

**B S R & Co. LLP**  
Chartered Accountants

# Corporate reporting insights



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## SEBI Board meeting

The Securities and Exchange Board of India (SEBI) approved several regulatory changes during its board meeting held on 17 December 2025. Key updates are summarised below:

**1. SEBI (Mutual Fund) Regulations, 2026:** SEBI has approved amendments to the SEBI (Mutual Fund) Regulations, 1996 through the introduction of the SEBI (Mutual Funds) Regulations, 2026 (the 2026 MF Regulations), featuring the following key elements:

- A. Simplification and consolidation:** The 2026 MF Regulations consolidate and streamline eligibility criteria for Mutual Fund and Mutual Fund Lite sponsors, while reorganising the roles and responsibilities of Asset Management Companies (AMCs) and Trustees into clearer thematic sections.
- B. Enhanced transparency and investor protection:** A revised expense ratio framework has been introduced—featuring a Base Expense Ratio (BER) that excludes statutory levies and regulatory fees, which will now be charged on actuals to compute the Total Expense Ratio (TER). BER limits have been reduced across Exchange Traded Funds (ETFs), Fund of Funds (FoFs), and both open ended and close ended schemes.
- C. Ease of compliance:** Operational processes have been simplified by reducing mandatory trustee meetings, removing half yearly portfolio disclosures, and eliminating redundant filings. A digital first approach has been adopted by discontinuing physical submission of advertisements and shifting to online monitoring supported by email, SMS, and website based disclosures. Borrowing rules have also been modernised by allowing equity index funds and ETFs to borrow for execution requirements and permitting intraday borrowing to address short term redemption mismatches.
- D. Removal of redundant provisions:** The 2026 MF Regulations significantly reduce regulatory complexity and volume, including deletion of chapters for which separate frameworks already exist.

## 2. Amendments to SEBI ICDR Regulations

SEBI approved amendments to the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (SEBI ICDR Regulations) to streamline public issue requirements. Key changes include:

- a) Simplified lock in process:** SEBI addressed operational challenges relating to IPO lock in requirements under which all pre issue capital held by non promoters (except exempt categories) must be locked in for six months post allotment. Depositories may now mark such securities as non transferable for the lock in duration, ensuring compliance without impacting existing pledges or financing arrangements.
- b) Abridged prospectus at DRHP stage:** Currently, material disclosures are required in the Draft Red Herring Prospectus (DRHP) and Red Herring Prospectus (RHP), with the abridged prospectus filed only at the RHP stage. To enhance retail investor engagement, SEBI has approved the availability of a focused, concise draft abridged prospectus at the DRHP stage as well.





## SEBI updates



## MCA updates



## ICAI updates



## Other updates

**3. Relaxation for High Value Debt Listed Entities (HVDLEs):** SEBI has approved amendments relating to HVDLEs as follows:

- A. Higher threshold for HVDLE classification:** The threshold for classifying HVDLEs has been increased from INR 1,000 crore to INR 5,000 crore of outstanding non convertible debt, improving fund raising ease for regulated entities such as NBFCs, HFCs, ARCs, insurance companies, and REITs.
- B. Corporate governance alignment with equity listed entities:** Corporate governance requirements for HVDLEs have been harmonised with the recent reforms applicable to equity listed companies, promoting consistency and reducing compliance burden.
- C. Board of directors and committee related provisions:** A special resolution is now required for non-executive directors continuing beyond 75 years of age. Time required for regulatory, or government approvals will be excluded when calculating timelines for director appointments. Nominee director appointments made by regulators, debenture trustees, courts, or tribunals are exempt from shareholder approval. Committee vacancies must be filled within three months, and all board recommendations to shareholders must clearly state the rationale.
- D. Subsidiary and IBC related relaxations:** Shareholder approval is no longer needed for sale of a material subsidiary's assets to another entity within the same group. Companies emerging from the Corporate Insolvency Resolution Process (CIRP) will have three months to fill Key Managerial Personnel (KMP) vacancies, provided at least one full time KMP is already in place.
- E. Framework for secretarial auditor appointments:** New provisions have been introduced governing the appointment, reappointment, removal, and disqualification of secretarial auditors for HVDLEs.
- F. Harmonisation of Related Party Transaction (RPT) norms:** RPT requirements for HVDLEs have been aligned with those applicable to equity listed companies, while retaining the consent requirements from Debenture Trustees and debenture holders.

**4. Amendments to Regulation 39 and 40 of LODR Regulations:** SEBI approved amendments to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations):

- A. Regulation 39:** The requirement to issue a Letter of Confirmation (LOC) for investor service requests has been removed. After due diligence, securities will from approximately 150 days to about 30 days.
- B. Regulation 40:** Investors holding original physical security certificates and the corresponding transfer deed (for purchases made before 1 April 2019) will be permitted to lodge these documents for transfer during a designated window, subject to conditions specified by the Board.
- C. Unclaimed amounts for non convertible securities:** Issuers will now transfer all unclaimed interest, dividend, or redemption amounts relating to listed non convertible securities to the Investor Education and Protection Fund (IEPF/IPEF) in one instance after 7 years from maturity, rather than after 7 years of the amount remaining unclaimed—giving investors a longer period to claim funds.

**5. Amendments to SEBI (Issue and Listing of Non Convertible Securities) Regulations, 2021 (NCS Regulations):** SEBI has approved the proposal allowing debt issuers to offer incentives such as additional interest or price discounts to specific investor categories (e.g., senior citizens, women, armed forces personnel, retail investors) to encourage retail participation in public debt issues. These incentives apply only to initial allotments and will not apply to subsequent secondary market transfers.

[\(Source: SEBI Board Meeting, dated 17 December 2025\)](#)



## SEBI amends the share-based employee benefits and sweat equity regulations

SEBI has issued the SEBI (Share Based Employee Benefits and Sweat Equity) (Second Amendment) Regulations, 2025 to amend the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations (SBEB and SE Regulations), 2021. Following are the key amendments:

- **Definition of valuer:** The term valuer will now be aligned with Section 247 of the Companies Act, 2013.
- **Registered valuers for valuation:** Valuations earlier required to be carried out by a merchant banker, will now be mandatorily undertaken by an independent registered valuer. Merchant bankers handling ongoing valuation assignments prior to the amendment becoming effective must complete such assignments within nine months of the new regulations coming into force.

The amendment is effective from 2 January 2026 (thirtieth day from the date of publication in the Official Gazette).

(Source: SEBI Notification F. No. SEBI/LAD-NRO/GN/2025/284, Securities And Exchange Board Of India (Share Based Employee Benefits And Sweat Equity) (Second Amendment) Regulations, 2025, dated 3 December 2025)

## Mandating periodic disclosure requirements for SDIs

The SEBI has issued a circular on 16 December 2025 mandating half-yearly disclosures for Securitised Debt Instruments (SDIs) under Regulation 11B of SEBI (Issue and Listing of Securitised Debt Instruments and Security Receipts) Regulations, 2008 (SDI Regulations). Previously, Regulation 11B required furnishing information to SEBI on a half-yearly basis but did not specify the format or detailed requirements. The new circular introduces disclosure formats provided in Annexure I and Annexure II. These formats cover SDIs backed by loans, listed debt securities, credit facility exposures, and other exposures.

The SEBI has now mandated that disclosures for SDIs must be submitted within 30 days from the end of March and September each year. This requirement will become effective from 31 March 2026. Additionally, the circular includes illustrations for computing key metrics such as weighted average maturity, weighted average rating of the pool, and average default rate.

(Source: SEBI Circular HO/17/11/18(1)2025-DDHS-POD1/I/342/2025 'Subject: Mandating periodic disclosure requirements- Securitised Debt Instruments (SDIs)', dated 16 December 2025)

## SEBI revises the substantial acquisition of shares and takeovers regulations

SEBI has introduced the SEBI (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2025, which will take effect from 2 January 2026. These amendments make key updates to the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011, including:

**Definition of valuer:** A new clause adds the term 'valuer', adopting the meaning assigned under Section 247 of the Companies Act, 2013.

**Independent valuation:** When shares are thinly traded, valuation must now be performed by an independent registered valuer. This replaces the previous requirement for the acquirer and the manager to the open offer to determine the price. The same principle applies to other valuation-related provisions under Regulations 8 and 9. Any ongoing valuation work being handled by merchant bankers or chartered accountants before the amendment must be completed within nine months from the effective date.

(Source: SEBI Notification F. No. SEBI/LAD-NRO/GN/2025/283, Securities And Exchange Board Of India (Substantial Acquisition of Shares and Takeovers) (Amendment) Regulations, 2025, dated 3 December 2025)



## MCA revises the definition of a small company

The Ministry of Corporate Affairs (MCA) has issued the Companies (Specification of definition details) Amendment Rules, 2025, revising the definition of a small company under Section 2(85) of the Companies Act, 2013. Under the updated definition, a company will qualify as a small company if:

- its paid-up share capital is not more than INR10 crore (revised from the earlier limit of INR4 crore); and
- its turnover is not more than INR100 crore (revised from the earlier limit of INR40 crore).

Effective from 1 December 2025, this amendment is intended to expand the scope of companies eligible for simplified compliance requirements and promote ease of doing business.

(Source: MCA, Notification G.S.R. 880(E). dated 1 December 2025)

## Extended filing deadlines for annual returns and financial statements

In continuation of General Circular No. 06/2025 dated 17 October 2025, the MCA has allowed companies to file annual filings for Financial Year (FY) 2024-25 in e-Forms MGT-7, MGT-7A, AOC-4, AOC-4 CFS, AOC-4 NBFC (Ind AS), AOC-4 CFS NBFC (Ind AS), and AOC-4 (XBRL) up to 31 January 2026 without payment of additional fees, while all other provisions of the circular dated 17 October 2025 remain unchanged.

(Source: MCA, General Circular No. 08/2025, File No. Policy-17/111/2022-CL-V-MCA, 'Relaxation of additional fees and extension of time for filing of Financial Statements and Annual Returns under the Companies Act, 2013 - reg.' dated 30 December 2025)





## ASB issued FAQs on key accounting implications arising from the new labour codes

1. On 26 December 2025, the Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI) issued a set of Frequently Asked Questions (FAQs) to clarify key accounting implications arising from the new labour codes and provide guidance on their application. The FAQ is based on the Government of India's enactment of four consolidated Labour Codes:

- Code on Wages, 2019
- Code on Social Security, 2020
- Industrial Relations Code, 2020
- Occupational Safety, Health and Working Conditions Code, 2020

The FAQ covers key aspects around:

- Accounting implications of increased cost of gratuity and leave encashment
- Impact on interim reporting
- Whether the changes arising before the enactment date may be considered as adjusting / non-adjusting event
- Presentation in financial statements
- Tax implications

(Source: Accounting Standards Board >> The Institute of Chartered Accountants of India, Announcement >> FAQs on key accounting implications arising from the New Labour Codes dated 26 December 2025)

## Exposure draft on Information Systems Audit Standards (ISAS)

The Digital Accounting and Assurance Board (DAAB), under the authority of the Council of the ICAI, issued the exposure draft on ISAS on 1 December 2025. ISAS aim to establish a principle-based framework for conducting Information Systems Audits (ISA) to ensure consistency, quality, and compliance in digital audit engagements.

These standards aim to equip professionals with a structured and globally aligned approach to IS Audit, covering governance, Information Technology (IT) general controls, application controls, cybersecurity assurance, technology risk management, incident response, data protection compliance, and system implementation reviews.

The period to share comments on the exposure draft ended on 25 January 2026.

(Source: ICAI, DAAB, Information Systems Audit Standard exposure draft, dated 26 December 2025)





## NFRA issues circular for maintenance, archival and submission of audit files

The National Financial Reporting Authority (NFRA), in accordance with Rule 3 of the NFRA Rules, 2018, has been empowered to supervise and enforce adherence to accounting and auditing standards, evaluate the quality of services provided, and undertake investigations in respect of statutory auditors of Public Interest Entities (PIEs). In exercising these responsibilities, NFRA mandates audit firms to furnish audit files as documentary evidence of work carried out for specific audit engagements.

Nevertheless, NFRA noted shortcomings in certain audit files submitted, especially in relation to compliance with the documentation requirements prescribed under the Standards on Auditing (SAs) and the Standard on Quality Control (SQC 1) governing the maintenance and submission of audit records.

Accordingly, on 16 December 2025, NFRA issued a circular to restate the following requirements with the objective of safeguarding the integrity of audit files. Some of the key aspects covered include:

- A. Requirements of professional standards:** The SAs and SQC 1 outline the meaning of an audit file and its evidential significance. In line with these standards, audit firms are expected to establish appropriate policies, procedures, and internal controls to ensure completeness of audit files, timely documentation and archival, and adequate safeguards restricting access to archived files to authorised personnel only.
- B. Components and attributes of an audit file:** Under SA 230, *Audit Documentation*, an audit file consists of the audit documentation relating to a particular engagement to

(a) create a sufficient and appropriate record supporting the basis of the auditor's report and (b) demonstrate that the audit was planned and executed in accordance with the SAs and applicable legal and regulatory requirements. Accordingly, in conformity with SA 230, audit firms are required to maintain audit documentation that captures the nature and extent of audit procedures performed, the audit evidence obtained, the significant professional judgments exercised, and records of key discussions with management, those charged with governance, and other relevant parties.

- C. Timely completion, archival, and retention:** In accordance with the requirements set out under the SAs read together with SQC 1, an auditor is required to complete the assembly of an audit file within a period of 60 days from the date of the auditor's report. Further, the auditor is mandatorily required to retain the audit documentation for a period of not less than seven years from the date of the auditor's report or, where applicable, from the date of the group auditor's report, whichever is later. Where original audit documentation is maintained in physical form, SQC 1 prescribes specific requirements for converting such original paper-based documentation into electronic audit files. Accordingly, audit firms are required to establish appropriate policies and procedures to safeguard the confidentiality, secure custody, integrity, accessibility, and retrievability of engagement documentation.
- D. Instances of loss of data and loss of integrity of audit files:** NFRA has further noted that conversion of audit files between different formats - for example, printing electronic

records and subsequently scanning them into non-searchable PDF files or modifying original documentation may impair the integrity and reliability of audit evidence. Such practices not only contravene the requirements laid down in the SAs and SQC 1 but also obscure the original audit content and evidence supporting the work performed by auditors. Additionally, conversion of audit documentation from its original electronic form to paper form leads to loss of metadata, including timestamps, authorship details, edit history, and change logs, thereby affecting the authenticity and integrity of the data.

- E. Audit file retention:** Audit files constitute critical audit evidence. However, NFRA has observed that some auditors rely on the seven year retention period prescribed under SQC 1 as the absolute outer limit, even in situations where audit matters continue to be subject to regulatory scrutiny or litigation. Preservation of audit evidence is not limited to the requirements of the SAs and SQC 1; rather, any document or electronic record that may be relevant for legal or regulatory proceedings must be retained and safeguarded against alteration or destruction. Accordingly, where proceedings are initiated by a court or other authority, audit files must be preserved beyond the standard retention period until such matters are finally resolved.
- F. Points for compliance for auditors:**
- Audit firms should establish adequate policies and internal controls for the maintenance, archival, and retention of audit files in compliance with professional standards and all applicable Indian laws, including relevant Information Technology Acts, Rules, and Regulations.



- Final audit files should be assembled and archived within 60 days from the date of the auditor's report (as per SA 230 and SQC 1) and should be readily available to NFRA.
- Audit files must be retained for at least seven years, with longer retention required when inquiries or proceedings by oversight or investigative authorities are ongoing.
- Audit evidence that is initially created or obtained in electronic form must be retained and preserved in the same format, unless it can be demonstrated that conversion to another format does not result in any loss of evidentiary value. Where audit files are requisitioned by NFRA, such audit files must continue to be preserved even if the standard retention period of seven years expires prior to closure of the proceedings before NFRA.
- Audit documentation that has undergone format conversion prior to submission to NFRA, or instances where electronic working papers (such as spreadsheets or Excel files) are printed for inclusion in audit files maintained in physical form, does not comply with the requirements of the SAs and SQC 1 and shall not be regarded as valid audit evidence.
- Audit files requisitioned by NFRA are required to be submitted in their entirety and in the prescribed format within seven days from the date of receipt of NFRA's communication. Where an extension is sought, audit

firms must make a request within seven days of receipt of NFRA's communication and furnish the following:

1. An explanation of exceptional circumstances along with supporting evidence.
2. Details of the total number of pages comprising the audit files or paper-based documentation forming part of the audit file and/or the size of the electronic audit files.
3. A comprehensive index or log of documents included in the audit file.
4. Advance copies of key documents forming part of the audit file, including the audit strategy, audit plan, risk assessment summary, summary of corrected and uncorrected misstatements, and copies of all communications with the audit committee or the board, to be submitted along with the request for extension.

(Source: [NFRA circular no. NF-22/52/2025-NFRA dated 16 December 2025](#))

## Draft labour code rules

The Government of India implemented the four labour codes listed below with effect from 21 November 2025:

- Code on Social Security, 2020
- Code on Wages, 2019
- Industrial Relations Code (Central) Rules, 2020
- Occupational Safety, Health and Working Conditions (Central) Rules, 2020

On 30 December 2025, the Ministry of Labour and Employment issued draft rules for all four labour codes, inviting comments, objections, and suggestions from stakeholders. These draft rules offer greater clarity on several important elements of how the labour codes will function in practice. While the codes provide the overarching legal framework, the draft rules detail the operational mechanisms for implementation, including provisions related to wages, working hours, social security, workplace safety standards, and dispute resolution.

A 30-day period until 29 January 2026 has been provided for submitting objections or suggestions on the draft rules under the Industrial Relations Code, 2020, and a 45-day period until 13 February 2026 for the draft rules under the other three codes.

(Source: [Ministry of Labour and Employment, Notifications number - G.S.R. 930\(E\) The Industrial Relations \(Central\) Rules, 2025; G.S.R. 934\(E\) The Occupational Safety, Health and Working Conditions \(Central\) Rules, 2025, G.S.R. 935\(E\) Code on Social Security \(Central\) Rules, 2025; G.S.R. 936\(E\) Code on Wages \(Central\) Rules, 2025, dated 30 December 2025](#))



## New Insurance Act receives President's assent

The Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Bill, 2025 was introduced in the Lok Sabha on 16 December 2025 and subsequently received the President's assent on 20 December 2025. The Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 (the Act) will come into force once the same is published in the official gazette. The Act seeks to amend certain key provisions of the Insurance Act, 1938, the Life Insurance Corporation Act, 1956, and the Insurance Regulatory and Development Authority Act, 1999. Key aspects of the Act:

- **FDI in insurance companies:** The Act has enhanced the foreign direct investment limit in Indian insurance companies from 74 per cent to 100 per cent of their paid up equity capital, thereby permitting full foreign ownership. However, the Act requires that at least one of the key managerial personnel, such as the chairman, managing director, or chief executive officer - must be an Indian citizen.
- **Insurance intermediaries:** The scope of intermediaries has been widened to expressly include managing general agents and insurance repositories, thereby increasing the range of regulated entities under the insurance framework.
- **Share transfer approval:** Under the previous legal framework, prior approval of IRDAI was

required for share transfers exceeding **1 per cent** of paid up equity capital. The Act increases this threshold to 5 per cent, easing compliance requirements for insurance companies.

- **Enhanced powers of IRDAI:** The Insurance Regulatory and Development Authority of India (IRDAI) is empowered to approve schemes of arrangement involving insurers and non insurance companies, supersede the board of an insurer and appoint an administrator where policyholder interests are at risk, and regulate remuneration, commissions, and rewards payable to agents and intermediaries. Further, IRDAI's powers of inspection and investigation have been extended to cover insurance intermediaries as well.
- **Policyholders' Education and Protection Fund:** The Act provides for the establishment of a Policyholders' Education and Protection Fund to be administered by IRDAI, with the objective of educating policyholders and protecting their interests. The Fund is proposed to be supported through government grants, penalties levied by IRDAI, and other prescribed sources.

(Source: The Gazette of India, CG-DL-E-21122025-268698, Ministry of Law and Justice (Legislative Department), The Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 dated 21 December 2025)

## SPREE 2025 timeline extended for employers

The Employees' State Insurance (ESI) Corporation has extended the Scheme for Promotion of Registration of Employers and Employees (SPREE 2025) by one month (originally operational for a period from 1 July 2025 to 31 December 2025), allowing employers to register their establishments and employees under the ESI framework until 31 January 2026 without inspections, prior records, or liability for past contributions. This extension aims to promote voluntary compliance and expand social security coverage, aligning with the objectives of the new Code on Social Security.

(Source: Ministry of Labour and Employment PIB Release ID: 2210119, 'SPREE 2025 Extended Till 31 January 2026: ESIC Offers More Time for Employers to Join Without Past Liabilities', dated 31 December 2025)





## Revised timeline for CTS continuous clearing

The Reserve Bank of India (RBI), through its notification dated 13 August 2025, announced a transition in the Cheque Truncation System (CTS) to continuous clearing and settlement on realisation, replacing the earlier batch-processing model. This change was to be rolled out in two stages:

- Phase 1 from 4 October 2025 and
- Phase 2 from 3 January 2026.

The framework outlined continuous cheque presentation, real-time processing, a single settlement window, and a stricter T+3 clear-hours confirmation requirement under Phase 2.

RBI has now issued a fresh notification dated 24 December 2025 and has postponed the implementation of Phase 2 until further notice, citing the need for banks to be given additional time to stabilise their operational processes before shifting to the more stringent real-time, three-hour confirmation requirement. As a result, the transition from the Phase 1 end-of-day confirmation deadline to the real-time T+3 framework is temporarily on hold.

The revised presentation and confirmation session timings are:

- Presentation session: 09:00 AM–03:00 PM (previously 10:00 AM–04:00 PM as per the August Phase 1 circular)
- Confirmation session: 09:00 AM–07:00 PM (previously 10:00 AM–07:00 PM)

(Source: RBI Notification No. RBI/2025-26/156 CO.DPSS.RLPD.No.S1039/04-07-001/2025-2026, Continuous Clearing and Settlement on Realisation in Cheque Truncation System: Phase 2, dated 24 December 2025.)

## The Securities Markets Code, 2025 - Lok Sabha Bill

On 18 December 2025, the Minister of Finance and Corporate Affairs introduced the Securities Markets Code, 2025 (the Code) in the Lok Sabha, consolidating the Securities Contracts (Regulation) Act, 1956, the SEBI Act, 1992, and the Depositories Act, 1996 into a unified, principle-based framework aimed at strengthening investor protection, simplifying compliance, and aligning regulations with modern technological developments. The Code was tabled in the Lok Sabha on 18 December 2025 and is not yet approved by any house of the Parliament as it has been referred to the Standing Committee on Finance for examination. The Code will come into force on dates notified by the Central Government in the official gazette.

Key features include:

- Streamlined registration and regulation of intermediaries,
- Market infrastructure institutions and investment schemes
- Mandatory dematerialisation of securities
- Robust provisions for inspection, investigation, and adjudication
- Penalties for market abuse and fraudulent practices and other penalties
- The Code introduces an Investor Charter, an Ombudsperson mechanism for grievance redressal, and a regulatory sandbox to foster innovation

(Source: Lok Sabha Bill No. 200 of 2025, The Securities Markets Code, 2025 dated 18 December 2025)





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