

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

# Corporate reporting insights

April 2026

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## SEBI announces one-time relief measures in response to market volatility

In view of the capital market volatility arising from ongoing geopolitical tensions, SEBI vide circulars dated 7 April 2026, has granted the following one-time relaxations to ease compliance requirements for listed entities and issuers:

**Relaxation related to non-compliance with Minimum Public Shareholding (MPS):** SEBI has granted a one-time relaxation from the penal provisions prescribed under the SEBI Master Circular on compliance with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR) for non-compliance with Minimum Public Shareholding (MPS) requirements. This relaxation applies to listed entities whose due date for MPS compliance falls between 1 April 2026 and 30 September 2026. For this period, stock exchanges and depositories have been directed not to impose fines or initiate penal actions, including freezing of promoter shareholding, as envisaged under the Master Circular dated 11 July 2023<sup>1</sup>. Further, any penal actions already initiated during this period are required to be reversed. Stock exchanges have also been advised to inform listed entities and make necessary amendments to their bye-laws, if required.

**Extension of validity of SEBI observation letters<sup>2</sup>:** SEBI has also provided a one-time relaxation regarding the validity of SEBI observation letters issued under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations). Under this relaxation, observation letters that would otherwise expire between 1 April 2026 and 30 September 2026 will remain valid up to 30 September 2026, subject to submission of an undertaking by the lead manager confirming continued compliance with Schedule XVI of the ICDR Regulations at the time of filing the updated offer document.

The circular is effective from 7 April 2026.

(Source: SEBI Circular no. HO/49/14/14(13)2026-CFD-POD2/I/8772/2026, 'Subject: Relaxation from the applicability of SEBI Master Circular for compliance with the provisions of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 on non-compliance with the Minimum Public Shareholding (MPS) requirements; and SEBI, Circular no. HO/49/11/11(123)2026-CFD-RAC-DIL2/I/8760/2026, 'Subject: One-time relaxation with respect to validity of SEBI Observations', both dated 7 April 2026)



<sup>1</sup> Master Circular SEBI/HO/CFD/PoD2/CIR/P/2023/120 dated 11 July 2023

<sup>2</sup> A SEBI Observation Letter is an official communication from SEBI regarding a company's Draft Red Herring Prospectus (DRHP) for a public issue, indicating whether the document meets regulatory disclosures or requires changes. It is a mandatory clearance to launch a public issue, typically valid for 12 months.

## SEBI issues informal guidance on broad based fund requirement

SEBI has issued informal guidance to UTI Alternatives Private Limited clarifying the applicability of the 'broad based fund'<sup>3</sup> requirement under Securities and Exchange Board of India (Mutual Fund) Regulations, 1996 ('MF Regulations') in the context of Asset Management Companies (AMCs) and their subsidiaries providing investment management or advisory services to Alternative Investment Funds (AIFs). The guidance is particularly relevant for AMCs involved in managing AIF structures, including master-feeder arrangements. The key clarifications provided by SEBI are as follows:

- SEBI clarified that AIFs constitute 'pooled assets'. Accordingly, where an AMC or its subsidiary provides management or advisory services to AIFs, the broad-based fund requirement would apply.
- The broad-based fund requirement is required to be assessed at the individual scheme level, and not at the fund level as a whole, since each AIF scheme is considered as a separate investment vehicle under the Securities and Exchange Board of India

(Alternate Investment Funds) Regulations, 2012 (AIF Regulations).

- In case of master-feeder structures, both the master fund and the feeder fund are required to independently meet the broad-based criteria, even where the feeder fund does not undertake active investment decisions.
- SEBI further clarified that the exemption available to certain categories of Foreign Portfolio Investors (FPIs) does not extend to domestic regulated entities such as banks, insurance companies, or provident fund trusts.

(Source: SEBI, Nodal Co-ordination Cell, Informal Guidance, Issue no.: I/9052/2026, 'Subject: Request for Informal Guidance by way of an Interpretative Letter under provisions of Securities and Exchange Board of India (Informal Guidance) Scheme, 2025 related to Securities and Exchange Board of India (Mutual Funds) Regulations, 1996 ('MF Regulations'), dated 9 April 2026)

<sup>3</sup> Further Regulation 2(f) of SEBI (Mutual Funds) Regulations, 2026 states that a broad-based fund shall mean the fund which has at least twenty investors and no single investor holds more than twenty-five per cent of the corpus of the fund.

## SEBI (Alternative Investment Funds) (Amendment) Regulations, 2026

SEBI notified the SEBI (Alternative Investment Funds) (Amendment) Regulations, 2026 to amend the Securities and Exchange Board of India (Alternative Investment Funds) Regulations, 2012. Key amendments are as follows:

- **Reduction in minimum sponsor/ manager contribution (Regulation 10(c)):** The minimum contribution amount in case of a social impact fund which invests only in securities of NPOs registered or listed on a SSE has been significantly reduced from INR2 lakh to INR1,000 to boost retail participation.
- **Clarification on distribution of proceeds on liquidation (Regulation 29(7)):** Before the amendment, the proceeds on winding up of an AIF could be distributed once all its liabilities were settled, without any scope for SEBI to impose further conditions. The amendment now clarifies that such distribution will be subject to additional conditions specified by SEBI from time to time.
- **Introduction of Regulation 29(10A):** The amendment introduces the concept of an 'inoperative AIF'. where SEBI is empowered to classify an AIF as inoperative, in such manner and subject to conditions that may be specified by SEBI.

(Source: SEBI Notification No. SEBI/LAD-NRO/GN/2026/303, Securities and Exchange Board of India (Alternative Investment Funds) (Amendment) Regulations, 2026, Mumbai, dated 16 April 2026)

## SEBI introduced fast-track route for AIF fund launches

To enhance ease of doing business and reduce regulatory timelines, SEBI on 30 April 2026, introduced a fast-track mechanism for processing Private Placement Memorandum (PPMs) of Alternative Investment Funds (AIFs) other than Large Value Fund for accredited investors (LVFs). Earlier, AIFs were required to wait for SEBI's review before launching schemes, often resulting in delays in fundraising and deployment of capital. Key updates are as follows:

**Applicability:** The fast-track framework applies to both new PPM filings and PPM applications that were pending with SEBI as of the date of the circular, thereby providing immediate relief to existing applicants.

**Fast-track launch framework for non LVF:** The mechanism allows AIFs, excluding LVFs to proceed with the launch of schemes and circulate the PPMs to investors after 30 days from the date of filing with SEBI, unless SEBI communicates any observations within this period. However, in the case of the first scheme of an AIF, the launch can take place either upon receipt of SEBI registration or after completion of 30 days from the PM filing date, whichever is later.

**Enhanced responsibility on intermediaries:** The circular places explicit and heightened responsibility on the AIF Manager and the Merchant Banker to ensure that all disclosures in the PPM of non-LVFs are accurate, complete, and compliant with regulatory requirements. This is supported by mandatory due diligence certification.

**Mandatory disclaimer:** All PPMs for non-LVFs filed under the fast-track route must include a specific disclaimer stating that the document has been prepared based on due diligence conducted by the Merchant Banker and that SEBI does not assume responsibility for the correctness or adequacy of the disclosures.

(Source: SEBI Circular No. HO/19/19/11(2)2026-AFD-RAC2 I/10624/2026, 'Fast-Track Mechanism for Processing of Placement Memorandum of AIFs filed with SEBI' dated 30 April 2026)

## SEBI updates SSE Framework to facilitate NPO participation and fundraising

To promote the Social Stock Exchange (SSE), ease fundraising, and encourage greater participation by Not-for-Profit Organisations (NPOs), SEBI, in consultation with the Social Stock Exchange Advisory Committee (SSEAC), made the following changes under the SSE framework:

**Extension of registration period for NPOs:** The registration period for NPOs on the SSE without undertaking fundraising has been extended from 2 years to 3 years. The additional one-year extension is subject to approval by the SSE.

**Reduction in minimum subscription for ZCZP Instruments:** The minimum subscription requirement for issuance of Zero Coupon Zero Principal (ZCZP) Instruments can be reduced from 75 per cent to 50 per cent where:

- Funds raised at 50 per cent can be deployed meaningfully and viably in alignment with the stated objectives.
- The SSE undertakes due diligence before granting in-principle approval, considering subscription scenarios disclosed in the fund-raising document.

**Enhanced disclosure requirements in case of undersubscription:** In cases of undersubscription, NPOs must disclose in the fund-raising document:

- The manner of raising balance funds where 50 per cent or 75 per cent minimum subscription is achieved, as applicable.
- The possible impact on social objectives if the balance funds are not raised. In case minimum subscription is not achieved, refund of funds is mandatory. The circular came into effect immediately on 15 April 2026.

(Source: SEBI Circular no. HO/49/14/(10)2026-CFD-POD1/I/9380/2026, 'Sub: Review of requirement relating to registration for a Not for Profit Organisation on Social Stock Exchange (SSE) and minimum subscription requirement for issuance of Zero Coupon Zero Principal Instruments' dated 15 April 2026)

## SEBI's informal guidance on sponsor eligibility

SEBI issued an informal guidance in response to a request from First Water Capital Advisory LLP, seeking interpretive clarity under the SEBI (Mutual Funds) Regulations, 2026 (MF Regulations 2026). The key takeaways from the guidance are as follows:

**Sponsor eligibility:** The first issue was whether a family trust could be a sponsor of a mutual fund. SEBI stated that a family trust cannot act as a sponsor of a mutual fund given that Regulation 2(1)(xx) of the MF Regulations 2026 defines a sponsor as a person acting individually or in concert with another body corporate.

There was another question in relation to whether a sponsor applying for registration under the Route-2<sup>4</sup> framework could meet the prescribed minimum net-worth of INR150 crore through a combination of INR50 crore in equity share capital and INR100 crore in redeemable preference shares, structured to be redeemable only after the AMC generated profits for five consecutive years. SEBI declined to offer its views on this proposal, citing policy considerations under the SEBI (Informal Guidance) Scheme, 2025.

(Source: SEBI, Nodal Co-ordination Cell, Informal Guidance, Issue No.: 1/19760/2026, 'Subject: Informal Guidance by way of an Interpretive Letter under the Securities and Exchange Board of India (Informal Guidance) Scheme, 2025 in relation to the provisions of the Securities and Exchange Board of India (Mutual Funds) Regulations, 2026' dated 20 April 2026)



<sup>4</sup> Route-2 refers to an alternative registration pathway for setting up an AMC, distinct from the traditional sponsor-led model.

## SEBI lowers credit risk thresholds for REITs and InvITs

SEBI issued amendments to SEBI (Real Estate Investment Trusts) Regulations, 2014 and the SEBI (Infrastructure Investment Trusts) Regulations, 2014, easing certain credit-risk requirements while introducing targeted clarifications on eligible investments and the treatment of special purpose vehicles (SPVs). Some of the key amendments are:

### SEBI (Real Estate Investment Trusts) (Amendment) Regulations, 2026:

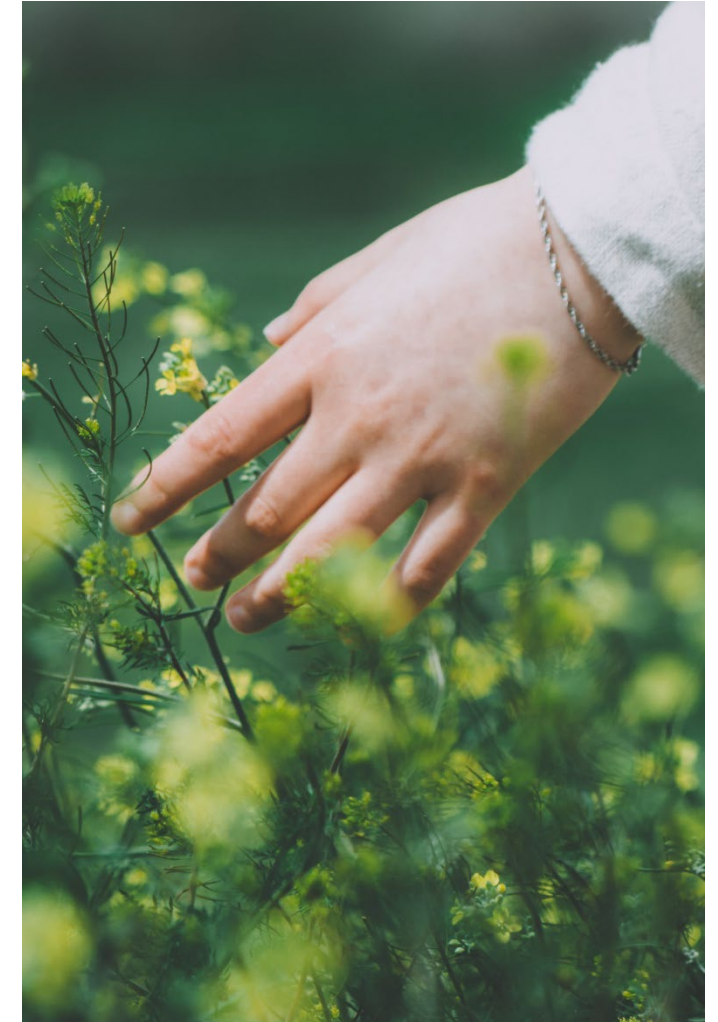
SEBI notified the SEBI (Real Estate Investment Trusts) (Amendment) Regulations, 2026 (REIT 2026 Regulations), under which SEBI reduced the minimum credit risk value threshold from 12 to 10 for specified investments. Further, the REIT 2026 Regulations expand eligibility to securities classified under Class A-I or Class B-I in the potential risk class matrix, as against the earlier restriction to Class A-I instruments alone.

### SEBI (Infrastructure Investment Trusts) (Amendment) Regulations, 2026:

- SEBI also notified the SEBI (Infrastructure Investment Trusts) (Amendment) Regulations, 2026 (InvIT 2026 Regulations), which introduce the above relaxations within the Infrastructure Investment Trusts (InvIT) regime. Further, InvIT 2026 Regulations updated the definition of 'cash equivalents' to permit investments in units of liquid mutual fund schemes with a credit risk value of at least 10, provided they fall under Class A-I or Class B-I.
- The InvIT 2026 Regulations also clarify rules relating to SPVs. SEBI has stated that the end or termination of concession agreements, including in Public-Private Partnership (PPP) projects, will not by itself impact the SPV's status, subject to conditions laid down by SEBI. Further, InvIT proceeds may now be used not only for infrastructure development but also for other purposes as permitted by SEBI.

The notification came into effect immediately on 16 April 2026.

(Source: SEBI Notification No. SEBI/LAD-NRO/GN/2026/302, 'Securities and Exchange Board of India (Real Estate Investment Trusts) (Amendment) Regulations, 2026, Mumbai, dated 16 April 2026, SEBI Notification No. SEBI/LAD-NRO/GN/2026/301, 'Securities and Exchange Board of India (Infrastructure Investment Trusts) (Amendment) Regulations, 2026' Mumbai, both dated 16 April 2026)



## Revised restrictions on INR-based derivative contracts

On 1 April 2026, the Reserve Bank of India (RBI) had issued revised directions on risk management and inter-bank dealings, prohibiting Authorised Dealers (ADs) from offering non-deliverable INR-based derivatives to both residents and non-residents and from entering into INR derivative contracts with related parties.

On 20 April 2026, RBI withdrew the directions issued on 1 April 2026 with immediate effect. It further directed that ADs shall not undertake any INR linked foreign exchange derivative contracts with related parties<sup>5</sup>, except for:

- cancellation and rollover of existing contracts; and
- Back-to-back transactions undertaken with non-related non-resident users in accordance with the Master Direction - Risk Management and Inter Bank Dealings dated 5 July 2016, as amended.

(Source: RBI Circular no. RBI/2026-27/14, A.P. (DIR Series) Circular No. 07, 'Risk Management and Inter-Bank Dealings' dated 20 April 2026 and RBI Circular no. RBI/2026-27/04 A.P. (DIR Series) Circular No. 03, 'Risk Management and Inter-Bank Dealings (Revised)', dated 1 April 2026)

<sup>5</sup> Related parties shall have the same meaning as assigned under Ind AS 24, Related Party Disclosures or IAS 24, Related Party Disclosures, or any equivalent accounting standards.

## Revised reporting framework for guarantees under FEMA

The RBI has issued a circular dated 1 April 2026 to streamline the reporting requirements for guarantees under the Foreign Exchange Management (Guarantees) Regulations, 2026 (2026 Guarantee Regulations). The circular, which is effective immediately, clarifies the applicable forms, timelines, and reporting process to be followed by Authorised Persons and AD banks for compliance under the Foreign Exchange Management Act, 1999 (FEMA). The key aspects of the circular are as follows:

- a) The reporting framework applies to guarantees covered under the Guarantee Regulations as well as the Master Direction on Reporting under FEMA.
- b) Guarantees are required to be reported to AD banks using the following RBI-prescribed forms:
  - Form GRN Issue – for reporting the issuance of a guarantee
  - Form GRN Modification – for reporting subsequent changes in guarantee terms, such as the guarantee amount, extension, or pre-closure
  - Form GRN Invocation – for reporting the invocation of a guarantee
  - AD banks are required to submit the reported returns to the RBI within 30 calendar days from the end of the relevant quarter.
  - For each guarantee issuance, AD banks must generate and allot a unique Guarantee Transaction Number prior to submitting Form GRN Issue to the RBI.
  - In case of delayed reporting of Form 'GRN Invocation', the Late Submission Fee (LSF) will be calculated based on the liability amount arising on invocation. For Form 'GRN Issue' and Form 'GRN Modification', the amount considered for LSF computation will be nil, as these forms do not involve reporting of financial flows.

(Source: RBI Circular no. RBI/2026-27/02 A.P. (DIR Series) Circular No. 01, 'Reporting under Foreign Exchange Management Act, 1999 – Returns pertaining to Foreign Exchange Management (Guarantees) Regulations, 2026', dated 1 April 2026)

## RBI issues directions on asset classification, provisioning, and income recognition for commercial banks

The RBI has issued the Reserve Bank of India (Commercial Banks - Asset Classification, Provisioning and Income Recognition) Directions, 2026 (ACPR Directions 2026) for commercial banks, after considering stakeholder feedback on the draft directions released on 7 October 2025. The ACPR Directions 2026 are effective 1 April 2027.

The ACPR Directions, 2026 inter alia, provide for:

1. Introduction of a staging framework for asset classification under the Expected Credit Loss (ECL) approach, while retaining the extant norms for classification of non-performing assets (NPAs);
2. Adoption of a forward-looking provisioning approach under the ECL framework; and
3. Adoption of Effective Interest Rate (EIR) method.

These ACPR Directions are intended to further strengthen credit risk management practices, improve comparability across regulated entities, and align the regulatory framework more closely with internationally accepted financial reporting principles.

Loans will now be classified into three stages based on credit deterioration, with higher provisioning required as risk increases, while the existing 90-day Non-Performing Asset (NPA) classification system will continue to operate alongside the new framework. The ACPR Directions 2026 also introduce minimum provisioning floors across sectors to ensure adequate buffers, even where model estimates are lower.

Further, banks are required to use key risk metrics such as Probability of Default (PD), Loss Given Default (LGD), and Exposure at Default (EAD), along with forward looking macroeconomic factors, to determine expected losses.

The scope of provisioning has also been expanded to include off-balance sheet exposures such as guarantees and loan commitments. In addition, there is a strong focus on governance, data quality, and model validation to ensure robustness of the ECL framework.

(Source: RBI Notification No. RBI/DOR/2026-27/398, DOR.STR.REC.No.6/21.06.011/2026-27,' Reserve Bank of India (Commercial Banks - Asset Classification, Provisioning and Income Recognition) Directions, 2026', dated 27 April 2026)

Further, RBI has issued 13 amendment directions and one repeal direction to align existing regulations with ACPR Directions 2026. Some of the key amendments are:

1. **Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Amendment Directions, 2026:** The RBI has expanded the list of early warning indicators that banks must monitor. These include significant credit rating downgrades, sharp declines in collateral value, delays in payment of fees or charges, and expected changes in loan terms such as covenant breaches, interest payment holidays or delays in loan renewals to bring uniformity in provisioning, asset classification and income recognition across restructuring, insolvency resolution, interim finance, project loans, farm credit and natural calamity-related restructuring, all of which will now be governed by the ACPR Directions, 2026. The RBI has clarified that the benefit of freezing provisions will lapse immediately if a resolution plan is rejected, and asset classification will continue as per the revised prudential norms.

(Source: RBI Notification No. RBI/2026-27/23, DOR.STR.REC.7/21-04-048/2026-27,' Reserve Bank of India (Commercial Banks – Resolution of Stressed Assets) Amendment Directions, 2026', dated 27 April 2026)

## RBI issues directions on asset classification, provisioning, and income recognition for commercial banks (*Contd.*)

- 2. Reserve Bank of India (Commercial Banks - Concentration Risk Management) - Second Amendment Directions, 2026:** For assessing country risk under concentration risk norms, banks must now refer to the country risk classifications published by the Export Credit Guarantee Corporation of India (ECGC), as updated from time to time.

(Source: RBI Notification No. RBI/2026-27/27, DOR.STR.REC.08/07-03-001/2026-27, Reserve Bank of India (Commercial Banks - Concentration Risk Management) - Second Amendment Directions, 2026, dated 27 April 2026)

- 3. Reserve Bank of India (Commercial Banks – Classification, Valuation, and Operation of Investment Portfolio)- Amendment Directions, 2026:**

- These directions are aligned with the ACPR Directions, 2026 and introduces definitions such as amortised cost, effective interest rate (EIR), expected credit loss (ECL), loss allowance, and stage 1,2 or 3 investments, and mandating EIR- and ECL-based measurement for investments.
- The directions introduce ECL framework and EIR method into investment accounting, requiring banks to measure most debt securities at amortised cost or fair value using EIR and to recognise loss allowances based on credit risk stages (Stage 1, 2 or 3)
- These directions prescribe revised valuation and measurement rules. Securities classified under Held to Maturity (HTM) will now be carried at amortised cost with ECL provisioning, while Available for Sale (AFS) securities will be fair valued with gains or losses routed through AFS reserves, except on sale/reclassification.
- Clear transition provisions are prescribed. Further a detailed and harmonised accounting treatment is prescribed for reclassification between HTM, AFS, and FVTPL, including treatment of fair value differences, and recalculation of EIR and ECL where applicable.

- The directions prescribe clear criteria for classification, upgradation, and provisioning for bonds, preference shares, equity instruments, and government securities.

(Source: RBI Notification No. RBI/2026-27/34, DOR.STR.REC.9/00-00-001/2026-27, Reserve Bank of India (Commercial Banks – Classification, Valuation, and Operation of Investment Portfolio)- Amendment Directions, 2026, dated 27 April 2026)

- 4. Reserve Bank of India (Commercial Banks – Credit Risk Management) - Second Amendment Directions, 2026:**

- RBI has revised capital requirements for exposures with unhedged foreign currency risk (UFCE). Where potential losses exceed 75 per cent of Earnings Before Interest and Depreciation (EBID), banks must apply a 25-percentage point increase in risk weight. In cases of insufficient data, exposures must be conservatively placed in this highest risk bucket.
- Banks are required to compute incremental capital requirements for UFCE at least on a quarterly basis, including for projects under implementation and new entities using projected cash flows.
- Banks and lending consortia have been given discretion to structure Working Capital Loan (WCL) repayments either in instalments or through bullet repayment, subject to compliance with revised prudential and stressed asset norms.

(Source: RBI Notification No. RBI/2026-27/26, DOR.STR.REC.10/07-02-001/2026-27, 'Reserve Bank of India (Commercial Banks – Credit Risk Management) - Second Amendment Directions, 2026' dated 27 April 2026)

## RBI issues directions on asset classification, provisioning, and income recognition for commercial banks (Contd.)

### 5. Reserve Bank of India (Commercial Banks – Credit Facilities) Second Amendment Directions, 2026:

- RBI has clarified that the asset classification and provisioning of individual loan accounts will now be governed entirely by the ACPR Directions 2026, ensuring uniform treatment across prudential regulations.
- Under the revised norms, a project finance account may be classified as a NPA even before the actual Date of Commencement of Commercial Operations (DCCO), based on recovery records, as per the ACPR Directions 2026.

(Source: RBI Notification No RBI/2026-27/25, DOR.STR.REC.13/07-01-001/2026-27, Reserve Bank of India (Commercial Banks – Credit Facilities) Second Amendment Directions, 2026' dated 27 April 2026)

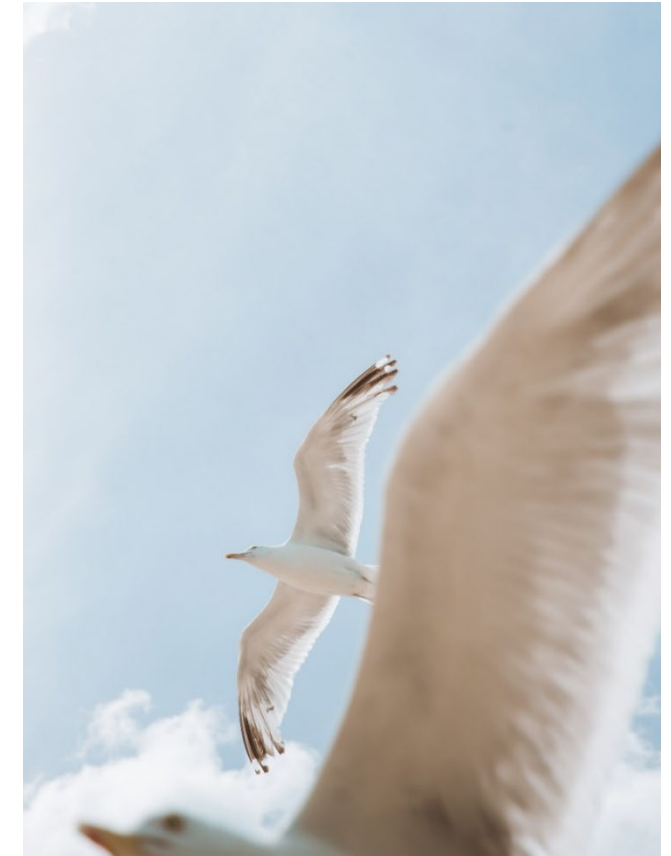
### 6. Reserve Bank of India (Commercial Banks – Financial Statements: Presentation and Disclosures)- Seventh Amendment Directions, 2026:

- Banks will now be required to show provisions relating to Stage 1 and Stage 2 assets separately under 'Other Liabilities and Provisions' in the balance sheet, instead of netting these off against gross advances.
- Interest income on advances and bills must now be computed in accordance with the ACPR Directions, 2026. RBI has also clarified that non-recognition of income on Stage 3 or NPAs will not attract auditor qualification, as it reflects regulatory prudence.
- There are extensive disclosure requirements for banks. Banks must provide detailed disclosures on the credit quality of investment assets, loans, loan commitments and financial guarantees, classified across Stage 1, Stage 2, Stage 3<sup>6</sup> and Purchased or Originated Credit Impaired (POCI) categories, along with reconciliation of loss allowances. There are new disclosures to report the number and value of fraud cases and related provisioning, enhancing transparency for stakeholders.

(Source: RBI Notification No RBI/2026-27/35, DOR.STR.REC.15/21-04-018/2026-27, 'Reserve Bank of India (Commercial Banks – Financial Statements: Presentation and Disclosures)- Seventh Amendment Directions, 2026' dated 27 April 2026)

<sup>6</sup> The Reserve Bank of India (Commercial Banks – Financial Statements: Presentation and Disclosures)- Seventh Amendment Directions, 2026 defines the stages as follows:

- Stage 1: A financial instrument shall be classified under Stage 1, where it has not experienced a Significant Increase in Credit Risk (SICR) since initial recognition or where it is determined to have low credit risk. In respect of such financial instruments, 12-month ECL shall be recognised, unless specifically exempted under these Directions.
- Stage 2: A financial instrument shall be classified under Stage 2, where it has experienced a SICR since initial recognition but is not considered to be credit impaired. For such financial instruments, lifetime ECL shall be recognised.
- Stage 3: A financial instrument shall be classified under Stage 3, where it is considered to be 'credit impaired' as at the reporting date. For such financial instruments, lifetime ECL shall be recognised.



## RBI issues directions on asset classification, provisioning, and income recognition for commercial banks (Contd.)

### 7. Reserve Bank of India (Commercial Banks - Transfer and Distribution of Credit Risk) Amendment Directions, 2026:

- RBI has clarified that for permitted transferees, the initial recognition and subsequent measurement of acquired loans will now be governed by the ACPR Directions, 2026. This ensures uniform treatment of loan assets across prudential regulations.
- The amendments introduce a significant change in the treatment of stressed loans acquired by banks. Such loans will now be classified as POCL assets, with provisioning, measurement and disclosure requirements to be determined in accordance with the ACPR Directions 2026.
- Additionally, it has clarified that where a stressed loan is transferred to an Asset Reconstruction Company (ARC) at a price below its net book value, the resulting shortfall must be charged to the profit and loss account in the year of transfer.

(Source: RBI Notification No RBI/2026-27/24, DOR.STR.REC.17/21-04-048/2026-27, 'Reserve Bank of India (Commercial Banks - Transfer and Distribution of Credit Risk) Amendment Directions, 2026' dated 27 April 2026)

### 8. Reserve Bank of India (Commercial Banks – Treatment of Wilful Defaulters and Large Defaulters) - Amendment Directions, 2026:

RBI has clarified that where wilful default is flagged during internal preliminary screening, banks must complete the process of declaring a borrower as a wilful defaulter within six months from the date the account is classified as a NPA under the ACPR Directions, 2026.

(Source: RBI Notification No RBI/2026-27/28, DOR.STR.REC.18/20-16-001/2026-27, 'Reserve Bank of India (Commercial Banks – Treatment of Wilful Defaulters and Large Defaulters) - Amendment Directions, 2026' dated 27 April 2026)

### 9. Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Fourth Amendment Directions, 2026:

RBI has formally introduced the Stage 1, Stage 2 and Stage 3 classification into the capital adequacy framework by adopting the definitions prescribed under the ACPR Directions, 2026. General provisions held against Stage 1 and Stage 2 assets, as well as excess provisions arising from the sale of NPAs, will now qualify as Tier 2 capital, subject to a cap of 1.25 per cent of total credit risk weighted assets under the standardised approach. RBI has further clarified that specific provisions, including those against Stage 3 exposures (NPAs), restructured advances and depreciation in the value of investments, will continue to be excluded from regulatory capital.

(Source: RBI Notification No RBI/2026-27/33, DOR.STR.REC.19/21-01-002/2026-27, 'Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Fourth Amendment Directions, 2026' dated 27 April 2026)

### 10. Reserve Bank of India (Commercial Banks – Income Recognition, Asset Classification and Provisioning) Repeal Directions, 2026:

The existing Reserve Bank of India (Commercial Banks – Income Recognition, Asset Classification and Provisioning) Directions, 2025 issued in November 2025 (IRACP Directions) will stand withdrawn with effect from 1 April 2027. The RBI has clarified that despite the repeal, actions already taken or initiated under the earlier IRACP Directions will continue to remain valid. Any rights, obligations, liabilities, penalties, investigations or legal proceedings arising under the repealed norms will remain unaffected and will continue as if the earlier IRACP Directions had not been withdrawn.

(Source: RBI Notification No RBI/DOR/2026-27/36, DOR.STR.REC.20/21.04.048/2026-27, 'Reserve Bank of India (Commercial Banks – Income Recognition, Asset Classification and Provisioning) Repeal Directions, 2026' dated 27 April 2026)

## RBI eases compliance for select NBFCs

The RBI has issued the Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Amendment Directions, 2026 (2026 Amendments), following a review of the 2025 Directions<sup>7</sup> issued on 28 November 2025, to streamline and rationalise compliance requirements for Non-Banking Financial Companies (NBFCs) based on their risk profile. Key updates are as follows:

**Exemption from registration:** NBFCs that do not avail public funds, with no customer interface, and having an asset size below INR1,000 crore, may now be exempt from registration requirements. Such entities will be categorised as 'Unregistered Type I NBFCs', subject to specified conditions.

**Introduction of new categories:** The RBI has introduced the below classification framework:

- **Type I NBFCs:** NBFCs not availing public funds and not having any customer interface as defined in 2025 Directions and holding Certificate of Registration as 'Type I NBFC' issued by the RBI
- **Type II NBFCs:** NBFCs which are granted Certificate of Registration by the RBI as NBFC other than 'Type I NBFC'
- **Unregistered Type I NBFCs:** NBFCs not availing public funds and not having any customer interface as defined in these 2025 Directions and exempted from the provisions of sections 45IA and 45IC of the RBI Act, 1934. As detailed in paragraph 65A of the 2026 Amendments, such NBFCs operate without public funds and without customer interface, as their conscious and long-term business model; with asset size less than INR1,000 crore as per the latest audited balance sheet; pass an annual board resolution at the beginning of the financial year that the company will not avail public funds and will also not have customer interface during the

year; and disclose their status as an Unregistered Type I NBFC, along with details of public funds and customer interface, in their financial statements.

**Deregistration window for existing NBFCs:** Existing eligible NBFCs (including those already registered as Type I NBFCs) can apply for deregistration if they meet the exemption criteria as per the 2026 Amendments. Applications must be submitted within six months, i.e., by 31 December 2026, along with prescribed documentation and board approvals.

**Group-level assessment:** Where multiple NBFCs exist within a group, their asset sizes will be aggregated. If the combined size exceeds INR1,000 crore, all such entities must obtain registration as Type I NBFCs and comply with applicable norms.

These 2026 Amendments come into force from 1 July 2026.

(Source: RBI Notification No. RBI/2026-27/43, DOR.FIN.REC.No.67/03.10.001/2026-27, 'Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Amendment Directions, 2026' dated 29 April 2026)



<sup>7</sup> Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Directions, 2025 dated 28 November 2025.

## RBI issued final directions on Basel III credit risk framework

The RBI issued the RBI (Scheduled Commercial Banks – Capital Charge for Credit Risk – Standardised Approach) Directions, 2026 (2026 Directions) on 27 April 2026. Some of the key amendments are as follows:

**Risk weight adjustments:** The 2026 Directions have introduced more detailed and risk-based capital requirements, with higher risk weights for riskier and unrated exposures, and lower weights for stronger, well-rated borrowers.

**MSME and retail expansion:** Smaller MSME and retail loans get preferential treatment (lower risk weights) if they meet retail criteria, while large unrated MSMEs face higher capital requirements, encouraging better transparency and formalisation.

**Project finance framework:** A separate framework for project loans has been introduced. Loans to projects under construction carry higher risk, while operational projects may get lower risk weights.

**Credit risk mitigation:** Rules for collateral, guarantees, and risk reduction have been tightened. Banks can reduce capital requirements only if risk protection is effective and properly structured.

**Off-balance sheet exposures:** RBI has revised credit conversion factors (CCFs) for items like guarantees and commitments, leading to better risk capture and, in some cases, higher capital requirements.

These 2026 Directions will come into effect from 1 April 2027.

(Source: RBI Notification No. RBI/DOR/2026-27/397 DOR.CRE.REC 5/21.06.201/2026-27, 'Reserve Bank of India (Commercial Banks - Capital Charge for Credit Risk – Standardised Approach) Directions, 2026 (Effective from April 1, 2027)', dated 27 April 2026)



## IRDAI guidelines on Information and Cyber Security, 2026

The Insurance Regulatory and Development Authority of India (IRDAI) issued the Information and Cyber Security Guidelines, 2026 (the 2026 Guidelines) on 6 April 2026, replacing the earlier guidelines issued vide circular<sup>8</sup> dated 24 April 2023. The 2026 Guidelines have been introduced to enable Regulated Entities (REs)<sup>9</sup> or Organisations to formulate their information and cyber security policies and establish an effective governance framework in alignment with these guidelines for implementing policy-based controls to safeguard the organisation's critical data and information assets. Some key amendments introduced are as follows:

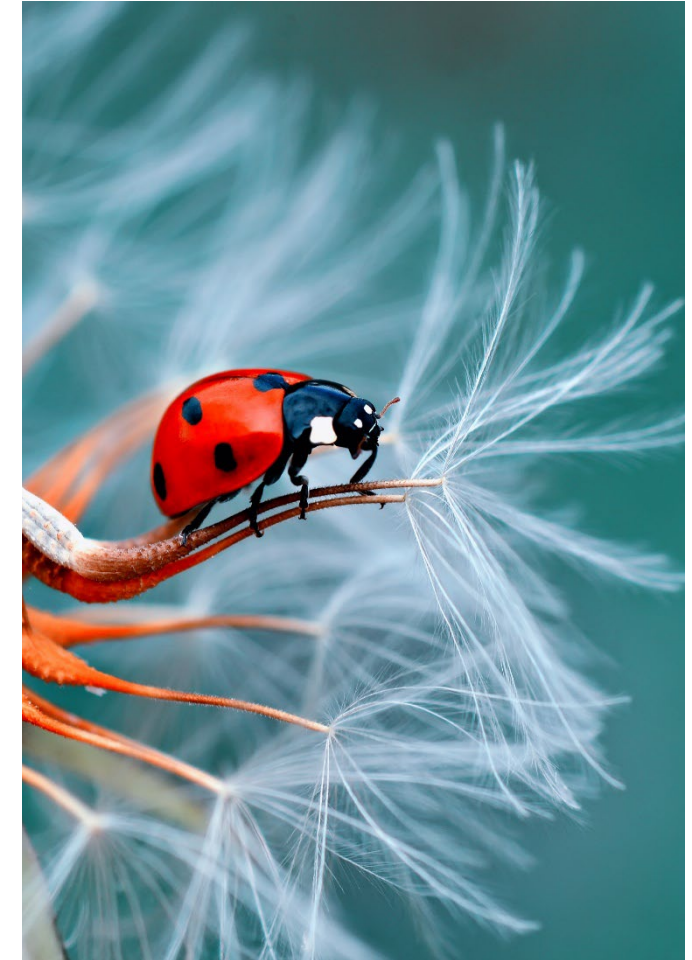
- Strengthening of the governance framework, including the requirement for quarterly meetings of the Information Security Risk Management Committee (ISRMC).
- Revised requirements for the Chief Information Security Officer (CISO) role, including independence from the Information Technology (IT) function, enhanced reporting responsibilities, and the introduction of scenario-based incident response planning.
- Updated accountability of the Chief Technology Officer (CTO)/ Head of IT functions to ensure alignment of IT processes with security standards and timely remediation of vulnerabilities.
- Elimination of legacy roles and committees such as the Chief IT Security Officer (CITSO) and the Control Management

Committee (CMC), with their responsibilities reassigned to the Risk Management Committee (RMC).

- Mandatory constitution of an IT Steering Committee, required to meet quarterly, to steer IT strategy, governance, Service Level Agreements (SLAs), and the protection of policyholder data.
- Defined escalation and approval mechanisms for exceptions based on duration: exceptions up to three months to be approved by the CISO, exceptions exceeding three months to be approved by the RMC, and exceptions exceeding one year to require Board approval.
- Enhanced responsibilities of auditors to independently test and report on the adequacy and effectiveness of controls, including penetration testing, cryptographic inventories, cloud security controls, third party risk management, and hardware resilience.

All REs are required to adhere to the guidelines from the current financial year.

(Source: IRDAI Circular Ref No. IRDAI/GA&HR/CIR/MISC/51/4/2026, 'Sub: IRDAI Information and Cyber Security Guidelines, 2026', dated 6 April 2026)



<sup>8</sup> Circular no. IRDAI/GA&HR/GDL/MISC/88/04/2023

<sup>9</sup> All insurers, Foreign Re-Insurance Branches (FRBs), Insurance intermediaries covering Brokers, Corporate Agents, Web Aggregators, Third Party Administrator (TPAs), Insurance Marketing Firms (IMFs), Insurance repositories, Insurance Self Network Platform (ISNP), Corporate Surveyor, Motor insurance Service Providers (MISPs), and Insurance Information Bureau of India (IIB).

## FAQs on Companies Compliance Facilitation Scheme, 2026

The Ministry of Corporate Affairs (MCA) issued the Companies Compliance Facilitation Scheme, 2026, (Compliance Facilitation Scheme 2026) through a circular in February 2026 as a one-time relaxation scheme, effective from 15 April 2026 to 15 July 2026, to help eligible companies regularise overdue annual returns, financial statements, and certain other statutory filings by paying significantly reduced additional fees.

The MCA has now issued Frequently Asked Questions (FAQs) on the Compliance Facilitation Scheme 2026. These FAQs explain the eligibility criteria, scope and benefits, nature of filings covered, procedure for availing the Compliance Facilitation Scheme 2026, as well as the consequences of not availing the scheme, etc. to help uniform interpretation.

(Source: MCA, [FAQs on Companies Compliance Facilitation Scheme, 2026](#) dated 22 April 2026)

## NFRA issued Audit Quality Inspection Guidelines

The National Financial Reporting Authority (NFRA) has issued the updated Audit Quality Inspection Guidelines (as of 30 April 2026), outlining its approach to audit firm inspections. The framework clarifies that the selection of firms will follow a risk based and proportionate approach, taking into account factors such as firm size and structure, audit portfolio, complexity and diversity of audits- along with specific concerns raised by the Government, regulators, or issues in the public domain.

The guidelines also elaborate on NFRA's approach for selecting individual audit assignments, the inspection methodology, scope of review – including firm-wide quality control systems, controls around technology in audit, and the procedures for issuing draft and final inspection reports, seeking responses within specified timelines, and requiring firms to implement remediation plans within prescribed periods.

(Source: National Financial Reporting Authority, [Audit Quality Inspection Guidelines](#) (updated up to 30 April 2026), published on 30 April 2026)

## ICAI's revised edition of GST Handbook on Returns and Payments

The Goods and Services Tax (GST) and Indirect Taxes Committee of the Institute of Chartered Accountants of India (ICAI) released the third edition of the Handbook on Returns and Payments under GST. The handbook provides concise guidance to help taxpayers ensure timely and accurate return filing, proper discharge of tax liabilities, and effective reconciliation between suppliers and recipients. It covers key procedural and technology-driven developments such as the Invoice Management System (IMS), system generated intimations under Rules 88C and 88D for tax and Input Tax Credit (ITC) mismatches, and guidance on electronic ledgers and ITC utilisation. The handbook also highlights the requirement for mandatory Input Service Distributor (ISD) registration effective from 1 April 2025, strengthening compliance in the system driven GST framework.

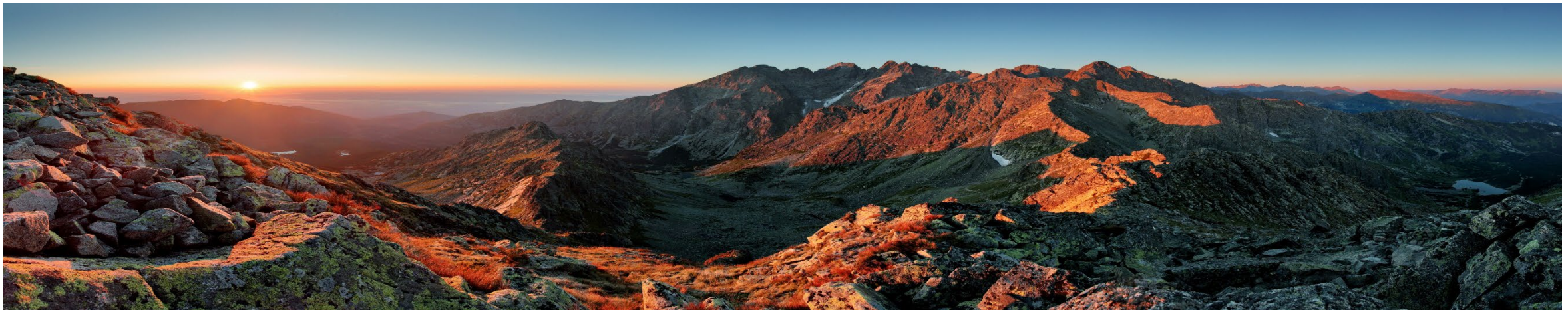
(Source: The Institute of Chartered Accountants of India, ['Handbook on Returns and Payments under GST \(March 2026\)'](#) published on 24 March 2026)

## Government issues Force Majeure alert

The Ministry of Finance, Department of Expenditure has clarified the applicability of the Force Majeure (FM) clause in Government of India procurement manuals - namely Para 9.3.6 of the Manual for Procurement of Goods, 2024; Para 10.4.9 of the Manual for Procurement of Consultancy Services, 2025; Para 9.4.10 of the Manual for Procurement of Non-Consultancy Services, 2025; and Para 7.4.4 of the Manual for Procurement of Works, 2025, in light of disruptions arising from the ongoing West Asia situation. FM refers to extraordinary events beyond human control, such as war, natural disasters, strikes, or riots, which temporarily prevent the fulfillment of contractual obligations without permanently invalidating the contract, provided the affected party is not at fault.

The memorandum issued by the Ministry of Finance explicitly recognises the current developments in West Asia as a 'war-like' situation, where they directly impact contractual performance, thereby qualifying it as an FM event. For contracts with obligations due on or after 28 February 2026, an extension of performance period ranging from two to four months may be granted on a case-by-case basis, without any additional cost or penalty. However, this relief is subject to the condition that the contractor was not already in default as of 27 February 2026, and the benefit applies only to obligations directly impacted by the FM event. The contractual obligations will resume on completion of the period.

(Source: Government of India, Ministry of Finance, Department of Expenditure, Procurement Policy Division, Office Memorandum No.1/3/2026-PPD, 'Subject: Force Majeure Clause (FMC)' dated 29 April 2026)





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