Quarterly GAAP Bulletin

October 2025 to December 2025

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Introduction

Dear reader,

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

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

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

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India updates – Effective

A. Accounting updates

1. EAC opinion on the accounting treatment of expenses incurred during the testing phase before the opening of a new restaurant.

The Expert Advisory Committee (EAC) of the Institute of Chartered Accountants of India (ICAI) has issued an opinion on the accounting treatment of the salary paid to staff/employees and costs related to food trials during the testing phase before the opening of a new restaurant, under the Indian Accounting Standard (Ind AS) framework.

Based on the facts of the case, the company owns and operates contemporary and fine-dining luxury restaurants and opens 8 to 10 new restaurants each year. Before opening an outlet, the company conducts food and beverage trials, hires the necessary personnel (chefs and kitchen staff) in advance to test and handle the restaurant equipment, and carries out testing and calibration to ensure that every aspect of the restaurant service, including taste, ambience, presentation, etc., appears consistent with other outlets of the company. The company has incurred certain expenditures during the testing phase towards salary, food, and beverage trials. It intends to capitalise it as the cost of construction of the outlet (property, plant and equipment, i.e., PPE).

In accordance with Paragraphs 7, 16, 17, 19 and 20 of Ind AS 16, Property, Plant and Equipment, the EAC has evaluated that during the testing phase, the company incurred the aforementioned costs for making preparations or arrangements in connection with the opening of a new outlet consistent across all the outlets and to achieve a certain level of output/services to the customers, which do not add any value to any specific asset(s) as such. The plant and equipment in the restaurant were already in the location and in the condition necessary for them to be capable of operating in the manner intended by the management, and they just needed calibration or adjustments to maintain consistency and give customers a similar experience across all outlets. According to the EAC, if an asset is operational and able to produce goods of a commercially feasible quality and quantity, no further costs should be capitalised as PPE, even if it is not achieving the targeted production (in terms of quality and/or quantity). Therefore, the EAC opined that such costs cannot be capitalised as the cost of any PPE; instead, they should be expensed off in the statement of profit and loss as and when incurred.

Further, the EAC opined that if the company had incurred cost for fixing or resolving the technical operational problems, which is necessary for bringing any specific asset (e.g. sound and lighting system) to the location and condition required for it to be capable of operating in the manner intended by the management or had conducted food and beverages trials for checking the operating functioning of various kitchen equipment, then such costs can be capitalised to that extent.

Click here to access the EAC opinion.

2. EAC opinion on accounting for GST component paid on lease payment under Ind AS 116, 'Leases'

The EAC of the ICAI has issued an opinion on the accounting for the Goods and Services Tax (GST) component paid on lease payments under Ind AS 116, Leases.

Facts of the case

The company is a deemed public sector undertaking (PSU) engaged in electricity generation. The company had taken a corporate office on lease at a monthly rent of INR 17.80 lakhs plus GST at the rate of 18% thereon, from 1 November 2023 to 31 October 2026, with 5% annual escalation in rent.

As per Paragraph 22 of Ind AS 116, the company had classified the office premises lease agreement as a lease under the provisions of Ind AS 116 and recognized the 'Right of Use asset' (RoU) and 'Lease liability'. The company had considered GST of 18% payable on the monthly lease payment as part of the lease payment amount. It had discounted the gross amount while calculating the RoU and lease liability on the effective date. However, during the supplementary audit for FY 2023–24, the Comptroller and Auditor General (CAG) raised concerns, citing the ICAI's Educational Material (issued in January 2020), which states that GST should not be considered part of lease payments.

Company's point of view

The company argued that, as an electricity generation company, and since the sale of electrical energy is exempt from GST, it does not recognise GST input credit in its books of account for electricity-related transactions. The company has treated GST on lease payments as an expense and has discounted the gross lease payment, including the GST component thereon, while calculating RoU assets and lease liabilities, as the GST component is not recoverable because the company's output services are exempt under GST. Further, if only the lease payment, excluding the GST amount of 18% thereon, is discounted and the GST of 18% will be debited to the statement of Profit and Loss (P&L) under the head 'lease expense', it would give a wrong picture to the investor regarding the existence of additional leases. In contrast, the accounting standard provides that only short-term and low-value leases are to be expensed in the statement of profit and loss. The company also emphasised that the educational material is recommendatory and not binding.

EAC's opinion:

At the commencement date, the company should measure the RoU asset at cost, which shall comprise the initial measurement of lease liability, lease payments made at or before the commencement date (less any lease incentives received), any initial direct costs incurred by the lessee and an estimate of costs to be incurred by the lessee in dismantling/removing and restoring the asset/site as per the terms and conditions of the lease (if any). The company should also recognise a lease liability at the commencement date equal to the present value of the lease payments that are not due on that date.

The EAC further examined the nature of GST in the Indian context and noted that GST is a consumption-based tax levied by the government on customers for the consumption of services and, therefore, constitutes a statutory obligation towards the government. Thus, the primary obligor for GST payment is the customer who avails of goods or services, though it is collected by the seller/vendor (who provides the goods or services) on behalf of the government. In the case of leases, the lessor charges or collects GST on behalf of the tax authority and remits it to the tax authority (i.e., acting only as a collection agent for the government).

In this context, the EAC noted that GST payments (whether recoverable as input credit or not) do not meet the definition of a lease payment, as they are not payments to the lessor in exchange for the right to use the underlying asset. Rather, as discussed above, GST payments are outflows of resources embodying economic benefits, imposed by the government on the lessee, and are therefore in the nature of levies, as per Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets.

Accordingly, the EAC is of the view that the GST payments made by the company as a lessee in the extant case cannot be included in the measurement of the lease liability or RoU asset.

Click here to access the EAC opinion.

3. EAC opinion on accounting treatment of expenditure towards Special Development Plan (SDP) by the company under Ind AS framework

As per the facts of the case, a company is a wholly owned undertaking of the Government of Karnataka (GoK), incorporated as a special-purpose vehicle to cater to the drinking water and irrigation needs of Karnataka's drought-prone areas. It receives equity funds from GoK to execute the SDP works, comprising the construction of barrages, check dams, roads and bridges, community halls, etc. The company hands over the assets created from SDP works to the GoK upon completion of the work.

The company incurred certain expenditure towards the construction of barrages under SDP; however, since the company hands them over to the GoK after the execution of work, such expenses are charged to the statement of profit and loss.

The issue raised is whether treating such expenditure as revenue expenditure by debiting it to the statement of profit and loss is appropriate.

In this regard, the EAC understands that there is no principal-agent relationship between the company and the GoK with respect to the funds provided for SDP works and the expenditure incurred out of these funds. Further, the EAC also pointed out that the 'matching of costs with income' principle and source of funds do not constitute the criteria for the treatment of expenditures to be met from using those funds; rather accounting for expenditure depends upon whether or not the expenditure meets the definitions and recognition criteria of 'asset' or 'expense' as per the relevant accounting framework.

Accordingly, the EAC notes the definition of 'asset' and other requirements from the 'Conceptual Framework for Financial Reporting under Indian Accounting Standards (Conceptual Framework)', which provides that an asset must meet the following conditions: (a) a right; (b) the potential to produce economic benefits by using that right; and (c) control over the right as a resource.

In the extant case, the company does not own or exercise control over the assets created under SDP works, as it hands them over to the GoK upon execution of the works. Therefore, it can be said that the company does not have the ability to direct the use of the assets it creates or to prevent other parties from directing their use or from obtaining benefits from them. Furthermore, there is no future economic benefit to the company from such assets. Accordingly, the expenditure incurred towards the SDP works does not result in the creation of any asset for the company.

Considering the requirements of the Conceptual Framework, the EAC is of the view that the expenditure incurred towards the SDP works should be recognised as an expense in the statement of profit and loss.

Click here to access the EAC opinion

4. FRRB article on the non-compliances in presentation and disclosure of equity and liabilities in balance sheet under Ind AS framework

On 1 December 2025, the Financial Reporting Review Board (FRRB) of the ICAI published an article highlighting key non-compliances observed by the FRRB in the Ind AS financial statements, focusing on equity and liabilities in the balance sheet. The article underscores the need for strict adherence to Ind AS and Schedule III requirements, as well as robust financial reporting practices, to ensure transparency and compliance.

The common observations identified by the FRRB are as follows:

01 Disclose the nature and purpose of reserves:

The nature and purpose of each reserve were not disclosed as required under Ind AS 1, Presentation of Financial Statement and Guidance Note on Division II- IND AS Schedule III to the Companies Act, 2013 ("the Act").

02 Misclassification of redeemable preference shares:

Redeemable cumulative preference shares, due for redemption within 12 months, should have been classified as current financial liabilities rather than non-current liabilities in the financial statements. Thus, classifying such preference shares as non-current was not in line with the requirements of Ind AS 1.

03 Incorrect presentation of employee benefit liabilities:

Employee benefits payable and leave encashment payable are contractual obligations to deliver cash for services rendered by them and should be classified as financial liabilities under Paragraph 11 of Ind AS 32, Financial Instruments: Presentation. Therefore, the presentation under other current liabilities and other non-financial liabilities respectively is not in compliance with Ind AS 32.

04 Non-disclosure of MSME dues in trade payables:

Outstanding dues to micro, small and medium enterprises (MSME) vendors were not separately disclosed in the balance sheet and were instead reported as part of total trade payables without bifurcation. As per Division II, Schedule III of the Act, trade payables must be split into dues to MSMEs and other payables.

05 Incomplete disclosure of provisions:

The disclosure of provisions was made for indirect taxes, but did not provide a brief description of the nature of the obligation and the expected timing of any resulting outflows of economic benefits, which is not in compliance with Paragraph 85 of Ind AS 37, Provisions, Contingent Liabilities and Contingent Assets.

06 Improper grouping of income tax payable:

Income tax payable was disclosed under other current liabilities instead of being presented as current yax liabilities (net) on the face of the balance sheet. This presentation is not in compliance with Division II – Schedule III of the Act.

07 Non-recognition of gratuity provision:

Some companies failed to carry out the actuarial valuation for the gratuity plan and recognise gratuity obligations in line with Ind AS 19, Employee Benefits despite employee service creating a defined benefit liability.

Click here to access the FRRB article.

B. Auditing updates

1. NFRA circular on maintenance, archival, and submission of audit files

On 16 December 2025, the National Financial Reporting Authority (NFRA) issued a circular reiterating the professional standards and compliance obligations for statutory auditors of public interest entities (PIEs) under Rule 3 of the NFRA Rules, 2018. The said circular has been issued by the NFRA in response to delays, format conversions, and alterations noted in the audit files that compromised the evidentiary value.

The circular emphasises the following:

01 Audit firms must establish policies and procedures for the maintenance, archival, and retention of audit files, ensuring compliance with professional standards and Indian laws (including Information Technology Acts/rules/regulations).

02 Final audit files must be assembled and archived within 60 days of the auditor's report as per Standard on Auditing (SA) 230 and Standards on Quality Control (SQC) 1). The firms should remain prepared to provide the files to the NFRA at short notice.

03 Audit engagement files should be retained for at least seven years from the date of the auditor's report, with provisions for longer retention if the client is under enquiry or investigation by oversight or investigative agencies.

04 Original electronic or paper workpapers must be preserved in their original form to maintain integrity, authenticity, and retrievability. Any alteration or conversion that reduces evidentiary value shall be construed as a violation of the requirements under the Standards on Auditing (SAs) and SQC1.

05 Auditors must submit complete audit files to the NFRA within seven days of request. In exceptional circumstances, if extensions are required, the request shall be accompanied by the requisite details and supporting documentation as specified in the circular.

Click here to access the circular.

2. Technical Guide on Disclosure and Reporting of KPIs in Offer Documents (Revised 2025)

The ICAI has revised its earlier issued Technical Guide on Disclosure and Reporting of Key Performance Indicators ('KPIs') in Offer Documents, originally released in April 2023, to align with recent amendments introduced through 'Industry Standards on KPI Disclosures in the draft Offer Document and Offer Document' issued by the Industry Standards Forum (ISF), under the guidance of stock exchanges and Securities Exchange Board of India (SEBI), effective from 1 April 2025.

The revised technical guide provides comprehensive guidance on various aspects, such as classification of KPIs [Generally Accepted Accounting Principles (GAAP), Non-GAAP and Operational Measures], process for selection of KPIs, identification and shortlisting of peer KPIs, certification and approval requirements, format and presentation standards. In addition, the appendices include illustrative formats for the independent auditor's report on KPIs at the time of the initial public offering and for annual ongoing reporting requirements, as well as an illustrative compliance checklist.

Click here to access the technical guide.

3. Handbook on Certificates by Chartered Accountants: Comprehensive Checklist & Formats

The ICAI's Centre for Audit Quality Directorate has released the 'Handbook on Certificates by Chartered Accountants: Comprehensive Checklist & Formats', aimed to provide a consolidated, practical, and interpretative guide on the issuance of certificates. While the 'Guidance Note on Reports and Certificates for Special Purposes (Revised 2016)' ('Guidance Note') continues to serve as the foundational framework for understanding such engagements, this handbook provides additional guidance on aspects, such as:

- Applicability of Guidance Note
- A structured checklist to assist members in identification, preparation, and issuance of certificates with appropriate professional diligence
- Guidance on use of reasonable vs. limited assurance and unmodified vs. modified opinions/conclusions
- Frequently asked questions (FAQs) by Unique Document Identification Number (UDIN) Directorate on certificates; and
- Illustrative formats on various commonly issued certificates

Click here to access the aforesaid handbook.

C. Regulatory updates

New Labour Code updates

1. New Labour Codes notified by the Ministry of Labour and Employment (MoLE) and related FAQs issued by ICAI and MoLE

The Government of India (GOI) has announced four Labour Codes - the Code on Wages, 2019, the Industrial Relations Code, 2020, the Code on Social Security, 2020, and the Occupational Safety, Health and Working Conditions Code, 2020, which will replace 29 existing labour laws, effective 21 November 2025.

The labour codes simplify and consolidate existing labour laws, promoting transparency and digitisation in compliance and workforce models and enhancing worker welfare and ease of doing business.

The following are the key highlights of the new labour codes:

Code on wages, 2019

Introduces a national floor wage, uniform wage definition, and provisions for timely payment. It also ensures equal remuneration for all genders, prohibits unauthorised wage deductions, and simplifies compliance through digital processes.

Industrial Relations Code, 2020

Defines fixed-term employment and fixed-term employees and provides that they will enjoy the same benefits as permanent staff, including gratuity after one year, giving such workers equal benefits. It raises the threshold for prior government approval of layoffs to establishments with 100 or more employees to 300 or more employees. It introduces streamlined dispute resolution, mandatory grievance committees, and digital compliance systems.

It also ensures that no strikes or lockouts are initiated without proper notice, in compliance with the norms laid down in the code.

Code on Social Security, 2020

Extends social security coverage to gig and platform workers and unorganised workers. It introduces a five-year limitation period for raising disputes or allegations regarding the Employee Provident Fund and the Employee State Insurance. It clarifies that the existing Employee Provident Fund (EPF), Employees' Pension Scheme (EPS), and Employees Deposit Linked Insurance (EDLI) scheme shall remain in force, to the extent they are not inconsistent with the provisions of this code, for a period of one year from the date of commencement of this code.

Occupational Safety, Health & Working Conditions Code, 2020

It mandates appointment letters, an annual health checkup for employees aged 40 years or above, limits working hours to 8 per day (with flexibility for 4-day workweeks), and revises provisions relating to the carry-forward and encashment of leave. It covers contract and migrant workers, introduces safety committees, and promotes electronic registration and compliance to ensure better working conditions.

Click below links for

- New Labour Code announcement
- Code on Wages, 2019
- Industrial Relations Code, 2020
- Code on Social Security, 2020
- Occupational Safety, Health & Working Conditions Code, 2020

Recent key developments to the new Labour Code and related rules

A. FAQs on key accounting implications arising from the New Labour Codes

The Accounting Standards Board (ASB) of the ICAI has released FAQs on accounting questions arising from the application of the new Labour Codes.

Key takeaways from the FAQs are summarised below:

Increase in gratuity liability

Increase in gratuity liability due to the application of the New Labour Codes is a past service cost and accordingly recognised as an expense immediately in the statement of profit and loss as per the requirements of Ind AS 19, Employee Benefits. Under the Accounting Standards (AS) framework, AS 15, Employee Benefits, requires the vested past service cost to be recognised immediately, and the unvested past service cost to be amortised over the vesting period and recognised as an expense in the Statement of profit and loss.

Salary restructuring

Increase in gratuity and leave obligation on account of salary restructuring to align with the new Labour Codes, with no real increase in salary, shall be attributed to past service cost.

Event after balance-sheet date

Enactment of the new Labour Codes and its consequential impact is a non-adjusting event in the financial statements/ results for periods ended before 21 November 2025 and approved for issuance on or after 21 November 2025. However, the impact of such non-adjusting event, if considered material, should be disclosed as per the requirements of Ind AS 10, Events after the Reporting Period or AS 4, Contingencies and Events Occurring After the Balance Sheet Date.

Leave encashment impact

Any change in leave obligation arising from the new Labour Codes is recognised as an expense in the statement of profit and loss immediately in accordance with the applicable requirements of Ind AS 19/ AS 15.

Interim financial reporting

Considering that the new Labour Codes are effective from 21 November 2025, an additional gratuity liability must be recognised in the interim financial results (i.e., quarter ended December 2025) in accordance with the applicable requirements of Ind AS 19/AS 15 and cannot be deferred to the financial year ending 31 March 2026.

Exceptional item

Change in gratuity and leave obligation due to enactment of new Labour Codes being a non-recurring event, depending on materiality, an entity may evaluate presenting additional expense as an exceptional item in the statement of profit and loss. However, irrespective of such classification, relevant disclosures explaining the impact of the enactment of the new Labour Codes should be made.

Tax impact

Subject to prudence, future deductible amounts may result in the recognition of a deferred tax asset.

Click here to access ICAI FAQs.

B. Draft rules under new Labour Codes

Following the new Labour Codes, on 30 December 2025, the Ministry of Labour and Employment of GOI published draft rules under the respective labour codes as follows:

The Code on Wages (Central) Rules, 2025 under the Code on Wages, 2019

The Code on Social Security (Central) Rules, 2025 under the Code on Social Security, 2020

The Occupational Safety, Health and Working Conditions (Central) Rules, 2025 under the Occupational Safety, Health and Working Conditions Code, 2020

The Industrial Relations (Central) Rules, 2025 ("IR Rules") under the Industrial Relations Code, 2020

The central government has invited objections and suggestions on these draft rules within 45 days (30 days for draft IR Rules). The draft rules provide clarity on certain provisions, including the calculation of wages, gratuity payments, digital compliance mechanisms, the composition of the National Social Security Board for gig and platform workers, standing orders, dispute resolution, workplace safety standards, health audits, and welfare facilities across sectors.

Click on the respective rules above to access the same.

C. FAQs under new Labour Codes

The Ministry of Labour and Employments of the GOI has also released the following FAQs on 30 December 2025 and 9 January 2026:

- FAQs - New Labour Codes
- FAQs - Myths and Realities of Industrial Relation (IR) Code 2020
- FAQs - Occupational Safety, Health and Working Conditions (OSH) Code, 2020
- FAQs - Code on Wages, 2019
- FAQs - Code on Social Security, 2020

These FAQs provide clarity on key aspects of wage definition and computation, gratuity calculation, ESI coverage, and core and non-core activities. It also clarifies various entitlements and protections available to different classes of employees and highlights the rights granted to employers to provide a balanced approach towards implementation. The FAQs also indicate the government's intent to support and ensure the smooth implementation of new labour code

Click on the respective rules above to access the same.

MCA updates

1. Small Company thresholds increased by the Ministry of Corporate Affairs

The Ministry of Corporate Affairs (MCA) has amended the Companies (Specification of Definition Details) Rules, 2014, and the thresholds of identifying a small company as per the Act has been revised as below:

- Paid-up share capital up to INR 10 crores (Earlier limit: INR 4 crores), and
- Turnover is up to INR 100 crores (Earlier limit: INR 40 crores)

Accordingly, more such companies will meet the definition of 'small company', and thereby, will be able to avail the following relaxations:

- Filing of a simplified annual return in Form MGT-7A
- Exemption from the preparation of cash flow statements in financial reporting
- Lower penalties in case of non-compliance
- Requirement of only two board meetings per year
- Reduced reporting and documentation obligations
- Exemption from applicability of Companies Auditor's Report Order, 2020 (CARO)
- Exemption from auditor's reporting on adequacy and operating effectiveness of internal financial controls
- No mandatory rotation of directors.

The above amendment is effective from 1 December 2025.

Click here to access the MCA notification.

2. Companies (Meetings of the Board and its Powers) Amendment Rules, 2025

The MCA has notified the Companies (Meetings of Board and its Powers) Amendment Rules, 2025.

As per Section 186(11)(a) of the Act, the requirements of Section 186, except Sub-section (1) of this Section, does not apply to a company engaged in the 'business of financing industrial enterprises'.

As per the recent amendment, the term 'business of financing industrial enterprises' used in Section 186(11)(a) of the Act now also includes specific activities provided in the ordinary course of business by finance companies registered with the International Financial Services Centres Authority (IFSCA). Earlier, only a non-banking financial company (NBFC) engaged in normal lending or guarantee activities was covered.

Click here to access the MCA notification.

3. Companies (Appointment and Qualification of Directors) Amendment Rules, 2025

The MCA, on 31 December 2025, notified the Companies (Appointment and Qualification of Directors) Amendment Rules, 2025, to introduce key procedural changes to directors' identification and KYC compliance in the Companies (Appointment and Qualification of Directors) Rules, 2014. The amendments will come into effect from 31 March 2026.

Particulars	Pre-amendment	Post-amendment
KYC filing frequency	Annual filing required	Filing required once in every three financial years
Forms to be used	DIR-3 KYC (e-form) and DIR-3 KYC-Web	Only DIR-3 KYC Web for all filings
Event-based updates	Not clearly mandated	Mandatory within 30 days for changes in mobile, email, or residential address
Compliance timelines	30 September annually	30 June of the third consecutive financial year

Click here to access the MCA circular.

SEBI updates

1. Amendment in SEBI Master circular for compliance with provisions of SEBI LODR

The SEBI's Master Circular for compliance with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI LODR") by listed entities, dated 11 November 2024 ('Master Circular'), and SEBI Circular No. SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/93 dated 26 June 2025 requires listed entities to follow the "Minimum information to be provided to the Audit Committee and Shareholders for approval of Related Party Transactions (RPTs)" ("RPT Industry Standards"), formulated by the ISF, which were effective from 1 September 2025.

Subsequently, on 13 October 2025, with the objective of facilitating the ease of doing business for listed entities, SEBI has amended the Master Circular (Paragraph 4 under Part A of Section III-B and Paragraph 6 under Part B of Section III-B), providing relaxation in minimum information to be provided to the audit committee and shareholders as required under the RPT Industry Standards, for the approval of certain RPTs that do not exceed specified thresholds under the circular.

These amendments were approved during SEBI's 211th board meeting held on 12 September 2025, and are as follows:

- Simplified disclosures in Annexure-13A have been introduced for transaction(s) with a related party, whether individually or taken together with previous transaction(s) during a financial year (including transaction(s) which are approved by way of ratification), do not exceed 1% of the annual consolidated turnover of the listed entity as per the last audited financial statements of the listed entity or INR 10 crores, whichever is lower.
- Transaction(s) with a related party to be entered into individually or taken together with previous transactions during a financial year (including those that are approved by way of ratification) that do not exceed INR 1 crore, remain exempt from the RPT Industry Standards and Annexure 13A disclosure requirements (no amendment through the current circular).
- The RPT Industry Standards remain applicable to all other RPTs, i.e., transactions in excess of 1% of the annual consolidated turnover as per the last audited financial statements of the listed entity or INR 10 crore, whichever is lower (no amendment through current circular).
- Further, the threshold for determining material RPTs under SEBI LODR has also been revised, affecting the applicability of disclosure requirements, as there is in Part C of the RPT Industry Standards (amendments covered in subsequent matter).

Refer to the minimum information required for approval of RPT as per Annexure 13A:

A. **Minimum information to the audit committee for approval of RPT:**

- **Nature and key terms** of the proposed transaction.
- **Identity of the related party** and its relationship with the listed entity or its subsidiary, including the nature of interest (financial or otherwise).
- **Duration/ tenure** of the proposed transaction.
- **Monetary value** of the transaction.
- **Percentage of the annual consolidated turnover** of the listed entity for the immediately preceding financial year represented by the transaction value. In case of a subsidiary-related RPT, the percentage of the subsidiary's standalone turnover shall also be provided.
- Where the transaction involves **loans, inter corporate deposits, advances, or investments,** details relating to:
    - Source of funds used for the transaction;
    - Any financial indebtedness incurred for the above loans, inter corporate deposits, advances or investments, provide details including nature of indebtedness, cost of funds, and tenure (not applicable to listed banks, NBFCs, insurance companies and housing finance companies);
    - Applicable terms, such as covenants, interest rate, repayment schedule, tenure, and whether the transaction is secured or unsecured, along with details of security, if any;
    - Purpose for which the ultimate beneficiary will utilise the fund
- **Rationale and justification** demonstrating that the RPT is in the interest of the listed entity.
- **Copy of valuation or external expert report,** if relied upon.
- **Percentage of the counterparty's annual consolidated turnover** represented by the transaction value (voluntarily disclosed).
- **Any other relevant information** necessary for informed decision-making.

B. **Minimum information to the shareholders for approval of RPT:**

The notice issued to the shareholders seeking approval for a proposed RPT shall, in addition to the requirements prescribed under the Act include the following disclosures in the explanatory statement:

- **Summary of information** placed before the audit committee, as provided by the management of the listed entity as specified above.
- Justification outlining how and why the proposed transaction is **in the interest** of the listed entity.
- Where the transaction involves **loans, inter corporate deposits, advances, or investments** made or given by the listed entity or its subsidiary, include the exact details as provided to the audit committee, as discussed above.
- **A statement confirming** that any valuation or other external expert report relied upon in connection with the proposed transaction will be made available to shareholders through their **registered email addresses.**
- **The percentage of the counter party's annual consolidated turnover** represented by the value of the proposed RPT, disclosed voluntarily.
- **Any other relevant information** required to enable shareholders to make an informed decision.

Accordingly, few of the relaxations that have been introduced from the detailed RPT Industry Standards for transactions falling under Annexure 13A are as follows:

a) Details of previous transactions with the related party, as required under A(3) of RPT Industry Standards, are no longer needed.

b) Details of the financial performance of the related party for the immediately preceding financial year, as required under A(4) of the RPT Industry Standards, are not required now.

c) For transactions covered in B1, B2, and B4 to B7 in the RPT Industry Standards , no mandatory details, such as bidding details, basis of determination of price (for sales, purchases), disclosure of details of transactions relating to sale, lease or disposal of subsidiary or unit, payment of royalty etc., as long as the entity can justify why the RPT is in the interest of the listed entity.

The circular is effective immediately, i.e., from 13 October 2025.

Click here to access the SEBI circular dated 13 October 2025.

Click here and here to access the SEBI circular dated 26 June 25 and the SEBI Master Circular for compliance with the provisions of the SEBI LODR dated 11 November 2024.

Click here to access the notification on the SEBI 211th board meeting update.

2. SEBI (Listing Obligations and Disclosure Requirements) (Fifth Amendment) Regulations, 2025

SEBI, on 18 November 2025, notified the fifth amendment to SEBI LODR, which introduces significant changes to strengthen governance around material RPTs.

The key amendments are as follows:

a) Scale-based thresholds for material RPTs - SEBI introduced scale-based thresholds considering the annual consolidated turnover of the listed entity as per the last audited financial statements, for determining material RPTs for approval by shareholders as under:

Consolidated turnover of the listed entity		Threshold
		(Earlier threshold – INR 1,000 crore or 10% of the annual consolidated turnover as per the last audited financial statements, whichever is lower)
I.	Up to INR 20,000 crore	10% of the annual consolidated turnover of the listed entity
II.	More than INR 20,000 crore to up to INR 40,000 crore	INR 2,000 crore + 5% of the annual consolidated turnover of the listed entity above INR 20,000 crore
III.	More than INR 40,000 crore	INR 3,000 crore + 2.5% of the annual consolidated turnover of the listed entity above INR 40,000 crore or INR 5,000 crores, whichever is lower

b) **Threshold for prior approval of audit committee of listed entity for subsidiary's RPTs:** The revised thresholds for prior approval of the audit committee of the listed entity for RPTs undertaken by subsidiaries (above INR 1 crore, individually or taken together with previous transactions during the year), are as follows:

- **For a subsidiary having audited financial statements:** 10% of the annual standalone turnover of the subsidiary as per the last audited financial statements of the subsidiary or the scale-based threshold for material RPT of the listed entity given in point (a) above, whichever is lower.
- **For subsidiaries not having audited financial statements for a period of at least one year:** 10% of the aggregate value of the paid-up share capital and securities premium account of the subsidiary; or the scale-based threshold for material RPT of the listed entity given in point (a) above, whichever is lower.

c) **Omnibus approval for RPTs:** As per Regulation 23(3) of the SEBI LODR, the audit committee may grant omnibus approval for RPTs. The provisions, with respect to the validity of omnibus approval for RPTs, given by the shareholders, as provided in Para (C)11 of Section III of the SEBI Master Circular dated 11 November 2024 on the SEBI LODR, are now incorporated under Regulation 23(4) of the SEBI LODR, to keep the requirements at one place, which provides that the shareholders' approval of omnibus RPTs approved in an annual general meeting (AGM) shall be valid up to the date of the next AGM for a period not exceeding 15 months. In the case of omnibus approvals for material RPTs obtained from shareholders at general meetings other than the AGM, such approvals shall be valid for 1 year.

d) **Retail purchase exemption clarified:** Directors, key managerial personnel, or their relatives can make retail purchases from the listed entity or its subsidiaries without triggering RPT norms, provided such terms are uniformly applicable to/offered to employees, as well as the aforementioned persons, and the transaction does not involve any business relationship.

e) **Definition of 'holding company':** An explanation to Regulation 23(5) of the SEBI LODR is inserted, to clarify that the term 'holding company' refers to and shall be deemed to have always referred to the 'listed holding company'.

The aforementioned amendments relating to RPTs are effective from 19 December 2025.

Click here for the SEBI LODR.

3. BSE issues FAQs for submission of financial results as required under Regulation 33 of SEBI LODR

BSE Limited (BSE), on 17 November 2025, issued FAQs for the submission of financial results as required under Regulation 33 of SEBI LODR.

Some of the key clarifications provided through FAQs are:

01 **Newly listed entities** – Entities newly listed through an initial public offer (IPO) must submit their financial results for the quarter or year immediately succeeding the period disclosed in the offer document, within 21 days from the date of listing or in accordance with the timelines specified under Regulation 33 of SEBI LODR (45/60 days), whichever is later.

02 **For small and medium enterprises (SMEs) companies –** The FAQs clarified that even if quarterly results are submitted voluntarily, half-yearly figures are mandatory under Regulation 33 of SEBI LODR. Furthermore, for SMEs whose post-issue paid-up capital exceeds INR 25 crores after the end of quarter but before due date for submission of financial results, quarterly results submission becomes mandatory from that period onward.

03 **Migration from SME to main board** – The SMEs migrating to the main board must submit financial results as per Regulation 33 of SEBI LODR if migration occurs after the end of the quarter but before the due date for the submission of financial results for that period.

04 **Listing via scheme of arrangement** – Entities listed through a scheme must comply with the timelines given under Regulation 33 of SEBI LODR if the date of listing through such a scheme is after the end of the quarter but before the due date for submission of financial results.

05 **Revised XBRL of financial results –** The XBRL of financial results shall be revised in case of any mismatch in figures in PDF and XBRL, in case of revision of financial results, or in case where financial results are restated due to any reason.

06 **Consolidated financial results** – If any subsidiary, associate, or joint venture is excluded for the purpose of preparing consolidated financial results, a detailed explanation must be provided in the notes to the financial results by the listed entity.

Click here to access FAQs issued by the BSE

4. SEBI circular on the timeline for submission of information by the issuer to the debenture trustee

SEBI has issued a circular on 25 November 2025, revising the timelines for the submission of information by issuers of listed (or issuers proposing to list) debt securities to the debenture trustee, as prescribed in the Master Circular for Debenture Trustees dated 13 August 2025.

The revised timelines are as follows:

Reports/Certificate	Periodicity
Security cover certificate	**Quarterly basis** within 60 days (earlier 75 days) from the end of each quarter, except for the last quarter when submission is to be made within 75 days (earlier 90 days).
A statement of the value of pledged securities	
A statement of value for the Debt Service Reserve Account or any other form of security offered	
Net worth certificate of guarantor, in case debt securities are secured by way of personal guarantee	**Half-yearly basis** within 60 days (earlier 75 days) from the end of each half-year.
Financials/value of guarantor prepared based on audited financial statements, etc., of the guarantor (secured by way of corporate guarantee)	**On an annual basis,** within 60 days (earlier 75 days) from the end of each financial year.
Valuation report and title search report for the immovable/ movable assets, as applicable.	**Once in three years,** within 60 days (earlier 75 days) from the end of the financial year.

The above provisions of the circular are effective from the quarter ended 31 December 2025.

Click here to access the SEBI circular.

5. SEBI circular on reclassification of real estate investment trusts (REITs) as equity-related instruments for facilitating enhanced participation by mutual funds (MFs) and Specialized Investment Funds (SIFs)

SEBI has amended the SEBI (Mutual Funds) Regulations, 1996, on 31 October 2025 to reclassify REITs as equity-related instruments, with a view to facilitating enhanced participation by MFs and SIFs in REITs.

In accordance with the above, it has been decided as under:

a. With effect from 1 January 2026, the investments made by MFs and SIFs in REITs will now be classified as equity-related instruments. However, the MFs and SIFs shall continue to classify the investment in InvITs as hybrid instruments.

b. The existing investments in REITs held by the debt schemes of MFs and SIFs, as on 31 December 2025, will be grandfathered. However, asset management companies (AMCs) are encouraged to divest REITs from their respective debt-scheme portfolios, taking into account market conditions, liquidity, and investor interest.

c. The Association of Mutual Funds in India shall include REITs in the classification of scrips based on market capitalisation.

d. The AMCs shall issue an addendum to the scheme documents, which will not be considered a fundamental attribute change.

e. REITs can be added to equity indices only after 6 months, i.e., 1 July 2026.

Click here for SEBI circular

6. Master Circular for issue and listing of non-convertible securities, securitised debt instruments, security receipts, municipal debt securities, and commercial paper

SEBI has issued a Master Circular consolidating various instructions and directions related to the issuance and listing of non-convertible securities, securitised debt instruments, security receipts, municipal debt securities, and a commercial paper issued by SEBI till 30 June 2025.

With the issuance of this Master Circular, all directions/instructions contained in the circulars listed in Annexure-1 to this Master Circular have been rescinded to the extent they relate to the issue and listing of aforementioned instruments. However, any action taken, rights accrued, or liabilities incurred under earlier circulars remain valid and enforceable under the corresponding provisions of the new Master Circular.

Click here to access the SEBI Master Circular.

7. SEBI (Share Based Employee Benefits and Sweat Equity) (Second Amendment) Regulations, 2025

SEBI, on 3 December 2025, issued the SEBI (Share Based Employee Benefits and Sweat Equity) (Second Amendment) Regulations, 2025, revising the definition and eligibility criteria of valuers in relation to employee benefit and sweat equity schemes in the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021.

The definition of the "valuer" in Regulation 2 has been updated to align fully with Section 247 of the Act, thereby shifting valuation responsibilities from "the merchant bankers" to "the independent registered valuers". In addition, the amendment provides a transition period for merchant bankers to complete the ongoing valuation assignments initiated before the new rules, allowing up to 9 months from the effective date for completion.

This shift aims to bring consistency in valuation practices and strengthen the reliability of valuation reports used for employee benefit schemes. Registered valuers, regulated by the Insolvency and Bankruptcy Board of India (IBBI), offer deeper domain-specific expertise, making valuations more credible and compliant. This change will affect listed entities, valuation professionals, and compliance officers, who must update their internal processes and documentation to comply with the new regulations. Improved valuation accuracy is also likely to strengthen investor confidence and reduce discrepancies in share-based compensation reporting.

The amendment to the regulation is effective on the 30th day from the date of notification, on 3 December 2025.

Click here to access the regulation.

8. Modalities for migration to AI-only schemes and relaxations to Large Value Funds for Accredited Investors under SEBI (Alternative Investment Funds) Regulations, 2012

SEBI, on 8 December 2025, issued a circular on the modalities for migration to AI-only schemes and relaxations to Large Value Funds (LVFs) for accredited investors under the SEBI Alternative Investment Funds (AIFs) Regulations, 2012.

The circular allows existing AIFs or their schemes to convert into accredited inventors (AI) only, or into LVF schemes with prior investor consent, subject to reporting obligations to SEBI and depositories within 15 days of conversion. It also clarifies that an investor's AI status at the time of onboarding will remain valid throughout the tenure of the scheme. In addition, AI-only schemes can seek a maximum permissible extension of five years, including the original tenure.

Further, the circular provides operational relaxations for the LVFs catering to AIs. These LVFs are exempt from using the standard placement memorandum template and from annual audit requirements, without needing specific investor waivers. Trustees or sponsors are required to ensure compliance through a 'Compliance Test Report.'

Effective immediately upon notification, these measures aim to simplify operations, enhance flexibility, and promote the ease of doing business for AIFs while safeguarding investor interests.

Click here to access the circular.

9. Amendments to SEBI REIT and InvIT Regulations

SEBI, vide the gazette notification dated 9 December 2025, has introduced a set of harmonised amendments to the regulatory frameworks governing REITs and InvITs through the SEBI (REIT) (Third Amendment) Regulations, 2025, and the SEBI (InvIT) (Fourth Amendment) Regulations, 2025.

A key amendment under the REIT Regulations introduces a standalone definition of "institutional investor." Under the amended framework of both regulations, the definition of an institutional investor now expressly includes:

- A qualified institutional buyer, or
- A family trust or SEBI-registered intermediary having a net worth of more than INR 500 crores, as per the latest audited financial statements.

The definition of a 'qualified institutional buyer' (QIB) in REIT and InvIT Regulations has been aligned with the meaning assigned under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, ensuring consistency across capital market regulations. By anchoring the meaning of a QIB to a single, well-established regulatory source, SEBI has eliminated the possibility of divergent interpretations across different market instruments.

The amendments also comprehensively rationalise the concept of a "Strategic Investor" under both the regulations. Strategic investors now include:

- Institutional investors;
- Foreign portfolio investors not otherwise classified as institutional investors;
- Reserve Bank of India (RBI)-registered NBFCs in the middle, upper, or top layers; and
- Any other entity, as may be specified by SEBI from time to time.

To qualify as a strategic investor, the entity must invest, either individually or jointly, not less than 5% of the total offer size, or such other threshold as SEBI may prescribe. All such investments remain subject to compliance with the Foreign Exchange Management Act, 1999, and the applicable foreign exchange framework.

Where another financial sector regulator regulates an entity, SEBI must consult the relevant regulator before recognising such an entity as a strategic investor, thereby reinforcing inter-regulatory coordination and introducing a critical regulatory safeguard to mitigate systemic risk.

Click here to access the circular on the amendment in REIT Regulations and here to access the amendment in InvIT Regulations.

10. SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 2025

SEBI has notified the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 2025, which came into force on the date of their publication in the official gazette on 15 December 2025. Major changes to the regulatory framework include the following:

a. Introduction of activity-based regulations for registrars to issue and share transfer agents (RTAs).

b. Introduction of a common definition for RTAs in place of the existing separate definition

c. Registration with SEBI has been mandated, ensuring that only qualified entities handle sensitive investor data and transactions.

d. The minimum net-worth requirement for RTAs has been set at INR 50 lakh, and existing registrants have been granted a transition period of 18 months to achieve compliance with this requirement.

e. The fee structure for RTAs has been revised, and a provision has been included allowing SEBI, on sufficient cause, to enable payment within six months of the due date. Failure to pay fees may result in the suspension of the certificate, and the registrar shall cease all activities.

f. An institutional mechanism for RTAs has been introduced, requiring them to appoint compliance officers, establish internal controls, and implement fraud-prevention systems. They must also maintain comprehensive records and comply with prescribed grievance redressal timelines.

On and from the commencement of these regulations, the SEBI (Registrars to an Issue and Share Transfer Agents) Regulations, 1993, stand repealed.

Click here to access the new regulations.

11. SEBI 212th board meeting update

SEBI, at its 212th board meeting held on 17 December 2025, approved a series of regulatory reforms aimed at simplifying compliance, enhancing investor protection, and improving ease of doing business across India's securities market.

Some of the key highlights of the board meeting are as follows:

a

SEBI (Stock Brokers) Regulations: SEBI approved a proposal to replace SEBI (Stock Brokers) Regulations, 1992, with SEBI (Stock Brokers) Regulations, 2025 ("SB Regulations") with the objective to simplify the language, remove the redundancies, and provide an ease of compliance. Consequently, SEBI on 7 January 2026, notified SEBI (Stock Brokers) Regulations, 2026 which came into effect from the date of notification.

Click here for the new regulations.

b

SEBI (Mutual Funds) Regulations: SEBI approved a comprehensive review of the Mutual Funds Regulations, 1996, culminating in the new SEBI (Mutual Funds) Regulations, 2026. The new regulation provides simplification and consolidation of provisions, clarity on statutory levies, rationalisation of brokerage limits, removal of the additional expense allowance, and a framework to simplify operational and compliance requirements. Consequently, SEBI on 14 January 2026, notified SEBI (Mutual Funds) Regulations, 2026 which shall come into force with effect from 1 April 2026.

Click here for the new regulations.

c

SEBI (LODR) Regulations, 2015: SEBI approved a proposal to amend the SEBI LODR to align the timeline for the transfer of unclaimed interest/dividend/redemption payment entities having listed non-convertible securities to the Investor Education and Protection Fund (IEPF)/Investor Protection and Education Fund (IPEF), with the Companies Act, 2013 provisions. The unclaimed amounts shall now be transferred to the IEPF/IPEF once after the completion of 7 years from the date of maturity of the security, instead of multiple transfers when interest/dividend/redemption payments become due. Consequently, SEBI on 20 January 2026, notified SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2026 which came into effect from the date of notification.

Click here for the amended regulations.

d

SEBI (Issue and Listing of Non-Convertible Securities) Regulations, 2021 (NCS Regulations): SEBI approved a proposal to amend the NCS Regulations to permit debt issuers to offer incentives to specific categories of investors. Now, issuers can offer additional interest or a discount to categories, such as senior citizens, women, armed forces personnel, retail investors, or any other category of investors, as may be specified by SEBI. Consequently, SEBI on 20 January 2026 notified SEBI (Issue and Listing of Non-Convertible Securities) (Amendment) Regulations, 2026 which came into effect from the date of notification.

Click here for the new regulations.

e

SEBI (Credit Rating Agencies) Regulations, 1999: SEBI approved a proposal to amend these regulations to enable CRAs to issue ratings for financial instruments under the purview of other financial sector regulators (FSRs), even in the absence of any rating guidelines issued by the respective FSR. Presently, CRAs rate bank loans under the RBI's guidelines, but are constrained from rating unlisted debt securities/instruments due to the lack of explicit rating guidelines. Consequently, SEBI, on 13 January 2026, notified SEBI (Credit Rating Agencies) (Amendment) Regulations, 2026 which came into effect from the date of such notification.

Click here for the amended regulations.

f

Relaxation for High Value Debt Listed Entities (HVDLEs): SEBI has approved a higher threshold for reckoning HVDLE from INR 1,000 crore to INR 5,000 crore of outstanding non-convertible debt. This will make it easier for regulated entities, such as NBFCs, HFCs, ARCs, insurance companies, and REITs to raise funds through corporate bond issuance. Consequently, SEBI on 20 January 2026, notified SEBI (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2026 which came into effect from the date of notification.

Click here for the amended regulations.

Click here to access the press release of the board meeting.

12. SEBI circular mandating periodic disclosure requirements for the Securitised Debts Instruments

SEBI, on 12 December 2025, issued a circular under Regulation 11B of the SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008, mandating periodic disclosure requirements for securitised debt instruments ('SDIs'), to protect investor interests and strengthen the regulation of the securitised debt market.

The circular requires trustees of the special purpose distinct entities (SPDEs) to submit specified disclosures on a half-yearly basis to SEBI and to the stock exchanges where the SDIs are listed, within 30 days from the end of March and September each year.

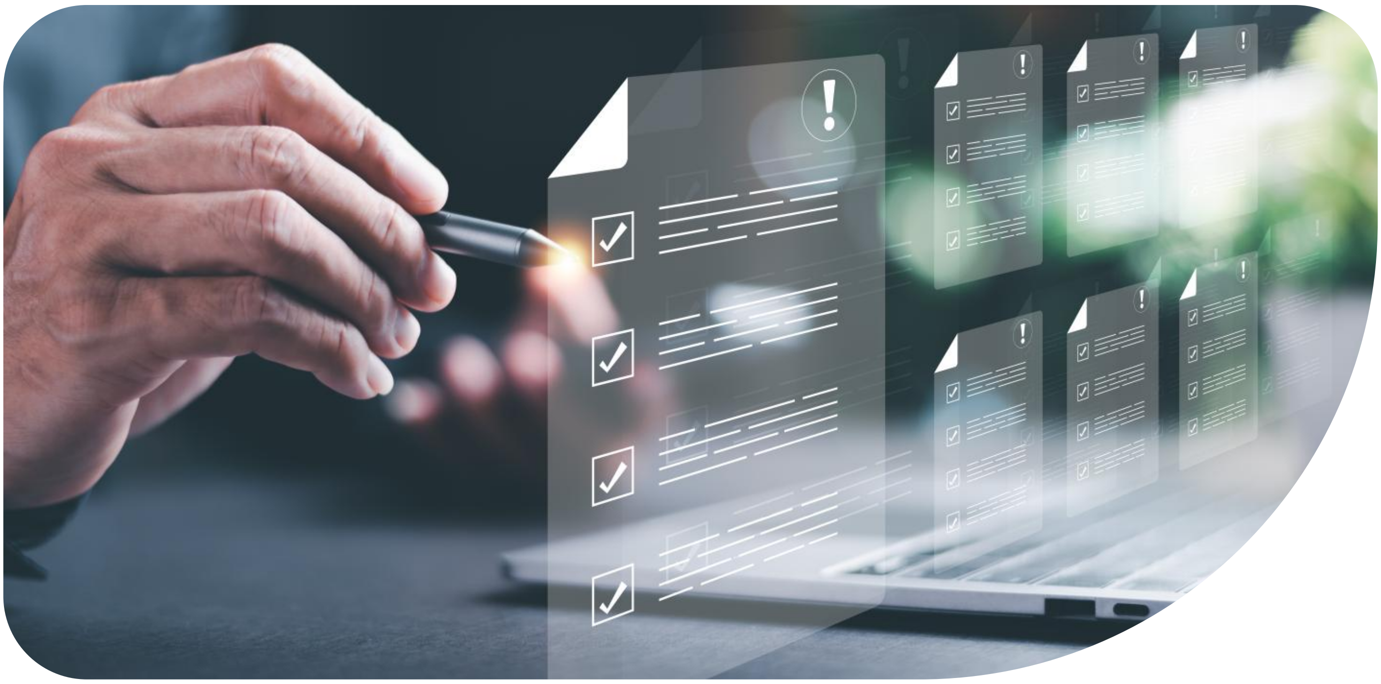
Separate disclosure formats have been prescribed in the circular under Annexure I and Annexure II for SDIs backed by loans, listed debt securities, or credit facilities, and for SDIs backed by other exposures, respectively. Further, Annexure III of the circular provides illustrative guidance on the computation of weighted-average maturity, weighted-average rating, and average default rate.

These disclosures primarily cover the following aspects:

- Maturity characteristics of the underlying assets
- Credit quality of the underlying assets/loan/listed debt securities/credit facility exposures
- Minimum retention requirement (MRR)
- Minimum holding period (MHP)

The provisions of this circular will be effective from 31 March 2026.

Click here to access the circular.



RBI Updates

1. Foreign Exchange Management (Export of Goods and Services) (Second Amendment) Regulations, 2025

The RBI has issued the Foreign Exchange Management (Export of Goods and Services) (Second Amendment) Regulations, 2025, introducing key revisions to the timelines governing export-related payments.

The amendment extends the timelines as follows:

01

The period for realisation and repatriation of export proceeds for goods/software/services is extended to 15 months from 9 months under Regulation 9 of the Foreign Exchange Management (Export of Goods & Services) Regulations, 2015.

02

The period for the shipment of goods, in case of receipt of advance payment, is extended to 3 years from 1 year under Regulation 15 of Foreign Exchange Management (Export of Goods & Services) Regulations, 2015.

The above amendment is effective from 13 November 2025.

Click here to access these FEMA amendment regulations.

2. RBI (Trade Relief Measures) Directions, 2025

To provide relief for trade disruptions caused by the global headwinds, the RBI has issued RBI (Trade Relief Measures) Directions, 2025 (Directions) to the following Regulated Entities (REs):

i. Commercial banks,

ii. NBFCs, including Housing Finance Companies (HFCs),

iii. Primary (Urban) cooperative banks, state cooperative banks, and Central Co-operative banks,

iv. All-India financial institutions, and

v. Credit information companies (only with respect to Paragraph 16 of these Directions)

REs are required to frame a policy for providing relief measures to eligible borrowers, and the same should be disclosed in the public domain.

A borrower will be deemed to be eligible upon fulfilment of all the following conditions:

i. The borrower is engaged in specified export sectors as specified in these Directions;

ii. The accounts of the borrower with all REs were classified as standard as of 31 August 2025; and

iii. The borrower had an outstanding export credit facility from a RE as of 31 August 2025

For eligible borrowers, the following relief measures may be extended by a RE:

- Moratorium on term-loan instalments falling due between 1 September 2025 to 31 December 2025 (effective period);
- Deferring recovery of interest on working-capital facilities during the effective period;
- During the moratorium/deferment period, interest shall accrue on a simple basis without compounding effect;
- Accumulated interest during the aforesaid period may be converted to funded interest term-loan repayable after 31 March 2026 but not later than 30 September 2026;
- Recalculation of 'drawing power' by reducing margins or reassess working capital limits during the effective period in respect of working capital facilities;
- Extending the credit period tenure up to 450 days for pre-shipment and post-shipment export credit disbursed till 31 March 2026.

As per the Directions, the asset classification under the 'Income Recognition, Asset Classification, and Provisioning' (IRACP) norms will exclude the moratorium/deferment period provided by REs. After the expiry of the moratorium/deferment period, the asset classification shall be as per the extant IRACP norms applicable to the respective RE.

Further, the Directions provide that for eligible borrower accounts, which were in default but classified as standard as on 31 August 2025, REs must create a general provision of not less than 5% of the total outstanding in such accounts by 31 December 2025, which may be adjusted against the actual specific provisioning for these accounts. Any residual general provisions at the end of the financial year 2025-26 shall be either written back or adjusted against the provisions required for all other borrower accounts by 30 June 2026.

The above provisions should not be considered in arriving at net NPAs until they are adjusted against actual provisions; until such adjustment, these provisions should not be netted from gross advances but shown separately in the balance sheet.

A RE should develop an MIS on the reliefs provided to its borrowers, which will include, inter alia, borrower- and credit-facility-wise information on the nature and amount of relief granted. The REs should submit a report on the relief measures provided to their borrowers on a fortnightly basis (as on the 15th and at the end of each month) in the format prescribed by the RBI on its DAKSH platform.

Click here to access the RBI's Directions.

3. RBI issued amendments in the directions related to CRR and SLR maintenance framework

The RBI, on 11 December 2025, has issued 7 amendment directions to amend the Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) maintenance framework applicable for commercial banks, small finance banks, payments banks, regional rural banks, rural co-operative banks, local area banks, and urban co-operative banks (collectively referred to as "the Banks").

Pursuant to recent legislative changes under the Banking Laws (Amendment) Act, 2025, the RBI has introduced key amendment in the definition of a "fortnight" for CRR and SLR maintenance from the earlier cycle of "Saturday to the second following Friday, both days inclusive" to "a fixed bi-monthly period", i.e., "the first to the fifteenth day and the sixteenth to the last day of each calendar month, both days inclusive" effective from 15 December 2025.

Transitional provisions: The maintenance of CRR and SLR during the fortnight 16 to 31 December 2025 and the first fortnight of January 2026 (i.e., 1 to 15 January 2026) is to be done by the banks, based on the Net Demand and Time Liabilities (NDTL) as on 28 November 2025 and 15 December 2025, respectively. From the subsequent fortnights starting from 16 January 2026, the maintenance shall be done, as presently applicable, i.e., based on the NDTL as on the last day of the second preceding fortnight. A special three-day transition window from 13 to 15 December 2025 requires banks to maintain the CRR and SLR based on the NDTL as on 28 November 2025 and ensure a minimum CRR of 100% of the requirement.

Further, the reporting requirements for the CRR and SLR returns have been streamlined. For commercial banks, small finance banks, payments banks, regional rural banks, and local area banks, the earlier practice of submitting provisional, final, and special returns has been discontinued. These banks are now required to submit only one **Form A** for CRR each fortnight and one **Form VIII** for SLR each month.

Similarly, for urban and rural co-operative banks, the requirement for provisional, final, and special returns has also been eliminated. These banks now require submitting a single Form B for CRR every fortnight and a single Form I for SLR every month. All these returns must be filed electronically through the CIMS portal, with **digital signatures**.

Click below for the RBI's Directions

- Urban Co-operative Banks
- Local Area Banks
- Rural Co-operative Banks
- Regional Rural Banks
- Payments Banks
- Small Finance Banks
- Commercial Banks

4. RBI issued amendments to large exposures framework and intragroup transactions and exposures

The RBI, on 4 December 2025, has introduced revisions to the Large Exposure Framework (LEF) and the Interbank Exposure Framework (ITE) through the RBI (Commercial Banks – Concentration Risk Management) Amendment Directions, 2025, intending to bring enhanced clarity on the prudential treatment of exposures of foreign bank branches operating in India to their group entities and certain methodological aspects relating to the calculation of LEF and ITE.

The LEF governs the maximum credit exposure a bank can have to a single counterparty or group, thereby mitigating concentration risk. The ITE framework, on the other hand, regulates interbank exposure to maintain systemic stability. For foreign bank branches, interpreting and applying these norms occasionally raised ambiguities due to their unique operational structure. The RBI's revised guidance seeks to eliminate these gaps.

The updated directions clarify how exposure of foreign bank branches should be measured, aggregated, and reported under both the LEF and ITE. The RBI has refined the rules for identifying counterparties, determining eligible capital for exposure calculation, and applying limits to branch-based operations. The revisions also ensure uniformity in how foreign branches compute exposure ceilings relative to their global and domestic entities, thereby reducing inconsistencies in risk reporting.

The amendment shall come into force from 1 April 2026. However, the banks may decide to implement the amendment from an earlier date.

Click here to access the revision to LEF and ITE.

Furthermore, consequent to the Concentration Risk Management Amendment Directions, 2025, the RBI has notified the RBI (Commercial Banks - Financial Statements: Presentation and Disclosures) Amendment Directions, 2026, on 1 January 2026.

The said amendment modifies disclosures under Schedule 1 (Capital) to require banks to separately disclose, by way of a note, the amount of deposit held under Section 11(2)(b)(i) of the Banking Regulation Act, 1949, which is earmarked as Credit Risk Mitigation (CRM) for offsetting non-centrally cleared derivative exposures to the head office (including overseas branches). Such amount shall not be reckoned for regulatory capital or other statutory requirements.

The amendment will be effective from the date the bank implements Paragraphs 3(1) to 3(4) of the Concentration Risk Management Amendment Directions, 2025, or 1 April 2026, whichever is earlier.

Click here to access the above amendment to the directions.

5. RBI issues Amendment Directions on Maintenance of Cash Credit Accounts, Current Accounts and Overdraft Accounts by Banks

The RBI, on 11 December 2025, issued 7 amendment directions on the maintenance of cash credit accounts, current accounts, and overdraft accounts by commercial banks, small finance banks, payments banks, regional rural banks, urban and rural cooperative banks to strengthen credit risk management frameworks and streamline the maintenance of transaction accounts across all banking segments, ensuring regulatory clarity and operational flexibility.

Key highlights:

Commercial banks -

- Banks can freely open current accounts and cash credit/overdraft (CC/OD) facilities for borrowers with aggregate exposure below INR 10 crore.
- For exposures of INR 10 crore or more, only banks with at least 10% of the borrower's exposure can open CC/OD accounts.
- Other banks may open collection accounts, with funds transferred within two working days.
- Current accounts cannot be used as pass-through vehicles unless specifically permitted.

Click here to access the RBI notification.

Small finance banks

- Granted the same flexibility as commercial banks for the INR 10 crore exposure threshold.
- Any bank can open transaction accounts for borrowers with exposure below INR 10 crore; stricter norms apply to larger exposures.
- Escrow and collection account handling simplified for multi-bank borrowers.
- Changes aim to improve operational efficiency and support MSME/NBFC transaction

Click here to access the RBI notification.

Payments banks

- Flexible norms were introduced for transaction accounts, similar to those of commercial banks.
- CRR/SLR framework revised: "fortnight" redefined.
- Reporting formats updated (Form A/VIII) and electronic submission via the CIMS portal with digital signatures mandated.
- Transition protocols set for mid-December 2025 to mid-January 2026.

Click here to access the RBI notification

Local area banks

- New definitions for CC/current/OD accounts, and a robust Chapter VIIA added for regulatory purposes.
- Free operation for exposures below INR 10 crore; ≥ INR 10 crore requires a 10% stake; others use collection accounts with T+2 transfers.
- Exemptions for FEMA/statutory accounts; includes half-yearly monitoring and CBS flagging.
- Preferential direct term loan disbursements encouraged.

Click here to access the RBI notification.

Regional rural banks

- CRR/SLR updates: fortnight redefined, electronic reporting via Form A/VIII with digital signatures.
- CC accounts allowed for exposures below INR 10 crore; ≥ INR 10 crore requires 10% exposure, else collection-only accounts.
- Exemptions for statutory/FEMA accounts; monitoring and safeguards introduced.

Click here to access the RBI's notification.

Urban cooperative banks

- Enhanced credit risk management: expanded related-party definitions aligned with the Companies Act and the IBC.
- Board-approved policy mandates limits, whistleblowing, recusal norms, and audit oversight.
- Tier-based thresholds for Board approval; stricter compliance enforced.
- New disclosure requirements for related-party exposures in annual financial statements

Click here to access the RBI's notification.

Rural cooperative banks

- Tightened credit risk governance with expanded related-party definitions.
- Mandatory Board-approved policies, strict thresholds, whistleblowing, and monitoring norms.
- No renewal of non-compliant exposures; penalties and forensic audits for violations.

Click here to access the RBI's notification.

The amendments mentioned above will be effective from 1 April 2026. However, banks may decide to implement the amendments in their entirety from an earlier date.

6. RBI (Undertaking of Financial Services) Directions, 2025

On 5 December 2025, the RBI issued amendment directions to the RBI (Undertaking of Financial Services) Directions, 2025, to amend the regulatory framework governing the undertaking of financial services following the incorporation of industry and stakeholder feedback received on the draft framework issued in October 2024. The revised directions apply to commercial banks, small finance banks, payments banks, NBFCs, and non-coperative financial holding companies.

The key amendments are as follows:

Revision of specific definitions

Revised definitions have been introduced for 'Agency Business' and 'Referral Services', and a new definition has been introduced for 'Group Entity'. Agency arrangements are now restricted to regulated financial products, while referral arrangements cannot involve integration with bank systems or branding.

Segregation of activities within bank groups

It has been instructed that core banking activities, including the acceptance of deposits, must be undertaken only at the departmental level. Activities such as mutual funds, insurance, pension fund management, PMS, and broking must be carried out only through group entities.

Additional conditions for NBFC/HFC lending arms

NBFC group entities must comply with upper-layer NBFC regulations (excluding listing) and adhere to the restrictions on advances against parent bank's shares, loans to directors/relatives, financing promoter's contribution, land acquisition financing, and limits on loans against shares, IPO financing, and ESOP funding.

Revised investment framework:

The bank's investment in any entity has been capped at 10% of its capital and reserves. Aggregate investment shall be limited to 20%. Investments of 20% or more in an entity by the bank group shall require prior RBI approval

Restrictions on AIF investments

Banks are prohibited from investing in Category III AIF schemes. Category I and II AIF investments shall be allowed within capped limits and approval thresholds. Banks must ensure there is no regulatory circumvention through AIF exposures.

Governance, risk, and compliance requirements

Banks must establish comprehensive policies for each business line, including risk identification, mitigation, and capital allocation. Breaches must be reported through the PRAVAAH portal within 15 days.

Compliance timelines

Banks that are not in conformity with the directions shall submit an action plan by 31 March 2026 to comply with the provisions contained herein within the specified timeline, but not later than 31 March 2028.

Others

PMS and similar services are allowed only through group entities, with prior RBI approval. Banks are permitted to act as professional clearing members in the equity derivatives segment.

Click here to access the amendment.

Other regulatory updates

1. ICAI approved 13th edition of ICAI Code of Ethics

On 27 October 2025, the Ethical Standards Board of the ICAI issued an exposure draft of the 13th edition of the ICAI Code of Ethics, introducing several significant changes compared to the 12th edition.

Based on feedback on the above-proposed exposure draft, the Council of the ICAI approved the revised 13th edition of the Code of Ethics on 12 December 2025, effective from 1 April 2026.

The key enhancements are as follows:

1. **Advertisement and website guidelines:**

a) Expanded scope for advertisements and write-ups, creating an ecosystem where Indian firms can grow, compete, and position themselves on a global scale.

b) Members and firms can now use push technology for non-exclusive services (e.g., consultancy, accounting).

c) Network firms registered with the ICAI will now be permitted to develop and maintain their own websites.

2. **Convergence with International Ethics Standards Board for Accountants (IESBA) 2024 Code:**

a) An audit firm cannot accept an audit engagement for a PIE if it has previously provided a non-assurance service that could create a self-review threat to the financial statements.

b) The Non-Compliance with Laws and Regulations (NOCLAR) provisions extended to all listed entities and their material subsidiaries.

3. **Sustainability assurance standards:**

New ethical standards for sustainability assurance have been introduced, based on the International Ethics Standards for Sustainability Assurance (including the International Independence Standards) issued by the IESBA.

4. **Expansion of list of Management Consultancy and Other Services (MCS):**

A chartered accountant can now offer diverse, modern services such as social impact assessment, artificial intelligence, forensic accounting, and other emerging professional domains.

5. **Digital payment for audit fees:**

In line with the government of India's policy to promote the digital economy, it has been recommended that members or firms accept audit fees only through digital modes or banking channels.

Click here to access the ICAI press release.

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

The central government tabled the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025, in the Lok Sabha on 16 December 2025. The said bill received the President's assent on 20 December 2025. Accordingly, the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 (the "Insurance Act") was published for general information on 21 December 2025. However, the Act has not yet been brought into force, pending notification by the central government in the Official Gazette.

The Insurance Act aims to revise key provisions of the Insurance Act, 1938, the Life Insurance Corporation Act, 1956, and the Insurance Regulatory and Development Authority Act, 1999. The key aspects of the Insurance Act are as follows:

a. **FDI in insurance companies:** The Insurance Act increased the foreign direct investment limit in Indian insurance companies from 74% to 100% of their paid-up equity capital, allowing complete foreign ownership. However, it mandates that at least one of the top executives, the Chairman, Managing Director, or Chief Executive Officer must be an Indian.

b. **Reinsurance liberalisation:** The net owned fund requirement for foreign reinsurance branches is reduced from INR 5,000 crore to INR 1,000 crore, to deepen the reinsurance market and promote India as a regional hub.

c. **Insurance intermediaries:** The definition of intermediaries is broadened to include managing general agents and insurance repositories, expanding the scope of regulated entities. Currently, the certificates of registration issued to insurance intermediaries, such as corporate agents and insurance brokers, are valid for 3 years. Under the Insurance Act, intermediaries will now receive registrations that remain valid until suspended or cancelled, with further clarity expected on renewal-related references.

d. **Share transfer approval:** Under the erstwhile law, the Insurance Regulatory and Development Authority of India (IRDAI) approval is required for share transfers exceeding 1% of the paid-up capital. The Insurance Act raises this threshold to 5%, simplifying compliance for insurers.

e. **Enhanced powers of IRDA:** The IRDAI will have the authority to approve the schemes of arrangement between insurers and non-insurance companies, supersede an insurer's Board and appoint an administrator if policyholder interests are at risk, and regulate remuneration, commissions, and rewards for agents and intermediaries. Its powers of inspection and investigation will also extend to intermediaries.

f. **Policyholders' Education and Protection Fund:** The Insurance Act introduces a new framework that allows the government to set up a dedicated Policyholders' Education and Protection Fund to promote insurance awareness and safeguard consumer interests, while the policyholders' data must be collected and protected in line with the Digital Personal Data Protection (DPDP) Act, 2023.

Click here for the New Insurance Amendment Act.

3. IRDAI (Insurance Fraud Monitoring Framework) Guidelines, 2025

The IRDAI, on 9 October 2025, issued the IRDAI Insurance Fraud Monitoring Framework Guidelines, 2025 (the 'Guidelines'), which will be effective from 1 April 2026. These Guidelines aim to establish a comprehensive and robust regulatory framework to deter, prevent, detect, report, and remedy fraud risks across the insurance industry. Upon implementation, the earlier Insurance Fraud Monitoring Framework issued via circular IRDA/SDD/MISC/CIR/009/01/2013, dated 21 January 2013, will stand repealed.

Key provisions of the Guidelines are as below:

1. **Applicability:** The Guidelines apply to all insurers and distribution channels, unless otherwise specified.
2. **Fraud classification:** Fraud is categorised into distinct types to ensure targeted prevention and detection measures across the insurance ecosystem:
   a) Internal fraud: Fraud involving internal staff, including employees and/or senior management.
   b) Distribution channel fraud: Fraud involving distribution channels.
   c) Policyholder fraud and/or claims fraud: Fraud involving any person(s), in obtaining coverage or payment during the purchase, servicing, or claim of an insurance policy.
   d) External fraud: Fraud involving external parties/service providers/vendors, etc.
   e) Affinity fraud or complex fraud: Fraud involving collusion among one or more fraud perpetrators in the above categories.
3. **Fraud Risk Management Framework:** Insurers must implement a fraud risk management framework tailored to their business profile and target a zero-tolerance approach to fraud. This framework must include a board-approved anti-fraud policy that is reviewed at least annually.
4. **Governance structure:** Every insurer shall establish:
   a) Fraud Monitoring Committee ('FMC'): It is responsible for operationalising and overseeing the fraud risk framework.
   b) Fraud Monitoring Unit ('FMU'): This is an independent unit, separate from internal audit, to support the FMC.
5. **Cyber or new age fraud:** Specific provisions requiring insurers to implement robust cybersecurity frameworks to address emerging digital threats and continuously monitor and strengthen systems and processes for fraud risk management.
6. **Reporting:** The guidelines mandate a structured and transparent reporting framework to ensure timely detection, escalation, and resolution of fraud incidents across the insurance sector:
   a) Internal reporting: The FMU must maintain detailed records of all suspected and confirmed fraud cases and submit reports to the FMC for review and action. The FMC must provide quarterly updates to the Risk Management Committee (RMC) and report to the Board of Directors and the Audit Committee as required.
   b) Regulatory reporting: Insurers shall report incidents of fraud to law enforcement agencies and/or other relevant agencies, subject to applicable laws.

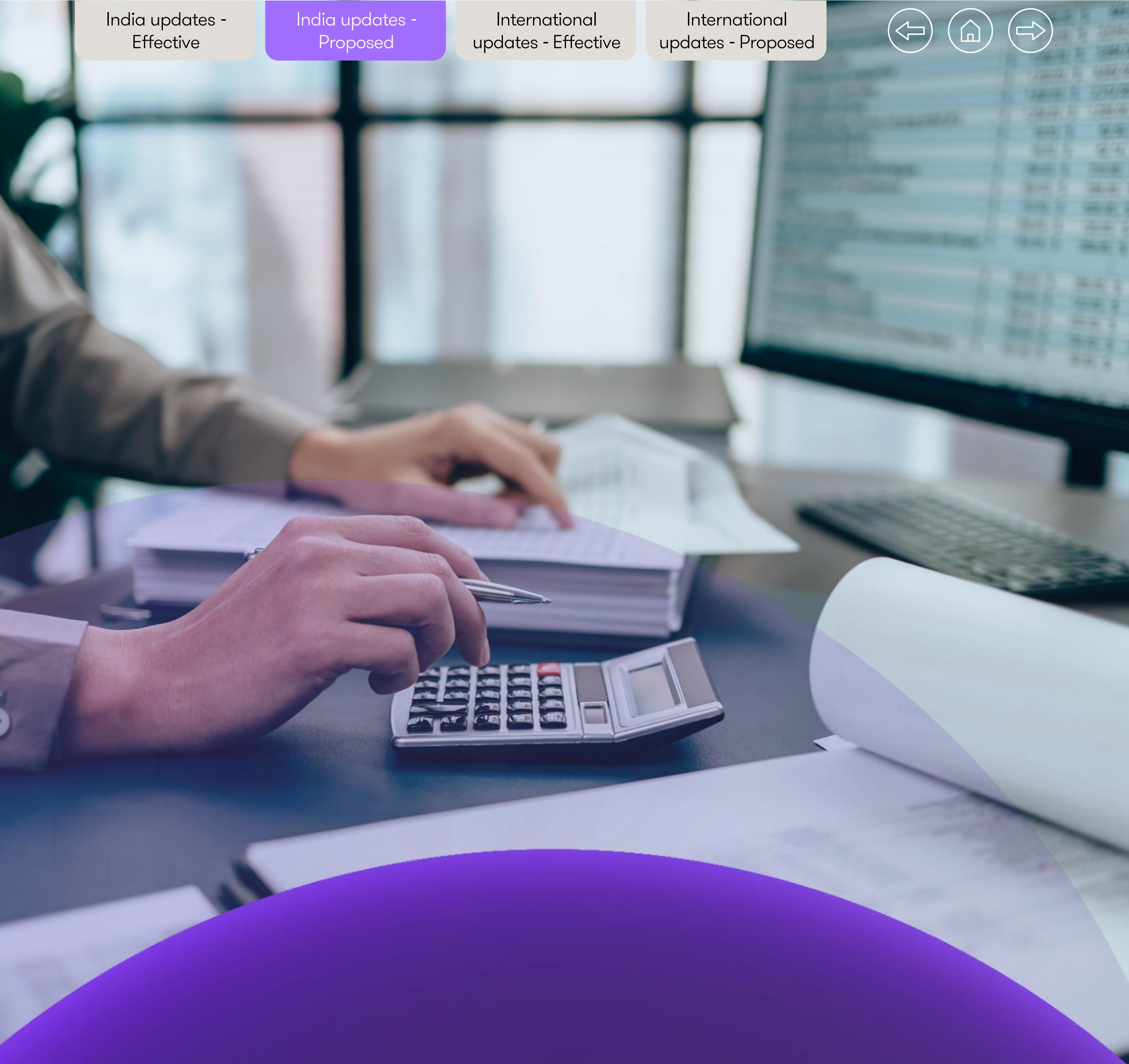
c) Insurance Information Bureau ('IIB'): All insurers are required to share with the IIB the details of distribution channels, hospitals, third-party vendors, and fraud perpetrators that have been blacklisted, and the IIB shall maintain the caution repository concerning all such details to safeguard the integrity of the insurance sector by preventing the involvement of those with a record of fraudulent activities.

d) Annual return – Form FMR-1: Insurers are required to file Form FMR-1 annually with IRDAI. This form includes details of fraud cases detected during the year, actions taken to resolve and recover, and systemic improvements and preventive measures adopted.

7. **Foreign reinsurance branches (FRBs):** FRBs may either adopt these guidelines or the framework prescribed by the host jurisdiction of their parent entity, whichever is more comprehensive.

8. **Distribution channel accountability:** To ensure a comprehensive approach to fraud prevention, the guidelines required that distribution channels must develop their own fraud risk management frameworks commensurate with their business size and risk profile.

Click here to access the Guidelines



02

India updates - Proposed

A. Accounting updates

1. Exposure Draft of Ind AS 119, Subsidiaries without Public Accountability: Disclosure

The International Accounting Standards Board (IASB), on 9 May 2024, issued IFRS 19 "Subsidiaries without Public Accountability: Disclosures" to permit eligible subsidiaries to provide reduced disclosures when applying the IFRS Accounting Standards in their financial statements.

As a part of the convergence of Ind AS with IFRS Accounting Standards, the ASB of the ICAI, on 5 December 2025, has issued an Exposure Draft for public comments of proposed Ind AS 119 "Subsidiaries without Public Accountability: Disclosures".

The proposed Ind AS 119 includes reduced disclosures for almost all existing Ind AS, with the details specific to each affected standard. To apply Ind AS 119, eligible subsidiaries shall first use the recognition, measurement, and presentation requirements in each applicable Ind AS. Then they will refer to Ind AS 119 for the required disclosures rather than applying the disclosure requirements specified in the applicable Ind AS.

A subsidiary would be eligible if, at the end of its reporting period, it:

- does not have public accountability; and
- has an ultimate or intermediate parent that produces consolidated financial statements available for public use that comply with Ind AS.

The reduced disclosure framework does not apply to all standards. If an eligible subsidiary applies Ind AS 108 (Operating Segments), Ind AS 117 (Insurance Contracts), or Ind AS 33 (Earnings per Share), it is required to apply all the disclosure requirements contained within those specific standards.

Furthermore, as part of convergence, ASB has suitably modified/added/deleted specific paragraphs in the proposed Ind AS 119 in view of different positions in the respective Ind AS, and has included certain additional disclosures that are not in IAS/IFRS Accounting Standards but are in the corresponding converged Ind AS.

Also, the standard does not prevent an entity from providing more information. An entity must still assess whether compliance with the specific requirements in Ind AS 119 is sufficient to enable users to understand the effect of transactions, events, and conditions on its financial position and performance.

The proposed effective date of Ind AS 119 is for annual reporting periods beginning on or after 1 April 2027.

The last date for sending public comments on the Exposure Draft is 5 March 2026.

Click here to access the Exposure Draft.

B. Auditing updates

1. Exposure draft of Information System Audit Standard (ISAS)

The Digital Accounting Assurance Board of ICAI, on 26 December 2025, issued an Exposure Draft on Information Systems Audit Standards (ISAS), designed to provide a comprehensive, principle-based framework for assessing the integrity, confidentiality, availability, reliability, and security of information systems.

The ED emphasises that the ISAS establish the essential requirements that must be adhered to in every Information System (IS) audit engagement. These standards are designed to serve as binding professional obligations, forming the baseline for audit practice, rather than being treated as optional or advisory guidance

By introducing ISAS, the ICAI aims to equip professionals with a structured and globally aligned approach to IS audit. The standards encompass key areas, such as governance, IT general controls, application controls, cybersecurity assurance, technology risk management, incident response, data protection compliance, and system implementation review.

The last date for submitting comments on the Exposure Draft is 25 January 2026.

Click here to access the Exposure Draft

C. Regulatory updates

1. Draft RBI (Scheduled Commercial Banks & All India Financial Institutions - Asset Classification, Provisioning and Income Recognition) Directions, 2025

The RBI has issued Draft RBI (Scheduled Commercial Banks & All India Financial Institutions - Asset Classification, Provisioning and Income Recognition) Directions, 2025 ('Directions'), proposed to be effective from 1 April 2027.

These Directions shall apply to scheduled commercial banks (except regional rural banks, small finance banks, and payments banks) and All India Financial Institutions (AIFIs).

The proposed directions seek to replace the current incurred-loss model under the IRACP (Income Recognition, Asset Classification and Provisioning) norms with an Expected Credit Loss (ECL) provisioning model. This shift is intended to enhance credit risk management practices, promote more compatibility across financial institutions, and align regulatory requirements with globally accepted regulatory and accounting standards.

Key features of the proposed framework include:

- The Introduction of staging criteria for asset classification under the ECL approach, while retaining the existing Non-performing Asset (NPA) classification norms.
- Specification of suitably calibrated prudential floors for broad exposure classes, separately under Stage-1, Stage-2 and Stage-3.
- Establishment of model risk management principles for ECL implementation.
- Alignment of the income recognition norms based on the Effective Interest Rate (EIR) method.

As the RBI also stated, while these directions may lead to a one-time increase in provisioning, the overall impact on banks' minimum regulatory capital requirements is expected to be minimal, with all banks continuing to meet the requirements comfortably. Furthermore, a five-year glide path will further facilitate the transition in a non-disruptive manner.

Click here to access Grant Thornton Bharat's report that provides a detailed analysis of these draft regulations.

Click here and here to access the RBI draft Directions.

03

International updates – Effective

A. Accounting updates

1. IASB issues amendments for translating financial information into hyperinflationary currencies

The IASB, on 13 November 2025, issued amendments to IAS 21, 'the Effects of Changes in Foreign Exchange Rates' (IAS 21), which introduces additional guidance for the entities presenting financial statements in a hyperinflationary presentation currency.

The key amendments are highlighted below:

- When an entity's functional currency is non-hyperinflationary but its presentation currency is hyperinflationary, the results and financial position of the entity, including comparative amounts, should be translated into the presentation currency using the closing rate at the date of the most recent statement of financial position.
- When an entity's functional and presentation currency is hyperinflationary, and it translates the results and financial position of a foreign operation whose functional currency is non-hyperinflationary, the entity shall not translate comparative figures of that foreign operation using the closing rate. Instead, it should restate the same using a general price index, applying it to the corresponding statistics for the previous reporting period in accordance with Paragraph 34 of IAS 29, 'Financial Reporting in Hyperinflationary Economies'.
- The entity needs to disclose the proposed translation method and summarised financial information about its foreign operations. An entity shall also disclose the fact when the presentation currency ceased to be hyperinflationary.
- The amendments to IAS 21 are effective for the annual reporting period beginning on or after 1 January 2027, and early adoption is also permitted.

Click here for the amendment to IAS 21.

Correspondingly, as a part of the convergence of Ind AS with IFRS Accounting Standards, the ASB of the ICAI, on 26 December 2025, has issued an exposure draft of amendments to Ind AS 21-Translation to a hyperinflationary presentation currency, to seek public comments thereon. The proposed effective date of the proposed amendments to Ind AS 21 is annual reporting periods beginning on or after 1 April 2027.

Click here to access the exposure draft issued by ASB of ICAI.

2. IASB issues illustrative examples on reporting uncertainties in financial statements

The IASB has issued illustrative examples demonstrating how companies can apply the IFRS Accounting Standards when reporting the effects of uncertainties in their financial statements. The examples use climate-related scenarios as practical illustrations, but the underlying principles apply more broadly to all types of uncertainty.

A near-final staff draft of the illustrative examples was published in July 2025. The examples issued now differ from the near-final draft only in minor editorial details, such as renumbering and embedding them in the official guidance.

The final publication also includes the basis for conclusions, explaining the rationale and stakeholder feedback with respect to the illustrative examples covered.

Click here for IASB illustrative examples

3. FASB improves Guidance on Financial Instruments - Credit Losses - Purchased Loan

The Financial Accounting Standards Board (FASB) published an Accounting Standards Update (ASU) on 12 November 2025 that improves the accounting for purchased loans.

Currently, the Generally Accepted Accounting Principles in the United States of America (USGAAP) require entities to record acquired financial assets at an amortised cost, with an allowance for expected credit losses (allowance) recognised separately. The acquisition of purchased credit-deteriorated (PCD) assets uses a 'gross-up approach' to record the initial allowance through an adjustment to the initial amortised cost basis. In contrast, the initial allowance for non-PCD assets requires a direct charge to credit loss expense. This dual approach was seen as subjective and inconsistently applied, leading to double-counting of expected credit losses for non-PCD assets.

The new ASU addresses this by expanding the population of the acquired financial assets accounted for using the gross-up approach. Acquired loans (excluding credit cards) are deemed purchased seasoned loans and accounted for using the gross-up approach upon acquisition if the criteria established by the new guidance are met.

The amendments are effective for the annual reporting period beginning on or after 15 December 2026 and interim reporting periods within that annual reporting period.

Click here for FASB ASU.

4. FASB issues new standard to improve hedge accounting guidance

The FASB published an ASU No. 2025-09 – Derivative and Hedging (Topic 815) that clarifies and enhances the hedge accounting guidance.

The ASU enables entities to apply hedge accounting to a greater number of highly effective economic hedges in the following five areas:

- Similar risk assessment for cash flow hedges
- Hedging forecasted interest payments on choose-your-rate debt instruments
- Cash flow hedges of non-financial forecasted transactions
- Net written options as hedging instruments
- Foreign-currency-denominated debt instrument as a hedging instrument and a hedged item (dual hedge)

The amendments are effective for public business entities for annual reporting periods beginning after 15 December 2026, and for other entities for annual reporting periods beginning after 15 December 2027, with early adoption permitted.

Click here for FASB ASU.

5. FASB issued ASU 2025-10: Accounting for government grants received by business entities

On 19 November 2024, the FASB published a proposed ASU to establish authoritative guidance on the accounting for government grants received by business entities, seeking stakeholder feedback.

Pursuant to the above, the FASB, on 4 December 2025, has issued ASU 2025-10- "Accounting for Government Grants Received by Business Entities" as an amendment to Accounting Standards Codification (ASC) Topic 832- "Government Assistance".

The existing ASC 832 requires disclosure only of significant terms and conditions, including amounts readily available under the agreement with the government. There was no specific authoritative guidance in USGAAP for the accounting for government grants received by a business entity. In the absence of specific guidance, many business entities drew an analogy to the guidance in IAS 20, "Accounting for Government Grants and Disclosure of Government Assistance," issued by the IASB, or, less commonly, to the guidance in ASC Topic 450, Contingencies, and Subtopic 958-605, Not-for-Profit Entities—Revenue Recognition.

The new ASU 2025-10 provides recognition, measurement, and presentation guidance for government grants received by business entities, including guidance for grant related to assets and a grant related to income. Specifically, guidance has leveraged the principles of the accounting framework for government grants in the IFRS Accounting Standards, particularly IAS 20, and made targeted improvements, as well as modified certain existing disclosure requirements in ASC 832.

The new ASU 2025-10 is effective from annual reporting periods beginning after 15 December 2028 (for public business entities) and 15 December 2029 (for entities other than public business entities), and for interim reporting periods within those annual reporting periods. Early adoption is permitted in both interim and annual reporting period.

Click here to access the ASU.

6. FASB issued ASU 2025-11- Interim Reporting (Topic 270): Narrow-Scope Improvements

The FASB, on 9 December 2025, has issued an ASU 2025-11: "Narrow-Scope Improvements" as an amendment to ASC Topic 270- "Interim Reporting".

The ASU does not change the fundamental nature of interim reporting or expand or reduce current interim disclosure requirements, which were determined when the disclosure requirements were initially issued. Instead, its objective is to provide clarity on the current interim reporting requirements by:

- Clarifying that the guidance in the ASU applies to all entities that provide interim financial statements and notes in accordance with USGAAP;
- Creating a comprehensive list in ASC 270 of interim disclosures that are required in interim financial statements and notes in accordance with the USGAAP;
- Incorporating a disclosure principle, which is modelled after the previous SEC guidance, which requires entities to disclose events and changes that occur after the end of the most recent fiscal year that have a material impact on the entity; and
- Improving guidance about the information included in and the format of interim financial statements.

The new ASU 2025-11 is effective for interim reporting periods within annual reporting periods beginning after 15 December 2027 (for public business entities) and 15 December 2028 (for entities other than public business entities). Early adoption is permitted, and entities may apply the ASU either prospectively or retrospectively to any or all prior periods presented in the financial statements.

Click here to access the ASU

7. FASB issued ASU 2025-12 - Codification Improvements

On 17 December 2025, the FASB issued ASU 2025-12: Codification Improvements. The ASU's purpose is to update the ASCs for a broad range of topics arising from technical corrections, unintended application of the codification, clarifications, and other minor improvements.

The ASU 2025-12 includes 33 improvements that span a wide range of topics, of which key improvements are as follows:

01 Clarification on diluted earnings per share calculation when a loss from continuing operations exists;

02 Clarification on disclosure requirements for lease receivables from sales-type or direct financing leases;

03 Revision of the calculation of the reference amount for beneficial interests to prevent double-counting credit losses;

04 Clarification on the permissible methods to account for treasury stock retirements; and

05 Clarification on the guidance for transfers of receivables from contracts with customers.

The amendments in this ASU are effective for all entities for annual reporting periods beginning after 15 December 2026, and interim reporting periods within those annual reporting periods. Early adoption is also permitted.

Click here to access the ASU

8. ISSB issued targeted amendments to IFRS S2

On 11 December 2025, the International Sustainability Standards Board (ISSB) issued targeted amendments to greenhouse gas (GHG) emissions disclosure requirements in IFRS S2- "Climate-related Disclosures" in response to specific application challenges that were identified as companies started to apply the standard.

The amendments:

- Clarify that an entity is permitted to limit the measurement and disclosure of Scope 3 Category 15 GHG emissions to financed emissions as defined in IFRS S2;
- Permit the use of alternative classification systems—beyond the Global Industry Classification Standard—to disaggregate information about financed emissions;
- Clarify the availability of the jurisdictional relief from using the GHG Protocol Standard, if only part of an entity is required to use a different method for measuring GHG emissions; and
- Introduce a jurisdictional relief from using global warming potential values from the latest IPCC Assessment Report for converting GHG emissions.

The amendments are effective for reporting periods beginning on or after 1 January 2027, with early application permitted.

Click here to access Amendments to IFRS S2.

The ISSB has also issued consequential amendments to align the financed emissions metrics in three Sustainability Accounting Standards Board (SASB) Standards with the corresponding amended requirements in IFRS S2.

Click here to access the amendments to the SASB Standards.

A. Auditing update

1. IAASB publishes new illustrative reports to support ISSA 5000 implementation

The International Auditing and Assurance Standards Board (IAASB) has issued supplemental guidance to the International Standard on Sustainability Assurance (ISSA) 5000, General Requirements for Sustainability Assurance Engagements, which provides eight illustrative sustainability assurance reports, including both unmodified and modified reports.

These illustrations refer to specific sustainability reporting frameworks, and each illustrative set outlines key elements of the engagement circumstances relevant to the practitioner's assurance report. Furthermore, these assurance reports are for illustrative purposes only and are not intended to be exhaustive or applicable to all situations.

These examples illustrate how ISSA 5000 can be applied across a range of engagements:

- Five examples of assurance reports included with unmodified assurance conclusions, addressing common engagement types, such as:
  - Assurance on sustainability disclosures aligned with IFRS S1 and S2, for both limited and reasonable assurance engagements
  - Assurance on selected sustainability disclosures in an entity's sustainability report
  - Assurance on sustainability disclosures prepared using multiple reporting frameworks
  - Assurance engagements combining limited and reasonable assurance
- Further three examples of assurance reports included with modified conclusions illustrating a qualified conclusion, a disclaimer of conclusion, and an adverse conclusion.

Click here for ISSA 5000 supplemental guidance.

Click here for ISSA 5000 supplemental guidance.

04

International updates – Proposed

A. Accounting update

1. IASB proposed new accounting model to reflect how financial institutions manage interest rate risk

Financial Institutions (FIs), such as banks and insurers, reprice their financial assets and financial liabilities in a portfolio to market interest rates at different times or amounts, and they are subject to interest rate risk/repricing risk, which can cause volatility in their net interest income. They enter various interest rate derivatives, but the underlying assets and liabilities remain dynamic (change as and when FIs grant new loans/borrow funds).

Currently, FIs have an accounting policy choice of applying either the hedge accounting requirements of IFRS 9, "Financial Instruments", or those of IAS 39, "Financial Instruments: Recognition and Measurement". The current hedge accounting requirements are not designed for risk management strategies for dynamic portfolios and do not fully reflect real-world practices.

To address the above limitations, the IASB, on 3 December 2025, released an exposure draft proposing a new accounting model - Risk Mitigation Accounting (RMA) model (previously referred to as the Dynamic Risk Management (DRM) model), which aims to reflect better the economic effects of an entity's risk management activities related to the interest rate repricing risk exposure managed on a net basis.

The exposure draft has proposed amendments to IFRS 9 and IFRS 7 "Financial Instruments: Disclosures", and the withdrawal of IAS 39. Like current hedge accounting under IAS 39 and IFRS 9, the application of the RMA model will be optional and will be applied prospectively.

The exposure draft is open for comments until 31 July 2026. Financial Institutions are encouraged to undertake field testing of the model when submitting comments to the IASB and report the preliminary results as a separate response by 31 July 2026 and the final results on a confidential basis by 30 November 2026.

In continuation of the above ASB of the ICAI, on 23 December 2025 have issued a notification seeking public comments on proposed amendments to IFRS 9 and IFRS 7 by 22 May 2026.

Click here to access the exposure draft, basis of conclusion, illustrative examples and implementation guidance thereon

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