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SEBI (Mutual Funds) Regulations, 2026

The Securities and Exchange Board of India (SEBI) issued SEBI (Mutual Funds) Regulations, 2026 (2026 MF Regulations) on 14 January 2026. The new 2026 MF Regulations supersede the SEBI (Mutual Funds) Regulations, 1996, together with the various amendments and circulars issued over the last three decades, consolidating them into a single and streamlined regulatory code effective 1 April 2026.

Key updates are:

- A. Simplification and consolidation:** The 2026 MF Regulations merge and streamline the eligibility norms for Mutual Fund sponsors and Mutual Fund Lite sponsors and restructure the roles and duties of Asset Management Companies (AMC) and Trustees into clearer, theme based sections.
- B. Enhanced transparency and investor protection:** An overhauled expense ratio architecture introduces a Base Expense Ratio (BER) that excludes statutory levies and regulatory fees (now charged on actuals and added to arrive at the Total Expense Ratio (TER)). BER caps are reduced across ETFs, d, and open ended as well as close ended schemes.
- C. Ease of compliance:** Operational burdens are lowered by cutting the number of mandatory trustee meetings, removing half yearly portfolio disclosures, and eliminating duplicative filings. Adopting a digital first approach, the framework ends physical submission of advertisements, shifting to online monitoring with email, SMS, and website based disclosures. Borrowing norms are clarified and modernised, allowing equity index funds and ETFs to borrow for execution necessities and permitting intra day borrowing to handle short term redemption mismatches.
- D. Removal of redundant provisions:** The 2026 MF Regulations significantly bring down the complexity and volume by deleting provisions where separate frameworks already apply.

(Source: SEBI, Notification No., F. No. SEBI/LAD-NRO/GN/2026/294, 'Securities and Exchange Board of India (Mutual Funds) Regulations, 2026' dated 14 January 2026)





Relaxation for High Value Debt Listed Entities (HVDLEs)

SEBI issued the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2026 on 20 January 2026, which introduce the following changes to the HVDLE chapter of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations):

- A. Higher threshold for HVDLE classification:** The threshold for identifying HVDLEs has been increased from INR1,000 crore to INR5,000 crore of outstanding non convertible debt, thereby facilitating easier fund raising for regulated entities such as Non Banking Financial Companies (NBFCs), Housing Finance Companies (HFCs), Asset Reconstruction Companies (ARCs), insurance companies, and Real Estate Investment Trusts (REITs).
- B. Corporate governance norms aligned with equity listed companies:** SEBI has aligned the corporate governance requirements for HVDLEs with the recent amendments applicable to equity listed entities, streamlining compliance and improving the ease of doing business.
- C. Board of directors and committee provisions:** The amendments now require shareholder approval through a special resolution for non executive directors continuing beyond the age of 75 years. The time taken for regulatory or government approvals will be excluded from the timeline for obtaining shareholder approval for director appointments, and appointments of nominee directors made by regulators, debenture trustees, courts, or tribunals are exempt from shareholder approval. Additionally, vacancies in board committees must be filled within three months, and all board recommendations to shareholders must clearly present the rationale underlying them.
- D. Subsidiary and IBC related relaxations:** Shareholder approval is no longer required for the sale of a material subsidiary's assets to another entity within the same group. Companies emerging from the Corporate Insolvency Resolution Process (CIRP) will now have three months to fill Key Managerial Personnel (KMP) vacancies, provided they have at least one full time KMP.
- E. Framework for secretarial auditor appointments:** New provisions have been introduced governing the appointment, reappointment, removal, and disqualification of secretarial auditors for HVDLEs.

- F. Harmonisation of Related Party Transaction (RPT) provisions:** The RPT rules for HVDLEs have been harmonised with those applicable to equity listed companies, while retaining the requirement to obtain a No Objection Certificate (NOC) from debenture trustees and debenture holders.

(Source: SEBI Notification No. SEBI/NRO-GN/2026/295 'Securities And Exchange Board Of India (Listing Obligations and Disclosure Requirements) (Amendment) Regulations, 2026, dated 20 January 2026)

Master circular on Social Stock Exchange (SSE) framework

SEBI has issued a Master Circular for the Framework on Social Stock Exchange (SSE) (SSE Master Circular) to consolidate all existing circulars governing the framework for registration, fundraising, disclosures, governance, and impact reporting by social enterprises. The circular compiles all prior directions under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations), SEBI LODR Regulations, and SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations), thereby simplifying compliance for Not-for-Profit Organisations (NPOs), for-profit Social Enterprises, stock exchanges, intermediaries, and social auditors.

The SSE Master Circular sets out eligibility requirements for NPO registration, the procedures and conditions for issuing Zero Coupon Zero Principal (ZCZP) instruments, minimum disclosure obligations, annual financial and impact reporting requirements, and the structure and responsibilities of the Social Stock Exchange Governing Council. The SSE Master Circular also includes an appendix specifying which earlier circulars have been rescinded and replaced by this consolidated framework.

(Source: SEBI Master Circular No. HO/49/14/14(6)2025-CFD-PoD1/I/2771/2026, Master Circular for framework on Social Stock Exchange (SSE), dated 19 January 2026)



NBFC – concentration risk management amendment directions

RBI issued the RBI (Non-Banking Financial Companies – Concentration Risk Management) Amendment Directions, 2026 (Concentration Risk Amendment Directions), introducing a key refinement to the framework set out in the RBI (Non-Banking Financial Companies – Concentration Risk Management) Directions, 2025 (Original Directions). The amendment inserts a proviso to paragraph 4(4) of the original directions, establishing a dedicated category of ‘high quality infrastructure projects’ to permit differentiated treatment for specific infrastructure lending.

- NBFCs may classify certain infrastructure exposures as lending to ‘high quality infrastructure projects’ if the projects satisfy all the following conditions:
- The infrastructure project has completed at least one year of successful operations without any violation of material loan covenants.
- The exposure is recorded as ‘standard’ in the lender’s books.
- The borrower’s revenue is supported by contractual rights granted by government or statutory authorities, with strong contractual safeguards throughout the concession tenure.
- Lenders are protected through robust security and cash flow mechanisms, including an escrow/Trust and Retention Account (TRA) structure, a pari passu charge over assets in favour of lenders, and measures that limit lender losses in the event of early termination.
- The borrower maintains adequate funding arrangements to meet current and future project requirements.
- The borrower is prohibited from taking actions harmful to lenders—such as raising additional borrowings or creating encumbrances on project assets—without lender approval.

These provisions will come into effect from earlier of when an NBFC chooses to adopt the RBI (NBFC – Prudential Norms on Capital Adequacy) Amendment Directions, 2026, or on 1 April 2026.

(Source: RBI Notification no. RBI/2025-26/169 DOR.CRE.REC.372/07-03-008/2025-26, Reserve Bank of India (Non-Banking Financial Companies - Concentration Risk Management) Amendment Directions, 2026, dated 1 January 2026)

Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026

The RBI has notified the Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026 (EXIM Regulations 2026) replacing the 2015² regulations. The EXIM Regulations 2026 consolidate and modernise the framework for declaration, receipt, payment, monitoring, and reporting of all export and import transactions. Following are key points:

- **Mandatory export declaration:** Exporters must furnish the Export Declaration Form (EDF) at the time of export within 30 days of the invoice month.
- **Realisation timelines:** Export proceeds must be realised within 15 months from the date of shipment (for goods) or invoice date (for services) and within 15 months from the warehouse sale date for goods exported to overseas warehouses. When exports are invoiced or settled in INR, this period becomes 18 months. AD banks may grant further extensions.
- **Advance payments:** All advance receipts/payments and subsequent related transactions must be routed through the same AD bank. Any change of AD bank requires formal notification to both the current and the proposed AD bank. AD banks may authorise advance import remittances after due diligence and may set thresholds for such transactions.
- **Merchanting trade transactions (MTT):** Specifies a six month timeline and the required documentation for merchanting transactions.
- **Internal SOP requirements for AD Banks:** AD banks are required to maintain comprehensive internal policies and SOPs for handling all export/import transactions including mercantile trading transactions.

These regulations 2026 shall come into force from 1 October 2026.

(Source: RBI (Foreign Exchange Department), Notification No. FEMA 23(R)/2026-RB, ‘Foreign Exchange Management (Export and Import of Goods and Services) Regulations, 2026’, dated 13 January 2026)

2. Notification No. FEMA 8/2000-RB dated May 3, 2000



RBI issued updates related to financial statement disclosures

The RBI has issued the RBI (NBFC – Financial Statements: Presentation and Disclosures) Amendment Directions, 2026 and the RBI (Commercial Banks – Financial Statements: Presentation and Disclosures) – Second Amendment Directions, 2026 (FS disclosure amendments). These FS disclosure amendments modify certain financial statement disclosure requirements for NBFCs and commercial banks. This update builds on the revisions to the Credit Risk Management framework discussed in the following slide and is aimed at improving transparency regarding related party exposures. A key element of the amendment is the requirement to present a separate set of disclosures on loans and other transactions with related parties. The revised format requires reporting of:

- Aggregate value of loans sanctioned to related parties during the year
- Aggregate value of outstanding loans at the end of the financial year
- Aggregate value of outstanding loans to related parties as a proportion of total credit exposure
- Classification of related party accounts under stress categories (Special Mention Accounts and Non-Performing Assets)
- Provisions maintained against these related party loans
- Aggregate value of contracts and arrangements awarded to related parties during the year
- Aggregate value of outstanding contracts and arrangements with related parties as of the end of the year

This amendment becomes effective from 1 April 2026, with the option for early adoption. A similar amendment has also been notified for All India Financial Institutions (AIFIs), Local Area Banks (LABs), Rural Cooperative Banks (RCBs), Regional Rural Banks (RRBs), Small Finance Banks (SFBs), and Urban Cooperative Banks (UCBs).

(Source: RBI Notifications no. RBI/2025-26/187 DOR.CRE.REC.388/21.04.018/2025-2, 'RBI (Non-Banking Financial Companies - Financial Statements: Presentation and Disclosures) Directions, Amendment Directions, 2026', and RBI/2025-26/181 DOR.CRE.REC.382/21.04.018/2025-26, 'Reserve Bank of India (Commercial Banks – Financial Statements: Presentation and Disclosures) – Second Amendment Directions, 2026' both dated 05 January 2026)





SEBI updates



RBI updates



NFRA Updates



Other updates

Updated NBFC prudential norms on capital adequacy

The RBI issued the RBI (NBFC – Prudential Norms on Capital Adequacy) Amendment Directions, 2026 (2026 Amendment Directions) refining the capital risk weighting framework introduced under the RBI (NBFC – Prudential Norms on Capital Adequacy) Directions, 2025 (2025 Capital Adequacy Directions). The 2025 Capital Adequacy Directions outline the regulatory capital structure, prescribe minimum capital ratios, and specify detailed risk weight requirements applicable to NBFCs across their balance sheet exposures.

The 2026 Amendment Directions introduces a targeted modification to the risk weight table under paragraph 18(1), specifically covering NBFC lending to high quality infrastructure projects as defined in the corresponding Concentration Risk Amendment Directions. Under the revised norms, NBFC exposures to these eligible infrastructure projects will attract reduced risk weights of 75 per cent or 50 per cent, depending on the level of debt repayment achieved by the borrower.

The amendment further clarifies that if a project later fails to meet the prescribed eligibility conditions, the exposure will revert to the standard risk weights set out under the 2025 Capital Adequacy Directions. Transitional relief is also provided for existing exposures currently benefiting from lower risk weights, allowing NBFCs to retain the earlier treatment until the next renewal or 31 March 2027, whichever is earlier.

The 2026 Amendment Directions will come into force on 1 April 2026, with the option for early adoption.

(Source: RBI Notification no RBI/2025-26/168 DOR.CRE.REC.373/21-01-002/2025-26, Reserve Bank of India (Non-Banking Financial Companies – Prudential Norms on Capital Adequacy) Amendment Directions, 2026, dated 1 January 2026)

Commercial banks – revisions to presentation and disclosure in financial statements

The RBI has issued the RBI (Commercial Banks – Financial Statements: Presentation and Disclosures) Amendment Directions, 2026 on 1 January 2026, introducing revisions to the framework governing the presentation and disclosure of financial statements by commercial banks.

This amendment pertains to how banks, particularly foreign banks operating in India, should report capital allocated for Credit Risk Mitigation (CRM). It mandates clearer disclosure of amounts earmarked under Section 11(2) of the Banking Regulation Act that are designated to offset risks arising from non centrally cleared derivative exposures. By requiring a specific note in Schedule 1 of the balance sheet, the RBI aims to enhance transparency in the treatment of such capital and ensure that these earmarked amounts are excluded from regulatory or statutory capital calculations.

The above amendment shall take effect from the earlier of date on which a bank chooses to implement paragraphs 3(1) to 3(4) of the RBI (Commercial Banks – Concentration Risk Management) Amendment Directions, 2025, or from 1 April 2026.

(Source: RBI Notification No. RBI/2025-26/167 DOR.CRE.REC.371/21.04.018/2025-26, Reserve Bank of India (Commercial Banks - Financial Statements: Presentation and Disclosures) Amendment Directions, 2026, dated 1 January 2026)





RBI issues credit risk management amendment directions

The RBI, on 5 January 2026, issued the RBI (NBFCs – Credit Risk Management) Amendment Directions, 2026 and the RBI (Commercial Banks – Credit Risk Management) Amendment Directions, 2026 (together referred to as the 2026 CRM Framework). The principal amendments introduced are as follows:

1. **Clearer definitions:** The 2026 CRM Framework revises and broadens the definitions of key terms including related party, related person, control, promoter, key managerial personnel, and the scope of lending. These definitions are now aligned with the Companies Act, 2013 and the Insolvency and Bankruptcy Code, 2016.
2. **Board-approved credit risk policy:** Every Regulated entity (RE) must now maintain a detailed credit risk policy approved by its Board, outlining the approach for identifying, evaluating, and managing credit risks. The policy must address matters relating to lending to related parties, the use of the Legal Entity Identifier (LEI), filing of security interests, and limitations on revolving credit arrangements.
3. **New framework governing related party lending:** The updated framework replaces the existing chapter on connected lending and introduces several new requirements, including:
 - Prohibitions on certain types of lending, such as lending against own shares and lending to or on behalf of directors except in defined exceptional scenarios
 - Materiality threshold ceilings (MTC)
 - Mandatory Board or Board level committee approvals for exposures exceeding the MTC
 - Mandatory recusal of directors, KMPs, or specified employees from discussions and decisions involving loan proposals
4. **Approval, monitoring, and governance controls:** REs must keep updated records of related persons and related parties. The framework prescribes stronger ongoing oversight, periodic internal audits, and expanded reporting requirements. It also provides for rigorous enforcement actions in cases of non-compliance.
5. **Transition and implementation:** The 2026 CRM Framework comes into effect on 1 April 2026, with the option for early adoption. Loans that do not comply with the revised norms may remain

in force until their original maturity; however, they cannot be renewed, extended, or enhanced unless fully aligned with the new requirements.

Similar amendments have also been issued for AIFIs, LABs, RCBs, RRBs, SFBs, and UCBs.

(Source: RBI Notification no RBI/2025-26/173 DOR.CRE.REC.374/07-02-001/2025-26; 'Reserve Bank of India (Commercial Banks – Credit Risk Management) – Amendment Directions, 2026' and RBI/2025-26/179 DOR.CRE.REC.380/07-02-008/2025-26, 'Reserve Bank of India (Non-Banking Financial Companies – Credit Risk Management) – Amendment Directions, 2026', both dated 5 January 2026)





Amendments to the Priority Sector Lending Directions

RBI has issued the Priority Sector Lending – Targets & Classification (Amendment) Directions, 2026 (PSL Directions 2026) on 19 January 2026, modifying several provisions of the PSL Master Directions, 2025, revising multiple provisions relating to PSL computation, exemptions, on lending, co lending, export credit, and PSLC operations. Key regulatory changes are:

- **Changes in Adjusted Net Bank Credit (ANBC) exemptions and computations:** RBI has clarified that banks may not deduct an amount from ANBC that exceeds the actual eligible increase in Foreign Currency Non Resident (Bank) Account and Non Resident External Account (NRE) deposits when availing exemptions linked to such deposits. Additionally, banks are required to compute off balance sheet exposures in accordance with the updated RBI prudential norms under the Large Exposures and Capital Adequacy frameworks.
- **Revised priority sector targets table:** Revised category wise targets have been prescribed for Commercial Banks, Foreign Banks, RRBs and SFBs, including specific limits.
- **Export credit clarifications:** The definition of export credit has been aligned with the updated RBI (Credit Facilities) Directions, 2025.
- **Classification changes for specific sectors:** RBI has refined the manner in which certain loans are treated under PSL:
- **Housing loans:** The population based eligibility for housing loans must now be determined using Census 2011 “Urban Agglomeration (UA)/Town” population figures.
- **Health infrastructure:** The maximum loan size eligible for PSL classification under healthcare infrastructure has been increased to INR12 crore per borrower, applicable only to health facilities located in Tier II to Tier VI centres (i.e., smaller cities and rural locations).
- **Independent verification of PSL status:** RBI has introduced enhanced due diligence requirements for banks purchasing loan portfolios intended for PSL classification. Under the amendment, banks must confirm PSL eligibility through two levels of verification:
 - A. Certification from the originator’s external auditor, and
 - B. Sample checks carried out by the purchasing bank’s staff or its appointed auditor.

- **On lending:** On lending to NBFCs, HFCs and the National Co operative Development Corporation (NCDC) continues to be permitted but with strengthened safeguards, including mandatory external auditor certification to prevent double counting. Additionally, bank loans to NCDC now qualify for PSL, subject to quarterly auditor certification.
- **PSLC Scheme revised:** A new Annex IIIA has been introduced outlining the detailed framework for Priority Sector Lending Certificates (PSLCs), including types, valuation, eligibility, reporting, and trading requirements. Banks may issue PSLCs up to 50 per cent of the previous year’s PSL achievement even without an equivalent amount of underlying PSL loans, subject to specified conditions.

These amendments are effective immediately.

(Source: RBI, Notification no. RBI/FIDD/2025-26/196, FIDD.CO.PSD.BC.No.11/04.09.001/2025-26, ‘Reserve Bank of India (Priority Sector Lending – Targets and Classification) (Amendment) Directions, 2026’, dated 19 January 2026)





RBI issues amendment to prudential norms for commercial banks

The RBI has issued the RBI (Commercial Banks – Prudential Norms on Capital Adequacy) Amendment Directions, 2026 to revise the RBI (Commercial Banks – Prudential Norms on Capital Adequacy) Directions, 2025. The key changes introduced are:

- 1. Risk weights for non resident corporates:** Risk weights will now be based on credit ratings assigned by international rating agencies and Care Edge Global IFSC Limited. Corporates with stronger ratings will be subject to lower risk weights, while those with weaker ratings or without ratings will attract higher risk weights.
- 2. Special provisions for unrated claims:** Large unrated exposures will attract higher risk weights. If a corporate previously had a rating but is now unrated, a higher risk weight will also apply. In addition, an unrated corporate cannot be assigned a risk weight lower than the sovereign rating of its home jurisdiction.

These amendments come into force immediately, i.e., from 9 January 2026.

(Source: RBI Notification no. RBI/2025-26/189DOR.STR.REC.390/21-01-002/2025-26, Reserve Bank of India (Commercial Banks - Prudential Norms on Capital Adequacy) Amendment Directions, 2026, dated 9 January 2026)

Foreign Exchange Management (Guarantees) Regulations, 2026

The RBI has issued Foreign Exchange Management (Guarantees) Regulations, 2026 (Guarantee regulations 2026) replacing the earlier Foreign Exchange Management Act (FEMA) 8/2000-RB¹. These regulations consolidate and modernise rules governing guarantees involving any of the parties resident outside India. Key points are:

- Applicability to cross-border guarantees:** Guarantee regulations 2026 apply to all persons resident in India, whether acting as surety, principal debtor, or creditor in a guarantee arrangement whenever any party to the transaction is a non-resident.

- Conditions for providing guarantees:** Under Guarantee regulations 2026, companies can issue a guarantee only if:
 - The underlying transaction is permitted under Foreign Exchange Management Act, 1999 (FEMA)
 - The lending–borrowing relationship between the surety and principal debtor is permissible under the Foreign Exchange Management (Borrowing and Lending) Regulations, 2018
 - Certain guarantees such as bank issued guarantees that are fully backed by collateral from a non-resident, are exempt from specific regulatory conditions.
- Defined exemptions: The regulations do not apply to:**
 - Guarantees issued by overseas branches of Authorised Dealer (AD) banks or by those operating in International Financial Services Centres (IFSCs), except where another party to the arrangement is a resident of India.
 - Irrevocable Payment Commitments (IPCs) issued by custodian banks on behalf of Foreign Portfolio Investors.
 - Guarantees provided under the Overseas Investment Regulations, 2022.
- Mandatory reporting:** All guarantees involving non-residents, whether issued, modified, or invoked are required to be reported to an AD bank using the newly introduced Form GRN on a quarterly basis.
- Regulatory streamlining:** The RBI has rescinded several earlier circulars and will discontinue quarterly reporting of Trade Credit-related guarantees beginning with the quarter ending March 2026.

The Guarantee regulations 2026 are effective from 6 January 2026.

(Source: RBI, (Foreign Exchange Department), notification No. FEMA 8(R)/2026-RB on Foreign Exchange Management (Guarantees) Regulations, 2026, dated 6 January 2026)

¹Notification No. FEMA 8/2000-RB dated May 3, 2000



RBI guidelines for Internal Ombudsman

The RBI on 14 January 2026 issued the following:

- RBI (Commercial Banks – Internal Ombudsman) Directions, 2026
- RBI (Payments Banks – Internal Ombudsman) Directions, 2026
- RBI (Non-Banking Financial Companies – Internal Ombudsman) Directions, 2026
- Reserve Bank of India (Credit Information Companies – Internal Ombudsman) Directions, 2026

(collectively referred to as the Internal Ombudsman directions). These directions strengthen the internal grievance redressal framework and ensure faster and more effective resolution of customer complaints by mandating a review before rejection by an apex level authority within the organisation.

The key requirements introduced are as follows:

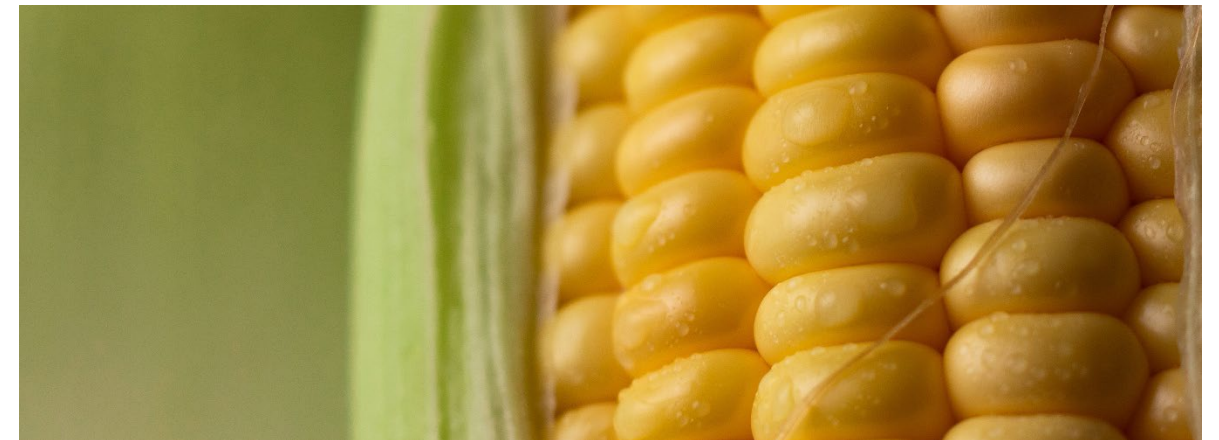
1. **Applicability criteria:** These Internal Ombudsman (IO) directions apply to the respective entities based on the following thresholds:
 - **Commercial banks:** Banks with 10 or more banking outlets as of 31 March 2025, irrespective of whether the bank is incorporated in India or overseas.
 - **Payments banks:** Payments banks with 10 or more banking outlets in India as of 31 March 2025.
 - **NBFCs:** Deposit taking NBFCs with 10 or more branches and non deposit taking NBFCs with asset size \geq INR5,000 crore and having a public customer interface
 - **Credit Information Companies (CICs):** Applicable to all CICs.
2. **Appointment and eligibility of IO:** The IO must be a retired or serving General Manager (GM) equivalent officer with a minimum of seven years of relevant experience. The Deputy IO must be a Deputy General Manager (DGM) equivalent officer with at least five years of experience. They must not have previously worked with the same entity or its group companies, and must not be above 70 years of age.
3. **Complaint framework:** The IO cannot receive complaints directly from customers. All rejected or partially resolved complaints must be automatically escalated to the IO for review within:

- 20 days for NBFCs, commercial banks and payments banks
- 25 days for CICs and
- an additional 10-day buffer for card network regulated complaints, where applicable

The IO must provide a reasoned decision and ensure that the customer receives a final response within 30 days from the date of the original complaint.

4. **Scope exclusions, supervisory and audit requirements:** The guidelines also specify categories of complaints that fall outside the scope of the IO mechanism, along with requirements for an annual audit of the implementation of these directions. Similar directions have also been issued for SFBs and non bank prepaid payment instrument issuers.

(Source: RBI Notification Nos RBI/CEPD/2025-26/386 CEPD.PRD.No.S1032/13.01.019/2025-26, RBI (Credit Information Companies - Internal Ombudsman) Directions, 2026; RBI/CEPD/2025-26/381 CEPD.PRD.No.S1027/13.01.019/2025-26, RBI (Commercial Banks - Internal Ombudsman) Directions, 2026; RBI/CEPD/2025-26/384 CEPD.PRD.No.S1030/13.01.019/2025-26, RBI (Non-Banking Financial Companies - Internal Ombudsman) Directions, 2026; RBI/CEPD/2025-26/383 CEPD.PRD.No.S1028/13.01.019/2025-26, RBI (Payments Banks - Internal Ombudsman) Directions, 2026; all dated 14 January 2026)





NFRA Circular on effective two-way communication between auditors and TCWG

On 7 January 2026, the National Financial Reporting Authority (NFRA) issued a circular regarding effective communication between statutory auditors and Those Charged with Governance (TCWG), including the Audit Committee (AC). The circular addresses several issues identified by NFRA in relation to incorrect identification of TCWG, inadequate documentation, delays in communication and failure to discuss significant audit findings and risks.

The purpose of this document is to strengthen effective two-way communication between statutory auditors and TCWG, including ACs, in accordance with the Companies Act, 2013 and the Standards on Auditing (SAs). The key areas covered in the document are as follows:

- Roles and responsibilities in establishing effective two-way communication
- Proper identification and documentation of TCWG as per the Indian legal and regulatory framework
- Building a robust process for two-way communication
- Suitable modes of communication by auditors with TCWG and related documentation on audit planning, risks, internal control deficiencies, independence, and key audit matters
- Timely communication with TCWG
- Agenda items and matters to be communicated to TCWG
- Responsibilities of TCWG, including but not limited to:
 - Providing information relevant to the audit and receiving timely observations from the audit
 - Enhancing governance over the financial reporting process
 - Ensuring clear and timely visibility into the audit process
 - Confirming and monitoring that auditors maintain complete independence throughout the engagement.

(Source: [NFRA Circular NF-25013/3/2025—NFRA, 'Effective Communication Between Statutory Auditors and Those Charged with Governance, Including Audit Committees'](#), dated 7 January 2026)

NFRA's recommendation related to Ind AS 109 and Ind AS 107 amendments

The NFRA convened its 23rd meeting on 14 January 2026 to deliberate on the proposed amendments to Ind AS 109 – Financial Instruments and Ind AS 107 – Financial Instruments: Disclosures, stemming from corresponding amendments issued by the International Accounting Standards Board (IASB) to the relevant IFRS Accounting Standards. The objective of these amendments is to reduce complexity and address practical challenges in accounting for certain long term physical power purchase agreements relating to the procurement of electricity whose generation is dependent on natural conditions. Following its discussions, NFRA approved the proposal to recommend these amendments to the Central Government for notification, with an effective date of 1 April 2026.

(Source: ['Record note of the 23rd Meeting of the National Financial Reporting Authority held on 14 January 2026'](#), dated 14 January 2026)





ICAI extends deadline for 2025 CPE compliance

The Institute of Chartered Accountants of India (ICAI) has extended the deadline for members to complete their Continuing Professional Education (CPE) requirements, including unstructured learning activities for the 2025 calendar year from 31 December 2025 to 31 March 2026, providing additional time to fulfil annual learning obligations and avoid compliance difficulties. Consequently, the first phase of the related non compliance provisions for 2025 will now operate from 1 April 2026 to 30 June 2026. For members who had already completed their 2025 obligations by year end will have any hours pertaining from January to March 2026, credited to 2026.

(Source: [ICAI Announcement, 'Extension of last date of CPE hours' compliance for the Calendar year 2025 - From 31st December 2025 to 31 March 2026](#), dated 1 January 2026)

NSE circular on single filing system

The National Stock Exchange's (NSE's) vide its circular³ dated 30 September 2024 introduced the first phase of the single filing system between stock exchanges. It applied to disclosures relating to investor grievance redressal (Regulation 13(3) of the LODR Regulations) effective 1 October 2024, allowing companies to submit the disclosure on either exchange, with the filing being automatically replicated on the other, to streamline compliance and the eliminate duplicate filings.

The NSE has now released a circular effective 3 January 2026 (the circular), extending the single filing system to cover integrated financial filings under Regulation 33 of the LODR Regulations. This broadens API based submissions to include quarterly and annual financial results. Additionally, the circular specifies that any queries raised by an exchange must be responded to by the company directly to that respective exchange.

(Source: [NSE Circular, Circular Ref. No.: NSE/CML/2026/01 'Update on single filing system through API-based integration between Stock Exchanges'](#), dated 2 January 2026)

3. Circular Ref No: NSE/CML/2024/28

IFSCA (Capital Market Intermediaries) (Amendment) Regulations, 2026

The International Financial Services Centres Authority (IFSCA) has issued the Capital Market Intermediaries (Amendment) Regulations, 2026, effective from 7 January 2026, with the purpose of streamlining compliance and enhancing governance for International Financial Services Centres (IFSC) based capital market intermediaries.

- The amendment applies to entities such as broker dealers, clearing members, depository participants, investment advisers, research entities, custodians, registered distributors, and multi activity entities operating in the IFSC. Some of the key changes are:
- Entities in IFSC undertaking multiple capital market activities may now obtain a single, unified registration covering all such activities.
- Qualifications for key functionaries are expanded to include fintech, science, technology, engineering, and mathematics, in addition to actuarial science, and the requirement that a foreign university be "recognised" has been removed.
- The minimum professional experience requirement is lowered from ten years to five years.
- Multi activity entities must appoint a separate vertical head for distribution related activities.
- The IFSCA Circular dated 24 February 2021 on custodian recognition stands superseded.
- Custodians must meet a fixed USD1 million net worth requirement, with existing custodians required to comply by 30 June 2026 where additional funds need to be infused or earmarked.

(Source: [International Financial Services Centres Authority, Notification No. IFSCA/GN/2026/005, 'International Financial Services Centres Authority \(Capital Market Intermediaries\) \(Amendment\) Regulations, 2026'](#), dated 7 January 2026)



Supreme court ruling in relation to the applicability of GAAR

In a significant judgement reshaping the tax landscape for foreign investors, the Supreme Court of India held that the Mauritius based entities of Tiger Global were liable to Indian capital gains tax on a share transfer post 1 April 2017, as the arrangement was determined to constitute an impermissible tax avoidance structure under the General Anti Avoidance Rules (GAAR). The Court emphasised that GAAR applies on the date of transfer, not the date of the initial investment, thereby limiting the protection previously assumed under grandfathering provisions for pre 2017 acquisitions. It further held that possession of a Tax Residency Certificate (TRC) does not prevent tax authorities from examining the commercial substance and purpose of a transaction, narrowing the long standing presumption that TRCs alone secure treaty benefits. Consequently, earlier CBDT circulars and pre GAAR judicial precedents were found inapplicable in light of the statutory treaty override mechanism now embedded in Indian law.

(Source: [The Authority for Advance Rulings \(Income-tax\) and others v. Tiger Global International II Holdings \(Civil Appeal No. 262 of 2026 – Arising out of SLP \(C\) No. 2640 of 2025\)](#))

Solid Waste Management Rules, 2026

The Solid Waste Management Rules, 2026, effective from 1 April 2026, introduce a strengthened nationwide framework for scientific and accountable waste management, replacing the Solid Waste Management Rules, 2016. These rules impose stricter responsibilities on waste generators, enhance oversight for local bodies, and promote a nationwide transition toward segregation, recycling, and scientific processing. Key requirements include:

- **Expanded applicability:** The Rules now apply to all urban and rural local bodies, institutions, commercial establishments, transport hubs, defence areas, and all waste generators. Only industrial, hazardous, biomedical, e waste, battery, and radioactive waste continue to be governed by separate rules. Waste must now be segregated into four streams- wet, dry, sanitary, and special care waste, at the point of generation.
- **Mandatory online registration:** Bulk waste generators, waste processors, and material recovery facilities must register on a centralised online portal for compliance, reporting, and monitoring.

- **Role of local bodies:** Local authorities are required to ensure universal door to door waste collection, operate segregated waste transport systems, establish decentralised facilities for processing wet waste, and maintain transparent, real time reporting through the central portal.
- **Extended responsibility for bulk waste generators:** Large establishments must either treat wet waste in house (e.g., composting or biomethanation) or obtain responsibility certificates from local authorities.
- **Use of Refuse Derived Fuel (RDF) by industries:** The Rules provide clear guidance on RDF, defining it as a high calorific fuel produced from shredded and processed non recyclable fractions of municipal solid waste such as plastics, paper, and textiles. Industries relying on solid fuels, including cement plants and waste to energy facilities, are now required to progressively replace a portion of their conventional fuel with RDF, with mandatory substitution rising from around 5 per cent to 15 per cent over a six year period.
- **Extended Bulk Waste Generator Responsibility Certificate:** A formula has been specified to determine the Extended Bulk Waste Generator Responsibility certificates.
- **Restrictions on disposal through landfilling:** Only non recyclable, inert, and non combustible waste may be sent to landfills. High calorific non recyclable waste must be diverted to waste to energy plants or co processing facilities.
- **Environmental compensation and penalty mechanism:** Non compliance attracts penalties under the 'polluter pays' principle, including violations such as operating without registration, false reporting, submission of forged documents, or improper waste management practices. Funds collected are earmarked exclusively for waste management improvements. In addition to environmental compensation, violators may face action under Section 15 of the Environment (Protection) Act, 1986, which provides for fines and imprisonment. Local bodies may also impose spot fines for littering and burning, and higher sanitary landfill user fees may apply to unsegregated or improperly handled waste.

(Source: [Ministry of Environment, Forest and Climate Change, Notification no. S.O. 388\(E\), 'Solid Waste Management Rules,2026'](#) dated 27 January 2026)



Control of air and water pollution guidelines 2026

On 23 January 2026, the MoEFCC issued the following amended guidelines (together referred to as the '2026 guidelines'):

- Control of Air Pollution (Grant, Refusal or Cancellation of Consent) Amendment Guidelines, 2026 (Air Pollution Guidelines)
- Control of Water Pollution (Grant, Refusal or Cancellation of Consent) Amendment Guidelines, 2026 (Water Pollution Guidelines)

The 2026 guidelines streamline consent procedures, digitise workflows, and clarify institutional roles with the aim of reducing procedural delays and strengthening environmental governance. Some key aspects of the 2026 guidelines are as follows:

1. **Periodic renewals removed:** The 2026 guidelines provide that the Consent to Operate (CTO)⁴ will remain valid until cancelled, thereby replacing the earlier system of periodic renewals.
2. **One time fee for extended periods:** States/Union Territories may levy a single CTO fee for a selected 5 to 25 year period, with payment due again only when seeking an extension beyond that period.
3. **Centralised online portal:** A centralised online portal will be deployed within 6–12 months, after which all consent related activities- including applications, inspections, verifications, approvals, refusals, and cancellations must be undertaken exclusively through this system. Organisations should proactively align internal processes, assign appropriate user access, and prepare for a fully digital workflow.
4. **Registered environment auditor option:** Project proponents may appoint a registered environment auditor (as defined under the Environment Audit Rules, 2025) to conduct site inspections, verify application information, and provide required technical assessments, in addition to inspections undertaken by State Board officials. While this option enhances flexibility, organisations should strengthen vendor onboarding, due diligence, and independence protocols to ensure audit quality and regulatory compliance.

4. An application for consent to establish or operate an industrial plant has to be under section 21 of the Air (Prevention and Control of Pollution) Act, 1981 and under section 25 of Water (Prevention and Control of Pollution) Act, 1974

5. **Integrated consent and authorisation:** The guidelines introduce a single step approval whereby the CTO is issued along with all applicable waste management authorisations under the Environment (Protection) Act, 1986. This integrated framework reduces duplication and simplifies compliance management for industries.
6. **Simplified norms for micro and small units:** For micro and small industries located in notified industrial estates, the Consent to Establish is deemed automatically granted upon submission of a self certified Form I through the online portal.
7. **Clarification on capital investment computation:** The guidelines clarify the methodology for computing capital investment for the purposes of fee determination and category classification.

(Source: MoEFCC Notifications, G.S.R. 62(E) and G.S.R. 63(E), dated 23 January 2026)





Companies (Appointment and Qualification of Directors) Amendment Rules, 2025

The Ministry of Corporate Affairs (MCA) has issued the Companies (Appointment and Qualification of Directors) Amendment Rules, 2025, aimed at streamlining the director KYC process. The following are the key amendments introduced:

- **Single KYC form:** The earlier KYC formats (DIR-3 KYC and DIR-3 KYC Web) have been replaced with a unified DIR-3 KYC Web form that includes comprehensive identity, contact, and address verification details.
- **Revised KYC filing cycle:** Every DIN holder is required to file KYC by 30 June of the immediately following every third consecutive financial year, based on the DIN status as of 31 March.
- **Mandatory updates:** Any modification in mobile number, email ID, or residential address must be updated within 30 days through the new web based form.
- **Professional certification:** The revised form mandates digital certification by a practicing Chartered Accountant (CA), Company Secretary (CS), or Cost and Management Accountant (CMA) to enhance verification standards.

These amendments will be effective from 31 March 2026.

(Source: MCA Notification, G.S.R. 943(E), dated 31 December 2025)

MoEFCC expands GHG emission targets to four new sectors

MoEFCC has notified the Greenhouse Gases Emission Intensity Target (Amendment) Rules, 2025 (GHG Amendment Rules) on 13 January 2026, expanding India's sector specific Greenhouse Gas (GHG) reduction framework under the Carbon Credit Trading Scheme, 2023. These amendments build upon the original GHG Emission Intensity Target Rules, 2025, which were issued on 8 October 2025.

Through a newly inserted Second Schedule, which specifies baseline emissions for FY 2023–24 and sets reduction targets for each obligated entity for FY 2025–26 and FY 2026–27, the GHG Amendment Rules bring four additional sectors within the compliance framework, namely:

- Secondary aluminium
- Petroleum refineries
- Petrochemicals
- Textiles

The notification also renames the earlier Schedule as the First Schedule. Additionally, it clarifies that the FY 2025–26 targets for the newly added sectors will be pro rated for the period January to March 2026, while the FY 2026–27 targets must adhere to the prescribed reduction trajectory.

(Source: MOEFCC, Notification no G.S.R. 25(E), dated 13 January 2026)





MoEFCC Notifies Environmental (Protection) Fund Rules, 2026

The MoEFCC has issued the Environmental (Protection) Fund Rules, 2026 (the EPF Rules) under Sections 6 and 25 of the Environment (Protection) Act, 1986 (EP Act) on 15 January 2026. The EPF Rules establish a dedicated Environmental Protection Fund (Fund) within the Public Account of India, administered by the MoEFCC or any other authority notified by the Central Government. Key aspects of the Rules are as follows:

- **Sources of the Fund:** The Fund will receive money primarily from penalties levied under the Air (Prevention and Control of Pollution) Act, 1981, the Water (Prevention and Control of Pollution) Act, 1974, and the Environment (Protection) Act, 1986, along with any additional income approved under Section 16(2) of the EP Act.
- **Permitted uses of the Fund:** The Fund may be utilised for environmental monitoring systems, laboratory development, research in clean technologies, assessment and remediation of environmental damage, capacity building of regulatory authorities, IT system development, court directed studies, awareness programmes, and demonstration of innovative environmental technologies.
- **Prohibited uses of the Fund:** The EPF Rules explicitly prohibit the use of the Fund for medical expenses, foreign travel, construction of government buildings, and the purchase of office assets such as vehicles, furniture, and air conditioners.
- **Distribution of collected penalties:** Upon collection of penalties, 75 per cent of the amount is transferred to the relevant State or Union Territory, while the remaining 25 per cent is retained by the Central Government.
- **Reporting requirements:** The Central and State/UT governments must prepare annual statements of accounts and annual reports in the prescribed formats. These are finalised by the Administrator and laid before Parliament or the respective State Legislatures along with the Comptroller and Auditor General of India (CAG) audit reports. The CAG will conduct audits of the Fund at intervals determined by him, and the audited accounts must be tabled before Parliament or the concerned State Legislature.

These EPF Rules come into force from 15 January 2026.

(Source: MoEFCC Notification no. G.S.R. 35(E), 'Environmental (Protection) Fund Rules, 2026' dated 15 January 2026)

Clarification on data maintenance rules for Foreign Reinsurer Branches (FRBs)

The Insurance Regulatory and Development Authority of India (IRDAI), in the 132nd meeting of its Authority, approved a clarification to proviso (iii) of Regulation 9, Chapter 2 of the IRDAI (Maintenance of Information by the Regulated Entities and Sharing of Information by the Authority) Regulations, 2025. The proviso governs where and how insurers must maintain records, including electronic records, covering all policies issued and all claims made in India, and requires that such records be maintained in data centres located and operated within India. The authority re-emphasised that all records, including those maintained electronically, must continue to comply with Indian data maintenance requirements. This provides practical clarity for FRBs integrating global systems with domestic regulatory expectations, without diluting the underlying record keeping obligations, while allowing compliance flexibility tailored to their operational model.

(Source: IRDAI, Minutes of the 132nd Authority Meeting held on 14 July 2025, minutes released on 13 January 2026)





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