management's assessment** - The auditor's evaluation period for a going concern now extends at least 12 months from the date of approval of the financial statements [earlier it was from the date of the end of the latest period covered by the financial statements].
- c. New definition of MUGC:** The MUGC definition has been included, and the phrase "may cast significant doubt" used in such definition has been explained to promote consistency in applying this core concept.

ISA 570 (Revised 2024) shall be effective for audits of financial statements for periods beginning on or after 15 December 2026.

Further, the IAASB, on 14 May 2025, issued FAQs on ISA 570 (Revised 2024), which have been developed by the 'Going Concern Task Force' of the IAASB to address questions in relation to enhanced auditor reporting model for going concern that is included in the revised standard. In addition to the changes highlighted above, the FAQs include the following key additional clarifications to report on going concern:

- a. Use of additional sub-title to the going concern section:** An additional sub-title to the going concern (such as "No MUGC") can be provided to enhance the intended users' understanding about the nature of the matters addressed in this section of the auditor's report.
- b. Addition of supplemental information to enhance transparency for intended users:** The auditor may provide supplemental information to what is required to be presented in the going concern or the MUGC section. For example, reference to the responsibility of the auditor in relation to a going concern, the relevant accounting policies, or the notes in the financial statements to enhance transparency and understanding of intended users.

[Click here to access the ISA 570 \(Revised 2024\) "Going Concern"](#) and [here to access the FAQs](#)

## 2. Public Company Accounting Oversight Board (PCAOB) audit focus on auditing accounting estimates

On 21 May 2025, the Public Company Accounting Oversight Board (PCAOB) staff released an Audit Focus series highlighting key reminders for auditors, especially those who audit smaller companies, with respect to auditing accounting estimates, including areas such as possible approaches to test accounting estimates, the need for evaluation of reasonableness of significant assumptions, critical accounting estimates, developing an independent estimate and use of data. The publication also provides the staff's perspectives on common deficiencies and good practices that the staff has observed in various inspections.

The most common deficiencies observed by the PCAOB staff on inspections of firms that audit smaller companies were:

- Not identifying the significant assumptions and not evaluating the reasonableness of significant assumptions;
- Not performing procedures other than inquiry and/or reperforming the mathematical calculations;
- Not evaluating whether the company's methods conform with the applicable financial reporting framework; and
- Not understanding how management analysed the sensitivity of critical accounting estimates.

Good practices observed by the PCAOB staff on inspections of firms that audit smaller companies are:

- Updated internal guidance and work programmes to ensure the testing of accounting estimates, including appropriate scoping;
- Updated policy to expand the requirement for the Engagement Quality Review partner to review the estimate testing regardless of identified risk; and
- Developed risk assessment procedures grounded in a deep understanding of the business.

[Click here for the PCAOB publication 'Audit Focus - Auditing Accounting Estimates'](#)



## C. Sustainability reporting and assurance

### 1. IAASB announces withdrawal of ISAE 3410 for assurance engagements on greenhouse gas statements

The IAASB has decided to withdraw the International Standard on Assurance Engagements (ISAE) 3410, which deals with assurance engagements on greenhouse gas statements, in due course. This decision comes after the approval of the International Standard on Sustainability Assurance (ISSA) 5000 in December 2024. ISSA 5000 covers assurance of all types of sustainability information, including greenhouse gas emissions. It will be effective for periods beginning on or after 15 December 2026, or as at a specific date on or after 15 December 2026. Consequently, ISAE 3410 will be withdrawn from the effective date of ISSA 5000.

[Click here to access the clarification](#)

### 2. IAASB and IESBA staff provide answers to key questions on implementing ISSA 5000 and IESSA

The staffs of IAASB and the International Ethics Standards Board for Accountants (‘IESBA’) released new publications, being ‘FAQs on Sustainability Assurance Engagements’ and ‘IESBA Staff Q&A on International Ethics Standards for Sustainability Assurance (IESSA)’ respectively, to support implementation of the IAASB’s and IESBA’s global sustainability-related standards.

#### FAQs on sustainability assurance engagements:

These FAQs issued jointly by the IAASB and IESBA staff address practical questions about applying ISSA 5000 and IESSA together. They address the following areas:

- Identifying relevant ethical requirements
- Determining group and value chain components
- Using the work of another practitioner
- Addressing IESSA disclosure requirements in the assurance report





### **IESBA staff Q&As on IESSA:**

The IESBA Staff Questions and Answers publication focuses on ethics and independence considerations for practitioners performing sustainability assurance engagements.

Topics covered include:

- The scope of the ethics and independence standards in the IESSA.
- Independence considerations for group sustainability assurance engagements, including value chain components.
- Independence considerations applicable to using the work of another practitioner.
- Providing non-assurance services to a sustainability assurance client.
- Effective date of the IESSA.

[Click here](#) and [here](#) for the Q&A and FAQs publications, respectively.

## **3. Educational material about greenhouse gas emissions disclosure requirements applying IFRS S2 Climate-related Disclosures**

On 29 May 2025, the IFRS Foundation published educational material in relation to the requirements of IFRS S2 Climate-related Disclosures, dealing with the measurement and disclosure of greenhouse gas (GHG) emissions. This material is structured as questions and answers about the requirements for an entity to disclose its GHG emissions in accordance with IFRS S2.

**The educational material includes answers to questions about:**

- i. The context and reasoning underlying the GHG emissions-related requirements;
- ii. The use of the materials of the GHG protocol in IFRS S2 requirements; and
- iii. Specific aspects of the GHG emissions-related requirements.

The publication of this educational material is part of the International Sustainability Standards Board's (ISSB) commitment to support the implementation of ISSB Standards and is intended to help entities understand the GHG emissions disclosure requirements in IFRS S2, including those related to providing information about absolute gross GHG emissions generated during the reporting period and disclosing information about GHG emissions, such as GHG emissions targets. The material does not add or otherwise change the requirements in IFRS S2.

[Click here](#) for the publication.

## 4. The IFRS foundation publishes guidance on disclosures about transition plans - Disclosing information about an entity's climate-related transition, including information about transition plans, in accordance with IFRS S2

On 23 June 2025, the IFRS foundation published a new guidance document “Disclosing information about an entity’s climate-related transition, including information about transition plans, in accordance with IFRS S2” as part of its commitment to support the implementation of ISSB Standards.

The guidance:

- Supports entities applying IFRS S2 Climate-related Disclosures;
- Is designed to enable entities to provide high-quality information about their climate-related transition; and
- Covers disclosures about any ‘transition plan’.

As per the publication, though IFRS S2 does not require companies to have a climate transition plan, it requires them to share important information about sustainability risks and opportunities that could impact their future, including details about their plan to handle climate-related changes and risks.

This document is not part of IFRS Standards and does not add to or otherwise change the requirements in the standards.

[Click here to access the publication.](#)

## 5. GRI publishes new climate standards

On 26 June 2025, the Global Reporting Initiative (GRI) published two new climate standards: ‘GRI 102: Climate Change’ and ‘GRI 103: Energy’.

GRI 102: Climate Change states that substantially reducing greenhouse gas (GHG) emissions is an entity’s primary mitigation step. It sets reporting expectations based on science-based targets and global climate goals, while incorporating ‘just transition’ metrics covering impacts on workers, local communities, and indigenous people.

GRI 103: Energy addresses an entity’s energy-related impacts and activities. It contains disclosure requirements on de-carbonisation efforts, renewable and non-renewable energy use, details of where and how energy reductions have occurred, and positions responsible energy use as a central component of an entity’s approach to climate change mitigation.

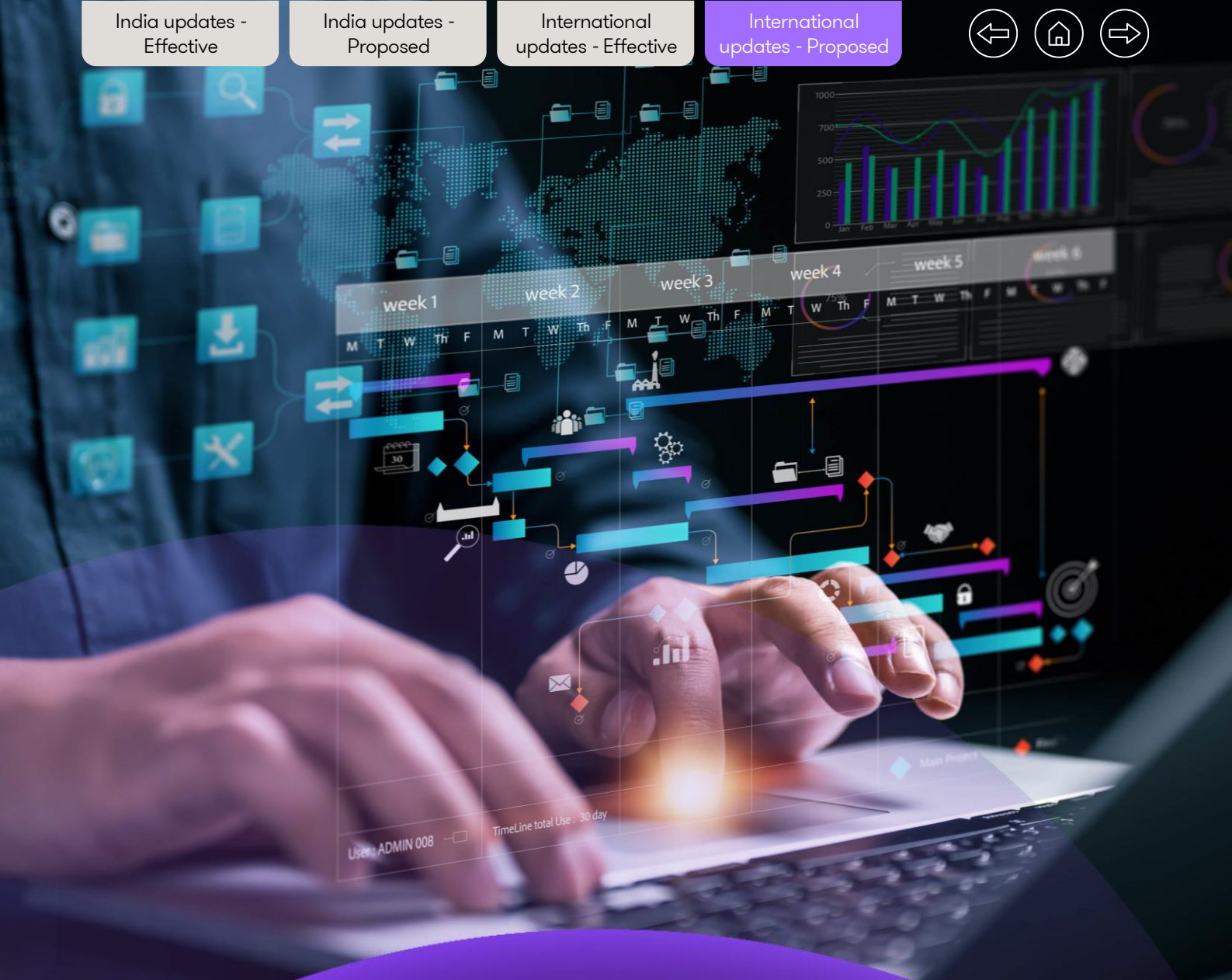
[Click here to access the new standards.](#)

India updates -  
Effective

India updates -  
Proposed

International  
updates - Effective

International  
updates - Proposed



# 04

## International updates – Proposed



## A. Accounting updates

### 1. IASB launches post-implementation review of IFRS 16

On 17 June 2025, the IASB published a Request for Information (RFI) as part of its post-implementation review of IFRS 16 'Leases', seeking comments from stakeholders on their experiences relating to the application of IFRS 16.

The RFI focuses on six key areas:

- a. **Overall assessment of IFRS 16** – Whether the standard meets its objective, if its principles are clear, and whether the improvements in financial information and the ongoing application costs align with initial expectations.
- b. **Usefulness of information resulting from lessees' judgements** – The IASB has sought views on how judgements (such as determining lease term, discount rates, and variable payments) affects the usefulness and comparability of reported information.
- c. **Usefulness of information about lease-related cash flows** – Whether the classification and disclosure of lease cash flows meet users' needs and expectations.
- d. **Ongoing costs for lessees** – If the costs of applying measurement requirements, especially related to reassessments, lease modifications, and discount rate changes, are higher than expected, and if simplifications could be justified.
- e. **Potential improvements to transition requirements** – Based on experience with the 2019 transition, feedback is sought on how future transition provisions could better balance cost relief for preparers and information needs of users.
- f. **Other matters relevant to IFRS 16's effects** – Feedback on how IFRS 16 interacts with other standards, particularly IFRS 9, Financial Instruments and IFRS 15, Revenue from Contracts with Customers, in the context of rent concessions and sale and leaseback transactions.

Comments are requested by 15 October 2025.

[Click here to access the IASB publication](#)





## B. Auditing updates

### 1. IAASB has proposed narrow-scope amendments to IAASB Standards arising from the IESBA's using the work of an external expert project

The IESBA, on 17 January 2025, pronounced a revision to the IESBA's International Code of Ethics for Professional Accountants (including International Independence Standards) ('IESBA Code') related to its 'Using the Work of an External Expert' project. Such revision was made to provide an ethical framework in evaluating whether an external expert has the necessary competence, capabilities, and objectivity to use that expert's work for the intended purposes.

Pursuant to the above, the IAASB, on 25 April 2025, issued an exposure draft on the proposed narrow-scope amendments to the standards issued by the IAASB to maintain interoperability with the revisions made in the IESBA Code.

01

The auditor is required to consider the provisions of relevant ethical requirements related to using the work of an expert while determining the nature, timing and extent of procedures to be performed with respect to: a) evaluating competence, capabilities and objectivity of the auditor's expert, b) agreement with the auditor's expert, and c) evaluating adequacy of auditor's expert's work

02

Relevant ethical requirements may require the auditor to obtain information, in writing, from the auditor's external expert regarding interests, relationships, or circumstances that may threaten expert's objectivity.

03

Relevant ethical requirements may require that the provision of information from an auditor's expert be in writing, which has been included as one of the factors that may suggest the need for a detailed agreement or an agreement in writing with the auditor's expert.

04

Relevant ethical requirements may prohibit the auditor from using the work of an auditor's expert in certain circumstances. For example, the IESBA code prohibits so, if the auditor (a) is unable to determine whether the expert has the necessary competence or capabilities, or (b) has determined that the expert does not have the necessary competence or capabilities; or (c) has determined that it is not possible to eliminate circumstances that create threats to the expert's objectivity, or apply safeguards to reduce such threats to an acceptable level.



To ensure consistency with other standards, the IAASB has proposed to add similar amendments to ISRE 2400 (Revised) “Engagements to Review Historical Financial Statements”, ISAE 3000 (Revised) “Assurance Engagements Other than Audits or Reviews of Historical Financial Information”, and ISRS 4400 (Revised) “Agreed-upon Procedures Engagements”.

The IAASB has proposed 15 December 2026 as the effective date of these narrow-scope amendments in line with the effective date of the revised IESBA Code.

[Click here to access the IAASB Exposure Draft](#)





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Gtbharat@in.gt.com

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