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SEBI clarifies regarding requirement of board review for governance reports

Securities and Exchange Board of India (SEBI) has issued an 'informal guidance' letter in response to a query from Punjab National Bank (PNB) regarding the delegation of oversight on the Quarterly Integrated Filing (Governance) Report as required by Regulation 27 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI LODR Regulations). PNB sought clarity on whether in line with the Reserve Bank of India (RBI) (Commercial Banks – Governance) Directions, 2025, which allow public sector banks to delegate certain compliance matters to Board committees, it could similarly delegate the review of the quarterly governance report to its Audit Committee instead of the full Board.

SEBI clarified that although the RBI permits such delegation for internal governance purposes, the requirements of SEBI LODR Regulations are separate and specifically mandate that the integrated governance report must be placed before the full Board of Directors each quarter, along with the Board's comments. Therefore, delegation to a Board committee cannot replace the Board level review required under LODR. SEBI further emphasised that this requirement is mandatory for all listed entities, including public sector banks.

(Source: SEBI, Nodal Co-ordination cell, Informal Guidance Issue No. I/4378/2026, To Punjab National Bank, dated 6 February 2026)

SEBI mandates NAV reporting by AIFs to Depositories

SEBI has issued a circular mandating all Alternative Investment Funds (AIFs) to report the Net Asset Value (NAV) of their units to depositories. This measure is aimed at enhancing transparency and improving operational efficiency within the AIF ecosystem. The circular also reiterates the existing valuation frequency requirements applicable to Category I, II, and III AIFs.

Under the revised framework, AIFs are required, through their Registrars and Transfer Agents (RTAs), to upload the latest available NAV corresponding to each International Securities Identification Number (ISIN) into the depository system by 1 May 2026 or within 30 days from each valuation date, whichever is later.

The circular also provides guidance on determining valuation dates for both independent and internal valuers. It emphasises that AIF managers are responsible for ensuring timely and accurate reporting. Depositories have been instructed to develop the necessary system infrastructure and incorporate standard NAV-related disclaimers. Additionally, trustees or sponsors must ensure that this reporting requirement is included in the fund's Compliance Test Report.

The circular comes into effect from 6 February 2026.

(Source: SEBI Circular No HO/19/34/11(8)2025-AFD-POD1/I/4335/2026, Sub: Reporting of value of units of Alternative Investment Funds (AIFs) to Depositories, dated 6 February 2026)

New methodology for valuation of physical gold and silver for MF schemes

SEBI has rolled out a revised valuation framework for physical gold and silver held by gold and silver ETFs to ensure that valuations more accurately reflect domestic market conditions. The new framework replaces the earlier methodology, which was based on London Bullion Market Association (LBMA) prices adjusted for domestic considerations such as metric and currency conversions, transportation costs, customs duties, and applicable taxes and levies. With effect from 1 April 2026, MF schemes will be required to value their gold and silver holdings using polled spot prices published by recognised stock exchanges, specifically those used for settlement of physically delivered gold and silver derivatives contracts. The Association of Mutual Funds in India, in consultation with SEBI, will formulate a uniform, industry wide implementation policy for this framework.

(Source: SEBI Circular No. HO/(68)2026-IMD-POD-2/I/5780/2026, 'Valuation of physical Gold and Silver held by mutual fund schemes' dated 26 February 2026)



SEBI revises the categorisation and rationalisation of Mutual Fund Schemes

SEBI has issued a circular dated 26 February 2026 amending Clause 2.6 of Chapter 2 of the Master Circular for Mutual Funds (MFs) dated 27 June 2024, which sets out guidelines on the categorisation and rationalisation of mutual fund schemes. The circular addresses the following key areas:

- **Updated scheme classification architecture:** Mutual fund schemes are now grouped under the following five broad categories:
 1. Equity schemes
 2. Debt schemes
 3. Hybrid schemes
 4. Life Cycle Funds
 5. Other schemes (including Fund of Funds (FoFs), Index Funds, and Exchange Traded Funds (ETFs))
- **Clearly defined equity scheme framework:** Equity schemes are categorised into 13 distinct types (such as large cap, mid cap, small cap, value, sectoral and thematic schemes) to ensure uniformity across Asset Management Companies (AMCs). In addition, portfolio overlap¹ limits have been introduced for equity schemes to enhance differentiation and reduce duplication.
- **Granular classification of debt schemes:** Debt schemes have been reorganised into 17 well defined categories, primarily based on Macaulay Duration² parameters or minimum investment criteria, providing greater clarity on risk profiles and investment horizons.
- **Refined structure for hybrid schemes:** Hybrid schemes, which combine equity, debt and other asset classes, continue to be classified under seven sub categories. It is now clarified that mutual funds may invest residual portions of such schemes in InvITs (except for arbitrage funds), Exchange Traded Commodity Derivatives (ETCDs), Gold ETFs, and Silver ETFs, subject to the asset-class-specific limits prescribed under the SEBI (Mutual Funds) Regulations, 2026.

- **Discontinuation of solution-oriented schemes:** SEBI has removed the solution-oriented category (such as retirement and children's fund schemes). While no new investments are permitted under this category, the existing schemes must be merged with similar schemes, subject to obtaining SEBI's approval.
- **Introduction of Life Cycle Funds:** A new category titled Life Cycle Funds has been introduced. These are target date investment funds where the asset allocation between equity and debt is automatically adjusted as the scheme approaches its maturity year.
- **Further operational clarifications:** The circular also specifies additional operational requirements. Further, existing schemes are required to align with the revised framework within six months from the date of issuance of this circular.

(Source: SEBI circular No. HO/24/13/15(2)2026-IMD-RAC4/1/5764/2026 on 'Categorisation and Rationalisation of Mutual Fund Schemes' dated 26 February 2026)



1. Portfolio overlap refers to the percentage of identical securities held across different portfolios, indicating the degree of similarity or duplication in their underlying investments.

2. Macaulay Duration is the weighted average time (in years) an investor must hold a bond until the present value of the bond's cash flows equals the amount paid for the bond.



Enhanced collateral free credit for MSMEs

The RBI has issued the Lending to Micro, Small & Medium Enterprises (MSME) Sector (Amendment) Directions, 2026, which introduces key changes aimed at enhancing credit access for MSMEs. From 1 April 2026, banks are required to provide collateral free loans of up to INR20 lakh to all units financed under the Prime Minister Employment Generation Programme. In addition, banks may increase the collateral free limit to INR25 lakh for MSE borrowers who demonstrate a strong performance track record and sound financial standing, in line with their internal policies. Banks may also avail the benefits of the Credit Guarantee Scheme, where applicable. The amendment further clarifies that gold or silver voluntarily pledged by borrowers will not be considered a violation of the collateral free lending requirement.

(Source: RBI notification RBI/2025-26/206 FIDD.MSME & NFS.BC.No.12/06.02.31/2025-26, Lending to Micro, Small & Medium Enterprises (MSME) Sector (Amendment) Directions, 2026, dated 9 February 2026)

RBI revises the Voluntary Retention Route for FPIs

The RBI has revised the Voluntary Retention Route (VRR)³ framework for Foreign Portfolio Investors (FPIs) to enhance predictability and ease of doing business. With effect from 1 April 2026, all FPI investments made under VRR - across Central Government securities, State Government securities, and corporate bonds - will be included within the overall investment limits of the General Route. As a result, the separate VRR limits will be subsumed into the standard FPI debt limits.

FPIs that had committed to retention periods longer than the mandated minimum will now have the option to fully or partially exit their VRR investments once the minimum retention period has been completed. Further, all existing VRR investments as of 1 April 2026 will be automatically transitioned to the General Route framework.

(Source: RBI Circular No RBI/2025-26/205 A.P. (DIR Series) Circular No. 21, Voluntary Retention Route – Imparting predictability and increasing ease of doing business, dated 6 February 2026)



3. In India, foreign portfolio investors (FPIs) may invest in corporate debt through either the General Route or the Voluntary Retention Route (VRR). The General Route serves as the standard mechanism for FPI investments in Indian debt instruments. However, despite its shorter minimum holding period, FPIs often avoided this route because it involved several compliance requirements. Instead, many FPIs preferred using the VRR, as it exempted them from these restrictive conditions and provided a dedicated investment limit separate from the general cap. The trade-off, however, is that funds invested under the VRR cannot be taken out of India for three years from the date the VRR limit is allocated.



RBI introduces risk based premium framework for deposit insurance

The RBI, jointly with the Deposit Insurance and Credit Guarantee Corporation (DICGC), has announced the rollout of a new Risk Based Premium (RBP) Framework for deposit insurance, with effect from 1 April 2026. This marks a shift from the current single-rate premium system at 12 paise per INR100 of assessable deposits, to a framework that links a bank's premium to its risk profile, financial soundness, and supervisory performance. Key features of the new framework are as follows:

- **Differentiated risk assessment models:** A two-tier structure has been introduced, with Tier 1 model applicable to scheduled commercial banks (excluding Regional Rural Banks (RRBs)), and a Tier 2 model for RRBs and cooperative banks.
- **Incentive driven premium structure:** Banks can achieve up to a 33.33 per cent reduction (risk model incentive) based on their risk performance. An additional vintage incentive of up to 25 per cent is available for banks with a long history of uninterrupted contributions to the Deposit Insurance Fund (DIF) without distress or payout events, thereby rewarding long term stability.
- **Dynamic rating override mechanism:** The RBI/DICGC retain the discretion to revise a bank's rating if material adverse developments arise after the initial assessment, ensuring that the system remains responsive to emerging risks.
- **Confidentiality obligation:** Banks are required to maintain the confidentiality of their RBP ratings and premium amounts and are prohibited from disclosing this information publicly.

(Source: RBI Press release, 'Risk-based Premium Framework for Deposit Insurance in India, dated 6 February 2026)

Exemption of certain NBFCs from registration– draft regulations

RBI has issued the draft Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Amendment Directions, 2026 (Proposed Directions) for public comments. Under the Scale Based Regulatory (SBR) Framework introduced in October 2021, the RBI had recognised that Non-Banking Financial Company's (NBFCs) which neither access public funds nor maintain a customer interface comparatively pose a lower risk profile and therefore merit differential regulatory treatment. Such NBFCs were placed in the Base Layer of the SBR framework and subjected to relaxed norms. Following a review of this segment, the RBI has proposed to exempt such NBFCs with an asset size below INR1,000 crore, from mandatory registration, subject to specified conditions.

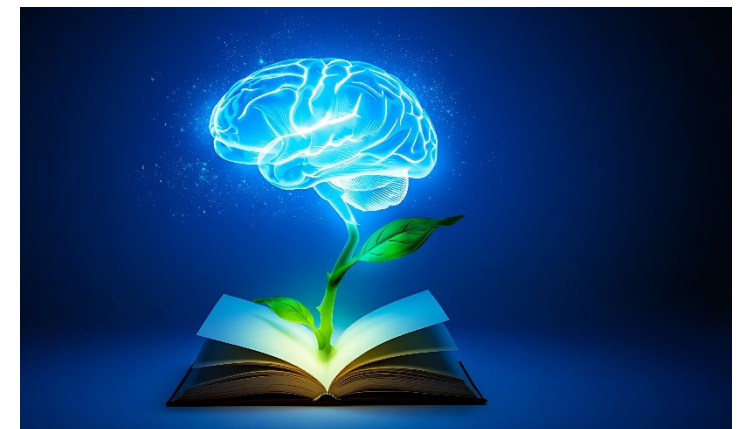
The Proposed Directions also outline the procedure for deregistration or conversion of existing NBFCs meeting the above criteria, including Type I NBFCs, along with other related provisions. A set of Frequently Asked Questions (FAQs) has also been issued to clarify regulatory intent and stakeholder expectations. Some of the key clarifications provided in the FAQs relate to:

- Deregistration eligibility for existing NBFCs not availing public funds and not having customer interface as their conscious business model
- Definition of public funds and customer interface

- Identification of prohibited customer facing activities
- Continued applicability of obligations under the Prevention of Money Laundering Act (PMLA), 2002 and the rules framed thereunder
- Group level asset aggregation rules

The period for submission of comments on the Proposed Directions ended on 4 March 2026.

(Source: RBI Press Release No 2025-2026/2084, 'RBI invites public comments on the draft Reserve Bank of India (Non-Banking Financial Companies – Registration, Exemptions and Framework for Scale Based Regulation) Amendment Directions, 2026', dated 10 February 2026)





Amendments to the Foreign Exchange Management (Borrowing and Lending) Regulations

RBI has notified the Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026 (FEM Amendment Regulations). These amendments are intended to streamline India's External Commercial Borrowing (ECB) framework and reduce compliance burdens. The key amendments are summarised below:

- **Expanded eligibility for borrowing and lending:** RBI has broadened the universe of eligible borrowers and recognised lenders, including overseas branches of regulated Indian entities and financial institutions operating from International Financial Services Centres (IFSC).
- **Enhanced borrowing thresholds:** Eligible borrowers can now raise ECBs up to the higher of outstanding ECBs⁴ of up to USD1 billion or 300 per cent of net worth as per the borrower's latest audited standalone balance sheet, substantially improving access to offshore capital. These limits do not apply to eligible borrowers regulated by financial sector regulators.
- **Rationalisation of minimum maturity requirements:** The Minimum Average Maturity Period (MAMP) has been prescribed at three years. Manufacturing sector borrowers are permitted shorter maturities of 1 to 3 years for ECBs up to USD150 million. The FEM Amendment Regulations also provide specified exemptions from the MAMP requirement.
- **Market-linked borrowing costs:** RBI has withdrawn erstwhile interest rate ceilings and now requires borrowing costs to be market linked, enabling greater flexibility and more competitive pricing.
- **Eased end use restrictions with safeguards:** While certain prohibited end uses continue (such as chit funds, Nidhi companies, and Transferable Development Rights (TDR trading)), the amendments ease restrictions for construction and development activities, industrial parks, and select agricultural activities, subject to prescribed safeguards.
- **Simplified ECB reporting framework:** Reporting through Form ECB-1, Revised ECB-1, and

Form ECB-2 has been rationalised with clearly defined timelines and an associated late submission fee mechanism. Borrowers that fail to submit reports for four consecutive quarters may be classified as untraceable by Authorised Dealer (AD) banks.

- **Greater flexibility for ECB refinancing:** Existing ECBs may be refinanced, either partially or in full, provided that the original average maturity requirements continue to be complied with.
- **Well defined framework for equity conversion:** ECBs are permitted to be converted into non-debt instruments, subject to lender consent and without incurring additional costs, in line with the Foreign Exchange Management (Non-Debt Instruments) Rules, 2019.

The FEM Amendment Regulations came into effect on 9 February 2026.

Subsequently, the RBI also revised the ECB reporting requirements and accordingly, the existing ECB reporting formats prescribed under the Master Direction – Reporting under the Foreign Exchange Management Act, 1999 (FEMA 1999) have been replaced with Form ECB -1/ Revised ECB-1 and Form ECB12.

(Source: RBI, Foreign Exchange Department, Notification No. FEMA 3(R)(5)/2026-RB, Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026, dated 9 February 2026 and RBI Press Release 'Foreign Exchange Management (Borrowing and Lending) (First Amendment) Regulations, 2026', dated 16 February 2026; RBI Notification No. RBI/2025-26/223A.P. (DIR Series) Circular No. 23, 'Reporting under Foreign Exchange Management Act, 1999 – Returns pertaining to External Commercial Borrowing (ECB)', dated 18 February 2026)



4. Outstanding borrowing shall not include non-fund based credit and funds raised through issuance of securities which are mandatorily convertible to equity.



RBI revises NBFC guidelines on IRACP

The RBI has issued the Reserve Bank of India (Non-Banking Financial Companies - Income Recognition, Asset Classification and Provisioning (IRACP)) Amendment Directions, 2026 (IRACP Amendment Directions), introducing clarifications on the prudential treatment of loan portfolios covered under Default Loss Guarantee (DLG) arrangements. DLG arrangements are contractual mechanisms under which a third party agrees to compensate a Regulated Entity (RE) for credit losses arising from borrower defaults, up to a pre-defined percentage of the loan portfolio. These amendments are intended to promote uniformity in prudential treatment across digital lending and co-lending models. The key changes are as under:

- NBFCs are now allowed to factor DLG arrangements into Expected Credit Loss (ECL) provisioning across all stages, subject to compliance with Indian Accounting Standard (Ind AS) requirements, specifically, that the DLG forms an integral part of the loan's contractual terms and is not recognised as a separate asset.
- Mandatory disclosures for DLG backed portfolios in line with Ind AS 1, Presentation of Financial Statements.
- Following each invocation of a DLG, NBFCs are required to recompute ECL provisions to appropriately reflect the reduced extent of DLG coverage.

Corresponding amendments have also been carried out to the RBI (Non-Banking Financial Companies - Credit Facilities) Amendment Directions, 2026 to align related provisions. These amendments come into effect from 13 February 2026.

(Source: RBI Notification no. RBI/2025-26/210 DOR.STR.REC.413/21-07-001/2025-26 'Reserve Bank of India (Non-Banking Financial Companies – Income Recognition, Asset Classification and Provisioning) Amendment Directions, 2026' dated 13 February 2026)



2026 Directions on capital market exposure

RBI, on 13 February 2026, issued the following amendment directions and then revised them on 30 March 2026 as follows:

- 1. Reserve Bank of India (Commercial Banks - Credit Facilities) Amendment Directions, 2026 (Revised) (CAD 2026):** CAD 2026 amend and update the 2025 Credit Facilities framework applicable to commercial banks by refining key definitions, expanding the scope of permissible credit products (including acquisition finance and bridge finance), and strengthening governance standards. The CAD 2026 Directions seek to modernise lending practices, clarify eligible securities and collateral norms, and establish a comprehensive regulatory framework for credit facilities, including lending to capital market intermediaries (CMI). These Directions will come into force from 1 July 2026 or from an earlier date, if a bank adopts them in entirety. Any outstanding loans or guarantees existing up to the effective date may continue until their respective maturities; however, all new loans, guarantees, or renewals from the date of adoption or commencement must comply with these Directions.

(Source: RBI Notification No. RBI/2025-26/254 DOR.CRE.REC.446/07-01-001/2025-26, 'Reserve Bank of India (Commercial Banks – Credit Facilities) Amendment Directions, 2026 (Revised)' dated 30 March 2026)

- 2. Reserve Bank of India (Commercial Banks - Concentration Risk Management) Amendment Directions, 2026 (Revised) (Concentration Risk Management Directions 2026):** These Directions amend the RBI (Commercial Banks – Concentration Risk Management) Directions, 2025 (together referred to as the concentration risk management framework) by expanding and redefining the scope of a bank's Capital Market Exposure (CME). The revised framework covers additional categories such as acquisition finance, bridge finance, exposures to CMIs, and other incremental investment and credit exposures. The amendments introduce revised prudential limits, clearer computation methodologies, and updated exclusions to enable more accurate and risk sensitive monitoring of banks' aggregate CME. These Directions will become effective from the date a bank opts to implement the CAD 2026 or from 1 July 2026, whichever is earlier.

(Source: RBI Notification No. RBI/2025-26/255 DOR.CRE.REC.447/07-03-001/2025-26, 'Reserve Bank of India (Commercial Banks - Concentration Risk Management) Amendment Directions, 2026 (Revised)' dated 30 March 2026)



- 3. Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Second Amendment Directions, 2026 (Revised):** These amendments modify the capital adequacy framework by clarifying that irrevocable payment commitments issued to clearing corporations on behalf of clients will attract a 100 per cent credit conversion factor. However, capital adequacy will be required only to the extent the exposure is treated as CME. The CME linked exposure will carry a 125 per cent risk weight, ensuring alignment with the revised Concentration Risk Management framework. These amendments will come into force from the date a bank implements the CAD 2026 or from 1 July 2026, whichever is earlier.

(Source: RBI Notification No. RBI/2025-26/256 DOR.CRE.REC.448/21-01-002/2025-26, 'Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Second Amendment Directions, 2026 (Revised)' dated 30 March 2026)

- 4. Reserve Bank of India (Commercial Banks - Financial Statements: Presentation and Disclosures) - Third Amendment Directions, 2026 (Revised):** These Directions amend the RBI (Commercial Banks - Financial Statements: Presentation and Disclosures) Directions, 2025 by prescribing additional disclosures relating to CME, including:

- Direct investments or advances linked to equity shares, preference shares, convertible instruments, Real Estate Investment Trusts (REITs), Infrastructure Investment Trusts (InvITs), AIFs, and units of non debt mutual funds, including funding related to Initial Public Offerings, Follow on Public Offerings, and Employee Stock Option Plans.
- Advances for other purposes where shares, convertible instruments, mutual fund units are taken as primary security or collateral, limited to the realisable value of such collateral.
- Credit facilities to CMEs, acquisition finance, bridge finance (including exposures through overseas branches), underwriting commitments, and financing of non debt mutual funds.
- Irrevocable payment commitments to clearing corporations and trade related exposures (including funded margins) where the bank acts as a clearing member.

These amendments will also take effect from the date a bank implements the CAD 2026 or from 1 July 2026, whichever is earlier.

(Source: RBI Notification No. RBI/2025-26/257 DOR.CRE.REC.449/21.04.018/2025-26, 'Reserve Bank of India (Commercial Banks – Financial Statements: Presentation and Disclosures) – Third Amendment Directions, 2026 (Revised)' dated 30 March 2026)

- 5. Reserve Bank of India (Commercial Banks – Undertaking of Financial Services) – Amendment Directions, 2026 (Revised):** These Directions amend the framework governing lending activities undertaken by banks' NBFC and Housing Finance Company (HFC) group entities. The key changes include the following:

- Permitting acquisition finance and bridge finance for promoter stakes in newly incorporated companies, creating a specific exception to earlier restrictions.
- Simplifying capital-market-linked lending norms by allowing lending to individuals only against 'eligible securities', instead of a broader category of shares and instruments.

These amendments will also come into force from the date a bank implements the CAD 2026 or from 1 July 2026, whichever is earlier.

(Source: RBI Notification No. RBI/2025-26/258 DOR.CRE.REC.450/24-01-041/2025-26, 'Reserve Bank of India (Commercial Banks – Undertaking of Financial Services) – Amendment Directions, 2026 (Revised)' dated 30 March 2026)





ICAI issues Guidance on the New Labour Codes

The Institute of Chartered Accountants of India's (ICAI) Auditing and Assurance Standards Board (AASB) issued detailed Guidance on the New Labour Codes to assist auditors in understanding the wide-ranging implications of India's four new Labour Codes, which became effective on 21 November 2025. The guidance covers key points related to:

- Audit focus on compliance with labour codes impacting financial statements, including verifying accurate wage computations, statutory contributions, and updated employee classifications (permanent, fixed term, gig and platform workers), among other aspects, in line with SA 250 *Consideration of Laws and Regulations in an Audit of Financial Statements*.
- Understanding management's implementation preparedness covering revised payroll structures, HR policies, internal controls, system upgrades, and reliance on legal opinions or expert advice.
- Identification of elevated risks of material misstatement in areas such as wage restructuring, the application of revised definitions, employee classification, and actuarial valuations.
- Detailed substantive and analytical audit procedures such as recalculating revised wages, verifying statutory contributions, reviewing contracts, conducting trend analyses, and testing actuarial data and assumptions that affect employee benefit liabilities.
- The guidance also outlines expectations for audit strategy, documentation, management representations, and communication with those charged with governance. It further clarifies implications for audit reporting, including circumstances where modifications, emphasis of matter paragraphs, or Companies (Auditor's Report) Order (CARO) reporting may be required in cases of non-compliance.
- The guidance also includes, as an annexure, the FAQs on key accounting implications arising from the New Labour Codes, issued by the Accounting Standards Board of ICAI.

(Source: ICAI, [Auditing and Assurance Standards Board, Guidance on New Labour Codes](#), dated 9 February 2026)

ICAI issues guidance for private companies and Section 8 entities

The ICAI issued two publications in February 2026 with the objective of simplifying corporate compliance under the Companies Act, 2013:

- **Frequently Asked Questions (FAQs) on Section 8 Companies under the Companies Act, 2013:** This publication seeks to simplify the regulatory framework applicable to Section 8 companies by addressing frequently encountered issues relating to eligibility, licensing, compliance obligations, governance standards, financial reporting, exemptions, and regulatory oversight. It covers a wide range of topics, including incorporation, board processes, CSR implementation, restructuring, and penalties. The FAQs are designed to assist stakeholders in understanding statutory provisions, interpreting regulatory expectations, and ensuring sound governance and compliance within the regulatory landscape governing Section 8 companies.
- **Handbook on Key Compliances and Exemptions for Private Limited Companies under the Companies Act, 2013:** This handbook offers a detailed and practical guide to the statutory obligations, procedural requirements, and regulatory concessions available to private limited companies. It brings together key information on incorporation and post incorporation requirements, annual compliances, exemptions notified by the MCA, streamlined governance norms, maintenance of statutory registers, and commonly applicable penalties. The handbook is intended to serve as a user-friendly reference for directors, professionals, and compliance officers to effectively navigate the requirements of the Companies Act, 2013.

(Source: ICAI's '[Handbook on Key Compliances and Exemptions for Private Limited Company under the Companies Act, 2013](#)' and '[Frequently Asked Questions on Section 8 Companies under the Companies Act, 2013](#)', both released in February 2026)



MCA introduces a compliance facilitation scheme

The Ministry of Corporate Affairs (MCA) has introduced the Companies Compliance Facilitation Scheme, 2026 (CCFS Scheme) to provide a one-time opportunity for companies to regularise delayed and pending annual returns and financial statements at a substantially reduced cost. The scheme is designed to simplify compliance for MSMEs, start ups, One Person Companies, and inactive entities, while keeping the MCA-21 registry accurate and current. Companies must complete their filings or exercise any option available under the CCFS Scheme within the three-month window from 15 April 2026 to 15 July 2026.

Some key benefits of the scheme are as follows:

- **90 per cent reduction in additional filing fees:** Entities may submit overdue forms such as MGT-7, MGT-7A, AOC-4, eXtensible Business Reporting Language (XBRL) variants, and others by paying only 10 per cent of the additional fee that would otherwise be payable for the delay.
- **Strike-off at 25 per cent of the regular fee:** Companies wishing to cease operations can file e-form STK-2 for removal of name from the Registrar of Companies (RoC), paying only 25 per cent of the regular filing fee.
- **Dormant status at 50 per cent of the normal fee:** Companies can apply for dormancy under Section 455 of the Companies Act, 2013 by filing MSC-1 and paying 50 per cent of the standard filing fee.
- **Applicability and exclusion:** This scheme is open to all companies except the following:
 - A. Companies that have already received a final notice for strike off under Section 248 of the Companies Act, 2013 or companies that have already filed a strike-off application
 - B. Companies that applied for dormant status before the CCFS Scheme
 - C. Companies dissolved through amalgamation or vanishing companies.
- **Immunity from penalties:** Companies that file during the CCFS Scheme window will be granted immunity from penalties for delayed filings under Sections 92 (annual return) and 137 (financial statements) of the Companies Act, 2013, provided the filing is completed before a notice is issued by the adjudicating officer or within 30 days of receiving such notice. If an adjudication order has

already been issued or the 30-day period has lapsed, filings may still be made under the CCFS Scheme, but any penalties already levied will continue to apply. For other forms (e.g., ADT-1, FC-3, 20B, etc.), immunity for delayed filings is available if the forms are filed under the CCFS Scheme and no prosecution or adjudication had commenced prior to filing.

- **Post scheme action:** After 15 July 2026, the Registrars will initiate strict action against companies that did not utilise the CCFS Scheme and remain non-compliant.

(Source: Government of India, MCA, General Circular No 01/2026, F.No. Policy-02/2/2020-CL-V, Subject: Companies Compliance Facilitation Scheme, 2026-reg, dated 24 February 2026)





Industrial Relations Code 2020

The Ministry of Labour and Employment issued two notifications on 2 February 2026 to ensure clarity and administrative continuity during the transition to the Industrial Relations Code, 2020 (IR Code 2020).

The Industrial Relations Code (Removal of Difficulties) (Amendment) Order, 2026 clarifies that all existing statutory authorities established under the Trade Unions Act, 1926, Industrial Employment (Standing Orders) Act, 1946 and Industrial Disputes Act, 1947 will continue to function until corresponding bodies are formally constituted under the IR Code 2020, thereby ensuring there are no administrative gaps or legal uncertainties during the transition period.

With effect from 21 November 2025, the above three Acts stand repealed, aligning the date with the commencement of the IR Code 2020, thereby consolidating major labour laws into a single framework.

(Source: Ministry of Labour and Employment, Notification Nos S.O. 464(E). and S. O. 465(E), dated 2 February 2026)



Expanded the definition of a startup

The Ministry of Commerce and Industry (Department for Promotion of Industry and Internal Trade – DPIIT) issued an updated notification on 4 February 2026 revising the official definition and eligibility criteria for startups in India. This update supersedes the earlier 2019 notification and is expected to make it easier for emerging businesses to qualify as startups and access regulatory relaxations, tax incentives, and various government support programs. Some key aspects are as follows:

- 1. Eligibility:** The entity should be incorporated in India as a private limited company, partnership firm, limited liability partnership (LLP), multi-state cooperative society, or a state/union territory registered cooperative society, be less than 10 years since incorporation/registration and have turnover not exceeding INR200 crore turnover (previously INR 100 crore) in any financial year since incorporation. Further, it should be engaged in innovation, development, or improvement of products, processes, or services, or operate in a scalable business model that generates employment or wealth.
- 2. New category introduced - Deep Tech Startups (DTS):** A new definition for DTS has been introduced. This category covers startups based on advanced scientific or engineering innovation, significant research and development (R&D) spending, novel IP development, or high-risk, capital-intensive sectors, with extended limits of 20 years of eligibility and turnover up to INR300 crore instead of above limits.
- 3. Exclusions:** Startups formed by splitting or restructuring existing businesses are not eligible, nor are those that have completed their 10-year tenure or exceeded the turnover limit in any financial year.
- 4. Recognition and tax benefits:** Startups must apply on the DPIIT portal with incorporation documents and a brief note demonstrating innovation or scalability, along with additional evidence for DTS applications. Eligible private limited companies and LLPs may also apply to the Inter-Ministerial Board (IMB) in Form 1 for Section 80 IAC tax benefits. DPIIT/ Inter Ministerial Board (IMB) may approve or reject applications after verification.
- 5. Use of funds:** Startups must utilise funds for core business activities, innovation, R&D, scaling, or operations, and must avoid investments in non-productive assets such as real estate, luxury items, or speculative activities.
- 6. Revocation and flexibility:** DPIIT may revoke recognition or tax certificates if obtained using false information, with such certificates deemed never issued. The Central Government may grant exemptions or modify conditions for startups in special circumstances.

The provisions of this notification are effective from 4 February 2026.

(Source: Ministry of commerce and industry (Department for Promotion of Industry and Internal Trade) notification No G.S.R. 108(E), dated 4 February 2026)



Enforcement of the Insurance Amendment Laws

The Sabka Bima Sabki Raksha (Insurance Amendment Laws) Bill, 2025 which was passed by Parliament on 17 December 2025, received the President's assent on 20 December 2025. However, the amendments were not brought into force immediately. The Bill amends the Insurance Act, 1938, the Life Insurance Corporation Act, 1956, and the Insurance Regulatory and Development Authority Act, 1999.

The Ministry of Finance has now notified the Sabka Bima Sabki Raksha (Amendment of Insurance Laws) Act, 2025 on 5 February 2026, except for Section 25, which remains pending enforcement. Section 25 introduces stricter conflict of interest safeguards by prohibiting any director or officer of an insurer from simultaneously serving as a director or officer of another insurer in the same class of business, or of a banking or investment company. This restriction does not apply to Directors nominated by the Central Government, thus preserving mandated government representation.

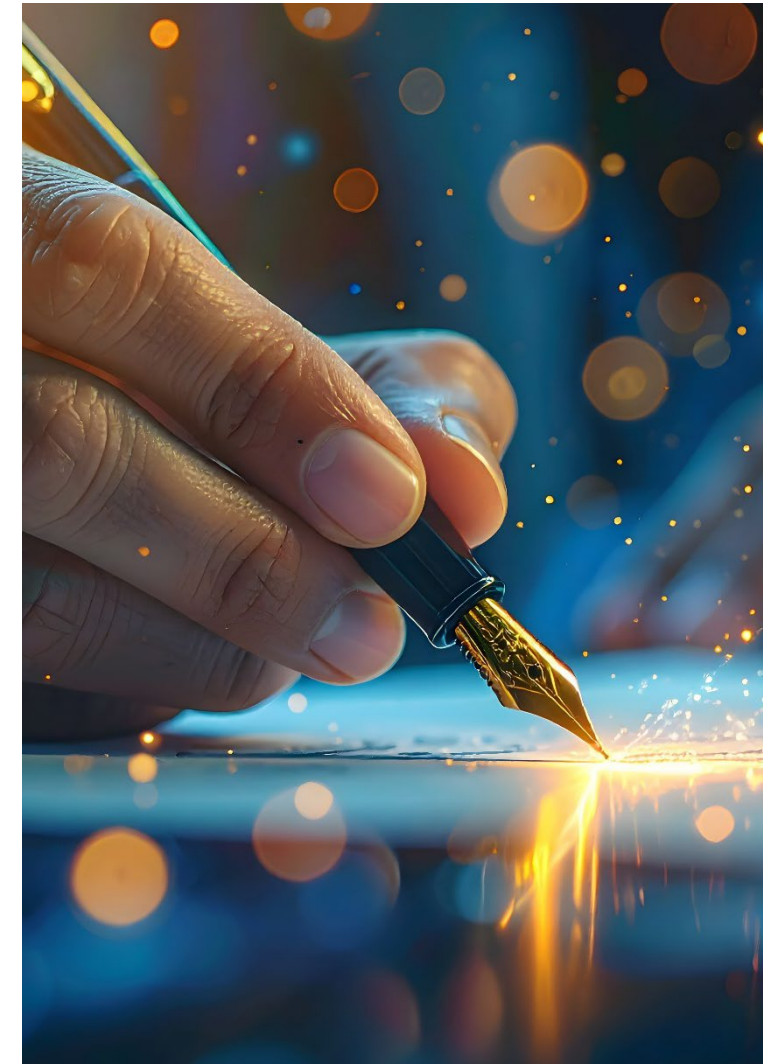
(Source: Ministry of Finance, Department of Financial Services, Notification No. S.O. 490(E), dated 3 February 2026)

IRDAI revises guidelines for overseas insurers' liaison offices

The Insurance Regulatory and Development Authority of India (IRDAI) issued revised 'Guidelines on Establishment and Closure of Liaison Office (LO) in India by an Insurance Company registered outside India' on 11 February 2026 (effective immediately), superseding all previous instructions on the subject. These guidelines set out the conditions, procedures, permitted activities, compliance requirements, and closure mechanisms for liaison offices (LOs) established in India by overseas insurers. Key provisions of the guidelines cover:

- **Definition and scope of a LO:** A LO is a non-commercial establishment that functions solely as a communication channel between an overseas insurer's head office and entities in India, cannot solicit business or engaging in any revenue generating activities and must be funded entirely through foreign inward remittances from the head office.
- **Eligibility for establishing an LO:** To set up a LO, an overseas insurer must have a profit-making track record for the preceding three financial years and a minimum net worth of USD65 million. The IRDAI may relax this net worth requirement in exceptional circumstances.
- **Other operational and compliance requirements:** The guidelines further detail key operational requirements, including permitted activities, IRDAI approval conditions, record-keeping and reporting obligations, applicable restrictions, and IRDAI's enforcement actions in case of non compliance.

(Source: IRDAI Ref: IRDAI/F&I/GDL/MISC/27/02/2026 'Guidelines on Establishment and Closure of Liaison Office in India by an Insurance Company registered outside India', dated 11 February 2026)





IRDAI's rules for insurer investments in AIFs

The IRDAI has issued a clarification on how insurers may invest in AIFs, specifically addressing concerns regarding compliance with Section 27E of the Insurance Act, 1938, which prohibits insurers from investing- directly or indirectly- in overseas assets.

Under the existing framework, insurers are allowed to invest only in FoF⁵ structures that do not deploy capital into AIFs investing overseas. However, insurers had sought clarity on whether they could invest in AIFs that provide 'excusal rights', allowing investors to opt out of the fund's foreign-investment components. To facilitate broader participation while maintaining regulatory safeguards, IRDAI has now clarified that insurers may invest in such AIFs, subject to strict conditions, including:

- The insurer's commitment must include valid excusal rights, ensuring that none of their capital is ever drawn for overseas investments.
- AIF must incorporate this restriction explicitly in its fund documents and certify that no insurer funds are deployed abroad.
- Insurers and AIFs must exchange formal declarations, maintain audit trails, and provide quarterly/annual confirmations through auditors as part of a three-layer compliance mechanism.

Additionally, IRDAI has revised the rule on single AIF exposure, requiring insurers to comply with exposure limits after combining both direct and indirect (FoF based) investments.

Source: IRDAI Circular No. IRDAI/F&I/CIR/INV/28/2/20 'Sub: Clarifications on provisions with respect to investment in AIF', dated 12 February 2026)

5. A Fund of Fund (FoF) invests in other funds. Investment in these funds help investors spread their risks across various markets and assets class while benefiting from professional fund management

IFSCA launches unified registration framework for Capital Market Intermediaries

The International Financial Services Centres Authority (IFSCA) issued the IFSCA (Capital Market Intermediaries) (Amendment) Regulations, 2026 (CMI Amendment Regulations) on 7 January 2026, allowing a unit in the IFSC that intends to undertake multiple capital market activities under the CMI Amendment Regulations to obtain a unified registration (Master Key / MKY) for such activities.

Subsequently, on 13 February 2026, IFSCA introduced a unified registration (Master Key) framework to operationalise this requirement, with the objective of streamlining approvals, reducing duplication, and improving ease of doing business in the IFSC. Under this framework, eligible capital market intermediaries may apply for a Master Key through a single application on the Single Window IT (SWIT) portal, selecting all proposed activities. Upon approval, IFSCA issues one consolidated registration certificate covering multiple roles, while application, registration, and recurring fees continue to be payable separately for each activity. This circular is effective from 16 February 2026.

(Source: IFSCA Circular no. F No. IFSCA-PLNP/80/2024-Capital Markets, 'Unified Registration for multiple Capital Market Activities under the IFSCA (Capital Market Intermediaries) Regulations, 2025 (Master Key)' dated 13 February 2026)





Interest collection and ITC utilisation in GSTR 3B

Under the earlier Goods and Services Tax (GST) provisions and Input Tax Credit (ITC) utilisation rules, IGST ITC was required to be utilised first, followed by CGST ITC, with SGST ITC⁶ being used last.

Further, CGST and SGST ITC could not be used flexibly for discharging IGST liability. The utilisation of ITC was mandated to follow a prescribed sequence, as outlined below:

- IGST ITC – required to be utilised first
- CGST ITC – to be used only after IGST ITC is completely exhausted
- SGST ITC – to be utilised only after both IGST and CGST ITC have been exhausted

With effect from February 2026, once the available IGST ITC has been fully utilised, the GST portal permits payment of IGST liability in GSTR 3B using the available CGST and SGST ITC in any order, providing greater flexibility in credit utilisation.

(Source: Good and Service Tax Network, Advisory on Interest Collection and Related Enhancements in GSTR-3B, dated 19 February 2026)



6. IGST: Integrated GST, CGST: Central GST and SGST: State GST

7. under Regulation 13(3) of the LODR Regulations

NSE extends single filing system

The National Stock Exchange (NSE) has been continuously expanding its single filing system; an Application Programming Interface (API) based integration aimed at simplifying regulatory compliance and avoiding duplicate submissions across stock exchanges. Phase 1 of this initiative enabled single filing for Investor Grievance Redressal disclosures⁷ with effect from 1 October 2024. The scope of the system was subsequently extended to Integrated Financial Filings under Regulation 33 of the LODR Regulations, covering both quarterly and annual financial results, in January 2026.

NSE has now, through a circular dated 20 February 2026, further expanded the framework to include XBRL filings for select events under Regulation 30 of the LODR Regulations, effective 21 February 2026. The events covered under this expansion include:

- Disclosures relating to fraud, default, or arrest
- Corporate debt restructuring
- Resolution plans and restructuring of loans
- Borrowings from banks or financial institutions

Submission of Issue Summary Documents and buyback filings, along with integrated financial and governance filings

While XBRL filings for these specified items are brought within the single filing framework, listed entities are required to continue submitting PDF versions separately to both stock exchanges until further intimation.

(Source: NSE, Circular Ref No: NSE/CML/2026/03, Subject: Update on single filing system through API-based integration between Stock Exchanges' dated 20 February 2026)



Deferred customs duty payment for EMI transactions

The Central Board of Indirect Taxes and Customs (CBIC) issued a circular dated 28 February 2026, extending the deferred payment of customs duty facility to Eligible Manufacturer Importers (EMIs), a benefit that was previously limited to Authorised Economic Operators (AEO T2/T3). The key features of the notification are outlined below:

- **Introduction of deferred duty payment for EMIs:** With effect from 1 April 2026, approved EMIs will be permitted to discharge customs import duty after clearance of goods, instead of at the time of filing the Bill of Entry, thereby facilitating faster cargo release and improving working capital efficiency.
- **Validity period of the facility:** The deferred payment facility will remain available until 31 March 2028. During this period, EMIs are expected to progress towards obtaining AEO T2/T3 accreditation, which will entitle them to assured facilitation, priority treatment, and access to additional benefits currently available to AEO T2/T3 entities.
- **Timelines for duty payment:** The due dates for payment of deferred customs import duty are as follows:
 1. For Bills of Entry returned for payment from the 1st day to the last day of any month other than March, the duty must be paid by the 1st day of the succeeding month.
 2. For Bills of Entry returned for payment from the 1st day to the 31st day of March, the duty must be paid by 31 March.
- **Compliance oversight and enforcement:** Customs authorities will actively monitor compliance with the deferred payment mechanism. Approval granted to EMIs may be suspended in cases of non-payment or loss of eligibility.
- **Additional procedural clarifications:** The circular also sets out the eligibility requirements for EMIs, details the application process via the AEO India portal along with the required documentation, and prescribes the procedure for availing the deferred payment facility post-approval, including the filing of Bills of Entry marked with the deferred payment option.

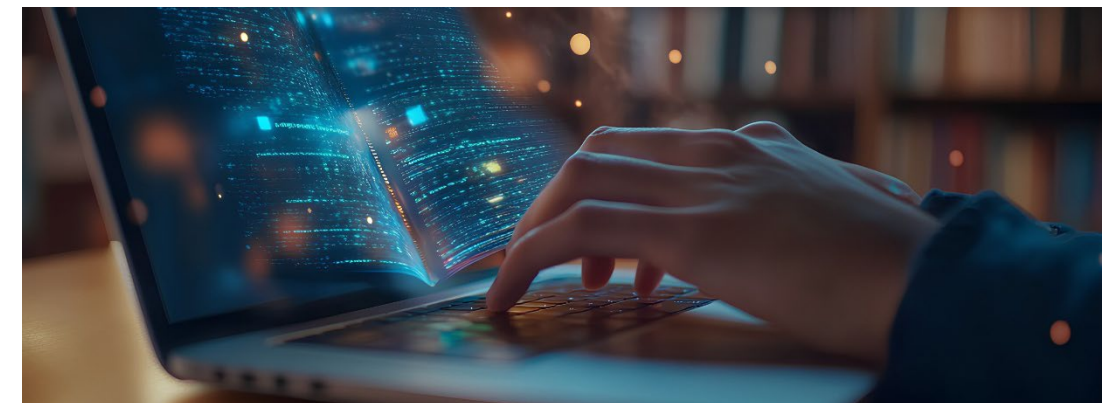
(Source: Government of India, Ministry of Finance, Department of Revenue, Central Board of Indirect Taxes & Customs, Circular No.08/2026-Customs, F. No. 450/81/2016-Cus IV, 'Subject: Extension of Deferred Payment of Customs Duty benefits to 'Eligible Manufacturer Importer' (EMI) – reg, dated 28 February 2026)

Labour codes: compliance guide for employers

The Ministry of Labour and Employment has released a handbook for employers that provides a simplified overview of compliance obligations under India's four new Labour Codes which are effective from 21 November 2025. The handbook highlights key reforms, the streamlined compliance framework, and employers' core responsibilities covering wages, social security, industrial relations, and occupational safety and health. The handbook:

- Explains key reforms, registration processes and compliance obligations.
- Sets out practical action items for employers, detailing requirements at the time of establishment, on a monthly and annual basis, and in event-based situations such as accidents or employee exits.
- Includes quick reference tools such as definitions, schedules, and chapter wise compliance checklists to assist employers in meeting statutory requirements efficiently.

(Source: Ministry of Labour, 'Compliance Handbook for Employers Under the Four Labour Codes (Central Government Sphere)', February 26)





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

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