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February 2025



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Digital assurance by top 100 listed entities – SEBI proposal

The Institute of Chartered Accountants of India (ICAI) issued a 'Technical Guide on Digital Assurance' (Technical Guide) focussing on sources of external audit evidence and information available to be used by auditors in their audit procedures. The Securities Exchange Board of India (SEBI) consulted with the Primary Market Advisory Committee (PMAC) to discuss the need for a separate report on digital assurance for listed companies. As a continuous endeavour to enhance the quality of financial reporting, SEBI has issued a draft circular on 'Management statement and Auditor's/ Independent Practitioners Report on digital assurance based on information obtained from external data repositories'. The period for providing comments ended on 24 February 2025. The key aspects of the proposal are as follows:

- Applicability:** Reporting on digital assurance shall be applicable on top 100 listed entities by market capitalisation from Financial Year 2024-25 onwards i.e., for the period ending on or after 31 March 2025.
- Mandatory report:** SEBI has proposed a mandatory separate digital assurance report on financial statements of listed companies to enhance transparency and investor protection prepared by an auditor (statutory auditor or independent practitioner) who has subjected himself/herself to the peer review process of ICAI.
- Management's responsibility:** The management of the company shall be responsible for preparing the management statement (the statement) including the maintenance of accounting records supporting its contents. The management will also be responsible for providing access to external data repositories, ensuring compliance with SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) and other applicable laws and regulations and providing information used for preparation of the statement.
- Auditor's/independent practitioner's responsibility:** To examine the management's statement and the underlying audited financial statements and books and records to ensure that the information is in agreement with/extracted appropriately from the books of account ensuring compliance with Technical Guide.
- Reporting:** Listed entities would be required to submit the management statement and auditor's report to the stock exchanges by 31 July of each year.
- Non compliances:** Delays in compliance will result in fines as per Regulation 33 of the Master Circular dated 11 July 2023 for LODR Regulations.

(Source: [SEBI draft circular for public comments on 'Management statement and auditor's/ independent practitioners report on digital assurance based on information obtained from external data repositories', dated 03 February 2025](#))





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Secretarial and related party provisions of the LODR Regulations – SEBI proposals

On 7 February 2025, SEBI released a consultation paper to review various aspects in relation to secretarial compliance reports, auditor appointments, and Related Party Transactions (RPT) for listed entities (Consultation paper). This Consultation paper invited public feedback and the period for providing comments ended on 28 February 2025 on proposed amendments to the LODR Regulations and the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (SBEBS Regulations). The key amendments suggested therein are as follows:

1. Strengthening the secretarial compliance report:

Regulation 24A(2) of the LODR Regulations mandates that every listed entity must annually submit a secretarial compliance report to the Stock Exchanges in a specified format. To improve secretarial compliance among listed entities, SEBI has proposed the following amendments related to secretarial audits and compliance reports:

- The Annual secretarial compliance report (ASCR) must be included in the annual report.
- Entities must mandatorily comply with the secretarial standards mentioned in

Section 118(10) of the Companies Act, 2013 (2013 Act).

- Change in or resignation of a secretarial auditor will be a deemed material event requiring disclosure, irrespective of materiality guidelines as per Schedule III of the LODR Regulations.
 - Listed entity will be required to disclose in its annual report, the total fees paid to a secretarial auditor by the listed entity and its subsidiaries, along with the reasons for any resignation or removal before the end of tenure, per Schedule V of the LODR Regulation.
 - The suggested amendments aim to remove duplicate certifications between the ASCR and other SEBI Regulations.
- ### 2. Eligibility criteria for appointing statutory auditors and disclosure requirements:
- Regulation 36(5) of the LODR Regulations specifies the disclosure requirements in relation to the notice sent to the shareholders regarding the appointment or re-appointment of statutory or secretarial auditors in an annual general meeting. However, the current regulation lacks a standardised format for these disclosures or does not

mandate the minimum information that must be provided to the Audit Committee or Board of Directors. To address this, SEBI has proposed to provide a format for disclosing the minimum required information to be presented to the Audit Committee and/or Board of Directors, and shareholders of the listed entity when considering the appointment or re-appointment of statutory or secretarial auditors of a listed entity.

- ### 3. Approval of RPTs undertaken by subsidiaries of listed entities:
- Regulation 23 of the LODR Regulations states the approval requirements in relation to RPTs involving a subsidiary of a listed entity (where listed entity is not a party). To further clarify the requirements around monetary threshold for approvals from the audit committee, SEBI has proposed additional monetary thresholds of INR1,000 crore for main board subsidiaries (in addition to existing percentage based threshold) and INR50 crore for SME subsidiaries.

Further, for subsidiaries who do not have published financial statements for at least one year, it is proposed to consider 10 per cent of standalone net worth as threshold for audit committee approval instead of 10 per

cent of the standalone turnover (certified by a chartered accountant). In cases of negative net worth, share capital plus securities premium will be considered instead of net worth. This threshold would be compared with INR1,000 crore (or INR50 crore) i.e. a lower of monetary threshold and percentage-based threshold, may be considered for approval of RPTs by an audit committee.





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4. Clarifications on RPT provisions:

Regulation 2(1)(zc) of the LODR Regulations defines a RPT as any transaction between a listed entity (or its subsidiaries) and a related party of the listed entity (or its subsidiaries). SEBI has received requests for clarification on how this definition would apply to subsidiaries of listed entities. As a response, SEBI has proposed the following clarifications:

- i. To determine related parties for subsidiaries, the definition of RPT (Regulation 2(1)(zc)) should be read in conjunction with the definition of a related party (Regulation 2(1)(zb))
- ii. The exemption under Regulation 23(5)(b) will apply only when the wholly owned subsidiary's accounts are consolidated with a listed holding company and presented for approval to shareholders. Additionally, SEBI proposed to clarify that this exemption applies solely to listed holding companies.

(Source: SEBI consultation paper on "Consultation Paper on aspects relating to Secretarial Compliance Report, Appointment of Auditors and Related Party Transactions of a Listed Entity" dated 7 February 2025)

SEBI released the Industry Standards Recognition Manual

Recently, SEBI released the 'Industry Standards Recognition Manual' to outline guidelines for recognising industry standards to facilitate compliance with regulatory directions for various regulated entities like Market Infrastructure Institutions (MIIs), Mutual Funds, and listed companies and it provides for the creation and regulation of Industry Standards Forums (ISFs) to develop specific standards, checklists, and Standard Operating Procedures (SOPs) for implementation of the various regulatory directions.

Key points of the manual include:

- **ISF's scope:** Development of implementation standards in consultation with SEBI for the identified regulatory directive and/or suggest additional directives for framing of standards. Does not include drafting regulations or taking regulatory actions.

- **Constitution of ISF:** Consisting of members from relevant industry or regulated entities, including small and medium-sized players, with a chairperson having at least 10 years of relevant experience.
- **Recognition process:** Standards must be specific, aligned with regulatory intent, and include step-by-step implementation procedures.
- **Publishing standards:** Recognised standards to be published on SEBI and industry association websites.

The manual seeks to promote uniformity and ease of compliance, while granting SEBI the flexibility to modify guidelines as necessary.

(Source: SEBI advisory/guidance, "Industry Standards Recognition Manual", dated 12 February 2025)





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Disclosure of minimum information for RPT approval by listed entities

Regulation 23 of SEBI LODR Regulations mandates that RPTs must be approved by the audit committee and if material, by the shareholders as well. The SEBI had issued a Master Circular on 11 November 2024, providing broad requirements on the information to be placed before the Audit Committee and shareholders for approval of RPTs under Section III-B of the said SEBI Circular. However, no specific format for such information was provided.

To facilitate a uniform approach and assist listed entities in complying with RPTs' approval requirements, on 14 February 2025, SEBI issued a circular (SEBI circular) requiring listed entities to comply with requirements of the Industry Standards Forum (ISF) for the minimum information required for an audit committee's and shareholder's review and approval of RPTs (RPT Industry Standards). Initially, according to the SEBI circular on the RPT Industry Standards, the RPT Industry Standards were applicable to all transactions approved on or after 1 April 2025, including material modifications. However, pursuant to the feedback received in relation to implementation challenges, SEBI issued another circular dated 21 March 2025 wherein it has clarified that RPT Industry standards will be effective from 1 July 2025.

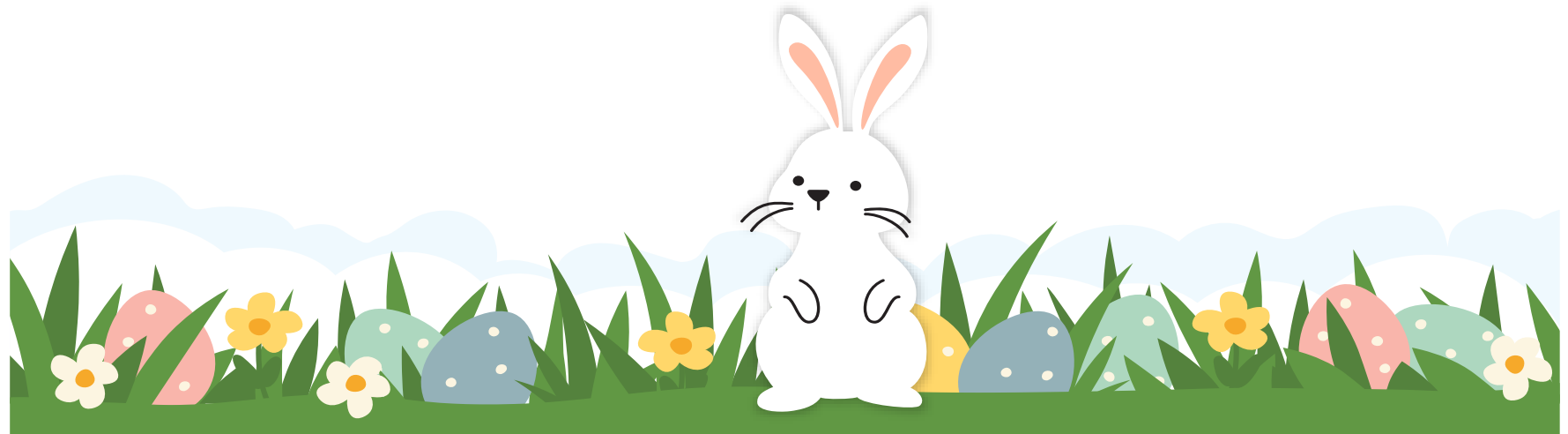
The RPT Industry standards cover:

- 1. Applicability and minimum information:** These standards apply to all RPTs required to be approved by the Audit Committee and shareholders under the SEBI LODR Regulations. The RPT Industry Standards provide an applicability matrix specifying the minimum disclosures to be provided, based on certain value-based parameters.
- 2. Format for information:** These standards provide a standardised format for presenting information to the audit committee.

- 3. Considerations for management of the listed entity:** The RPT Industry Standards cover some of the specific aspects management should consider while collecting and collating the information to be provided to the Audit Committee for review and approval. It is also required to provide a certification from the CEO, CFO, or any KMP and from every promoter director confirming that the RPTs are not prejudicial to the interest of public shareholders and the terms and conditions are not unfavorable to the listed

entity, compared to the terms and conditions, had similar transaction been entered into with an unrelated party.

(Source: SEBI Circular SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/18, dated 14 February 2025 and ISF's "Industry Standards on "Minimum information to be provided for Review of the Audit Committee and Shareholders for Approval of Related Party Transaction (RPT)" and SEBI Circular SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/37, dated 21 March 2025)





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Industry standards for KPI disclosure in offer documents

The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018 (SEBI ICDR Regulations) require the issuer companies to disclose Key Performance Indicators (KPIs) in Initial Public Offer (IPO) documents with regard to the determination of the basis for the issue price. This disclosure helps potential investors evaluate the company's performance, growth prospects, and risks, improving transparency and investor confidence. KPIs also serve as benchmarks for comparing the company's performance with industry peers.

On 28 February 2025, SEBI introduced Industry Standards for disclosing Key Performance Indicators (KPIs) in draft and final offer documents (the Industry Standards). Developed by the ISF, these standards ensure a uniform approach to KPI identification and presentation. Issuer companies and merchant bankers must follow these standards for all documents filed with SEBI or stock exchanges from 1 April 2025, onwards. Key aspects include:

- **Definition of KPIs:** KPIs are numerical measures of an issuer company's historical financial and operational performance,

helping investors make informed decisions. They are classified into GAAP financial measures, non-GAAP financial measures (including financial ratios), and operational measures.

- **Identification of KPIs:** The Industry standards require KPIs to be quantitative and measurable, excluding subjective aspects. Management and lead merchant bankers will identify suitable industry peers based on criteria in the Industry Standards.
- **Certification by management and audit committee:** Final KPIs to be disclosed in the offer document must be certified by the Managing Director (MD), Executive Director (ED), or Chief Financial Officer (CFO) and approved by the Audit Committee of the issuer company with detailed information to be presented for approval.
- **Certification by Chartered Accountant (CA):** KPIs identified for disclosure must be certified by the statutory auditor or another CA, or a firm of CAs with a valid certificate from the Peer Review Board of the ICAI, or by Cost Accountants with a valid certificate

from the Peer Review Board of the Institute of Cost Accountants of India. Further, a certifying professional¹ must certify the KPIs disclosed in the offer document.

- **Disclosure of KPIs:** Approved KPIs should be disclosed in the 'Basis for Issue Price' or 'Business' chapter of the offer document in the prescribed format.
- **Standards for presenting KPIs:** Financial indicators must be disclosed in a format consistent with SEBI ICDR Regulations. Foreign currency indicators should also be presented in equivalent Indian Rupees.
- **Continuing KPI disclosure:** The Industry Standards also provide guidance to issuer companies in relation to continuous disclosure of KPIs outlined in the offer document

(Source: SEBI circular, [SEBI/HO/CFD/CFD-PoD-2/P/CIR/2025/28](#), dated 28 February 2025 and ISF's 'Industry Standards on Key Performance Indicators ("KPIs") Disclosures in the Draft Offer Document and Offer Document ("KPI Standards")')



¹ The Certificate to be issued by the Certifying Professional shall be issued in terms of the "Technical Guide on Disclosure and Reporting of Key Performance Indicators (KPIs) in Offer Documents" issued by The ICAI or The Institute of Cost Accountants of India (ICMAI), as applicable to the Certifying Professional or any other similar standard issued by ICAI or ICMAI for this purpose.



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Regulatory framework for Specialised Investment Funds

SEBI has introduced a new investment product called Specialised Investment Fund (SIF) to bridge the gap between Mutual Funds (MFs) and Portfolio Management Services (PMS). To operationalise this SEBI amended the SEBI (Mutual Funds) Regulations, 1996. The regulatory framework for SIF aims to provide portfolio flexibility and cater to the investment needs of retail, high net-worth, and institutional investors. These guidelines aim to ensure that SIFs operate transparently, manage risks effectively, and provide investors with clear and comprehensive information.

The major aspects covered in the framework are:

1. Eligibility criteria for SIFs
2. Branding and advertisement requirements
3. Investment strategies with guidelines for

equity-oriented investment strategies, debt oriented investment strategies and hybrid investment strategies

4. Minimum investment threshold
5. Investment restrictions
6. Investment in derivatives
7. Subscription, redemption, and listing of units of investment
8. Benchmarking of investment strategies and distribution of SIFs
9. Information required to be disclosed in offer documents
10. Disclosure requirements and timelines to make such disclosures on the website of the AMC and on website of AMFI.

(Source: SEBI circular SEBI/HO/IMD/IMD-PoD-1/P/CIR/2025/26, dated 27 February 2025)

SEBI updated the mutual fund regulations

On 14 February 2025, SEBI issued the SEBI (Mutual Fund) (Amendment) Regulations, 2025, amendments to the existing SEBI (Mutual Funds) Regulations, 1996. These amendments will take effect on 1 April 2025. Following are the key changes:

- 1. Investment requirements:** Asset Management Companies (AMCs) must now invest a specified percentage of their employees' remuneration in mutual fund units. This percentage will vary based on the employees' roles and designation and investment method will be prescribed by SEBI.
- 2. Stress testing of schemes:** AMCs are required to conduct stress testing for certain schemes as specified by SEBI. The results must be disclosed in a format and manner prescribed by SEBI.
- 3. Disclosure requirements:** AMCs must disclose and manage charges, commissions, and fees related to the distribution of mutual fund schemes.

- 4. Timelines for fund deployment:** SEBI has also issued a circular dated 27 February 2025 to specify that funds raised through a New Fund Offer (NFO) must be deployed by the AMC within 30 business days (which can be extended for another 30 business days by the investment committee in exceptional cases) from the date of allotment of units. AMCs must also specify achievable timelines for fund deployment in the Scheme Information Document (SID) during an NFO. This amendment aims to encourage AMCs to collect only as much funds in NFOs as can be deployed in a reasonable period of time.

(Source: SEBI Notification No. SEBI/LAD-NRO/GN/2025/230, "SEBI (Mutual Funds) (Amendment) Regulations, 2025" dated 14 February 2025 and SEBI Circular No. SEBI/HO/IMD/IMD-PoD-1/P/CIR/2025/23 dated 27 February 2025)





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SEBI issued guidelines for regulated entities on the use of AI/ML

The SEBI (Intermediaries) Regulations, 2008 provide guidelines for various classes of intermediaries. Recently, SEBI amended these regulations to introduce new provisions regarding the use of Artificial Intelligence (AI) and Machine Learning (ML) by the Market Infrastructure Institutions (MIIs), registered intermediaries, and other SEBI-regulated entities.

These amendments mandate that any entity using AI/ML tools², whether developed in-house or sourced from third parties, is solely responsible for the privacy, security, and integrity of investors' and stakeholders' data, the outputs generated by these tools, and compliance with applicable laws. In case of violations by regulated entities, SEBI will take appropriate action. The amendment aims to ensure accountability and regulatory compliance in the use of AI/ML technologies in the financial sector.

(Source: SEBI Notification No F.No. SEBI/LAD-NRO/GN/2025/226, "SEBI (Intermediaries) (Amendment) Regulations, 2025" dated 10 February 2025)



2. The expression 'artificial intelligence and machine learning tools and techniques' may include any application or software program or executable system or a combination thereof, offered by the person regulated by the Board to investors/stakeholders or used internally by it to facilitate investing and trading or to disseminate investment strategies and advice or to carry out its activities including compliance requirements and the same are portrayed as part of the products offered to the public or under usage for compliance or management or other business purposes.



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Exposure draft - accounting standards for limited liability partnerships (LLP)

Presently, Accounting Standards issued by the ICAI and revised criteria prescribed by the ICAI for applicability of Accounting Standards to non-company entities are applicable to LLPs for the preparation and presentation of their financial statements.

The Accounting Standards Board (ASB) of the ICAI in October 2023 had invited comments on proposals regarding Accounting Standards for LLPs. Consequently, ASB has released an exposure draft for a separate set of accounting standards for LLPs. The EDs have been framed on the similar lines of accounting standards notified under Companies (AS) Rules 2021.

The exposure draft outlines the applicability of various accounting standards to LLPs including factoring the revised criteria for classification of

non-company entities for applicability of Accounting Standards and available exemptions and relaxations as issued by the ICAI in November 2024, that is presently applicable to LLPs.

This exposure draft is a significant step in the accounting standards landscape, aiming to create a structured framework for LLPs. The timeline for providing comments on the exposure draft ended on 28 February 2025.

[\(Source: Accounting Standards Board \(ASB\) of the ICAI, Exposure Draft of Accounting Standards for Limited Liability Partnerships, dated 7 February 2025\)](#)

ICAI published revised edition of FAQs on SEBI LODR Regulations

The SEBI LODR Regulations, promote transparency, accountability, and consistency among listed entities in India. These regulations are regularly updated to meet the evolving needs of the capital markets and corporate governance landscape. Given that the first edition of the Frequently Asked Questions (FAQs) on LODR Regulations, was released by the ICAI in February 2021, there was a need for an updated edition aiming to further enhance understanding and compliance with the dynamic regulatory framework. Consequently ICAI issued the revised version of the FAQs covering all amendments to the LODR Regulations up to 30 December 2024.

The updated FAQs are divided into two main parts:

Part A: Provides a detailed explanation of the regulations and schedules, focusing on corporate governance, disclosures, and related party transactions. This publication also includes FAQs on certain new topics such as obligations of social enterprises, duties, and obligations of recognised stock exchanges, etc.

Part B: Introduces a new chapter, 'Compliance Calendar' to help professionals track key deadlines and ensure timely compliance with the regulations.

[\(Source: ICAI publication, 'Frequently Asked Questions on SEBI \(LODR\) Regulations, 2015 \(Revised January 2025 Edition\)'\)](#)





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Technical guide on CSR expenditure

ICAI has released the revised edition of the 'Technical Guide on Accounting for Expenditure on Corporate Social Responsibility (CSR) Activities' in January 2025. This publication covers key points in relation to recognition, measurement and disclosure of CSR expenditures.

It also provides guidance in relation to compliance with legal requirements, cash and in-kind CSR activities and handling unspent CSR funds.

(Source: ICAI publication 'Technical Guide on Accounting for Expenditure on Corporate Social Responsibility Activities (Revised January 2025 Edition', dated 17 January 2025)



Study on Compliance of Financial Reporting Requirements (Ind AS).

The Financial Reporting Review Board (FRRB) of ICAI has published the volume I2II of the 'Study on Compliance of Financial Reporting Requirements (Ind AS Framework)'. This publication reviews Ind AS based financial statements to identify deviations from applicable accounting standards and statutory disclosures. The publication covers non-compliances related to Ind AS, Schedule III of the Companies Act, 2013, Standards on Auditing, and Companies Auditors Report Order (CARO).

The observations in the publication are classified by elements of financial statements i.e. assets, equity, liabilities, components of profit and loss, statement of cash flows, other disclosures, auditor's report, and CARO.

(Source: ICAI publication 'Study on Compliance of Financial Reporting Requirements (Ind AS Framework) – Volume III', dated 21 January 2025)





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RBI updates for micro finance loans and Scheduled Commercial Banks

The Reserve Bank of India (RBI) has reviewed risk weights on microfinance loans and on exposure of Scheduled Commercial Banks (SCBs) to Non-Banking Financial Companies (NBFCs)³ and issued the respective circulars on 25 February 2025.

• Circular on exposures of SCBs to NBFCs – Review of risk weights:

- This circular is applicable to all SCBs (including Small Finance Banks but excluding Regional Rural Banks and Payments Banks)
- RBI had earlier issued a circular in November 2023 basis which the risk weight on exposure of SCBs to NBFCs was increased by 25 percentage points if the external rating risk weight was below 100 per cent.
- On review, RBI has decided that effective 1 April 2025, the risk weights applicable to such exposure will be restored back to the levels specified by the external rating, as

per the Master Circular on Basel III Capital Regulations dated 1 April 2024, as amended from time to time.

• Circular on review of risk weights on microfinance loans:

- The circular applies to all commercial banks, including Small Finance Banks (SFBs), Local Area Banks (LABs), and Regional Rural Banks (RRBs), but excludes Payments Banks.
- The new risk weights are applicable from the date of the circular i.e. 25 February 2025 for both outstanding and new microfinance loans.
- Commercial banks, including SFBs but excluding RRBs and LABs may classify micro finance loans that are not in the nature of consumer credit and all criteria specified in para 5.9.3 of 'Master Circular on Basel III – Capital Regulations' dated 1 April 2024, Regulatory Retail Portfolio (RRP), attracting a lower risk weight of

75 per cent, provided banks have appropriate policies and procedures in place.

- Microfinance loans in the nature of consumer credit will now attract a risk weight of 100 per cent, down from previously higher risk weight of 125 per cent.
- For RRBs and LABs, all microfinance loans will attract a risk weight of 100 per cent.

(Source: [RBI/2024-25/119 DOR.CRE.REC.63/21.06.001/2024-25 'Review of risk weights on microfinance loans and: RBI/2024-25/120 DOR.STR.REC.61/21.06.001/2024-25 'Exposures of Scheduled Commercial Banks \(SCBs\) to Non Banking Financial Companies \(NBFCs\) – Review of Risk Weights' both dated 25 February 2025\)](#)



3. Excluding loans to housing finance companies, and loans to NBFCs which are eligible for classification as priority sector in terms of the extant instructions



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MCA extended the timelines for share dematerialisation

Rule 9B of the Companies (Prospectus and Allotment of Securities) Rules, 2014 requires all private companies (excluding government and small companies) to issue securities in dematerialised form and facilitate the dematerialisation of all their securities. Such private limited companies are required to comply with these requirements within 18 months from the end of the financial year.

On 12 February 2025, the Ministry of Corporate Affairs (MCA) issued the Companies (Prospectus and Allotment of Securities) Amendment Rules, 2025, which amend the above-mentioned Rule 9B. The amended rules extend the compliance timeline for all private companies (excluding producer companies) to 30 June 2025.

(Source: [MCA notification, Companies \(Prospectus and Allotment of Securities\) Amendment Rules, 2025](#), dated 12 February 2025)





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Guidelines on hedging through equity derivatives for insurers

The Insurance Regulatory and Development Authority of India (IRDAI) has issued new guidelines permitting insurers to use equity derivatives for hedging their existing equity exposures. These guidelines aim to help insurers manage volatility in the equity market, preserve the market value of their equity investments, and reduce portfolio risk. Some key highlights are as follows:

1. Permitted instruments and funds:

Insurers are allowed to use exchange-traded equity derivatives such as stock futures, index futures, stock options, and index options, but over-the-counter (OTC) derivatives are prohibited. The various fund permitted to use equity derivatives are unit linked fund, life fund, pension fund, annuity fund, group fund and investment assets of general or health insurers.

2. Exposure and position limits:

The guidelines specify that the total equity derivative position in a fund should not exceed the market value of the underlying equities held within the same fund and notional value of hedging through index futures and options should not exceed 20 per cent of the unhedged equity portfolio. Further, aggregate number of Stock Futures

contracts and Stock Put Options (i.e. market lots multiplied by number of contracts) cannot exceed quantity of respective underlying held as investment on any day. The guidelines also provide additional compliance requirements including timeline to rectify any passive breaches.

3. Internal risk management: Insurers must have a board-approved hedging policy, ensure ongoing assessment of hedge effectiveness, and if the underlying is sold the hedge must be unwound immediately. Further, insurer must comply with SEBI regulations with regard to equity derivatives from time to time. A strong corporate governance framework must be established to ensure that hedging activities do not harm policyholders' interests.

4. Disclosure requirements: Insurers are required to disclose their equity derivative exposure in their financial statements and submit quarterly reports on various aspects such as derivative turnover, hedging activities, etc.

(Source: IRDAI/F&I/GDL/INV/041/02/2025, 'Guidelines on hedging through equity derivatives, dated 28 February 2025)

SMEs Accounting Standard – an update

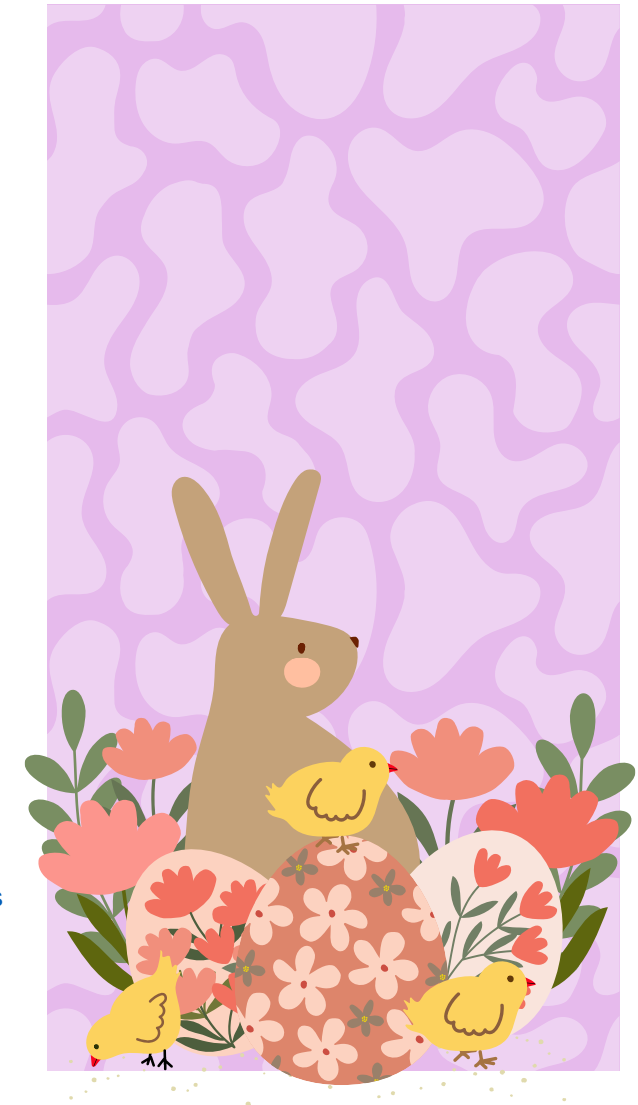
The International Accounting Standards Board (IASB) has issued a significant update to the International Financial Reporting Standard (IFRS) for Small and Medium sized entities (SMEs) which is adopted or permitted in 85 jurisdictions. This update aims to balance the information needs of lenders and other users of SMEs' financial statements with the resources available to SMEs. SMEs are defined as entities without public accountability that prepare general purpose financial statements.

Key highlights of the update include:

- A revised model for revenue recognition
- Consolidation of fair value measurement requirements in one location
- Updated requirements for business combinations, consolidations, and financial instruments

This update is effective for annual periods beginning on or after 1 January 2027, with early application permitted.

(Source: [ifrs.org>news and events> IASB issues major update to the IFRS for SMEs Accounting Standard](https://www.ifrs.org/news-and-events/iasb-issues-major-update-to-the-IFRS-for-SMEs-Accounting-Standard))





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The European Commission (EC) simplifies sustainability and EU investment rules

The European Commission introduced a new package of proposals aimed at simplifying EU rules, boosting competitiveness, and unlocking additional investment potential. This initiative is designed to create a more favorable business environment, helping EU companies grow, innovate, and create quality jobs.

The first 'Omnibus' package of proposals cover simplifications in sustainability reporting, due diligence requirements, etc.

As part of this Omnibus package only the largest companies would report under European Sustainability Reporting Standards (ESRS) while a subset of those companies would continue to report under the EU Taxonomy. These changes are pending approval by the European Parliament and the Council of the EU before becoming effective.

Furthermore, the Commission announced that it will simplify ESRS disclosure requirements and is consulting to amend the EU Taxonomy. Under the proposals, the Commission no longer plans to adopt sector-specific standards.

(Source: [ec.europa.eu](https://ec.europa.eu/press-release)>press release, dated 26 February 2025)





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Feedback/queries can be sent to in-fmcontact-us@bsraffiliates.com

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