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Proposed amendments to RPT provisions under LODR Regulations

The Securities and Exchange Board of India (SEBI) has issued a consultation paper outlining proposed changes to the provisions governing Related Party Transactions (RPTs) under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations). These amendments are intended to streamline business operations while ensuring the protection of minority shareholders. The key proposals included in the amendment are:

1. Materiality thresholds for listed entities:

At present, any RPT exceeding lower of INR1,000 crore or 10 per cent of a listed entity's annual consolidated turnover is deemed to be material and requires shareholder approval. SEBI has now proposed a revised, scale-based methodology for determining the materiality threshold for RPTs. The proposed thresholds are structured as follows:

Annual consolidated turnover of listed entity	Proposed threshold
Up to INR20,000 crore	10 per cent of annual consolidated turnover of the listed entity
Between INR20,001 - 40,000 crore	INR2,000 crore + 5 per cent of annual consolidated turnover of the listed entity above INR20,000 crore
More than INR40,000 crores	INR3,000 crore + 2.5 per cent of annual consolidated turnover of the listed entity above INR40,000 crore or INR5,000 crore whichever is lower.

The above proposed thresholds are subject to a maximum cap of INR5,000 crore.

2. Materiality thresholds for RPTs undertaken by subsidiaries

SEBI has proposed aligning the approval requirements for RPTs undertaken by subsidiaries of listed entities as follows:

- **For subsidiaries with audited financials:**

If an RPT exceeds INR1 crore and involves only the subsidiary (i.e., the listed entity is not a party), prior approval from the listed entity's audit committee is required if:

- The transaction value, either on its own or combined with earlier transactions exceeds the lower of:
 - 10 per cent of the subsidiary's standalone turnover, or
 - The listed entity's materiality threshold as per the proposed scale-based criteria mentioned in the table earlier.

- **For subsidiaries without audited financials of at least one year:**

If an RPT transaction exceeds INR1 crore and involves a subsidiary of a listed entity (but not the listed entity itself), it will require prior approval from the audit committee of the listed entity, if:

- The value of the transaction, whether individually or cumulatively with previous transactions, exceeds the lower of:
 - 10 per cent of the subsidiary's standalone net worth, certified by a practicing-chartered accountant, or
 - listed entity's materiality threshold as per the proposed scale-based table mentioned earlier.

The standalone net worth of the subsidiary must be computed on a date not more than **three months prior** to the date of seeking approval.

If the net worth is negative, the threshold will be based on **the sum of paid-up share capital and securities premium** of the subsidiary, also computed within the same three-month window and certified by a practicing-chartered accountant.



3. Relaxation in minimum information required for RPT approval

SEBI's circular dated 26 June 2025 introduced Industry Standards for the minimum information to be provided to the Audit Committee and shareholders for approval of RPTs (RPT Industry Standards). These RPT Industry standards are not applicable to transactions up to INR1 crore, whether entered individually or cumulatively during a financial year (including those approved by ratification). Based on industry feedback that INR1 crore is a relatively small threshold for high-turnover listed entities, SEBI has proposed the following:

Amount of RPT (individually or cumulatively during a financial year, including ratified transactions)	Proposals
Up to INR1 crore	No disclosures required under RPT Industry Standards or the proposed draft circular.
Does not exceed 1 per cent of annual consolidated turnover or INR10 crore (whichever is lower)	Information as per the proposed draft circular must be placed before the Audit Committee.
More than INR10 crore	Full disclosures as per RPT Industry Standards must be provided.

4. Validity of shareholders' omnibus approvals

Under the current Regulation 23(4) of the LODR Regulations, all material RPTs require prior approval from shareholders through a resolution. SEBI's consultation paper proposes an amendment to align this regulation with Para (C)11 of Section III of the Master Circular on LODR Regulations, which states that omnibus RPT approvals granted by shareholders in Annual General Meetings (AGMs) will remain valid until earlier of the next AGM or for up to 15 months. Further, approvals granted in general meetings other than AGMs will be valid for up to 1 year.

5. Clarifications on applicability of RPT provisions

SEBI has proposed several clarifications to refine the scope and exemptions under the RPT framework:

A. Retail purchases:

Retail purchases made by directors, Key Managerial Personnel (KMPs), and their relatives will be exempt from RPT classification, provided:

- There is no underlying business relationship, and
- The purchases are made on terms that are uniformly applicable to all customers.

B. Employees and relatives:

Since employees and their relatives are not defined as 'related parties' under either the LODR Regulations or the Companies Act, 2013, SEBI proposes to remove any explicit reference to them in exemption clauses. Instead, the focus will be on KMPs and their relatives.

C. Subsidiary transactions:

SEBI proposes to clarify that the exemption for transactions between a holding company and its wholly owned subsidiary will apply only if the holding company is listed, and the subsidiary's financials are consolidated with those of the listed holding company.

The period for comments on the consultation paper ended on 25 August 2025.

(Source: SEBI Consultation Paper titled "Proposals for ease of doing business – amendments to provisions relating to related party transactions under SEBI (LODR) Regulations, 2015 and circulars thereunder", dated 4 August 2025.)





Companies (Indian Accounting Standards) Second Amendment Rules, 2025

The Ministry of Corporate Affairs (MCA), in consultation with the National Financial Reporting Authority (NFRA), has notified significant amendments to the Companies (Indian Accounting Standards) Rules, 2015. These changes aim to align Indian Accounting Standards (Ind AS) with International Financial Reporting Standards (IFRS), improve transparency in financial reporting, and address evolving financial structures and tax reforms. Following is a summary of key amendments:

1. Ind AS 107 – Financial Instruments: Disclosures and Ind AS 7 – Statement of Cash Flows

- New disclosure requirements have been introduced for companies engaged in supplier finance arrangements that meet all the following conditions:
 - A finance provider settles amounts owed by the company (buyer) to its suppliers.
 - The company agrees to pay under the arrangement either on the same date or later than the suppliers are paid.
 - The company benefits from extended payment terms, or suppliers benefit from early payment terms, compared to the original invoice due date.
- These amendments do not apply to financing arrangements related to receivables or inventory.
- Entities must apply these changes for annual reporting periods beginning on or after 1 April 2025.

- These amendments introduce two new disclosure objectives
 - Under Ind AS 7: To help users understand the impact of supplier finance arrangements on cash flows.
 - Under Ind AS 107: To assess the effect of these arrangements on liabilities and liquidity risk.
- Required disclosures include:
 - A. The terms and conditions of the supplier finance arrangements- e.g. extended payment terms and security or guarantees provided. However, an entity shall disclose separately the terms and conditions of arrangements that have dissimilar terms and conditions.
 - B. As at the beginning and end of the reporting period:
 - i. Carrying amounts and associates line items presented in the balance sheet of the financial liabilities that are part of the supplier finance arrangements.
 - ii. The carrying amounts, and associated line items of the financial liabilities disclosed under (i) for which suppliers have already received payment from the finance providers.
 - iii. The range of payment due dates (e.g. 30-40 days after the invoice date) for both the financial liabilities disclosed under (i) and comparable trade payables that are not part of a supplier finance arrangement. Comparable trade payables are, for example, trade

payables of the entity within the same jurisdiction or business as the financial liabilities disclosed under (i). If ranges of payment of due dates are wide, an entity shall disclose explanatory information about those ranges or disclose additional ranges (for example, stratified ranges) that are not part of the of such arrangements and Financial liabilities under supplier finance arrangements.

C. The type and effect of non-cash changes in the carrying amounts of financial liabilities disclosed under b(i). Examples of non-cash changes include the effect of business combinations, exchange differences or other transactions that do not require the use of cash or cash equivalents.

- Companies also need to disclose the type and effect of non-cash changes in the carrying amounts of the financial liabilities that are part of a supplier finance arrangement.
- Additionally, supplier finance arrangements are now explicitly included under Ind AS 107 as examples for quantitative liquidity risk disclosures.





2. Ind AS 1 – Presentation of Financial Statements

- The amendments introduce significant changes to the classification of liabilities as current or non-current, particularly in the context of loan covenants.
- Under the current Ind AS 1 requirements, a liability is classified as current if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date. The amendment removes the requirement for the right to be unconditional. Instead, it now mandates that the right to defer settlement must exist at the reporting date and must be substantive.
- Previously, entities applied varying interpretations of Ind AS 1 regarding the classification of convertible debt. The amendments now provide clarity on how liabilities that can be settled in the entity's own shares, such as convertible debt, should be classified.
- The changes related to covenant breaches are being implemented in two phases:
 - A. For accounting periods beginning on or after 1 April 2025: If a breach of a material covenant occurs on or before the reporting date, and the lender agrees not to demand repayment after the reporting period but before the financial statements are approved, the liability is not classified as current. However, the entity must disclose details of each breach in accordance with Ind AS 107.

- B. For accounting periods beginning on or after 1 April 2026: If a covenant breach occurs on or before the reporting date and the liability becomes payable on demand, it is classified as current - even if the lender agrees not to demand repayment after the reporting period. The liability is classified as current because, at the reporting date, the entity does not have the right to defer settlement for at least 12 months. However, if the lender has agreed by the reporting date to provide a grace period extending at least 12 months beyond the reporting date, during which the entity can rectify the breach and the lender cannot demand immediate repayment, the liability is classified as non-current.
- Entities will be required to disclose information in the notes to the financial statements regarding non-current liabilities arising from loan arrangements that are subject to future covenants.
 - The amendments to Ind AS 1 are to be applied retrospectively for annual reporting periods beginning on or after 1 April 2025. The amendment concerning covenant breaches occurring on or before the reporting date, which is aligned with IAS 1, is applicable retrospectively for annual reporting periods beginning on or after 1 April 2026, in accordance with Ind AS 8, Accounting Policies, Changes in Accounting Estimates and Errors.





SEBI updates



MCA updates



RBI updates



ICAI updates



Other updates

3. Ind AS 12 – Income Taxes

- The amendments introduce provisions to address the Organisation for Economic Co-operation and Development (OECD) Pillar Two model rules (Pillar Two taxes).
- Entities are now mandatorily exempt from recognising deferred tax assets or liabilities related to Pillar Two taxes. However, they must disclose that this exemption has been applied.
- Additionally, the standard introduces new disclosure requirements that entities must include in their financial statements for annual reporting periods beginning on or after 1 April 2025. No disclosures are required for interim periods ending on or before 31 March 2026.
- **Disclosure Requirements**
 - A. Before the top-up tax becomes effective:**
 - Entities must disclose information that is known or reasonably estimable to help users understand their exposure to Pillar Two taxes.
 - **Qualitative disclosures:** Describe how the entity is affected and identify the jurisdictions where exposure arises.
 - **Quantitative disclosures:** Include the proportion of profits subject to Pillar Two taxes, the average effective tax rate, or how the rate would change if Pillar Two taxes were effective.
 - If the information is unknown or cannot be estimated, the entity must disclose a statement to that effect and provide an update on the progress in assessing the exposure.
 - B. After the top-up tax becomes effective:**
 - Entities must disclose the current tax expense related to the top-up tax.
- This amendment is effective from 1 April 2025, with retrospective application for certain provisions.

4. Other amendments

Additional changes have been made to various standards to update or correct references to the latest standards, align reference to various IFRS and Ind AS, and enhance clarity. Some of the changes include:

- In Ind AS 10, Events After the Reporting Period, certain terms have been revised to align with changes in Ind AS 1.
- A correction has been made to an incorrect reference to IFRS 108, which should have been IFRS 8 Operating Segments.
- In Ind AS 101, First-time Adoption of Ind AS, selected transitional provisions from IFRS 11 Joint Arrangements have been incorporated. A new paragraph, D9AA, has been added to provide transitional relief for lessors adopting Ind AS 116 Leases for the first time, allowing lease elements to be classified based on facts existing at the transition date.

(Source: MCA Notification No. G.S.R. 549(E), dated 13 August 2025)





SEBI updates



MCA updates



RBI updates



ICAI updates



Other updates

RBI (Non-Fund Based Credit Facilities) Directions, 2025

The Reserve Bank of India (RBI) finalised the Non-Fund Based Credit Facilities Directions, 2025 (the NFB Directions) to harmonise regulations across entities and enhance infrastructure financing through instruments like guarantees, letters of credit, and co-acceptances.

Effective date: The NFB Directions will be effective from 1 April 2026, or earlier if adopted by a Regulated Entity as per its internal policy.

Applicability:

These NFB Directions apply to

- Commercial Banks (including Regional Rural Banks (RRBs) and Local Area Banks (LABs), Urban, State, and Central Co-operative Banks)
- All India Financial Institutions (AIFIs), and
- Non-Banking Financial Companies (NBFCs) including Housing Finance Companies (HFCs) in the middle Layer and above¹, limited to issuing Partial Credit Enhancements.

These Directions do not apply to the derivative exposures of a RE, other than the general conditions as laid down under Chapter II of these Directions.

Key definitions: The NFB Directions clarifies the terms like guarantee, co-acceptance, obligor, beneficiary and secured portion of NFB facilities.

General conditions: NFB facilities must align with the RE's credit policy. Typically, it should be issued only to customers with existing funded credit facilities. Once NFB facility is devolved into funded facilities, standard prudential norms will apply.

Guarantees and co-acceptances: Guarantees issued by REs must be irrevocable, unconditional, and promptly honored. Limits must be imposed on issuing unsecured guarantees, especially for

cooperative banks. Co-acceptances are allowed only for genuine trade bills, with strict documentation and audit requirements. REs cannot co-accept bills drawn by another RE.

Partial Credit Enhancement (PCE): REs may provide PCE to bonds issued by corporates, SPVs, NBFCs, HFCs, and municipal corporations to boost credit ratings and market access. A drawn tranche of the contingent PCE facility must be repaid within 30 days from the drawal date. If the facility remains outstanding for 90 days or more, it will be treated as an NPA and provided for as per asset classification norms. In such cases, other facilities to the borrower by the RE shall also be classified as NPAs.

Repealed circulars: Upon the effective date, the NFB Directions annexes list of previous circulars repealed for Scheduled Commercial Banks and Urban Co-operative Banks.

(Source: RBI Notification No., RBI/DOR/2025-26/140 DOR.STR.REC.45/13.07.010/2025-26,' Reserve Bank of India (Non-Fund Based Credit Facilities) Directions, 2025' dated 6 August 2025)



1. RBI has implemented a Scale -Based Regulatory Framework or SBR Framework for regulation of NBFC's w.e.f. 1 October 2022. The SBR framework which is based on the principle of proportionality takes into account various factors like size, activity, complexity, interconnectedness etc. within the financial sector for categorising NBFC's into various layers. The degree of regulations increases as one moves from lower to higher layers. NBFC's in the lowest layer shall be known as NBFC- Base Layer (NBFC-BL). NBFC's in middle layer and upper layer shall be known as NBFC-Middle Layer (NBFC-ML) and NBFC-Upper Layer (NBFC-UL) respectively and considered systemically significant.



RBI (Co-Lending Arrangements) Directions, 2025

The RBI has issued the Co-Lending Arrangements (CLA) Directions, 2025 (CLA Directions 2025) to provide a comprehensive regulatory framework for co-lending between Regulated Entities (REs) such as banks and NBFCs. These Directions shall take effect from 1 January 2026, or from an earlier date if adopted by a RE in accordance with its internal policy. Key aspects are as follows:

Applicability:

- CLA Directions 2025 are applicable to CLAs² between:
 - Commercial banks (excluding small finance banks (SFBs), Regional Rural Banks (RRBs), and Local Area Banks (LABs))
 - AIFIs
 - NBFCs (including Housing Finance Companies)
- Digital lending involving co-lending are required to comply with RBI's Digital Lending Directions as well as CLA Directions 2025.
- Not applicable to loans sanctioned under multiple banking, consortium lending, or syndication.

Loan structure

Each RE under CLA must retain at least 10 per cent of each loan in its own books. Loans are jointly funded in pre-agreed proportions, with clear segregation of roles and responsibilities.

Interest rate and fees

Borrowers will be charged a blended interest rate, calculated as the weighted average of the interest rates applied by each RE, based on their respective share of funding. Additionally, all applicable fees and charges must be factored into the Annual Percentage Rate (APR) and disclosed transparently in the Key Facts Statement (KFS). These fees must be determined using objective criteria and must not include credit enhancement or default loss guarantees, unless specifically permitted by regulation.

Operational guidelines

Loans must be reflected in the books of both REs within 15 days of disbursement. Each RE is required to maintain its own borrower account and all transactions must go through a joint escrow account.

Default Loss Guarantee (DLG)

Originating RE may offer a DLG up to 5 per cent of outstanding CLA loans, subject to conditions under RBI's Digital Lending directions.

Asset classification

If one RE classifies a borrower as Special Mention Account (SMA) or a Non-Performing Asset (NPA) on account of default in the CLA exposure, the other RE must do the same by the next working day. REs must have a real-time information-sharing

mechanism in place.

Disclosures

REs must publish a list of active co-lending partners on their websites and disclose aggregate details of co-lending arrangements in their financial statements, including but not limited to the total amount, average interest rate, fees charged or paid, as applicable.

Repeal

The earlier circular issued on co-lending, dated 5 November 2020³, is repealed with the issuance of these CLA Directions 2025. However, existing arrangements remain valid under prior norms until the new directions take effect.

(Source: RBI Notification No., RBI/DOR/2025-26/139 DOR.STR.REC.44/13.07.010/2025-26,' Reserve Bank of India (Co-Lending Arrangements) Directions, 2025' dated 6 August 2025)



2. For the purpose of these Directions, CLA refers to an arrangement, formalised through an formalized ex-ante agreement, between a RE which is originating the loans ('originating RE') and another RE which is co-lending ('partner RE'), to jointly fund a portfolio of loans, comprising of either secured or unsecured loans, in a pre-agreed proportion, involving revenue and risk sharing.

3. RBI Circular [FIDD.CO.Plan.BC.No.8/04.09.01/2020-21](#)



ICAI issues a checklist for issue of certificate

The Institute of Chartered Accountants of India (ICAI), through its Centre for Audit Quality Directorate, has released an illustrative checklist to guide Chartered Accountants in issuing certificates. This checklist is based on the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) (Guidance Note) and is designed to help professionals comply with its requirements. The checklist is organised into four key sections:

1. **Index** – Provides an overview of all certificates issued.
2. **Section A** – Assists in identifying whether the assignment is to be accepted in compliance with the Guidance Note or another Standard on auditing.
3. **Section B** – A procedural checklist covering aspects like quality control, planning, execution, and reporting, with references to relevant paragraphs of the Guidance Note.
4. **Section C** – Details the mandatory components of the certificate and outlines the supporting documents that must be retained.

[Source: ICAI>> Centre for Audit Quality Directorate>>whats new>> Checklist of Certificates for Chartered Accountant, dated August 2025]

FAQs on Management Representation Letter

The ICAI, through its Auditing and Assurance Standards Board (AASB), published a detailed guidance document titled 'FAQs on Management Representation Letter (MRL)' on 14 August 2025. This publication is designed to offer practical insights into the application of Standard on Auditing (SA) 580 – Written Representations. Key highlights of the document are:

- **Purpose and role of MRL:** The primary aim is to strengthen audit documentation, ensure consistent application of SA 580, and enhance the overall quality and reliability of financial reporting in India. The document underscores the importance of MRL as a critical piece of audit evidence that reinforces management's responsibility for the financial statements.
- **Scope and limitations:** It outlines the evidentiary value of MRLs, discusses their inherent limitations, and provides guidance on how auditors should respond when representations are either inconsistent or not provided.
- **Illustrative formats:** The publication includes sample formats for MRLs, templates for updating them, additional considerations, and a compliance checklist aligned with SA 580.

(Source: AASB, ICAI.org>>post>> Frequently Asked Questions (FAQs) on Management Representation Letter, dated 14 August 2025)





The Income Tax Act 2025

The Income Tax Act, 2025 (the 2025 Act) received Presidential assent on 21 August 2025. It replaces the existing Income Tax Act, 1961 (the 1961 Act), with a focus on simplifying tax provisions, removing outdated sections, and aligning with technological advancements and the evolving economic environment. The Act will come into effect from 1 April 2026. Key changes include:

- 1. Simplified compliance framework:** The 2025 Act introduces a more organised and technology-driven tax administration system, aimed at reducing complexity and improving compliance for both taxpayers and tax authorities.
- 2. Redefined tax year concept:** The dual concepts of Financial Year and Assessment Year are replaced with a unified 'Tax Year', defined as a 12-month period starting from 1 April each year. This aims to simplify reporting and eliminate ambiguity.
- 3. Expanded scope of Virtual Digital Assets (VDAs):** The definition of VDAs has been broadened to include crypto-assets, non-fungible tokens (NFTs), and other digital assets as may be notified by the Government. This reflects the dynamic nature of digital transactions and asset classes.
- 4. Inclusion of VDAs under undisclosed income:** VDAs are now explicitly included within the definition of undisclosed income, reinforcing the Government's intent to monitor and regulate digital wealth.
- 5. Reforms in tax recovery and appeals:** The 2025 Act introduces reforms to modernise and streamline tax recovery and appellate procedures, with the goal of enhancing efficiency and transparency in dispute resolution.
- 6. Streamlined structure and enhanced readability:** The 2025 Act adopts a simplified format, reducing the number of sections and chapters while retaining essential content. It is designed for easier interpretation and implementation, featuring well-structured schedules supported by illustrative tables and formulae. Redundant and repetitive provisions have been eliminated to improve navigation.

(Source: Ministry of Law and Justice (Legislative Department), The Income Tax Act, 2025, No. 30 of 2025, dated 21 August 2025)

IASB issues amendments to IFRS 19

The International Accounting Standards Board (IASB) has issued amendments to IFRS 19, permitting eligible subsidiaries to apply full IFRS Accounting Standards while benefiting from reduced disclosure requirements. The recent amendments expand these reduced disclosures to include standards and amendments issued between February 2021 and May 2024. These include:

- IFRS 18: Presentation and Disclosure in Financial Statements
- Supplier Finance Arrangements (Amendments to IAS 7 and IFRS 7)
- International Tax Reform—Pillar Two Model Rules (Amendments to IAS 12)
- Lack of Exchangeability (Amendments to IAS 21)
- Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7)

These updates ensure that IFRS 19 incorporates all relevant changes effective up to 1 January 2027.

(Source: [IFRS.org >> News and Events >> IASB issues amendments to IFRS 19 to complete catch-up work, dated 21 August 2025](https://www.ifrs.org/news-and-events/2025/08/iasb-issues-amendments-to-ifrs-19-to-complete-catch-up-work/))





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