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Amendments to the regulatory framework for Credit Rating Agencies

Securities and Exchange Board of India (SEBI) introduced amendments to regulations for Credit Rating Agencies (CRAs)¹ on 22 April 2025. The objective of the amendments is to strengthen the regulatory framework for CRAs, particularly in the context of Environmental, Social, and Governance (ESG) ratings, and to enhance transparency, accountability, and investor protection. Some of the key aspects covered by these amendments are:

- **Definition of ‘subscriber-pays business model’:** A new clause was added to define this model as one where ESG rating providers (ERPs) earn revenue from subscribers such as banks, insurance companies, pension funds or the rated entity itself.
- **Clarifications for ERPs:** The amendments aim to bring greater clarity and procedural consistency for ERPs, ERPs operating under the purview of other financial sector regulators are not required to register with SEBI, provided they do not rate SEBI-regulated products or issuers. This ensures regulatory clarity and avoids overlap.

- **Disclosure requirements:** ERPs are required to disclose on their website the regulator under which they operate and their policies on sharing rating reports and timelines.

The amendments also bring out obligations for subscriber pays ERPs like timelines for providing report, base data on which ratings should be based, etc. These changes are part of SEBI's broader effort to regulate ESG ratings and ensure that investors receive credible, unbiased and transparent assessments.

(Source: SEBI Notification No. SEBI/LAD-NRO/GN/2025/242 - SEBI (Credit Rating Agencies) (Second Amendment) Regulations, 2025, dated 22 April 2025)

Compliance officer's position in a listed entity

On 1 April 2025, SEBI issued a circular clarifying the position of the Compliance Officer (CO) within the organisational structure of listed entities under Regulation 6 of the (Listing Obligations and Disclosure Requirements) LODR Regulations.

According to the SEBI (Listing Obligations and Disclosure Requirements) (Third Amendment Regulations), 2024, dated 12 December 2024, a CO must be in a full-time employment with the listed entity, positioned no more than one level below the board of directors, and designated as a Key Managerial Personnel.

SEBI has now clarified that ‘one level below the board’ refers to the position directly below the Managing Director or Whole-time Director(s) in the organisational structure. If these positions do not exist, the CO should be one level below the

Chief Executive Officer or the person managing the day-to-day affairs of the listed company.

(Source: SEBI circular SEBI/HO/CFD/PoD2/CIR/P/2025/47, ‘Clarification on the position of Compliance Officer in terms of regulation 6 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 – Reg.’, dated 1 April 2025)



1. The Securities and Exchange Board of India (Credit Rating Agencies) (Second Amendment) Regulations, 2025



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Clarification on regulatory framework for SIFs

SEBI issued a circular on 9 April 2025, providing the following clarifications on the regulatory framework for Specialised Investment Funds (SIFs):

- **Interval investment strategies:** The maturity provisions for securities in interval schemes, as specified in the Master Circular for Mutual Funds dated 27 June 2024, will not apply to interval investment strategies under SIFs.
- **Minimum investment:** The minimum investment threshold has been revised. Investors must now have an aggregate investment of at least INR10 lakh across all

SIF strategies at the Permanent Account Number (PAN) level. This threshold does not apply to mandatory investments made by Asset Management Companies (AMCs) for designated employees.

These clarifications aim to ensure the consistent application of the SIF framework and protect investor interests. They are effective immediately.

(Source: SEBI circular No SEBI/HO/IMD/IMD-PoD-1/P/CIR/2025/53 'Clarification on Regulatory framework for Specialised Investment Funds ('SIF'); dated 9 April 2025)



Amendments to LODR Regulations related to Special Purpose Distinct Entities

On 29 April 2025, SEBI has notified certain amendments to the LODR Regulations, 2025 effective from the date of publication in the official gazette. Key changes include:

1. **SCORES Registration for securitised debt instruments:** SEBI has clarified that in case of securitised debt instruments, SCORES registration may be taken at Trustee level covering all Special Purpose Distinct Entities (SPD entities) under their management. The SCORES platform (SEBI Complaints Redress System) is an online grievance redressal system launched by SEBI which allows investors to lodge and track complaints against listed companies, SEBI-registered intermediaries, and other market participants. Regulated entities are required to register on the SCORES platform to receive and respond to investor complaints.
2. **Enhanced disclosure requirements:** Schedule III – Part D of the LODR Regulations requires disclosures of information which may have a bearing on

performance/ obligation of listed entity and / or is price sensitive information in relation to Securitised Debt Instrument (SDI). The SPD entities or its trustee entities are required to provide following disclosures to stock exchanges on an annual basis:

- outstanding litigations and material developments in relation to the originator or servicer or any other party to the transaction which could be prejudicial to the interest of the investors
- disclosure about defaults in connection with servicing obligations undertaken by servicer

(Source: SEBI Notification F. No. SEBI/LAD-NRO/GN/2025/244, Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) (Second amendment) Regulations, 2025; dated 29 April 2025)



Clarifications to Cybersecurity and Cyber Resilience Framework

SEBI on 30 April 2025 issued a circular to provide additional clarifications and updates to its Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs). This circular expands upon the earlier communications from SEBI on the same subject. Key updates include:

- This circular revises the categorisation and thresholds for various REs². The categorisation of REs will be established at the start of each financial year, using data from the previous year and will remain fixed for that year.
- The circular outlines specific criteria and thresholds for each category of RE, including the number of registered clients and trading volume for stockbrokers, as well as Assets Under Management (AUM) for portfolio managers and AIFs/VCFs³.
- Certain exemptions are granted to stockbrokers and Depository Participants (DPs) with smaller client bases or trading

volumes, Investment Advisors (IAs) /Research analysis (RAs) if not registered in other capacities, and smaller portfolio managers, AIFs, and VCFs.

- The reporting authority for IAs and RAs concerning CSCRF compliance has been changed to BSE Ltd. for a five-year period.

The compliance deadline for the CSCRF remains to be 30 June 2025 as communicated by SEBI in its earlier circular in March 2025. The cyber audits from FY 2025-26 onwards must follow the framework and clarifications.

(Source: SEBI Circular No.: SEBI/HO/ITD-1/ITD_CSC_EXT/P/CIR/2025/60 on Clarifications to Cybersecurity and Cyber Resilience Framework (CSCRF) for SEBI Regulated Entities (REs), dated 30 April 2025)

SEBI issues FAQs for LODR Regulations

The Frequently Asked Questions (FAQs) for SEBI's LODR Regulations, updated on 23 April 2025, provide guidance on various aspects of compliance. Following are key aspects covered in the FAQs:

1. Section I: These include FAQs on SEBI (LODR) (Third Amendment) Regulations, 2024 which are effective from 1 April 2025. Key topics on which FAQs provide clarity include:
 - Mandatory inclusion of balance sheet and cash flow in half-yearly results.
 - QR code requirement in newspaper advertisements for financial results.
 - Fresh tenure calculation for secretarial auditors from FY 2025–26.
 - Prohibited services for secretarial auditors (e.g., internal audit, management services).
2. Section II: These include clarification on Minimum Public Shareholding (MPS) based on SEBI Master Circular dated 11 November 2024.
3. Section III: This section includes general FAQs on LODR Regulations in relation to related party transactions and approvals, disclosure of material information, submission of financial results, etc.
4. Section IV: This section is on disclosure of forensic audits. The FAQs in this section are in relation to Schedule III, in Part A, sub-clause 17 under the clause para A, of SEBI LODR Regulations. The FAQs clarify that these requirements apply to audits initiated post 8 October 2020 and provides guidance on disclosures required.
5. Section V: This section relates to FAQs on Business Responsibility and Sustainability Report (BRSR) Core. The FAQs cover questions on independence requirements, value chain scope, etc.

(Source: SEBI releases FAQs on LODR Regulations 2015 dated 23 April 2025)

2. REs include stockbrokers, depository participants (DPs), investment advisors (IAs), research analysts (RAs), KYC registration agencies (KRAs), portfolio managers, alternative investment funds (AIFs), venture capital funds (VCFs), and merchant bankers (MBs).

3. Alternate Investment Funds (AIFs) and Venture Capital Funds (VCFs)



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SEBI recommends certain relaxations for sending physical copies of financial documents

Regulation 58(1)(b) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) requires that a listed entity shall send a hard copy of the statement containing the salient features of all the documents, as specified in Section 136 of Companies Act, 2013 and rules made thereunder to those holders of non-convertible securities, who have not registered their email address(es) either with the listed entity or with any depository.

The Ministry of Corporate Affairs (MCA), vide General Circular no. 09/2023 dated 25 September 2023 provided relaxations from sending physical copies of financial statements (including Board's report, Auditor's report or other documents required to be attached therewith) to the shareholders, for the Annual General Meetings (AGMs) conducted till 30 September 2024. Subsequently, MCA vide General Circular No.09/2024 dated 19 September 2024, had, extended the relaxation till 30 September 2025.

On 21 April 2025, SEBI issued its proposal inviting public comments on the same limited relaxations as provided by MCA. The proposal primarily addresses the following:

- **Continue the relaxation:** To continue the relaxation from 1 October 2024 to a specified date in 2025 (to be

finalised), for issuers of listed non-convertible securities who complied with MCA guidelines and who have not sent hard copy of the statement containing the salient features of all the documents, as specified in Section 136 of Companies Act, 2013 (2013 Act) and rules made thereunder to the unregistered holders of non-convertible securities.

- **Additional time period:** Allow further relaxation from a specified date in 2025 to until 30 September 2025, provided issuers publish a web link to all financial documents stated in Section 136 of the 2013 Act, in advertisements as per Regulation 52(8) of the SEBI LODR Regulations.

The relaxation ensures no penal action for the eligible issuers, for not dispatching physical copies of documents during the specified period as mentioned above.

The draft closed for comments on 12 May 2025.

(Source: [SEBI draft circular No. SEBI/HO/DDHS/DDHS-PoD-1/P/CIR/2025/XXX – 'Limited relaxation from compliance with certain provisions of the SEBI \(Listing Obligations and Disclosure Requirements\) Regulations, 2015' dated 21 April 2025](#))





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Consultation paper on amendments to SEBI ICDR Regulations

SEBI on 30 April 2025 issued a consultation paper in relation to proposed amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations). The proposal mandates the dematerialisation of existing securities held by certain categories of shareholders prior to an IPO. This requirement applies to unlisted public companies intending to raise capital through an IPO and will form part of the eligibility criteria for submitting a draft offer document to SEBI.

Presently, the under Regulation 7(1)(c) of the ICDR Regulations mandates that all specified securities held by promoters must be in dematerialised form prior to the filing of the offer document. Despite regulatory efforts, a significant volume of physical shares remains with key pre-IPO stakeholders such as directors, key managerial personnel (KMP), senior management, selling shareholders, and qualified institutional buyers (QIBs), highlighting a regulatory gap that allows continued physical existence of shares post-listing.

To address this, it is proposed that prior to an IPO, all specified securities held by promoters,

promoter group entities, directors, KPMs, senior management, QIBs, registered stock brokers and non-systemically important non-banking financial companies (NBFCs) (and other regulated entities as identified), domestic current employees and shareholders who have special rights will be required to convert their physical shareholdings into dematerialised.

The proposed amendment aims to reduce operational risks and strengthen investor protection, aligning with SEBI's broader initiative to achieve full dematerialisation in the securities market. The period to provide public comments ended on 20 May 2025.

(Source: SEBI Consultation paper on 'amendment to Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 with the objective of mandatory de-materialisation of existing securities of select shareholders prior to IPO' dated 30 April 2025)

Change in cut-off timings for NAVs of overnight MF schemes

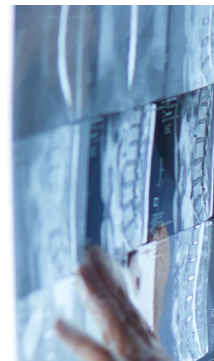
To enhance the safety of investors' funds, SEBI issued a circular mandating that Stockbrokers (SBs) and Clearing Members (CMs) to transfer all clients' clear credit balances to Clearing Corporations (CCs) at the end of each day (called **upstreaming**).

This upstreaming can be done using cash, lien on fixed deposits, or pledged units of Mutual Fund Overnight Schemes (MFOS). To support this, SEBI revised the cut-off timings for determining the applicable NAV (Net Asset Value) for repurchasing MFOS units. New NAV rules are as following:

- Applications received up to 3:00 pm: Use NAV of the day preceding the next business day⁴.
- Applications received after 3:00 pm: Use NAV of the next business day.
- Online applications: Cut-off of 7:00 PM will apply for overnight funds.

These changes will take effect from 1 June 2025.

(Source: SEBI Circular No. SEBI/HO/IMD/PoD2/P/CIR/2025/56 on 'Change in cut-off timings to determine applicable NAV with respect to repurchase/ redemption of units in overnight schemes of Mutual Funds', dated 22 April 2025))



4. A "business day" excludes days when money markets are closed or inaccessible



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SEBI enhances ESG rating norms

The Master Circular⁵ for ERPs outlines various procedural, disclosure, and compliance obligations for ERPs. On 29 April 2025, in response to representations from ERPs and feedback received from stakeholders during public consultations, SEBI issued certain clarifications and guidelines to further interpret and implement the provisions of the Master Circular. Key updates include following:

Withdrawal of ESG ratings:

For the Subscriber-Pays model, ESG ratings may be withdrawn if

- there are no active subscribers, except when part of a subscribed package (e.g., Nifty 50)
- BRSR is unavailable.

For the Issuer-Pays model, ratings can be withdrawn after 3 years (or 50 per cent of the security's tenure, whichever is longer) with 75 per cent bondholder NOC for securities, and after 3 years of continuous rating for issuers/entities.

Disclosure of rating rationale on the website of ERPs

ERPs following a subscriber-pays model may

share detailed ESG rating rationale and reports only with subscribers, and must publicly disclose basic rating information (issuer name, sector, ESG rating, rating date, and BRSR basis) on their website, while also ensuring that standardised formats for issuer comments and ERP clarifications that are developed by the ERP Association in consultation with SEBI, are published and shared with rated entities.

Disclosure of rating rationale on the website of stock exchanges

Stock exchanges must prominently display ESG ratings on the respective pages of listed issuers or debt securities under a dedicated section, using a standardised format that includes issuer name, symbol/ISIN, sector, ESG rating, rating date, ERP name, ERP business model, and a PDF of the ESG Rating Press Release, with these details to be provided by the ERP.

Internal audit for ERPs

To ease compliance for Category-II ERPs, the internal audit requirement will apply only after two years from the date of this circular, and to broaden the pool of eligible auditors, SEBI has

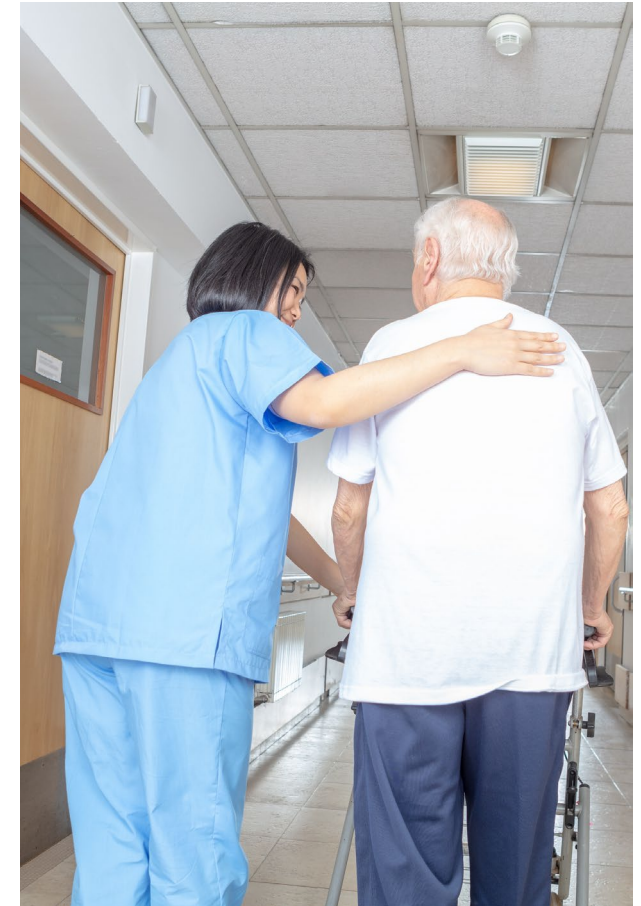
expanded the qualifications for audit teams to include Cost Accountants (ACMA/FCMA)⁶ and professionals with a Diploma in Information System Security Audit (DISSA) certification from Institute of Cost Accounts of India (ICMAI), in addition to Chartered Accountants and certified information system auditors.

Governance norms of ERP

To ease initial compliance, Category-II ERPs are granted a two-year deferral from the requirement to constitute an ESG Ratings Sub-Committee and a Nomination and Remuneration Committee (NRC), during which time their Board may handle matters under the purview of these committees.

This circular shall be effective from the date of its issuance.

(Source: SEBI Circular No.:SEBI/HO/DDHS/DDHS-PoD-2/P/CIR/2025/59 on Clarificatory and Procedural changes to aid and strengthen ESG Rating Providers (ERPs), dated 29 April 2025)



5. The Master Circular for ESG Rating Providers (ERPs) SEBI/HO/DDHS/DDHS-POD3/P/CIR/2024/45 dated 16 May 2024

6. Associate Cost Management Accountant (ACMA) and Fellow Cost Management Accountant (FCMA).



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Proposal to increase the scope of fast track mergers

On 5 April 2025, the MCA issued a draft notification proposing an amendment to the Companies (Compromises, Arrangements, and Amalgamations) Amendment Rules, 2016 (CAA Rules). These amendments aim to expand the scope of fast track mergers under Section 233 of the Companies Act, 2013 (2013 Act), to streamline corporate restructuring and facilitate ease of doing business by extending simplified merger procedures to more unlisted and low-debt companies.

Currently, Section 233 of the 2013 Act, read with Rule 25(1A) of the CAA Rules, allows fast-track mergers between the following classes of companies:

- Two or more small companies
- A holding company and its wholly-owned subsidiary
- Two or more startup companies
- One or more startup companies and one or more small companies

The draft proposes to include additional types of companies under the fast-track merger scheme as below:

- Merger between unlisted companies (other than section 8 companies⁷) with borrowing from banks and financial institutions less than INR50 crore, provided there are no defaults in repayment. These companies must meet this criterion within 30 days before the notice date referred to in Section 233(1)(a) of the 2013 Act.
- Mergers between a holding company (listed or unlisted) and one or more of its unlisted subsidiary companies (whether wholly-owned or not).
- Mergers involving subsidiaries of the same parent company, provided the transferor company is unlisted.
- Mergers of a foreign holding company, incorporated outside India with its wholly-owned subsidiary incorporated in India.

The period for providing public comments on the draft ended on 5 May 2025.

(Source: MCA draft notification 'MCA invites public comments on proposed amendment in the Rules to widen the scope of fast track mergers under Companies Act, 2013' dated 5 April 2025)



7. Section 8 provides 'Where it is proved to the satisfaction of the Central Government that a person or an association of persons proposed to be registered under this Act as a limited company—

- has in its objects the promotion of commerce, art, science, sports, education, research, social welfare, religion, charity, protection of environment or any such other object;
- intends to apply its profits, if any, or other income in promoting its objects; and
- intends to prohibit the payment of any dividend to its members, the Central Government may, by license issued in such manner as may be prescribed, and on such conditions as it deems fit, allow that person or association of persons to be registered as a limited company under this section without the addition to its name of the word "Limited", or as the case may be, the words "Private Limited", and thereupon the Registrar shall, on application, in the prescribed form, register such person or association of persons as a company under this section.



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RBI amends the Basel III framework on liquidity standards

Since the banking sector has undergone rapid transformation in recent years with increased usage of technology to make instantaneous bank transfers and withdrawals, it has also led to increase in risks, requiring proactive management. To further enhance the liquidity resilience of banks, the Reserve Bank of India (RBI) had proposed draft amendments to the Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) – Review of Haircuts on High Quality Liquid Assets (HQLA) and Run-off Rates on Certain Categories of Deposits (LCR framework) in July 2024. Post analysis of the feedback received; RBI has issued the final guidelines on revisions to the LCR framework on 21 April 2025. Key changes include:

Additional Run-Off for IMB-Enabled Retail Deposit: Retail deposits with Internet or Mobile Banking (IMB) access will now attract higher run-off rates - 7.5 per cent for stable deposits (up from 5 per cent) and 12.5 per cent for less stable deposits (up from 10 per cent).

Treatment of Small Business Customers (SBCs): Unsecured wholesale funding from non-financial SBCs will now be treated like retail deposits, benefiting from lower run-off rates.

Valuation of level 1 HQLAs: Government securities classified as Level 1 HQLAs must be valued at current market value, adjusted for haircuts aligned with margin requirements under Liquidity Adjustment Facility (LAF) and Marginal Standing Facility (MSF) .

Callable treatment of pledged deposits: Deposits previously excluded from LCR (e.g., non-callable FDs) will now be treated as callable if pledged as collateral for loans.

Reclassification of deposits from non-financial entities: Deposits from trusts, partnerships, LLPs, Association of Persons, etc., will now be treated as non-financial corporates (not other legal entities (OLEs) and will attract run-off rate of 40 per cent (reduced from 100 per cent), unless classified as SBCs under the LCR framework.

These amendments shall come into effect from 1 April 2026.

(Source: RBI notification no. RBI/2025-26/27 DOR.LRG.REC.18/03.10.001/2025-26 on Basel III Framework on Liquidity Standards – Liquidity Coverage Ratio (LCR) – Review of haircuts on High Quality Liquid Assets (HQLA) and review of composition and run-off rates on certain categories of deposit, dated 21 April 2025)

RBI amends directions on compounding of contraventions under FEMA

The RBI issued a circular on 22 April 2025, introducing updates to the procedures for compounding contraventions under the Foreign Exchange Management Act (FEMA), 1999. The key changes include following:

Link to past compounding order removed: This circular supersedes the earlier Circular No. 17/2024-25 dated 1 October 2024, removing the previous practice of linking compounding amounts to past orders. Now, each compounding application will be evaluated independently.

New requirements for electronic payment processing: It was noted in several instances, applicants made payments to the incorrect RBI office or delayed submitting the compounding application after paying the application fee. To streamline reconciliation and minimise delays in processing, the circular introduces new requirements for electronic payment submissions. Applicants must now provide below details:

- mobile number
- the specific RBI office where the payment was made and
- the mode of application submission (either

through the PRAVAAH portal or via physical submission).

Cap on compounding: Under the amended directions, the RBI has introduced a provision to cap the compounding amount at INR2,00,000 per contravention in exceptional cases. RBI may cap the compounding amount in exceptional cases, based on the nature of the violation and public interest.

(Source: RBI circular No. RBI/FED/2025-26/29 A.P. (DIR Series) Circular. No 02/2025-26 dated 22 April 2025 and RBI/FED/2025-26/32 A.P. (DIR Series) Circular. No 04/2025-26 on 24 April 2025 on Amendments to Directions - Compounding of Contraventions under FEMA, 1999 dated 22 April 2025; and RBI circular RBI/FED/2025-26/135 FED Master Direction No.04/2025-26 on Master Directions- Compounding of Contraventions under FEMA, 1999; dated 22 April 2025;)



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RBI amends rates to align with the monetary policy

RBI has amended the following rates through notifications issued on 9 April 2025, effective immediately:

- 1. Lowering of penal interest rate on CRR and SLR:** The RBI has reduced the bank rate by 25 basis points, from 6.50 per cent to 6.25 per cent. Consequently, all penal interest rates for banks related to shortfalls in meeting Cash Reserve Ratio (CRR) and Statutory Liquidity Ratio (SLR) requirements have been reduced by 25 basis points.
- 2. Reduction in Standing Liquidity Facility (SLF)⁸:** The policy repo rate under the Liquidity Adjustment Facility (LAF)⁹ has been reduced by 25 basis points, from 6.25 per cent to 6 per cent. As a result, the SLF provided to Primary Dealers (PDs), which offers collateralised liquidity support, will now be available at the revised repo rate of 6 per cent.
- 3. Reduction in Standing Deposit Facility (SDF)¹⁰:** The RBI's Monetary Policy Committee (MPC) has reduced the policy

repo rate under the LAF by 25 basis points, from 6.25 per cent to 6 per cent. As a result, the SDF rate is now 5.75 per cent and the Marginal Standing Facility (MSF) rate is adjusted to 6.25 per cent.

(Source: RBI Notifications RBI/2025-26/23. DoR.RET.REC.16/12.01.001/2025-26 on 'Penal Interest on shortfall in CRR and SLR requirements-Change in Bank Rate' RBI/2025-26/24; REF.No.MPD.BC.399/07.01.279/2025-26 on 'Standing Liquidity Facility for Primary Dealers'; and RBI/2025-26/22 FMOD.MAOG.No.151/01.01.001/2025-26 on 'Liquidity Adjustment Facility - Change in rates', all dated 9 April 2025)

Limit for investments by FPIs

On 3 April 2025, RBI issued a notification regarding investment limits for FY 2025-26 in debt and sale of Credit Default Swaps (CDS) by Foreign Portfolio Investors (FPIs). Key changes are as follows:

- FPIs are permitted to invest up to 6 per cent of the outstanding stock in Government Securities (G-Secs), 2 per cent in State Government Securities (SGSs), and 15 per cent in corporate bonds, with these limits remaining unchanged from the previous year.
- Any incremental increase in the investment limit for G-Secs during FY 2025–26 will be equally divided between the general and long-term sub-categories, following a 50:50 allocation ratio.

- The entire increase in the investment limit for SGSs has been allocated to the General sub-category.
- FPIs are permitted to sell Credit Default Swaps (CDS) up to an aggregate notional amount equivalent to 5 per cent of the outstanding corporate bond stock which translates to an additional limit of INR2,93,612 crore.

(Source: RBI Notification No. RBI/2025-26/20 A.P. (DIR Series) Circular No. 01 on Limits for investment in debt and sale of Credit Default Swaps by Foreign Portfolio Investors (FPIs), dated 3 April 2025)



8. A Standing Liquidity Facility (SLF) is a program offered by the RBI to standalone primary dealers, providing them with additional funds at the prevailing repo rate. It's a collateralised facility used to address liquidity needs, especially for primary dealers.

9. The Liquidity Adjustment Facility (LAF) is a monetary policy tool used by central banks like the RBI to manage liquidity in the financial system. It allows banks to borrow funds from the central bank (repo) or lend excess funds to the central bank (reverse repo). This helps banks adjust their day-to-day liquidity needs and influences short-term interest rates.

10. A Standing Deposit Facility (SDF) is a monetary policy tool used by central banks to absorb excess liquidity from the banking system. It allows banks to deposit their excess funds with the central bank without requiring collateral. Essentially, it's a mechanism to manage liquidity and control inflation by reducing the amount of money circulating in the economy.



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RBI releases multiple draft directions

On 9 April 2025, the RBI released draft guidelines under its developmental and regulatory policies. The period for public comments on the drafts ended on 12 May 2025. Various directions issued are summarised as follows:

1. RBI (Co-Lending Arrangements)

Directions, 2025: This draft sets out a detailed framework for Co-Lending Arrangements (CLAs) between REs to provide credit to borrowers. Existing guidelines cover some arrangements like digital lending and co-lending by banks with NBFCs to the priority sector, but they don't encompass all possible co-lending scenarios. This new draft aims to establish regulatory norms and guidance for all CLAs, addressing specific prudential concerns.

2. RBI (Securitisation of Stressed Assets)

Directions, 2025: This draft proposes a framework for the securitisation of stressed assets by REs, including banks and NBFCs. It outlines eligibility criteria for assets, operational requirements, risk retention norms, and the roles of special purpose entities and resolution managers. The goal is

to facilitate the securitisation of stressed assets through a market-based mechanism, in addition to the existing ARC route under the Securitisation and Reconstruction of Financial Assets and Enforcement of Security Interest Act, 2002. It also includes guidelines on reporting, disclosures, and capital requirements for securitisation notes.

3. RBI (Non-Fund Based Credit Facilities)

Directions, 2025: This draft provides a regulatory framework for Non-Fund Based (NFB) credit exposures by banks and NBFCs. NFB facilities, such as guarantees, letters of credit, and co-acceptances, are crucial for effective credit intermediation and seamless business transactions, including trade. The draft aims to harmonise regulations across REs and includes a review of instructions on the issuance of partial credit enhancement by REs to broaden funding sources for infrastructure financing.

4. RBI (Lending Against Gold Collateral)

Directions, 2025: Loans against gold jewellery and ornaments are provided by REs for both consumption and income-

generation purposes. Existing regulations for such loans vary across different REs. This draft aims to harmonise these regulations and proposes comprehensive prudential norms and conduct-related regulations, considering the risk-taking capabilities of various REs and addressing observed concerns.

(Source: RBI notification no. RBI/2025-26/DOR.STR.REC. /13.07.010/2025-26 on 'Reserve Bank of India (Co-Lending Arrangements) Directions, 2025'; RBI/2025-26/DOR.STR.REC./13.07.010/2025-26 on 'Draft Reserve Bank of India (Securitisation of Stressed Assets) Directions, 2025'; RBI/2025-26/DOR.STR.REC. /13.07.010/2025-26 on Reserve Bank of India (Non-Fund Based Credit Facilities) Directions, 2025; and RBI/2025-26/DOR.CRE.REC. /21.01.023/2025-26 on Reserve Bank of India (Lending Against Gold Collateral) Directions, 2025; all dated 9 April 2025)

Banks to transition to the '. bank.in' domain

The RBI issued a circular on 22 April 2025, mandating the migration of all banks to the '. bank.in' domain by 31 October 2025. This initiative aims to enhance cybersecurity and public confidence in digital banking and payment system by providing a secure and trusted domain for banks. The Institute for Development and Research in Banking Technology (IDRBT) has been authorised by the National Internet Exchange of India (NIXI) to serve as the exclusive registrar for the '.bank.in' domain.

(Source: RBI circular no RBI/2025-26/28 CO.DIT.DCD.No.S81/01-71-110/2025-26 dated 22 April 2025)





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Proposed amendments to Ind AS 109 and Ind AS 107

On 17 April 2025, the ICAI issued an exposure draft proposing amendments to Ind AS 109, *Financial Instruments* and Ind AS 107, *Financial Instruments: Disclosures* for contracts referencing nature-dependent electricity, which is electricity generated from sources dependent on uncontrollable natural conditions, such as weather.

Several new paragraphs (2.3A, 2.3B, 6.10.1–6.10.2, B2.7–B2.8) have been added to Ind AS 109 under the chapters on scope and hedge accounting. Further, certain existing paragraphs (2.6) have been amended to clarify the treatment of these contracts.

Contracts to buy or sell nature-dependent electricity can be designated as measured at fair value through profit or loss at inception if it

eliminates or significantly reduces an accounting mismatch. The amendments also introduce enhanced disclosure requirements under Ind AS 107 to provide more transparency about the nature and extent of risks arising from these contracts.

The amendments are part of India's ongoing convergence with IFRS standards, ensuring consistency in the treatment of emerging financial instruments, especially in the context of the growing renewable energy sector.

The period to provide comments on the draft ended on 18 May 2025.

(Source: ICAI Exposure Draft Contracts Referencing Nature-dependent Electricity Amendments to Ind AS 109 and Ind AS 107 dated 17 April 2025)

Exposure draft on standards on auditing LLPs

The Auditing and Assurance Standards Board (AASB) of the Institute of Chartered Accountants of India (ICAI) has issued a draft of Standards on Auditing specifically for Limited Liability Partnerships (LLPs) (SAs for LLPs). The SAs for LLPs will be notified for the first time under the LLP Act, 2008. This draft modifies the existing SAs approved by the ICAI Council for companies. The amendments fall into two main categories:

1. Conforming amendments: These updates incorporate necessary changes from finalised standards such as SQM 1, SQM 2, SA 220 (Revised), SA 250 (Revised), SA 315 (Revised), and SA 540 (Revised).

2. Modifications to make standards relevant for LLPs audits: This includes changes in terminology /text and deletion of certain text to make the standards applicable to LLPs, along with modifications to illustrative formats like independent auditor's reports and engagement letters.

The objective of this draft is to ensure that auditing standards for LLPs are clear, relevant, and tailored to the specific needs of LLP operations. The period for providing comments on the exposure draft ended on 1 May 2025.

(Source: AASB, ICAI, Exposure Draft of Standards on Auditing for Audits of Limited Liability Partnerships, dated 10 April 2025)





SEBI update



MCA update



RBI update



Other updates

Amendment under Section 37 of the Income Tax Act, 1961

The Central Board of Direct Taxes (CBDT) introduced an explanation 3 to Section 37(1) of the Income tax Act, 1961, vide a notification. The notification states that any expenditure incurred to settle proceedings initiated in relation to contravention or defaults under certain laws will not be deemed as expense for the purpose of business or profession and no deduction or allowance will be allowed in respect of such expenditure for a purpose that is an offense under any law. Those laws are as follows—

- a. The Securities and Exchange Board of India Act, 1992 (15 of 1992);
- b. The Securities Contracts (Regulation) Act,

1956 (42 of 1956);

- c. The Depositories Act, 1996 (22 of 1996);
- d. The Competition Act, 2002 (12 of 2003).

This amendment is applicable from 23 April 2025 .

(Source: Ministry of Finance (Department of Revenue) (Central Board of Direct Taxes) Notification No S.O. 1838(E), dated 23 April 2025)

Return of income under section 158BC of the Income-tax Act, 1961

CBDT introduced a significant procedural update related to block assessments under the Income-tax Act, 1961. The key changes include:

Insertion of Rule 12AE: A new rule, Rule 12AE, has been inserted into the Income-tax Rules, 1962 which mandates that returns for block assessments must be filed using Form ITR-B under Section 158BC, applicable to search or requisition cases.

Mode of filing: Form ITR-B must be used to declare income for the block assessment period and must be filed electronically using a digital signature for entities such as companies, political parties, and those subject to audit under

Section 44AB. Other individuals can file either with a digital signature or using an Electronic Verification Code (EVC).

Verification and compliance: The form includes comprehensive verification requirements and offers clear guidance on claiming tax credits related to undisclosed income.

Though notified in April 2025, the rules are retrospectively effective from 1 September 2024.

(Source: Notification No. 30/2025 GSR 221(E): Income-tax (Tenth Amendment) Rules, 2025 issued by CBDT, dated 7 April 2025)





The IAASB proposes narrow-scope amendments when using work of external experts

The IAASB released on 25 April 2025 a proposal for limited-scope amendments to certain standards arising from International Ethics Standards Board for Accountants' (IESBA) aimed at enhancing collaboration with external experts, aligning its standards with the IESBA's revised Code of Ethics for audit and assurance engagements. This ensures interoperability between ethical and auditing standards. Some key points of amendment are as follows:

- The definition of 'expert' has been clarified to align with the IESBA's terminology, distinguishing between internal and external experts, and emphasising the importance of evaluating their competence, capabilities, and objectivity.
- Enhanced risk assessment procedures where auditors are now required to evaluate whether the expert's work is sufficient for audit purposes and to document the nature, scope, and extent of the expert's involvement.
- New guidance introduced on assessing threats to objectivity - particularly when the

expert is compensated by the audited entity - and recommended safeguards to mitigate risks such as self-interest or advocacy threats.

- Enhanced transparency and documentation requirements, mandating auditors to clearly record the rationale for engaging an expert, the expert's qualifications, and how their findings influenced the auditor's opinion.
- These principles are designed to ensure consistency uniformly across audits, reviews, assurance engagements, and agreed-upon procedures.

The proposed changes apply to the following IAASB standards:

1. ISA 620 – Using the Work of an Auditor's Expert
2. ISRE 2400 (Revised) – Review Engagements
3. ISAE 3000 (Revised) – Assurance Engagements Other than Audits or Reviews
4. ISRS 4400 (Revised) – Agreed-upon Procedures Engagements.

The proposed effective date of these amendments is 15 December 2026. The exposure draft is open for comments up to 24 July 2025.

(Source: [IAASB.org>>news-events/2025, IAASB Requests Feedback on Proposed Narrow-Scope Amendments Related to Working with Experts dated 25 April 2025](https://iaasb.org/news-events/2025/iaasb-requests-feedback-on-proposed-narrow-scope-amendments-related-to-working-with-experts))





SEBI update



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Other updates

ISA 240 (Revised) approved

During the March 2025 meeting of the IAASB, several topics were discussed and approved. One of the agenda items approved was a proposal on the ISA 240 (Revised) *The Auditor's Responsibilities Relating to Fraud in an Audit of Financial Statements*, which will be effective for periods beginning on or after 15 December 2026.

ISA 240 (Revised) outlines the auditor's responsibilities concerning fraud during the audit of financial statements and its impact on the auditor's report. It enhances the auditor's role in detecting and addressing fraud risks, aiming to reinforce professional skepticism, improve fraud risk assessment procedures, and strengthen communication regarding fraud.

Key enhancements to ISA 240 (Revised) pertain to:

- Stronger emphasis on professional skepticism
- Improved risk assessment procedures
- Use of technology and data analytics
- Expanded documentation requirements
- Enhanced communication with those charged with governance
- Clarified responsibilities for detecting fraud
- Enhanced transparency by communicating key audit matters related to fraud in the auditor's report
- Enhanced audit documentation requirements

(Source: www.iaasb.org>> news and events >> Latest updated from March meeting of IAASB, dated 14 April 2025)

Exposure draft on targeted amendments to IFRS S2

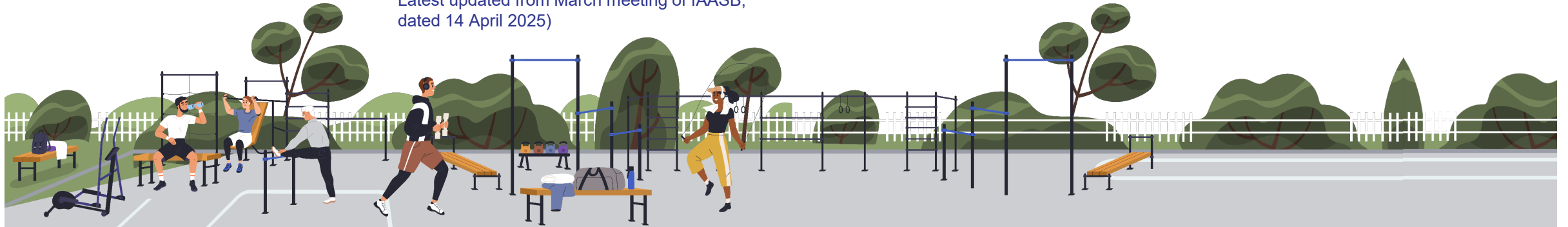
The International Sustainability Standards Board (ISSB) has published an Exposure Draft proposing targeted amendments to IFRS S2, *Climate-related Disclosures*, to ease the application of Greenhouse Gas (GHG) emissions disclosure requirements. These changes aim to address implementation challenges without reducing the usefulness of the information for investors. Key amendments include -

1. Relief from measuring and disclosing Scope 3 category 15 GHG emissions related to derivatives and certain financial activities.
2. Relief from using the Global Industry Classification Standard (GICS) in certain cases when disclosing disaggregated financed emissions information.

3. Clarification on jurisdictional relief to use a measurement method other than the Greenhouse Gas Protocol for measuring GHG emissions.
4. Permission to use jurisdiction-required Global Warming Potential (GWP) values that are not from the latest Intergovernmental Panel on Climate Change (IPCC).

The ISSB aims to finalise these amendments by the end of 2025, subject to stakeholder feedback. The Exposure Draft is open for public comment until 27 June 2025.

(Source: [ifrs.org](https://www.ifrs.org/news-and-events)>>news and events>> ISSB publishes Exposure Draft proposing targeted amendments to IFRS S2 to ease application for companies; dated 28 April 2025)





SEBI update



MCA update



RBI update



Other updates

IAASB releases revised ISA 570, Going Concern

The International Auditing and Assurance Standards Board (IAASB) released the revised International Standard on Auditing (ISA) 570 (Revised 2024), *Going Concern*. This revision is effective for audits of financial statements for periods starting on or after 15 December 2026. This ISA aims to enhance consistency in auditing practices, improve transparency through uniform communications and auditor reporting on going concern matters. Key changes include:

- **Thorough risk assessment procedures:** Auditors are required to perform timely and comprehensive risk assessments to identify events or conditions that could significantly question an entity's ability to continue as a going concern. The standard highlights these events or conditions on a gross basis, prior to factoring in management's mitigation measures.
- **Period for management's assessment:** Auditors must assess management's evaluation of the going concern period, which should cover at least 12 months from the

date of financial statements' approval. This assessment to be done by auditors should consider potential biases, methods, assumptions, and data utilised by management.

- **Increase in transparency:** The standard mandates clearer communication in the auditor's report regarding the auditor's responsibilities and work related to going concern. It also calls for enhanced communication with those charged with governance and external parties.
- **Other aspects:** The revised standard also emphasises the focus on adequacy of disclosures, clarifies the relationship with key audit matters, provides new guidance and examples for evolving environments, and strengthens documentation and management representation requirements.

(Source: [IAASB.org>>news-events/2025, 'IAASB Strengthens Auditor Responsibilities for Going Concern through Revised Standard'; dated 9 April 2025](https://iaasb.org/news-events/2025/IAASB-Strengthens-Auditor-Responsibilities-for-Going-Concern-through-Revised-Standard))





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