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In this publication, we have summarised important updates relating to the quarter ended 31 December 2021 from the Ministry of Corporate Affairs (MCA), the Securities and Exchange Board of India (SEBI), the Institute of Chartered Accountants of India (ICAI) and the Reserve Bank of India (RBI).



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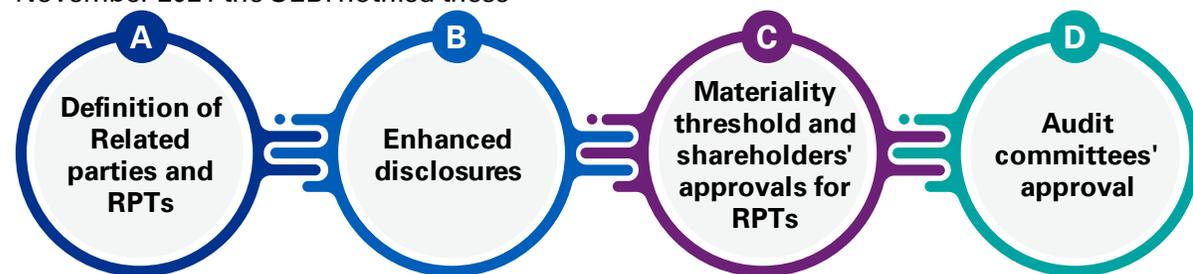
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1. SEBI notified amendments to Related Party Transactions

On 28 September 2021, SEBI, in its board meeting, *inter alia*, considered and approved amendments to SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) on Related Party Transactions (RPTs). Recently, on 9 November 2021 the SEBI notified these

amendments through Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 (the amendment). The amendments mainly pertain to the following areas:



Effective: These amendments will be applicable in a phased manner, with certain amendments coming into effect from 1 April 2023 and remaining amendments will come into effect from 1 April 2022.

Furthermore, on 22 November 2021 and 7 January 2022, SEBI issued a circular specifying the disclosure obligations of listed

entities (including High Value Debt Listed Entities (HVDLEs)) in relation to RPTs. The circulars describe the information to be placed before the audit committee and the shareholders for consideration of RPTs, and the format for disclosure of RPTs to stock exchanges on a six-monthly basis. The provisions of these circulars are effective from 1 April 2022.

Overview of the amendments

A. Definition of related parties and RPTs

I. Amendment to definition of related parties

As per the Listing Regulations, 'related party' includes:

- A 'related party' as defined under section 2(76) of the 2013 Act and the applicable accounting standards or Ind AS, and
- Any person or entity belonging to the promoter or promoter group of the listed entity and holding 20 per cent or more of the shareholding of the listed entity.

Amendment

The definition of related party has been amended, and would include:

- A 'related party' as defined under section 2(76) of the 2013 Act and the

applicable accounting standards or Ind AS,

- Any person or entity forming part of the 'promoter' or promoter group' of the listed entity (effective from 1 April 2022)
- Any person or any entity, holding equity shares in the listed entity either directly or on a beneficial interest basis as prescribed under section 89 the 2013 Act at any time during the immediately preceding financial year:
 - 20 per cent or more, (effective from 1 April 2022)
 - 10 per cent or more (effective from 1 April 2023).



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II. Amendment to the definition of a RPT

The Listing Regulations currently define a 'related party transaction' as any transfer of resources, services or obligations between a listed entity and a related party regardless of whether a price is charged.

Amendment

The definition of the RPTs has been replaced by the following:

RPT means a transaction involving a transaction of resources, services or obligations between:

- A listed entity or any of its subsidiaries on one hand and a related party of the listed entity or any of its subsidiaries on the other hand (effective from 1 April 2022)
- A listed entity or any of its subsidiaries on one hand, and any other person or entity on the other hand, the purpose and effect of which is to benefit a related party of the listed entity or any of its subsidiaries (effective from 1 April 2023).

The above transactions would be considered as RPTs regardless of whether a price has been charged.

Additionally, the following transactions are excluded from the definition of RPTs:

- a) The issue of specified securities on a preferential basis subject to compliance of the requirements under the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018
- b) Corporate actions by the listed entity which are uniformly applicable/offered to all shareholders in proportion to their shareholding such as payment of dividend, subdivision or consolidation of securities, issuance of securities by way of a rights issue or a bonus issue and buy-back of securities.
- c) Acceptance of fixed deposits by banks/Non-Banking Finance Companies at the terms uniformly applicable/offered to all shareholders/public, subject to disclosure of the same along with the disclosure of RPTs every six months to the stock exchange(s), in the specified format.

- d) Units issued by mutual funds which are listed on a recognised stock exchange. (effective 1 April 2022)

B. Audit committee's approval

I. Audit committee's approval mechanism

Before the amendment, Listing Regulations required prior approval of the audit committee for all RPTs.

Amendment

The amendment now requires prior approval of the audit committee of the listed entity in the following circumstances:

- All RPTs and **subsequent material modifications** and audit committee needs to define material modifications and disclose it as part of the policy on materiality of RPTs and on dealing with RPTs¹ (effective from 1 April 2022)
- A RPT to which the subsidiary of a listed entity is a party but the listed entity is not a party if the value of such transaction whether entered into individually or taken together with previous transactions during a

financial year exceeds threshold of:

- a. 10 per cent of the annual consolidated turnover in accordance with the last audited financial statements of the listed entity (effective from 1 April 2022)
- b. 10 per cent of the annual standalone turnover in accordance with the last audited financial statements of the subsidiary (effective from 1 April 2023).

Additionally, an audit committee's approval would not be required if the listed subsidiary is subject to compliance with regulation 23 and regulation 15(2) of Listing Regulations. Furthermore, the amendments clarify that for RPTs of unlisted subsidiaries of a listed subsidiary, prior approval of the audit committee of the listed subsidiary would suffice.

1. Listed entities are required to maintain policies on materiality of related party transactions and on dealing with related party transactions under regulation 23(1) of the Listing Regulations.



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II. Information to be reviewed by the audit committee for approval of RPTs

The SEBI, vide a circular dated 22 November 2021 has prescribed the following information to be placed before the audit committee for approval of a proposed RPT. The provisions of this circular are applicable from 1 April 2022:

- Details of transaction including, type, material terms and particulars of the proposed transaction, tenure of the proposed transaction, value, etc.
- Details of the related party such as name, its relationship with the listed entity or its subsidiary, including nature of its concern or interest (financial or otherwise).
- Transaction value as a percentage of turnover as follows:
 - The percentage of the **listed entity's annual consolidated turnover**, for the immediately preceding financial year, that is represented by the value of the proposed transaction (and for a RPT involving a subsidiary, such percentage calculated on the basis of the **subsidiary's annual turnover** on a

standalone basis should be additionally provided)

- Percentage of the **counter-party's annual consolidated turnover** that is represented by the value of the proposed RPT on a voluntary basis
- If the transaction relates to loans, Inter-Corporate Deposits (ICDs), advances or investments made or given by the listed entity or its subsidiary, the following disclosures are required to be made:
 - Details of the **source of funds** in connection with the proposed transaction
 - Where any **financial indebtedness** is incurred to make or give loans, ICDs, advances or investments, disclose the nature, cost of funds, and tenure
 - Applicable terms** including, covenants, tenure, interest rate, repayment schedule, whether secured or unsecured; if secured, the nature of security; and
 - The **purpose for which the funds will be utilised** by the ultimate beneficiary

- Justification for RPT², valuation/other report and other information.

The circular also requires an audit committee to review the status of long-term (more than one year) or recurring RPTs on an annual basis.

C. Materiality threshold and shareholders' approval for RPTs

I. Approval mechanism for shareholders

Before the amendment, Listing Regulations require approval of shareholders for RPTs which individually or taken together with previous transactions during a financial year exceeds 10 per cent of the annual consolidated turnover of the listed entity (materiality threshold) in accordance with the last audited financial statements of the listed entity.

Amendment

The amendment has revised the materiality threshold and approval mechanism for RPTs, as given below:

Prior approval of shareholders

The amendment now requires **prior**

approval of the shareholders of a listed entity for all material RPTs and **subsequent material modifications** of such transactions (effective 1 April 2022).

However, a prior approval of the shareholders' would not be required if the transaction is entered into by a listed subsidiary of the listed entity, and the subsidiary is subject to compliance with regulation 23³ and regulation 15 (2)⁴ of the Listing Regulations. Furthermore, SEBI has clarified that for RPTs of unlisted subsidiaries of a listed subsidiary, prior approval of the shareholders of the listed subsidiary would suffice.

- As justification, the management could for instance, provide the prices at which transaction of a similar nature as the proposed RPT have been undertaken with unrelated parties, or comparative quotes and if the entity is not able to source comparative quotes externally, the reasons thereof should be provided to the audit committee. The audit committee may also request management for an analysis of the RPT specifying, for example, the deviation from market prices and standard commercial terms.
- Provisions pertaining to related party transactions
- Provisions pertaining to applicability of corporate governance regulations



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Materiality threshold

The materiality threshold for determining 'material' RPTs has been amended for listed entities. Accordingly, a RPT would be considered material, if the transaction entered into individually or taken together with previous transactions during a financial year, exceeds **INR 1,000 crore or 10 per cent of the consolidated annual turnover** of the listed entity as per last audited financial statements of the listed entity, whichever is lower (effective from 1 April 2022).

II. Information to be provided to shareholders for consideration of RPTs

The SEBI, vide a circular dated 22 November 2021 has prescribed the following information to be included in the notice being sent to the shareholders, seeking approval for any proposed RPT, in addition to the existing requirements under the 2013 Act. The provisions of this circular are applicable from 1 April 2022:

- a. A summary of the information provided by the management of the

listed entity to the audit committee* including justification for RPT.

- b. Where the transaction relates to any loans, ICDs, advances or investments made or given by the listed entity or its subsidiary, the prescribed details as specified in point 'd' of the SEBI circular is required to be provided (listed banks/NBFCs are not required to disclose the source of funds and cost of funds).
- c. Valuation/other reports, if any, relied upon by the listed entity in relation to the proposed transaction should be made available to shareholders.
- d. Percentage of the counter-party's annual consolidated turnover that is represented by the value of the proposed RPT, on a voluntary basis.

III. Transactions exempt from audit committee's and shareholders' approval

Currently, Listing Regulations exempt transactions between two government companies, and between a holding company and its wholly owned-

subsidiary from the requirements of shareholders' and audit committees' approval.

Amendment

The amendments have now extended this exemption to transactions between two wholly-owned subsidiaries of the listed holding company whose accounts are consolidated with such holding company and placed before the shareholders at the general meeting for approval. (effective 1 April 2022)

D. Enhanced disclosures

I. Statement providing half-yearly disclosures of RPTs

Currently, the Listing Regulations requires listed entities to disclose RPTs on half yearly basis within 30 days from the date of publication of the financial results in the specified format and submit this to the stock exchanges and publish the same on its website. The HVDLE are required to submit these disclosures along with the standalone financial results for the half year (this provision is applicable for

HVDLE on a 'comply or explain' basis till 31 March 2023, and on a mandatory basis from 1 April 2023).

Amendment

As per the amendment, listed entities will now be required to provide the RPT disclosures every six months **in the format specified by SEBI** within the following timelines:

- a. Within 15 days from the date of publication of the standalone and consolidated financial results (effective 1 April 2022)
- b. On the date of publication of its standalone and consolidated financial results (effective 1 April 2023).

The HVDLEs are required to submit these disclosures along with the standalone financial results for the half year⁵.

⁵ This is applicable on a 'comply or explain' basis from 8 September 2021 to 31 March 2023, and on mandatory basis from 1 April 2023.

*As specified in 'Information to be reviewed by the audit committee for approval of RPT's in Section B of the SEBI circular dated 22 November 2022.



1. SEBI notified amendments to Related Party Transactions

Format for related party disclosures

SEBI, vide a circular dated 22 November 2021 has prescribed the format for reporting of RPTs to stock exchange. The provisions of this circular are applicable from 1 April 2022.

Vide this circular, SEBI has clarified the following with regard to submitting the related party disclosures to stock exchanges:

- **Periodicity of reporting:** RPT disclosures are required to be submitted every six months by issuers of specified securities, therefore, for companies with financial year ending 31 March, the disclosures will be submitted for six months ended 30 September and 31 March each year. For companies with financial years ending in other months, the six months period will apply accordingly.
- **Manner of reporting:** With regard to reporting of RPT, the following

clarifications have been provided:

- **All transactions** undertaken during the six-months period are required to be reported
- Opening and closing balances, including commitments should be disclosed for **existing RPTs** even if there is no new RPT during the reporting period
- Transactions undertaken between **members of consolidated entity** (between listed entity and its subsidiary or between subsidiaries) may be reported once
- Each RPT with a single party should be disclosed separately on a **gross basis** (i.e. no clubbing or netting of transactions of the same type). However, transactions with the same counterparty of the same type may be aggregated for the reporting period. For instance, sale and purchase transactions,

loans advanced to and received from the same party should be shown separately on an aggregate basis (without any netting off).

- **Banks/NBFCs:** Transactions such as acceptance of fixed deposits by banks/NBFCs undertaken with related parties, at the terms uniformly applicable/offered to all shareholders/public should **also be reported**. The circular also provides an exemption to provide the disclosures with respect to RPT involving loans, ICDs, advances or investments made or given.

II. Disclosures to be made in annual report

Schedule V of the Listing Regulations specifies additional disclosures that are required to be provided by listed entities (both, issuers of specified securities and issuers of non-convertible securities) in their annual report. This *inter alia* includes related party disclosures (prescribed in Part A

of Schedule V) and disclosures pertaining to corporate governance report (prescribed in Part C of Schedule V).

Amendment

As per the amendments, the related party disclosures as prescribed in Part A of schedule V will be applicable only to issuers of non-convertible securities.

Additionally, listed entities and its subsidiaries are required to provide disclosures of loans and advances in the nature of loans advanced to firms/companies in which directors are interested by name and amount in Part C of Schedule V. However, this requirement will not be applicable to listed banks.



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Key takeaways

The amendments issued by SEBI aim to widen the gamut of related parties and strengthen the related approval and disclosure processes to assist the audit committee and shareholders to make informed decisions with respect to RPTs.

Like the recent amendments to the Listing regulations with effect from 8 September 2021, the new framework for RPTs is also applicable to HVDLEs on a 'comply or explain' basis upto 31 March 2023 and on a mandatory basis with effect from 1 April 2023.

Some of the key considerations with regard to the amendments are:

Definition of related parties

- **Threshold of shareholding for promoter/promoter group removed:** The new RPT framework makes inclusion of promoters and promoter group entities (irrespective of their shareholding in the listed entity) mandatory in the definition of a related party. This is likely to help enable greater transparency of such transactions and better vigilance by the audit committee.

- **Any person holding 20 percent or more/10 per cent or more:** Persons/entities that are not part of the promoter or promoter group, may exercise influence over the decisions of the listed entity by virtue of their shareholding. This requirement gets further stringent effective 1 April 2023, when persons/entities with a shareholding of 10 per cent or more in the listed entity will get covered in the definition of 'related party'.

Under the amended definition, only the shareholders with a holding of 20 per cent or more (from 1 April 2022) or 10 per cent or more (from 1 April 2023) would be considered as 'related parties', and entities controlled by them would not be considered for such classification. Further, it appears that shareholding of individual entities, unless two or more persons/entities are acting in concert, in which case it would require careful and detailed evaluation while identifying related parties. SEBI should provide further clarification on this matter.

Definition of RPTs

- **Scope of RPTs has been enlarged:** It was observed by the regulators that recently, certain

innovative structures have been used to avoid classification of transactions as RPTs and thus avoid the associated regulatory compliance and disclosure requirements. Accordingly, SEBI amended the definition of RPTs to strengthen it and broaden it to include transactions which are undertaken, whether directly or indirectly, with the intention of benefitting related parties.

- **Transactions that indirectly benefit related parties will be considered as RPT:** SEBI has widened the landscape of RPTs, and the changes in related party definition have increased the compliance burden on companies to identify related parties and RPTs. Management and audit committees as part of their oversight role will now need to strengthen the processes to detect any such transaction undertaken with seemingly unrelated parties, and apply judgement to determine the transactions that ultimately benefit a related party of the entity or of any of its subsidiary, and maintain proper documentation to this effect.





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Key takeaways

Approval process

- **Determining and approving material modifications to RPT:** The amendments have now harmonised the requirements of the Listing Regulations, with those prescribed in the 2013 Act. Accordingly, as per the amendments, audit committees of companies will now need to define what constitutes a 'material modification' of an RPT, and include it in its policy on dealing with RPT as prescribed under regulation 23(1). Further, prior approvals of the audit committee and shareholders (in case of a material RPT) will be required before any material modifications are made to an RPT.
- **Prior approval of audit committee and onus on Independent Directors (IDs) increases:** Prior approval of an audit committee of a listed entity would be mandatory for transactions carried out between a listed entity, any of its subsidiary (whether the subsidiary is based in India or outside India) and a related party of the listed entity or its subsidiaries (whether these are based in or outside India). An audit committee approval would also be required for any transaction between listed entity, its subsidiaries

and any other person or entity if its purpose and effect is to benefit a related party of the listed entity or any of its subsidiaries. Additionally, all subsequent material modifications to RPTs will require prior approval of an audit committee.

This means that the onus on IDs has increased. With effect from 1 January 2022, members of the audit committee who are IDs are entrusted to approve RPT. Therefore, IDs will have to spend a significant portion of their time in determining and reviewing 'related party relationships' and RPTs.

Companies would need to establish a process to identify related parties in all its subsidiaries, identify transactions entered into with them, and understand if the purpose of any transactions is to benefit a related party, especially in a complex structure where a listed entity may have a number of subsidiaries. Consequently, a company's management, its board including audit committee and independent directors need to look deeper into transactions that traditionally would not have been classified as RPTs taking into account the end beneficiary of the transactions.

Management of companies will now need to satisfy the IDs that all related parties and RPTs have been identified, and provide sufficient information and explanation with regard to these transactions, which will enable IDs to provide timely approvals.

Further, for entities that obtain omnibus approvals of the audit committee for RPTs, the approval is generally obtained for a period of one financial year. With the amendments to the definition of related party and RPT getting effective 1 April 2022, there may be certain new transactions which will now be covered within the ambit of RPT. Entities should plan to obtain an omnibus approval for such 'new' transactions from their audit committees prior to 1 April 2022.





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1. SEBI notified amendments to Related Party Transactions

Key takeaways

- **Increase in the number of transactions falling within the ambit of RPTs:** As per the amendment, the threshold for RPTs requiring a prior approval of the audit committee has been reduced. The new threshold are 10 per cent of the consolidated turnover of the listed entity (applicable from 1 April 2022) and 10 per cent of the standalone turnover of subsidiary (applicable from 1 April 2023). The threshold of 10 per cent of the standalone turnover of subsidiary could be fairly low in comparison to consolidated turnover in certain situations. This is likely to increase the number of transactions to be approved by an audit committee.
- **Prior approval of shareholders:** As per the amendment, prior approval of shareholders is required for material RPTs and material modifications to such RPTs. Thus, entities will now need to identify and plan the RPTs during a period and take approval from shareholders before entering into such transactions. Listed companies may need to hold additional meetings (extraordinary general meetings) to get approvals of shareholders for

new transactions that fall in the ambit of related parties.

Disclosures

- **Harmonisation of time period for submission of RPT disclosures:** Currently, equity listed entities are required to submit disclosures of RPTs to the stock exchange on a half yearly basis within 30 days from submission of their standalone and consolidated financial results. However, HVDLEs are required to submit these disclosures for the half year at the time of submission of their standalone financial results (on a comply or explain basis upto 31 March 2023 and on a mandatory basis from 1 April 2023).

Since the details of related party transactions are available to entities at the time of submission of the quarterly financial results, SEBI has harmonised the time period for submission of disclosure requirements between equity listed entities and HVDLEs in a phased manner. Accordingly, equity listed entities will be required to submit disclosures of the RPTs on a half yearly basis, within 15

days from the date of submission of their standalone and consolidated financial results with effect from 1 April 2022, and with the standalone and consolidated financial results with effect from 1 April 2023.

Additionally, in order to ensure consistency of the disclosures, SEBI through its circulars dated 22 November 2021 and 7 January 2022 (for HVDLEs) has prescribed a format in which these disclosures need to be submitted to SEBI.

(For a detailed overview of the amendments, please refer KPMG in India's First Notes on 'SEBI notified amendments to Related Party Transactions' dated 24 December 2021)

(Source: SEBI notification no. SEBI/LAD-NRO/GN/2021/55 dated 9 November 2021, SEBI circular no. SEBI/HO/CFD/ CMD1/CIR//P/2021/662 dated 22 November 2021 and SEBI circular no. SEBI/HO/DDHS/DDHS_Div1/P/CIR/2022/000000006 dated 7 January 2022)





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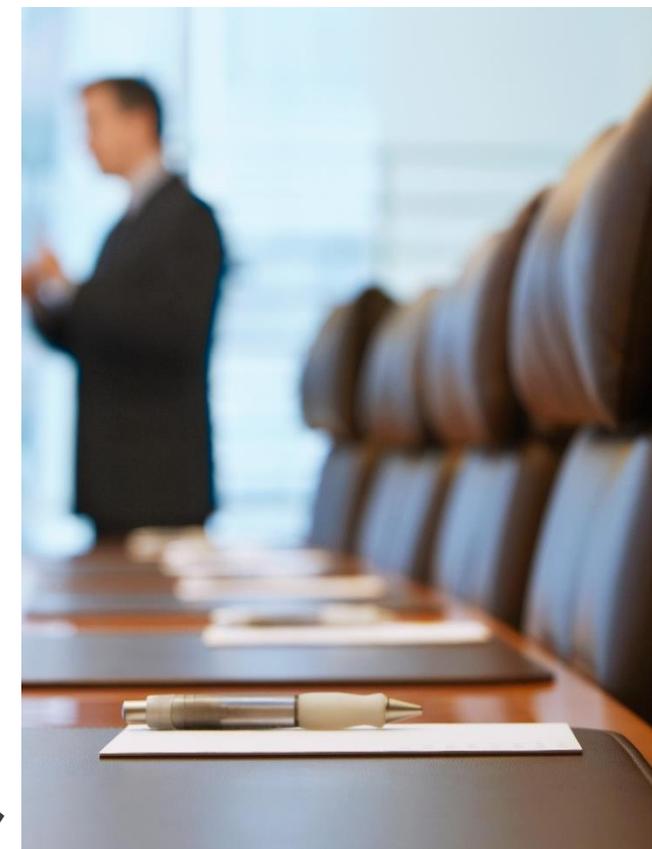
2. Introduction of provisions relating to appointment/re-appointment of persons who fail to get elected as directors at the general meeting of a listed entity

SEBI in its board meeting dated 28 December 2021 has, *inter alia*, considered and approved amendments to the Listing Regulations on provisions relating to appointment/re-appointment of persons who fail to get elected as directors, including as Whole-Time Directors (WTD)/Managing Directors (MD)/Managers, at the general meeting of a listed entity.

Accordingly, appointment or a re-appointment of any person, including as a MD/WTD/Manager, who was earlier rejected by the shareholders at a general meeting, would be elected only with the prior approval of the shareholders.

Key takeaways

- SEBI had issued a Consultation Paper on 27 January 2021 on introduction of provisions relating to appointment or re-appointment of persons who fail to get elected as Whole-time directors or Managing Directors at the general meeting of a listed entity. This consultation paper highlighted that as per Section 161(1) of the 2013 Act, the board of directors cannot appoint a person who fails to get elected as a director at a general meeting as an additional director. However, the 2013 Act does not explicitly prohibit the board from re-appointing a person as a MD or WTD, whose appointment to such posts was rejected by the shareholders at the general meeting. Therefore, the board of a listed entity can continue to appoint such persons as WTD/MD even after subsequent rejections by the shareholders.
- The consultation paper highlighted that such appointments by the boards are against the will of the shareholders, who are entrusted by law to approve appointment of directors to the boards of companies and also against the spirit of Corporate Governance as envisaged under the Listing Regulations.



(Source: SEBI press release PR no. 38/2021 dated 28 December 2021)



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3. SEBI revised uniform structure for non-compliance with provisions related to continuous disclosures by issuers with listed NCS/CPs

Background

SEBI through a circular⁶ dated 13 November 2020 (2020 circular) had issued a uniform structure for imposing fines and taking appropriate actions by the stock exchange(s) in respect of non-compliance with continuous disclosure requirements (as laid down in Listing regulations and related SEBI circulars) by issuers of listed Non-Convertible Debt Securities (NCDS)/Non-Convertible Redeemable Preference Shares (NCRPS)/Commercial Papers (CPs).

Amendment

On 29 December 2021, SEBI through a circular, has issued revised structure for levying fines and taking actions by stock exchange(s) for non-compliance with continuous disclosure requirements by issuers of listed Non-Convertible Securities (NCS)/Commercial Papers (CPs). In case a non-compliant entity is listed on more than one recognised stock

exchange, the concerned recognised stock exchange(s) shall take uniform action under this circular in consultation with each other. The fines specified in this circular shall continue to accrue till the time of rectification of the non-compliance and to the satisfaction of the concerned recognised stock exchange. The amount of fine realised as per the structure provided in this circular shall be credited to the 'Investor Protection Fund' of the concerned recognised stock exchange.

As per the SEBI circular, every recognised stock exchange will review the compliance status of the entities to which this circular applies and will issue notices to the non-compliant entities within 30 days from the due date of prescribed timeline. Non-compliant entity should ensure compliance with the requirement(s) and pay fines as per the circular within 15 days from the date of such notice. If the non-compliant entity fails to

comply with the aforesaid requirement(s) and/or pay fine levied within the stipulated period as per the notice stated above, the concerned recognised stock exchange(s) upon expiry of the period indicated in the notice, shall issue reminder notices to such non-compliant entities, to ensure compliance with the requirement(s) and pay fines within 10 days from the date of such notice. While issuing the aforementioned notices, the recognised stock exchange will also send intimation to other recognised stock exchange(s) where the NCS/CP of the non-compliant entity are listed.



6. SEBI/HO/DDHS/DDHS/CIR/P/2020/231



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3. SEBI revised uniform structure for non-compliance with provisions related to continuous disclosures by issuers with listed NCS/CPs

An overview of the revised structure of fines as prescribed in the circular are given in the table below:

Particulars	Fine payable and/or other action to be taken for non-compliance by an entity
Listed with NCS	
Delay in furnishing intimation about board meeting and meeting of shareholders or holders of NCS - Regulation 50(1) and 50(2)	INR5,000 per instance of non-compliance per item (earlier INR1,000 per ISIN ⁷)
a. Non-submission of quarterly and year to date standalone financial results on a quarterly basis within the prescribed period under Regulation 52(1)	INR5,000 per day
b. Submission of unaudited financial results without limited review report under Regulation 52(2)(a)	
c. Non-submission of annual audited standalone and consolidated financial results within the period prescribed under Regulation 52(2)(d)	
d. Non-submission of statement of assets & liabilities and cash flow statement as required under Regulation 52(2)(f).	
<ul style="list-style-type: none"> • Non-disclosure of line items along with the quarterly/annual financial results/non-disclosure of items pertaining to NCS as notes to financials - Regulation 52(4)/52(6) • Non-submission of statement indicating the utilisation of issue proceeds/material deviation in the use of proceeds - Regulation 52(7)/(7A) • Non-disclosure of extent and nature of security created and maintained with respect to secured listed non-convertible debt securities in the financial statements - Regulation 54(2)/(3) 	INR1,000 per day
Non-submission of annual report within the prescribed period Regulation 53(2)	INR2,000 per day

7. International Securities Identification Number



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Particulars	Fine payable and/or other action to be taken for non-compliance by an entity
Non-disclosure of information related to payment obligations - Regulation 57(1)	INR2,000 per day per ISIN (earlier INR1,000 per ISIN)
Non-submission of details of payable interest/dividend/principal obligations during the quarter - Regulation 57(4)	INR1,000 per ISIN
Non submission of certificate confirming the payment of interest/dividend/principal obligations due in the quarter or details of all unpaid interest/dividend/principal obligations at the end of the quarter - Regulation 57(5).	INR1,000 per ISIN
Failure to obtain prior approval of stock exchange for any structural change in non-convertible securities - Regulation 59(1)	INR50,000 per instance
Delay in submission of the notice of record date - Regulation 60(2).	INR10,000 per ISIN
Non-compliance with norms pertaining to functional website - Regulation 62.	<ul style="list-style-type: none"> • Advisory/warning letter per instance of non-compliance per item • INR10,000 per instance for every additional advisory/warning letter exceeding the four advisory/ warning letters in a financial year.
Listed with CPs	
Non-submission of financial results within the prescribed period	INR5,000 per day
Non-disclosure of line items prescribed under Regulation 52(4) of Listing Regulations along with the financial results	INR1,000 per day
Non-submission of certificate regarding fulfillment of payment obligations	INR1,000 per day per ISIN



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3. SEBI revised uniform structure for non-compliance with provisions related to continuous disclosures by issuers with listed NCS/CPs

Effective date: This circular would be effective for the compliances of period ending on or after 1 February 2022. During the interim period, 2020 circular would continue to apply.

Key takeaways

- For issuers of listed NCS/CPs, SEBI has made revisions in the structure for non-compliance with the provisions relating to continuous disclosures requirements. These revisions are aligned to the latest amendments in the Listing Regulations. Listed companies to which these provisions apply should take a note of the revised structure including enhanced monetary fines and other actions which can be implemented by recognised stock exchanges from time to time.
- The SEBI circular also specifies that a non-compliant company is required to place before the Board of Directors of the entity in the next meeting details of the non-compliance and action taken by the recognised stock exchange. Comments made by the Board of Directors should subsequently be informed to the recognised stock exchange for dissemination.



(Source: SEBI circular no. SEBI/HO/DDHS_Div2/P/CIR/2021/699 dated 29 December 2021)





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4. SEBI issued amendments to provisions related to SR equity shares

Currently, if an issuer has issued SR equity shares to its promoters/founders, the said issuer are allowed to initiate an Initial Public Offer (IPO) of only ordinary shares for listing on the main board. In order to do so, it needs to comply with the provisions of Chapter II of the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations) and other specified conditions which, *inter alia*, include the following:

- a. The SR shareholder should not be part of the promoter group whose collective net worth is more than INR500 crore.
- b. The SR equity shares have been held for a period of at least six months prior to the filing of the red herring prospectus.

Amendment

SEBI through a notification dated 26 October 2021 has issued certain amendments to the above mentioned conditions of the ICDR

regulations. The amendments are as follows:

- a. The net worth of the SR shareholder as determined by a Registered Valuer, should not be more than INR1,000 crore.

While determining the individual net worth of the SR shareholder, his/her investment/shareholding in other listed companies should be considered but not that of his/her shareholding in the issuer company.

- b. The SR equity shares have been issued prior to the filing of draft red herring prospectus and held for a period of at least three months prior to the filing of the red herring prospectus.

Effective date: The amendments are effective from the date of their publication in the official gazette i.e. 26 October 2021.

(Source: SEBI notification no. SEBI/LAD-NRO/GN/2021/52 dated 26 October 2021)





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5. FAQs on Share-based and Sweat Equity Regulations

In August 2021, SEBI notified the SEBI (Share Based Employee Benefits and Sweat Equity) Regulations, 2021 (Share-based and Sweat Equity Regulations). On 16 November 2021, SEBI issued certain clarifications in respect of terms/concepts related to the Share-based and Sweat Equity Regulations.

Some of the key clarifications are as follows:

- **Definition of employee:** With respect to definition of an employee under the Share-based and Sweat Equity Regulations, the term 'exclusively working in India or outside India' means any employee who is exclusively working with such a company, irrespective of whether such person is employed either in India or outside India.
- **Eligibility of contractual employees:** It has been clarified that contractual employees are also eligible to receive benefits under the Share Based Employee Benefits schemes provided they are designated as employees by their employers and are exclusively working with such a company

or its group company including subsidiary, its associate company, or its holding company.

- **Benefits granted to employees of group companies:** Shareholders are required to approve the grant of options, Stock Appreciation Rights (SAR), shares or other benefits, as the case may be, to employees of a group company including subsidiaries, its associate companies, joint ventures, or holding company.
- **Benefits to directors:** As per the clarification, grants, SARs or other benefits granted and not vested to the directors who have vacated the office due to retirement would continue to vest in accordance with the respective vesting schedules even after the cessation of directorship due to retirement. This is subject to the terms of the company's policies.
- **Scope of Share-based and Sweat Equity Regulations to schemes established with**

the objective of employee welfare with no share-based benefits, but are holding/dealing shares of the listed company: General Employee Benefits Scheme (GEBS) has been defined as any scheme of a company framed in accordance with the Share-based and Sweat Equity Regulations dealing in shares of the company or the shares of its listed holding company, for the purpose of employee welfare including healthcare benefits, hospital care or benefits, or benefits in the event of sickness, accident, disability, death or scholarship funds, or such other benefit as specified by such a company. Therefore, any employee welfare scheme holding/dealing in shares of the company or the shares of its listed holding company is covered under the scope of Share-based and Sweat Equity Regulations, including the timelines prescribed thereunder.

(Source: SEBI FAQs on Share-based and Sweat Equity Regulations issued on 16 November 2021)





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6. Scheme of arrangement by listed entities

Recently, SEBI has issued certain amendments to its master circular (no. SEBI/HO/CFD/DIL1/CIR/ P/2020/249) dated 22 December 2020 which laid down the framework for schemes of arrangement by listed entities. The amendments mainly prescribe additional documents to be submitted with the stock exchanges before the scheme is sanctioned by the NCLT. Those are as follows:

d. A report from its audit committee and the independent directors certifying that the listed entity has compensated the eligible shareholders. Both the reports should be submitted within seven days of compensating the shareholders.

(Source: SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/0000000657 dated 16 November 2021 and SEBI circular no. SEBI/HO/CFD/DIL2/CIR/P/2021/0000000659 dated 18 November 2021)

- a. In accordance with the master circular, listed entities are required to submit a valuation report with the stock exchange. The amendments additionally require listed entities to submit an undertaking that no material event impacting the valuation has occurred during the intervening period of filing the scheme documents with stock exchange and period under consideration for valuation.
- b. Declaration from the listed entity on any past defaults of listed debt obligations of the entities forming part of the scheme.
- c. No Objection Certificate (NOC) from the lending scheduled commercial banks/financial institutions/debenture trustees.





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Central Board of Direct Taxes (CBDT)

During the quarter ended 31 December 2021, regulators in India such as the MCA, SEBI and RBI have provided several relaxations/exemptions to companies amid COVID in relation to various regulatory requirements. Some important relaxations have been listed below:

MCA

- **MCA relaxation for conduct of AGMs and EGMs through VC/OAVM:** Recently, the MCA provided relaxations in respect of the following:

- Conduct of AGMs:** Companies whose Annual General Meetings (AGMs) were due in the year 2021 have been allowed to conduct their AGMs through Video Conferencing (VC) or Other Audio-Visual Means (OAVM) on or before 30 June 2022 (earlier was allowed up to 31 December 2021).

Further companies who are proposing to organise AGMs in 2022 for the financial year ending on or before 31 March 2022 have also been allowed to hold AGMs through VC or OAVM facility as per the respective due dates up to 30 June 2022.

It has been further clarified that the circular should not be construed as conferring any extension of time for

holding of AGMs by the companies under the Companies Act, 2013 (2013 Act). Companies which have not adhered to the relevant timelines would remain subject to legal action under the 2013 Act.

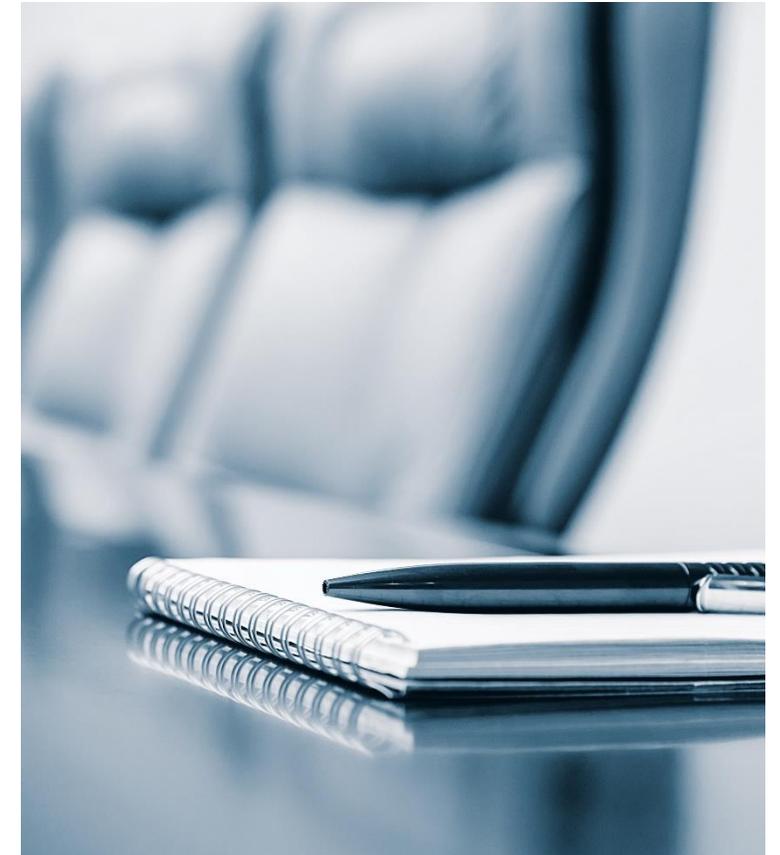
(Source: MCA general circular no. 19/2021 dated 8 December 2021 and general circular no. 21/2021 dated 14 December 2021)

- Conduct of EGMs:** Companies can conduct their Extraordinary General Meetings (EGMs) through VC/OAVM or transact items through postal ballot upto 30 June 2022 (earlier was allowed up to 31 December 2021). This will be in accordance with the framework provided in the circulars dated 8 April 2020, 13 April 2020, 15 June 2020, 28 September 2020, 31 December 2020 and 23 June 2021.

(Source: MCA general circular no. 20/2021 dated 8 December 2021)

- **Relaxation on levy of additional fees in filing of e-forms:** MCA through circular dated 29 December 2021 clarified that in respect of the financial year ended on 31 March 2021, no additional fees would be levied for the filing of e-forms AOC-4 (filing of company's financial statements with Registrar of Companies- standalone and consolidated, XBRL and Non-XBRL) upto 15 February 2022 and for filing of e-forms MGT-7/MGT-7A (annual returns) upto 28 February 2022. During the said period, only normal fees would be payable for the filing of the above e-forms.

(Source: MCA general circular no.22/2021 dated 29 December 2021)





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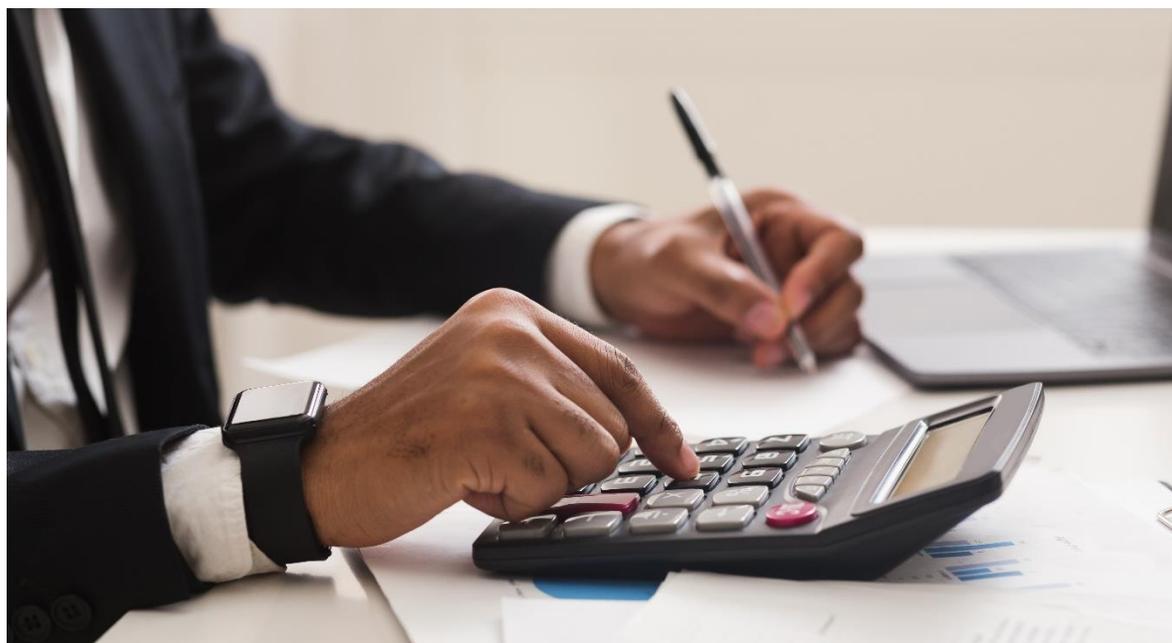
Central Board of Direct Taxes (CBDT)

Central Board of Indirect Taxes & Customs (CBIC)

- **Extension of due date for furnishing of GSTR-9 and GSTR-9C for the Financial Year (FY) 2020-21:** The Ministry of Finance through notification dated 29 December 2021 has extended the due date for furnishing Form GSTR-9 (Annual Return)

and Form GSTR 9C (Reconciliation statement and certificate) for FY 2020-21 to 28 February 2022 (earlier 31 December 2021).

(Source: CBIC notification No. 40/2021-Central Tax dated 29 December 2021)



Central Board of Direct Taxes (CBDT)

The CBDT through a circular dated 11 January 2022 has extended the timelines for various compliances under the Income-Tax Act, 1961 (IT Act). Those are as follows:

Particulars	Due date	Revised timeline
Report of audit under any provision of the IT Act for Previous Year (PY) 2020-21	30 September 2021	15 February 2022
Report from an accountant by persons entering into international transaction or specified domestic transaction under Section 92E of the IT Act for PY2020-21	31 October 2021	15 February 2022
Return of income for AY2021-22*	31 October/30 November 2021	31 March 2022

* Assessee subject to audit/Transfer Pricing Report under section 139(1) of the IT Act

(Source: CBIC circular No. 01/2022-Central Tax dated 11 January 2022)



RBI updates

7. Prudential norms on income recognition, asset classification and provisioning pertaining to advances:

On 1 October 2021, the RBI has issued a master circular on matters relating to prudential norms on Income Recognition, Asset Classification and Provisioning (IRACP) pertaining to advances.

With a view to ensure uniformity in the implementation of IRACP norms across all lending institutions, on 12 November 2021, RBI has issued certain clarifications which will be applicable mutatis mutandis to all lending institutions. Those are as follows:

- **Specification of due date/repayment date:** The extant instructions on IRACP norms specify that an amount is to be treated as overdue if it is not paid on the due date fixed by the bank. In this context, RBI clarified that the exact due dates for repayment of a loan, frequency of repayment, breakup between principal and interest, etc. should be clearly specified in the loan agreement. Further, the borrower should be apprised of the same at the time of loan sanction and also at the time of subsequent changes, if any, to the sanctioned terms/loan agreement till full repayment of the loan.

In cases of loan facilities with moratorium on payment of principal and/or interest, the exact date of commencement of repayment should also be specified in the loan agreements.

These instructions are required to be complied with at the earliest, but not later than 31 December 2021, in respect of fresh loans. In case of existing loans, compliance to these instructions shall necessarily be ensured as and when such loans become due for renewal/review.

- **Classification as Special Mention Account (SMA) and Non-Performing Asset (NPA):** RBI's 'Prudential Framework for Resolution of Stressed Assets' requires the lenders to recognise incipient stress in borrower accounts, immediately on default, by classifying them as SMA. To remove ambiguity, RBI has clarified that the intervals are intended to be continuous and accordingly, the basis for classification of SMA categories shall be as illustrated in the table:

Loans other than revolving facilities		Loans in the nature of revolving facilities like cash credit/overdraft	
SMA sub-categories	Basis for classification- Principal or interest payment or any other amount wholly or partly overdue	SMA sub-categories	Basis for classification- Outstanding balance remains continuously in excess of the sanctioned limit or drawing power, whichever is lower, for a period of:
SMA-0	Up to 30 days		
SMA-1	More than 30 days and up to 60 days	SMA-1	More than 30 days and up to 60 days
SMA-2	More than 60 days and up to 90 days	SMA-2	More than 60 days and up to 90 days



RBI updates

7. Prudential norms on income recognition, asset classification and provisioning pertaining to advances:

Further, it has been clarified that borrower accounts shall be flagged as overdue by the lending institutions as part of their day-end processes for the due date, irrespective of the time of running such processes.

Similarly, classification of borrower accounts as SMA as well as NPA shall be done as part of day-end process for the relevant date and the SMA or NPA classification date shall be the calendar date for which the day end process is run. In other words, the date of SMA/NPA shall reflect the asset classification status of an account at the day-end of that calendar date. The instructions on SMA classification of borrower accounts are applicable to all loans⁸, including retail loans, irrespective of size of exposure of the lending institution.

- **Definition of 'out of order':** An account shall be treated as 'out of order' if:
 - a. The outstanding balance in the Cash Credit (CC)/Overdraft (OD) account

remains continuously in excess of the sanctioned limit/drawing power for 90 days, or

- b. The outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but there are no credits continuously for 90 days, or the outstanding balance in the CC/OD account is less than the sanctioned limit/drawing power but credits are not enough to cover the interest debited during the previous 90 days period.
- **Upgradation of accounts classified as NPAs:** Loan accounts classified as NPAs may be upgraded as 'standard' asset only if entire arrears of interest and principal are paid by the borrower. With regard to upgradation of accounts classified as NPA due to restructuring, non-achievement of date of commencement of commercial operations (DCCO), etc., RBI has issued separate instructions for these cases and

those instructions need to be followed.

- **Income recognition policy for loans with moratorium on payment of interest:** In cases of a loan where moratorium has been granted for repayment of interest, lending institutions may recognise interest income on accrual basis for accounts which continue to be classified as 'standard'. In accordance with the master circular dated 1 October 2021⁹, once an account is classified as NPA, the entire interest accrued and credited to income account in the past periods, must be reversed to the extent it remains unrealised. However, it is clarified that if loans with moratorium on payment of interest (permitted at the time of sanction of the loan) become NPA after the moratorium period is over, the capitalised interest corresponding to the interest accrued during such moratorium period need not be reversed.

- **NPA classification in case of interest payments:** In accordance with the master circular dated 1 October 2021, in case of interest payments, an account is classified as NPA only if the interest due and charged during any quarter is not serviced fully within 90 days from the end of the quarter. With a view to fully align with the 90 days delinquency norm as well as the requirement to apply interest at monthly rests, the above instructions are modified as under:

In case of interest payments in respect of term loans, an account will be classified as NPA if the interest applied at specified rests remains overdue for more than 90 days.

8. Agricultural advances governed by crop season-based asset classification norms shall be exempt from this instruction.

9. RBI/2021-2022/104



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7. Prudential norms on income recognition, asset classification and provisioning pertaining to advances:

These instructions are effective from 31 March 2022. Accordingly, in respect of any borrower account which becomes overdue on or after 31 March 2022, its classification as an NPA shall be based on the account being overdue for more than 90 days.

- **Consumer education:** With a view to increase awareness among the borrowers, lending institutions should place consumer education literature on their websites, explaining with examples, the concepts of date of overdue, SMA and NPA classification and upgradation, with specific reference to day-end process. Lending institutions may also consider displaying such consumer education literature in their branches by means of posters and/or other appropriate media.

Further, it shall also be ensured that their front-line officers educate borrowers about all these concepts, with respect to loans availed by them, at the time of sanction/disbursal/renewal of loans. These instructions shall be complied with at the earliest, but not later than 31 March 2022.

(Source: RBI notification no. RBI/2021-2022/125 dated 12 November 2021)





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During the year, there have been important updates in the areas of financial reporting and regulatory space from the MCA, SEBI, RBI and the Institute of Chartered Accountants of India (ICAI). As a year-end reminder, following are some key changes applicable for the quarter ended 31 December 2021 and financial year ending 31 March 2022:

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MCA	
<p><u>CARO 2020 - Enhanced reporting requirements:</u></p> <p>MCA issued the Companies (Auditor's Report) Order, 2020 (CARO 2020) applicable for each report issued by auditors of specified class of companies under Section 143 of the 2013 Act for financial year commencing on or after 1 April 2021.</p> <p>CARO 2020 includes several new clauses and has revised certain existing clauses of CARO 2016. The new CARO has increased the reporting requirements for auditors and put greater onus on companies to share information with the auditors and users of the financial statements.</p> <p>Following are some of the key reporting requirements of CARO 2020:</p> <ul style="list-style-type: none"> • <i>Investments, guarantees, securities and loans and advances:</i> • Report loans or advances in the nature of loans, or guarantee, or security of all parties • Ensure terms and conditions of loans, advances, guarantees are not prejudicial to the company's interest • Identify instances of 'evergreening' of loans or advances or loans renewed or extended • Details of loans granted to promoters and related parties <p><i>Other clauses:</i></p> <ul style="list-style-type: none"> • Previously unrecorded income and internal audit system • Inventory and working capital facilities - Comparison of books of account with quarterly returns or statements • Any fraud by the company or any fraud on the company has been noticed or reported • Ensure whistle-blower complaints policy in line with CARO 2020 requirements • Material uncertainty on company's capability of meeting its liabilities • Funds borrowed to meet obligations of subsidiaries, etc. <p>(Source: MCA Order no. S.O.4588(E) dated 17 December 2020)</p>	<p>1 April 2021</p>



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<p>Revision to Schedule III to the Companies Act, 2013 (2013 Act): Schedule III of the 2013 Act provides general instructions for presentation of financial statements of a company under both Ind AS and AS. On 24 March 2021, MCA issued certain amendments to Schedule III to enhance the disclosure requirements for the presentation of the financial statements. The amendments to Schedule III are largely driven by the requirements relating to CARO 2020.</p> <p>Some key changes applicable to Division I, II and III are given below:</p> <ul style="list-style-type: none"> • <i>Balance sheet and related notes section:</i> <ul style="list-style-type: none"> – Disclosure of trade payables/receivables to be given in the ageing schedule as per the prescribed format – Disclosure of details in relation to amount of change due to revaluation for Property Plant and Equipment (PPE) and intangible assets (if change is 10 per cent or more in the aggregate carrying value of each class of PPE/intangible assets) – Disclose ‘shareholding of promoters’ in the note on share capital in the notes to balance sheet as per prescribed format – Disclosure of ‘details of utilisation of funds’ if not used in accordance with the specific purpose for which they were borrowed from banks and financial institutions should be given in the notes to the balance sheet – New disclosure requirements under the head ‘additional other regulatory information’ to be provided in the notes are as under: <ul style="list-style-type: none"> ○ Title deeds of immovable property not held in the name of the company ○ Fair value of investment property or revaluation of PPE/intangible assets (if any) is based on the valuation by a registered valuer as defined per valuation rules ○ Loans and advances granted in the nature of loans to promoters, directors, Key Managerial Personnel (KMPs) and related parties, repayable on demand or granted without specifying terms in the prescribed format ○ Ageing schedule for Capital Work in Progress (CWIP)/Intangible Assets Under Development ○ Details of benami property held, borrowings against security of current assets 	<p>1 April 2021</p>



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<ul style="list-style-type: none"> ○ Detailed disclosure where a company has advanced/loaned/invested funds (borrowed funds/share premium/any other sources or kind of funds) to intermediaries, etc. ○ In case the company is declared a 'wilful defaulter' by any bank or financial institution, then disclose the date of declaration as defaulter and details of defaults ○ Other disclosures such as effect of scheme of arrangement, relationship with struck-off companies, etc. • <i>Statement of profit and loss</i> <ul style="list-style-type: none"> – Disclosure of details of undisclosed income in terms of any transaction not recorded in the books of accounts that has been surrendered or disclosed as income in the tax assessment – Details of CSR including amount required to be spent/spent/shortfall/previous years' shortfall/reasons for shortfall/nature of CSR, etc. – Details of crypto currency or virtual currency, if traded, in terms of profit/loss on transactions, amount of currency held at reporting date, deposits or advances from any person for trading in crypto/virtual currency. – Disclose 'current maturities of long-term borrowings' under the heading 'short-term borrowing schedule' – Disclose current and non-current portion of lease liabilities under the head 'current and non-current financial liabilities' on the face of the balance sheet – Disclose 'other financial assets' in the notes and include items such as security deposits, bank deposits for more than 12 months maturity, others (to be specified). – Disclose certain ratios in the notes and explain the items included in numerator and denominator of those ratios. Some of those ratios are current ratio, debt service coverage ratio, return on equity ratio, trade payables turnover ratio, net capital turnover ratio, net profit ratio, return on capital employed, return on investment. <p>(Source: MCA notification no. G.S.R. 207(E) dated 24 March 2021)</p>	<p>1 April 2021</p>



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<p>Manner of books of account to be kept in electronic mode and related requirement for reporting in audit report:</p> <p>Currently, a company may keep its books of account or other relevant papers in electronic mode subject to compliance with the requirements prescribed under Rule 3 of the Companies (Accounts Rules), 2014 (Accounts Rules).</p> <p>On 24 March 2021, MCA has issued certain amendments to the provisions of the Accounts Rules and the Companies (Audit and Auditor) Rules, 2014 (Audit Rules) under the 2013 Act.</p> <p><i>New requirement:</i></p> <p>For companies: Every company which uses an accounting software for maintaining its books of account, should use only such accounting software which records an audit trail of each and every transaction and creates an edit log of each change made in the books of account along with the date when such changes were made. Additionally, companies would need to ensure that the audit trail is not disabled.</p> <p>For auditors: An auditor is required to comment in his/her auditor's report that the company has used such an accounting software which has a feature of recording audit trail including the following:</p> <ul style="list-style-type: none"> • The audit trail feature has been in operation throughout the year and has not been tempered with • The audit trail has been preserved by the company as per the statutory requirements for record retention. <p>(Source: MCA notification no. G.S.R. 247(E)/248(E) dated 1 April 2021 read with notification no. G.S.R. 205(E) dated 24 March 2021)</p>	<p>1 April 2022</p>
<p>Additional disclosure in the board's report</p> <p>The board of directors of every company should provide following disclosures in their report:</p> <ul style="list-style-type: none"> • Details of application made or any proceeding pending under the Insolvency and Bankruptcy Code, 2016 (IBC) during the year along with their status as at the end of the financial year • Details of difference between amount of the valuation done at the time of one-time settlement and the valuation done while taking loan from the banks or financial institutions along with the reasons thereof. <p>(Source: MCA notification no. G.S.R. 205(E) dated 24 March 2021)</p>	<p>1 April 2021</p>



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<p>Additional disclosure in the auditor's report:</p> <p>The amendment requires an auditor to include his/her views and comments on the following matters:</p> <ul style="list-style-type: none"> • The management has represented that to the best of its knowledge and belief, other than as disclosed in the notes to the accounts: <ul style="list-style-type: none"> i. No funds have been advanced or loaned or invested (either from borrowed funds, share premium or any other sources/kind of funds) by the company to/in any other person(s) or entity(ies), including foreign entities (intermediaries), with the understanding (recorded in writing or otherwise) that the intermediary shall, whether, directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (ultimate beneficiaries) or provide any guarantee, security or the like on behalf of the ultimate beneficiaries. ii. No funds have been received by the company from any person(s) or entity(ies), including foreign entities (funding parties), with the understanding (recorded in writing or otherwise) that the company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the funding party (ultimate beneficiaries) or provide any guarantee, security or the like on behalf of the ultimate beneficiaries. • Based on such audit procedures that the auditor has considered reasonable and appropriate in the circumstances, nothing has come to its notice that has caused an auditor to believe that the representations under points (i) and (ii) above contain any material misstatement. • The dividend declared or paid during the year by the company is in compliance with Section 123 of the 2013 Act. <p><small>(Source: MCA notification no. G.S.R. 206(E) dated 24 March 2021)</small></p>	<p>1 April 2021</p>



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<p>Some key amendments to the provisions related to IDs and committees of listed companies include:</p> <ol style="list-style-type: none"> SEBI has extended the cooling-off period for a material pecuniary relationship between an ID and the related entities to three years (earlier two years) Appointment, re-appointment or removal of an ID of a listed entity would be subject to the approval of the shareholders by way of a special resolution including a transparent appointment process by the Nomination and Remuneration Committee (NRC) Vacancy of an ID, as a result of resignation or removal from the BoD should be filled within three months from the date of such vacancy (earlier later of immediate next meeting of the BoD or three months from the date of such vacancy) Revised composition of an audit committee to include at least two-third of the members as IDs (earlier, two-third of the members of the members of the audit committee as IDs). Revised composition of NRC to have at least two-thirds of the directors as IDs (earlier, at least 50 percent of the directors should be IDs). All RPTs are required to be approved by only IDs on the audit committee. Top 1,000 listed entities by market capitalisation are required to undertake Directors and Officers (D&O) insurance for all their IDs. <p><i>(For a detailed overview of the amendments, please refer KPMG in India's First Notes on 'SEBI amends provisions related to independent directors' dated 8 September 2021)</i></p> <p>(Source: SEBI Notification no. SEBI/LAD-NRO/GN/2021/35 dated 3 August 2021 read with corrigendum no. SEBI/LAD-NRO/GN/2021/38 dated 6 August 2021)</p>	<p>1 January 2022</p>
<p>Disclosures pertaining to analyst and investor meet and conference calls:</p> <ul style="list-style-type: none"> Upload of audio/video recordings on an entity's website and the stock exchanges Upload of written transcript of calls on an entity's website and the stock exchanges Upload schedule of analysts or institutional investors meet and presentations made to analysts or institutional investors. <p>(Source: SEBI Notification no. No. SEBI/LAD-NRO/GN/2021/22 dated 5 May 2021)</p>	<ul style="list-style-type: none"> Voluntary from 1 April 2021 Mandatory from 1 April 2022.



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<p>Furnish Business Responsibility and Sustainability Report (BRSR) in place of Business Responsibility Report (BRR) to the stock exchanges as a part of annual reports</p> <p><i>(For a detailed overview of the amendments, please refer KPMG in India's First Notes on 'Mandatory BRSR reporting for top 1,000 listed companies from FY2022-23' dated 8 June 2021)</i></p> <p>(Source: SEBI Notification no. No. SEBI/LAD-NRO/GN/2021/22 dated 5 May 2021)</p>	<ul style="list-style-type: none"> • Voluntary for FY2021-22: For top 1,000 listed companies by market capitalisation • Mandatory from FY2022-23: For top 1,000 listed companies by market capitalisation • Voluntary for other companies: Listed companies (other than top 1,000) and companies which have listed their specified securities on the Small and Medium Enterprises (SME) exchange may voluntarily submit BRSR in place of BRR effective FY2021-22 onwards.



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Regulatory provisions	Applicability date
SEBI	
<p>Certain compliances to be made by listed entities:</p> <ol style="list-style-type: none"> Compliance certificate in relation to share transfer facility Secretarial compliance report Quarterly compliance report on corporate governance Compliance certificate from practicing Company Secretary relating to transfer/transmission/ transposition of securities Details of voting result <p><small>(Source: SEBI Notification no. No. SEBI/LAD-NRO/GN/2021/22 dated 5 May 2021)</small></p>	<p>Date of publication in the official gazette - 6 May 2021</p> <ol style="list-style-type: none"> Within 30 days of the end of FY Within 60 days from the end of each FY Within 21 days from the end of each quarter Within one month from the end of FY Within two working days of conclusion of an entity's general meeting
<p>Entity which has listed its Non-Convertible Debt Securities (NCDS) or Non-Convertible Redeemable Preference Shares (NCRPS) or both (debt listed entity):</p> <ul style="list-style-type: none"> Application of corporate governance requirements to HVDLEs-(Regulation 15 to 27) Corporate governance provisions) <i>Submission of financial results by all debt listed entities:</i> Quarterly and year to date standalone financial results on a quarterly basis. <p><i>(For a detailed overview of the amendments, please refer KPMG in India's First Notes on 'SEBI mandates additional compliances for issuers of non-convertible securities' dated 10 November 2021)</i></p> <p><small>(Source: SEBI Notification no. No. SEBI/LAD-NRO/GN/2021/47 dated 7 September 2021)</small></p>	<ul style="list-style-type: none"> On a 'comply or explain' basis until 31 March 2023 and on mandatory basis from 1 April 2023 Submit audited/un-audited financial results with limited review report within 45 days of the end of quarter.



Updates relating to SEBI Regulations



COVID -19 relaxations



Other updates



Year-end reminders

Year-end reminders

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ICAI publications

EACs issued by ICAI during the quarter ended 31 December 2021

Topic	Month
Accounting treatment of government grants under Ind AS 20, <i>Accounting for Government Grants and Disclosure of Government Assistance</i>	October 2021
Accounting treatment under Ind AS for financial year 2019-20 for research expenses in case of a new company formed for setting up of new urea plant and is under construction phase under Ind AS 38, <i>Intangible Assets</i>	November 2021
Allocation of manpower cost during project implementation phase under Ind AS 16, <i>Property Plant and Equipment</i>	December 2021

(Source: The Chartered Accountant – ICAI Journal for the October 2021, November 2021 and December 2021)





Updates relating to SEBI Regulations



COVID -19 relaxations



Other updates



Year-end reminders

Year-end reminders

ICAI publications

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Accounting and Auditing Update: Issue no. 65 – December 2021

In this edition of Accounting and Auditing Update (AAU), we have summarised the key clarifications issued by SEBI through circular issued in September 2021, with respect to the provisions of the Listing Regulations applicable to the listed entities in the form of Frequently Asked Questions (FAQs) and guidance to certain important requirements under the Listing Regulations e.g., definition of a related party, approval of material related party transactions and disclosures to be provided with the stock exchange(s).

Additionally, SEBI has issued amendments to the provisions applicable to issuers of Non-Convertible Securities (NCS) through the SEBI (Listing Obligations and Disclosure Requirements) Fifth Amendment Regulations, 2021. The amendments are expected to align the compliances of the debt listed companies (mainly high value) with those prescribed for the equity listed companies and also enhance the disclosures' obligations of debt listed companies. SEBI has also provided exemptions from reporting comparative quarterly figures for certain quarters when comparative amounts would not be available. We have analysed the

financial results for the quarter ended 30 September 2021 published by 50 entities listed on the National Stock Exchange (NSE), that have issued NCS. In our article, we summarise the analysis basis the quarterly and half-yearly disclosures provided by the companies covered in this analysis.

The publication also provides an overview regulatory and financial reporting developments in India.



First Notes SEBI notified amendments to related party transactions

On 28 September 2021, SEBI, in its board meeting, *inter alia*, considered and approved amendments to Listing Regulations on RPTs. Recently, on 9 November 2021, the SEBI notified these amendments through SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 (the amendments).

The amendments mainly pertain to the following areas:

- Definition of related parties and RPTs
- Audit committee's approval
- Materiality threshold and shareholders' approvals for RPTs
- Enhanced disclosures.

These amendments will be applicable in a phased manner, with certain amendments coming into effect from 1 April 2023 and remaining amendments will come into effect from 1 April 2022.

Subsequently, on 22 November 2021, SEBI issued a circular specifying the disclosure obligations of listed entities in relation to RPTs (i.e. information to be placed before the audit committee and the shareholders for consideration of RPTs, and the format for disclosure of RPTs to stock exchanges on a six-monthly basis has also been provided). This circular is effective from 1 April 2022.

This First Notes provides an overview of the key amendments made by SEBI in the Listing Regulations relating to related parties and RPTs.

SEBI notified amendments to related party transactions

28 December 2021

First Notes

Introduction

Compared to India currently comply with the Indian Accounting Standards (Ind AS) and the Companies Act, 2013 (2013 Act), with respect to Related Parties Transactions (RPTs), additionally, the Securities and Exchange Board of India (SEBI) (Listing Obligations and Disclosure Requirements) Regulations, 2015 (Listing Regulations) provide regulatory framework for the listed entities to comply in case of RPTs.

In order to strengthen the regulatory norms in relation to RPTs undertaken by the listed entities in India, SEBI constituted a working group in November 2019 to review the provisions pertaining to RPTs. The working group submitted its report to SEBI on 22 January 2021. The SEBI had subsequently issued the report for the public comments.

On 28 September 2021, SEBI, in its board meeting, *inter alia*, considered and approved amendments to the Listing Regulations on RPTs. Recently, on 9 November 2021, the SEBI notified these amendments through the SEBI (Listing Obligations and Disclosure Requirements) (Sixth Amendment) Regulations, 2021 (the amendments). The amendments mainly pertain to the following areas:

- Definition of related parties and RPTs
- Audit committee approval
- Materiality threshold and shareholders' approvals for RPTs
- Enhanced disclosures.

Effective date These amendments will be applicable in a phased manner, with certain amendments coming into effect from 1 April 2023 and remaining amendments will come into effect from 1 April 2022.

Subsequently, on 22 November 2021, SEBI issued a circular specifying the disclosure obligations of listed entities in relation to RPTs, i.e. information to be placed before the audit committee and the shareholders for consideration of RPTs, and the format for disclosure of RPTs to stock exchanges on a six-monthly basis has also been provided. The provisions of this circular are effective from 1 April 2022.

In this issue of First Notes, we provide an overview of the key amendments made by SEBI in the Listing Regulations relating to related parties and RPTs.



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