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In this publication, we have summarised important financial reporting and regulatory updates relevant for the quarter ended 31 December 2022 from Securities and Exchange Board of India (SEBI), Reserve Bank of India (RBI), National Financial Reporting Authority (NFRA), Department of Economic Affairs, Ministry of Finance and the Institute of Chartered Accountants of India (ICAI).



1. Amendments to SEBI LODR Regulations

The SEBI (Listing Obligations and Disclosure Requirements) (LODR) Regulations, 2015 (Listing Regulations) lays down the provisions for effective corporate governance and fair disclosures by Indian listed companies. On 14 November 2022, SEBI amended the LODR Regulations by issuing SEBI LODR (Sixth Amendment) Regulations, 2022. These amendments are applicable from 14 November 2022.

The key considerations from amendments are as follows:

1. Appointment and removal of Qualified Independent Directors (IDs)

Regulation 25(2A) of the Listing Regulations states that the appointment, re-appointment, or removal of an ID of a listed entity would be subject to approval of shareholders by way of a special resolution. Through the amendment, SEBI has prescribed an alternative mechanism for appointment and/or removal of an ID. As per the alternative mechanism, in cases where special resolution for appointment of an ID fails to get the

requisite majority of votes, in such cases, an alternate threshold would now need to be tested. Consequently, the appointment would be deemed to have been made if the following two conditions are satisfied:

- a) Votes cast in favour of the resolution exceed the votes cast against the resolution, and
- b) Votes cast by the public shareholders in favour of the resolution exceed the votes cast against the resolution.

The amendment further states that the above threshold will be applicable for removal of an ID appointed under the alternate mechanism.

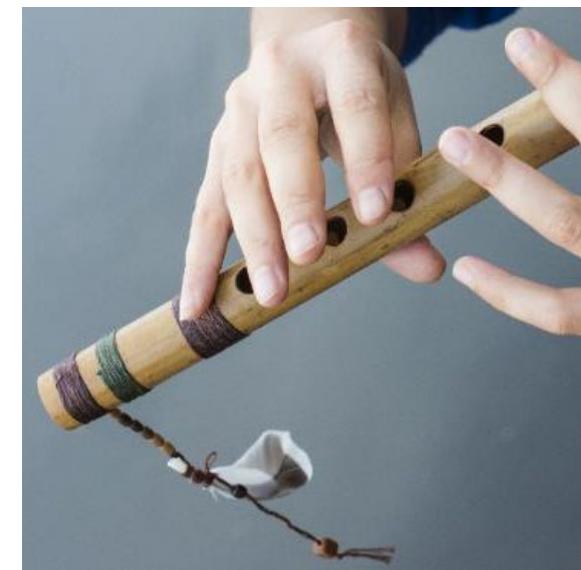
The alternate route introduced through the amendment is applicable only on the first-time appointment and removal of an ID. The same is not applicable in case of re-appointment of an ID. Further the above amendments would be applicable to all the entities that have listed their specified securities¹ as well as High Value Debt Listed Entities (HVDLEs)².

2. Monitoring agency in case of preferential issue and Qualified Institutional Placement (QIP) (Regulation 32)

The existing provisions of Regulation 32 of the LODR Regulations mandate the listed entities to submit a quarterly statement of deviation(s) or variation(s) to the stock exchange(s) for public issue, rights issue, preferential issue, etc. indicating deviations, in the use of proceeds from the objects stated in the offer document or explanatory statement to the notice for the general meeting and the category wise variation between projected utilisation of funds made by it in its offer document or explanatory statement to the notice for the general meeting and the actual utilisation of funds.

In case a listed entity has appointed a monitoring agency to monitor utilisation of proceeds of a public or rights issue, the report of the monitoring agency is required to be submitted to the stock exchange(s) within 45 days from the end of each quarter. Additionally, the report

should also be placed before the audit committee on a quarterly basis. The amendment has clarified that, these provisions shall also be applicable to a preferential issue and a qualified institutional placement.



1. Specified securities refer to the equity shares and convertible securities
2. HVDLE refers to a listed entity which has listed its non-convertible debt securities and has an outstanding value of listed non-convertible debt securities of INR500 crore and above



1. Amendments to SEBI LODR Regulations

3. Amendments for entities that have listed Non-Convertible Securities (NCS)

Regulation 52 of the LODR Regulations lays down the regulatory provisions for submission of financial results by an entity that has listed NCS.

The following amendments have been introduced:

- **Timeline for submission of financial results for the last quarter (Regulation 52(1)):** As per the existing provision of the regulation, a listed entity is required to submit the un-audited or audited quarterly and year-to-date standalone financial results on a quarterly basis, within 45 days from the end of the quarter, other than for the last quarter.

Through the amendment, SEBI has clarified that for the last quarter of the financial year, the listed entity would be required to submit the un-audited or audited quarterly and year-to-date standalone financial results **within 60 days from the end of the quarter to the recognised stock exchange.**

- **Submission of results by entities subject to an audit by the Comptroller and Auditor General of India (C&AG) (Regulation 52(2)(d)):** As per the amendment, listed companies subject to C&AG audit should submit the unaudited financial results along with the limited review report issued by the C&AG or an auditor appointed by the C&AG or a practicing Chartered Accountant, to the stock exchange(s) within 60 days from the end of the financial year. Thereafter, the financial results audited by the C&AG, should be submitted to the stock exchange(s), within nine months from the end of the financial year.

- **Disclosure of ratios and other financial information (Regulation 52(4)):** As per the amendment, the following ratios/financial information is required to be submitted along with the quarterly and annual financial results:

- Debt-equity ratio
- Debt service coverage ratio
- Interest service coverage ratio
- Outstanding redeemable preference shares (quantity and value)

- Capital redemption reserve/debenture redemption reserve
- Net worth
- Net profit after tax
- Earnings per share
- Current ratio
- Long term debt to working capital
- Bad debts to Account receivable ratio
- Current liability ratio
- Total debts to total assets
- Debtors' turnover
- Inventory turnover
- Operating margin percent
- Net profit margin percent

In case any of the above requirements are not applicable to the listed entity, then the listed entity should disclose such other ratio/equivalent financial information as required under other applicable laws.

- **Submission of statement of utilisation of the issue proceeds (Regulation 52(7) and Regulation 52(7A)):** The amendment to the LODR regulation states that the statement for utilisation of issue proceeds and statement of material deviations, if any, should be submitted along with the quarterly financial results

(earlier within 45 days from the end of the quarter). It should be submitted in the prescribed format and till such proceeds have been fully utilised or the purpose for which the proceeds were raised has been achieved.

- **Newspaper advertisement (Regulation 52(8)):** A listed entity is required to publish the financial results and details of ratios/financial information, in at least one English national daily newspaper, within two days of conclusion of the board meeting. It has now been clarified that, in case where the listed entity submits standalone and consolidated financial results to the stock exchange, then it should publish the consolidated financial results along with the details of ratios/financial information in the newspaper.



1. Amendments to SEBI LODR Regulations

4. Scheme of arrangement for entities that have listed Non-Convertible Debt securities (NCDs) and Non-Convertible Redeemable Preference shares (NCRPS) (Regulation 59A and Regulation 94A)

As per amendment to the LODR Regulation, a listed entity that has listed NCDs/NCRPs and is intending to undertake a scheme of arrangement or is involved in a scheme of arrangement as per the provisions of the Companies Act, 2013 (2013 Act), is required to first file draft scheme of arrangement with stock exchange along with the prescribed fees in order to obtain a no-objection letter before filing the scheme with the court/tribunal. Therefore, the listed entity should not file any scheme of arrangement the National Company Law Tribunal (NCLT) unless it has obtained a no-objection letter from the stock exchange.

In this regard, on 17 November 2022, the SEBI issued a circular which contains the operational aspects for scheme of arrangement entered into by such entities.

The key takeaways from the circular are as follows:

- Prescribes the procedure to file the scheme of arrangement
- List of documents to be submitted to the stock exchange are stipulated
- The entity is also required to submit a valuation report from a registered valuer and an auditor's certificate certifying the payment/repayment capability of the entity and stating that the accounting treatment contained in the scheme is in compliance with all the provisions of the 2013 Act and the rules framed thereunder.
- The listed entity is also required to disclose the draft scheme of arrangement and all the documents on its website, simultaneously while filing it with the stock exchange(s).

Subsequently, SEBI issued a circular on 9 December 2022 clarifying that, the above provisions should not apply to a scheme of arrangement between a debt listed entity and its unlisted wholly owned subsidiary, however, such a debt listed entity shall file the draft scheme of

arrangement with the stock exchange(s) for the purpose of disclosure and the stock exchange(s) shall disseminate the scheme documents on their websites.

5. Clarification for unclaimed interest/dividend/redemption amount (Regulation 61A)

Regulation 61A of the LODR Regulation states that an issuer of NCS should not forfeit unclaimed interest/dividend/redemption amount and where such amount has not been claimed within 30 days from the due date. In such cases, a listed entity, should within seven days from the date of expiry of 30 days, transfer the amount to an escrow account opened in any scheduled bank. Further, if the amount that has been transferred to the escrow account remains unclaimed for seven years, it must be transferred to the Investor Education and Protection Fund as per Section 125 of the 2013 Act.

The amendment to LODR Regulations has clarified that in case of listed entities which do not fall within the definition of 'company' under the 2013 Act and the rules made thereunder, any amount in the escrow account that remains unclaimed

for seven years should be transferred to the Investor Protection and Education Fund as per Section 11 of the 2013 Act.





1. Amendments to SEBI LODR Regulations

Key takeaways

- The abovementioned amendments are effective on an immediate basis and therefore, entities should ensure requisite procedures are in place for the compliance with the regulation.
- The amendment introducing the alternative method for the appointment/removal of IDs provides flexibility in the approval process. However, inconsistencies exist between the 2013 Act and the Listing Regulation as amendments to the Listing Regulations, as where the special resolution for the appointment of an ID fails to get the requisite majority of votes, in such cases, the appointment needs to be made in accordance with the alternate route specified above. The 2013 Act instead requires the initial appointment of the ID (first term) by way of an ordinary resolution.
- Further, the amendments with respect to submission of financial results by entities that have listed NCS are clarificatory in nature and have been made with an aim to align the time limits for submission applicable equity listed companies. Since the amendments are effective immediately, listed entities that issue NCS would need to comply with the amendments for their financial results for the period ending 31 December 2022.
- Earlier, the provisions regarding schemes of arrangement were not specified for the listed entities that have issued NCS. Therefore, the introduction of Regulation 59A would help in providing appropriate guidance to the listed entities intending to initiate a scheme of arrangement.



(Source: SEBI LODR (Sixth Amendment) Regulations, 2022 dated 14 November 2022, SEBI circular no. SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2022/156 dated 17 November 2022 and circular no. SEBI/HO/DDHS/DDHS-RACPOD1/P/CIR/2022/170 dated 9 December 2022)



2. SEBI issues consultation paper for disclosure of material events

Regulation 30 of the LODR Regulations requires an entity that has listed specified securities, to provide disclosure of material events or information to the stock exchange in accordance with Part A of Schedule III of the LODR Regulations. The events disclosed under Para A of Part A of the Schedule III are deemed to be material events which are required to be disclosed whereas the events enumerated in Para B of Part A of Schedule III are to be disclosed on the basis of the materiality policy formulated by the listed entity.

SEBI received complaints/references regarding inadequate/inaccurate/misleading/delayed disclosures provided by the listed entities. Further, listed entities have also expressed their concern that uniformity in the guidance is required for determining materiality of events or information. In order to streamline the disclosure requirements for material events or information, SEBI has issued a consultation paper 'Consultation Paper on Review of disclosure requirements for material events or information' on 12 November 2022. The period to provide comments closed on 12 December 2022.

Some of the key proposals provided by the consultation paper are:

- **Materiality Threshold:** As many entities had formulated generic materiality policy as per the provisions of Regulation 30(4) of the LODR Regulations, certain events under Para B were not being disclosed. Therefore, it is proposed to introduce a quantitative minimum threshold to the materiality policy. Accordingly, disclosure should be made for events whose threshold value or the expected impact in terms of value exceeds the lower of the following:
 - a. Two percent of turnover as per the last audited standalone financial statements of the listed entity;
 - b. Two percent of net worth as per the last audited standalone financial statements of the listed entity
 - c. Five percent of three-year average of absolute value of profit/loss after tax as per the last three audited standalone financial statements of the listed entity.

- **Materiality Policy:** The consultation paper proposes that listed entities may provide additional quantitative threshold or criteria for determining materiality of events in their materiality policies in addition to the criteria/threshold specified under Regulation 30(4)(i) of LODR Regulations. Further, the consultation paper provides that the listed entity should consider following while framing its materiality policy:
 - a. The materiality policy should not dilute any requirements specified under the regulation
 - b. The materiality policy shall be framed in a manner so as to assist the employees in identifying potential material event or information which shall be escalated and reported to the relevant Key Managerial Personnel (KMP) for determining materiality of the event or information and for making disclosure to stock exchange(s).
- **Timeline for disclosure of events:** To ensure quicker disclosure of material events or information, the consultation paper proposed following timelines for

disclosure of events:

- a. **Emanating from within the listed entity** - Not later than 12 hours from occurrence of event or information
- b. **Not emanating from within the listed entity** - Not later than 24 hours from occurrence of event or information
- c. **Outcome of meetings of board of directors** - Within 30 minutes from the closure of the meeting of the board of directors.

In case of those events for which specific timelines have already been provided under Part A of Schedule III of LODR Regulations, disclosure of those events would be required to be done as per the said specified timelines.

- **Verification of market rumors:** The top 250 listed entities should mandatorily confirm or deny any event or information reported in the mainstream media, whether in print or digital mode, which may have material effect on the listed entity. The top 250 listed entities should be determined on the basis of market capitalisation, as at the end of the immediate previous financial year.



2. SEBI issues consultation paper for disclosure of material events

- **Disclosure of cyber security incidents or breaches and loss of data/documents:** The listed entities should provide disclosures in relation to 'cyber security incident' or 'cyber security breaches'³ or loss of data/documents of a listed entity in the quarterly corporate governance report in the format as prescribed by SEBI.
- **Addition and modification of events:** The consultation paper has also proposed certain additions and modifications of events under Para A and Para B of Para A of Schedule III of LODR Regulations.

Key additions and modifications under Para A are as follows:

- i. Disclosure of all announcement or communication to any form of mass communication media by directors/promoters/KMP/senior management in relation to the listed entity which is not already made available in the public domain by a listed entity
- ii. Details of the regulatory actions taken against listed entity, its directors, KMP, senior management, promoter, or subsidiary shall be disclosed. The name

of the authority, nature and details of the action(s) taken or initiated, date of receipt of direction or order, details of the violation(s) committed and the impact on financial, operational or other activities of the listed entity should be disclosed.

- iii. Details regarding voluntary revision of financial statements or the report of the board of directors of the listed entity shall be provided.
- iv. In case of resignation of a KMP, a senior management, or a director other than independent director, the letter of resignation along with detailed reasons for the resignation as given by the KMP or the senior management or the director shall be disclosed to the stock exchanges by the listed entities within seven days from the date of resignation.
- v. If the Managing Director (MD)/Chief Executive Officer (CEO) is not available to perform his roles and responsibilities for a period of more than a month, then the same should be disclosed to the investors.
- vi. In case of acquisition of control by a listed entity, it has been clarified that acquisition would mean acquisition of shares in a

newly incorporated entity as well as an existing entity. Further, a disclosure shall be provided if the acquisition exceeds the materiality threshold limit as prescribed in consultation paper. Additionally, a disclosure should also be provided in case of sale of stake in an associate company and sale or disposal of the whole or substantially the whole of an undertaking as defined under Section 180 of the 2013 Act. It has been clarified that sale or disposal of subsidiary or stake in an associate shall include:

- Cessation of control in subsidiary, or
 - Sale or agreeing to sell more than two per cent of shares or voting rights in the subsidiary or associate company.
- vii. The disclosure of credit rating or revision in rating shall be made even if it was not requested for by the listed entity or the request was withdrawn by the listed entity.
 - viii. At present, disclosure of change in directors, KMP, auditor and compliance officer are required to be provided. It has been proposed that change in senior management shall also be disclosed.

Key modifications and additions in Para B are as follows:

- i. Delay or default in payment of fines, penalties, dues, etc. to any regulatory, statutory, enforcement or judicial authority should be disclosed.
- ii. Disclosure shall be provided by a listed entity in case of any arrangements for strategic, technical, manufacturing, or marketing tie-up, adoption of new line(s) of business or closure of operation of any unit/division/subsidiary (in entirety or piecemeal).
- iii. At present, disclosures were provided for loan agreements wherein a listed entity was a borrower. It has been proposed that material loan agreements in which the listed entity is a lender should also be disclosed. Therefore, a listed entity should provide disclosures with respect to all loan agreement entered/amended/revise/terminated which are binding and not entered into in the normal course of business. Further, this disclosure shall not be provided by a bank or a non-banking financial company.

3. As defined in Information Technology (The Indian Computer Emergency Response Team and Manner of Performing Function and Duties) Rules, 2013.

(Source: SEBI's Consultation Paper on Review of disclosure requirements for material events or information under SEBI LODR Regulations, dated 12 November 2022)



3. Option for pre-filing of offer document for an Initial Public Offer (IPO)

The SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations) lays down the detailed provisions for a public issue. On 21 November 2022, SEBI issued a notification to amend ICDR Regulations to introduce pre-filing of an offer document as an optional alternative mechanism for the purpose of an IPO of specified securities. The pre-filing mechanism enables issuers to carry out limited interaction without having to make any sensitive information public.

The key considerations from the regulation are as follows:

- a. Submission of documents:** Before making an IPO, the issuer is required to file the following documents with SEBI and the stock exchange along with the prescribed fees:
- Three copies of the pre-filed draft offer document
 - Certificate confirming the agreement entered into between the issuer and the lead manager(s)
 - Due diligence certificate in the specified

format

- An undertaking from the issuer and the lead manager stating that they shall not conduct marketing or advertisement for the intended issue.
- b. Public Announcement:** As the pre-filed offer document would not be made available in public domain, the issuer is required to make a public announcement disclosing the fact of filing the pre-filed draft offer document within two days of pre-filing the draft offer document. The issuer should not disclose any other details in such a public announcement.
- c. Filing of the Draft Red Herring Prospectus (DRHP) and Red Herring Prospectus (RHP):** The regulation provides the time limits and guidance for resolution of observations of SEBI on the pre-filing the draft offer document and DRHP. It also prescribes the time limit for which the DRHP should be made available for public comments and the resolution of the observations of the public and filing of the RHP.

- d. Interaction with Qualified Institutional Buyers (QIBs):** The regulations permit an issuer to interact with QIBs provided such interaction is limited to the extent of the information contained in the pre-filed draft offer document. In such scenarios, the issuer and the lead manager(s) are required to prepare a list of the QIBs who have participated in such interaction and shall obtain confirmation of closure of interaction(s) which shall be submitted to SEBI.
- e. Monitoring agency:** If the issue size exceeds INR100 crore, then the issuer shall appoint a credit rating agency registered with SEBI in order to monitor the use of proceeds. The monitoring agency shall submit its report to the issuer in the specified format on a quarterly basis till 100 per cent of the proceeds of the issue have been utilised. The report of monitoring agency should be uploaded on the issuer's website and should be submitted to the stock exchange within 45 days from the end of each quarter.

- f. Due diligence formats:** The format and requirements for filing of the following due diligence certificates has been prescribed in the regulations:

- To be filed along with pre-filed draft offer document
- At the time of filing the updated draft red herring prospectus
- In the event of disclosure of material events after the filing of the offer document.

The abovementioned regulations are effective from 22 November 2022.



(Source: SEBI notification no. No. SEBI/LAD-NRO/GN/2022/107 dated 21 September 2022)



Updates relating to the SEBI Regulations



Updates relating to RBI Regulations



Other updates

3.Option for pre-filing of offer document for an Initial Public Offer (IPO)

Key takeaways

With respect to the existing mechanism for an IPO, one of the concerns faced by the issuer companies was disclosure of sensitive information in the DRHP which may be beneficial to its competitors. Therefore, the regulation on pre-filing of draft offer document should be considered as a welcome step as it helps in maintaining confidentiality of sensitive information.





4. SEBI issues master circular on release of one percent of issue amount in a public issue

As per the provisions of SEBI ICDR Regulations, the issuer, before the opening of the subscription list, is mandated to deposit with the Designated Stock Exchange (DSE), one percent of the issue size available for subscription to the public and the same is released to the issuer as per the manner specified by SEBI.

In this regard, on 7 November 2022 SEBI has issued a master circular which states that the amount of one percent of the issue size deposited shall be released only after obtaining a No Objection Certification (NOC)

from SEBI. The master circular prescribes the manner for obtaining the NOC. The provisions of this circular are applicable to all companies whose securities are listed on the stock exchanges and all registered merchant bankers. Further, the master circular is effective from 7 November 2022.

The key considerations of the circular are as follows:

- a. The issuer is required to submit an application to SEBI after the expiry of 2 months from the date of listing on the stock exchange.
- b. The application for NOC should be filed by the Post Issue Lead Merchant Banker (PILMB), provided that all issue related complaints have been resolved by the PILMB/issuer.
- c. The PILMB should also submit a certificate confirming that all the Self-Certified Syndicate Banks (SCSBs) involved in Application Supported by Blocked Amount (ASBA) have been unblocked.
- d. The master circular prescribes the format for submitting the abovementioned applications.
- e. SEBI shall issue an NOC after satisfying itself that the complaints arising regarding the issue received on SEBI Complaint Redress System (SCORES) against the issuer have been resolved to its satisfaction. Additionally, the issuer has to submit 'Action Taken Reports' on such complaints as per the format specified in master circular and the fees due to intermediaries associated with the issue process including ASBA Banks have been paid by the issuer.

The mentioned master circular is effective from 7 November 2022.



(Source: SEBI circular no. SEBI/HO/OIAE/IGRD/P/CIR/2022/0151 dated 7 November 2022)



5. SEBI prescribes regulations for constitution of governing council for a Social Stock Exchange (SSE)

On 25 July 2022, SEBI amended the ICDR Regulations and inserted a Chapter X-A on SSE. As per the ICDR Regulations, an SSE would be a separate segment of a recognised stock exchange having nationwide trading terminals permitted to register Not for Profit Organisations (NPO) and/or list the securities issued by NPO in accordance with provisions of ICDR Regulations.

As per Regulation 292D of the ICDR Regulations, every SSE shall constitute a Social Stock Exchange Governing Council (SGC) to have an oversight on its functioning. In this regard, SEBI issued a circular on 13 October 2022 stipulating the guidelines for composition and terms of reference for a SGC. The circular specifies that the SGC should have minimum seven members comprising of individuals with relevant expertise who can contribute to the development of an SSE. Further, the SGC is expected to provide oversight and guidance to facilitate smooth functioning of the operations of an SSE, with regard to registration, fund raising and disclosures by social enterprises.



(Source: SEBI circular no. SEBI/HO/MRD/MRD-RAC-2/P/CIR/2022/141 dated 13 October 2022)



6. Option to conduct board meeting through video conferencing or other audio-visual means

The SEBI (Procedure for Board Meetings) Regulations, 2001 lays down the regulatory provisions and procedure for conducting board meetings. Regulation 4 SEBI (Procedure for Board Meetings) Regulations, 2001 states that board meetings should be held at such a time and place in India as specified in the notice for the board meeting.

SEBI amended the regulation through a notification dated on 9 December 2022 to allow a member to participate in the meeting through video conferencing or any other audio-visual means provided the same is communicated to the chairperson or the secretary of the board in advance so that suitable arrangements can be made.

Additionally, the amendment introduced the Schedule I to Regulation 4 which provides a procedure for allowing members to participate in board meetings through video conferencing or other audio-visual means. Schedule I also provides that a member participating in a meeting through video conferencing or other audio-visual means shall be counted for the purpose of quorum and shall be vested with same rights and obligations as are applicable in case the meeting is attended in person. Further, minutes of the meeting shall disclose the particulars of the members who attended the meeting through video conferencing or any other audio-visual means.



(Source: SEBI (Procedure for Board Meetings) (Amendment) Regulations, 2022 dated 9 December 2022)



7. SEBI approves certain proposals through its board meeting

On 20 December 2022, SEBI issued a press release to communicate the proposals approved in the SEBI board meeting on certain significant matters pertaining to the SEBI Regulations.

The key takeaways are as follows:

a. Amendment to SEBI (Buy-back of Securities) Regulations, 2018

With an aim to streamline the process of buyback, create a level playing field for investors and promote ease of doing business, the following amendments have been approved in the SEBI (Buy-back of Securities) Regulations, 2018:

- **Buyback through stock exchange route:** With respect to the buyback of shares or other specified securities through the stock exchange, the following has been approved:
 - i. As per the existing provisions, a company may buy-back its shares or other specified securities through the stock exchange. It has now been decided to phase out this route of buyback in a gradual manner.

- ii. The minimum utilisation amount earmarked for buyback through the stock exchange route to be increased from 50 per cent to 75 per cent.
- iii. A separate window would be created on the stock exchanges for undertaking buyback through stock exchange till the time such a route is permitted.

- **Buyback through tender offer route:** With respect to the buyback of securities through tender offer, the following has been approved:
 - i. The timeline for completion of buyback has been reduced by 18 days by removing the requirement of filing draft letter of offer with SEBI and its observations thereof, and reduction of the duration of the tendering period and period available for payment of consideration to the shareholders
 - ii. Permitted upward revision of buyback price until one working day prior to the record date
 - iii. It is mandated that the relevant advertisements/documents with

respect to buyback such as, copy of the public announcement, letter of offer, etc. should be placed on the respective website of the stock exchange(s), merchant banker and the company for better dissemination of information to shareholders.





7. SEBI approves certain proposals through its board meeting

b. Appointment of a nominee director and public issue timelines

There are amendments to SEBI (Issue and Listing of Non-Convertible Securities) Regulations with respect to the timelines for the corporate bond market:

- i. In order to protect the interests of debenture holders, it has been decided that issuers of listed debt securities shall incorporate suitable provisions in their articles of association, to cast an obligation on the board of directors of the issuer to appoint the person nominated by its Debenture Trustee (DT) as a director in the event of a default. Further, corresponding amendments should be made in the debenture trust deed. The existing listed debt issuers are required to comply with this requirement by 30 September 2023.
- ii. At present, there are no guidelines that stipulate the duration for which a public issue of debt securities or Non-Convertible Redeemable Preference

Shares (NCRPS) should be kept open. Therefore, it has been decided that public issue of debt securities and NCRPS should be kept open for subscription for a minimum period of three working days and maximum period of 10 working days.

The abovementioned timelines are aligned with timelines provided for specified securities under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations).

c. Amendment to SEBI NCS Regulations to facilitate sustainable finance while safeguarding against 'greenwashing'

Considering the increasing interest in sustainable finance and with a view to align the extant framework for green debt securities with the updated Green Bond Principles (GBP) recognised by IOSCO, SEBI reviewed the regulatory framework for green debt securities. The following points have been approved:

- i. It has been decided to enhance the scope of the definition of green debt security by including new modes of sustainable finance in relation to pollution prevention and control, eco-efficient products, etc.
- ii. Introduction of the concept of blue bonds (related to water management and marine sector), yellow bonds (related to solar energy) and transition bonds as sub-categories of green debt securities
- iii. To address concerns of the issuers against 'greenwashing' related risks, specify the basic dos and don'ts with respect to green debt securities.



(Source: SEBI Press Release No. PR No. 37 /2022 dated 20 December 2022)



8. Amendment to mutual fund regulations for transfer of dividend redemption of proceeds

The SEBI (Mutual Funds) Regulations, 1996 (MF Regulations) lay down the regulatory framework for operations and functioning of Mutual Funds (MFs). Regulation 53 of the MF Regulations provided guidelines for despatch of dividend and redemption or repurchase proceeds.

On 15 November 2022, SEBI issued the SEBI (Mutual Funds) (Third Amendment) Regulations, 2022 (MF Amendment Regulations) to introduce new provisions on the transfer of dividend to unitholders and redemption of proceeds by a mutual fund and an Asset Management Company (AMC), thereby replacing the existing Regulation 53. Subsequently, on 25 November 2022, SEBI issued a circular prescribing the timelines for transfer of dividend and redemption proceeds to unitholders.

The key considerations from the amendments are as follows:

- **Payment of dividend:** The record date for payment of dividend should be two

working days from the issue of public notice and dividend should be paid to the unitholders within seven working days from record date.

- **Redemption or repurchase proceeds:** The redemption or repurchase proceeds should be transferred to the unitholders within three working days from the date of redemption or repurchase. However, in case of schemes investing at least 80 per cent of total assets in permissible overseas investments⁴, the transfer of redemption or repurchase proceeds should be made within five working days from the date of redemption or repurchase.
- **Delay in transfer of redemption or repurchase or dividend:** In case of delay in transfer of redemption or repurchase or dividend, the AMC would be liable to pay interest to the unitholders at the rate of 15 per cent per annum along with the proceeds of redemption or repurchase or dividend. The details of such payments

would be sent to SEBI as per the format prescribed in the circular and investors should be informed about the rate and amount of interest paid to them.

The above amendment is effective from 15 January 2023.

4. SEBI Circular SEBI/IMD/CIR No.7/104753/07 dated 26 September 2007 provides the list of permissible investments for the purpose of overseas investments.



(Source: SEBI notification no. SEBI/LAD-NRO/GN/2022/106 dated 15 November 2022 and circular no. SEBI/HO/IMD/IMD-I DOF2/P/CIR/2022/161 dated 25 November 2022)



9. SEBI issues insider trading regulations for units of mutual funds

The erstwhile provisions of the SEBI (Prohibition of Insider Trading) Regulations, 2015 (PIT Regulations) provided regulations and guidelines applicable to a person who is in possession of Unpublished Price Sensitive Information (UPSI) of certain securities⁵ other than units of a mutual fund.

On 24 November 2022, SEBI issued PIT Amendment Regulations to insert Chapter II-A to the PIT Regulations which prescribes the guidelines for prohibition of insider trading applicable to units of a mutual fund. This regulation is applicable to all insiders i.e., a connected person as defined under Regulation 5B(1)(b) of Chapter II-A or any person who has access to UPSI with respect to the mutual fund scheme.

The key considerations are as follows:

a. Obligations of insiders: An insider should not communicate, provide, or allow access to any UPSI to any person except where such communication is in furtherance of legitimate purposes, performance of duties or discharge of legal obligations. Further, an insider in possession of UPSI should not trade in units of a scheme of a mutual fund which

may have a material impact on the net asset value of a scheme or may have a material impact on the interest of the unit holders of the scheme.

b. Confidentiality for sharing UPSI: The board of directors of an Asset Management Company (AMC) with the approval of the trustees shall formulate a policy for determination of 'legitimate purposes' for sharing of UPSI in the ordinary course of business by an insider with trustees, registrars and share transfer agents, custodians, valuation agencies, fund accountants, Association of Mutual funds of India, credit rating agencies, legal advisors, auditors or other advisors or consultant. Such a person with whom UPSI has been shared for legitimate purposes is required to maintain confidentiality and is required to comply with the regulation. Further, the board of directors are required execute a non-disclosure agreement for maintaining confidentiality.

c. Maintenance of structured database: The board of directors should maintain a structured database which contains the nature of UPSI, the names of the persons who have shared such an information and with whom such an information is shared along with the Permanent Account Number (PAN) or any other identifier authorised by law where PAN is not available. The database should be maintained internally along with adequate internal controls and checks, There should also be a feature for maintaining audit trails and the database should not be tampered and should be preserved for a minimum period of 8 years after completion of relevant transactions.

d. Disclosures to be made by the AMC: The AMC is required to disclose the details of holdings in the units of its mutual fund schemes held by the designated persons of the AMC, trustees and their immediate relatives on the stock exchanges on a quarterly basis.

e. Code of Conduct: A code of conduct should be formulated to regulate, monitor and report trading by designated persons and their relatives.

f. Identification of 'Designated Person': The board of directors of the AMC, after consultation with the compliance officer, should appoint a designated person on the basis of their role in the organisation who would be covered by the code of conduct.

g. System of internal control and policy for leak of UPSI: The Chief Executive Officer (CEO)/Managing Director (MD) of the AMC, after the approval of the trustee or such other analogous person of an intermediary or fiduciary, should formulate and execute an adequate and effective system of internal controls in order to ensure the requirements of the regulation are complied with.

5. Securities defined under the Securities Contracts (Regulation) Act, 1956 or any modification thereof.



9. SEBI issues insider trading regulations for units of mutual funds

h. Whistleblower policy and policy for leak of UPSI:

The AMC, with the approval of the trustees, should formulate written policies and procedures for an inquiry in case of leak of UPSI or suspected leak of UPSI. Appropriate inquiries should be undertaken and SEBI should be promptly informed regarding such leaks, inquiries and result of such inquiries. Also, whistleblower policy should be formulated, which should be brought to the notice of the employees to enable them to report instances of leak of such unpublished price sensitive information.

i. Reviews by an audit committee:

The audit committee of an AMC or such other analogous body of an intermediary or fiduciary, should undertake reviews at least once in a financial year to verify the compliance with the provisions of the regulations and to verify that the systems for internal control are adequate and are operating effectively.

The above regulations are effective from 24 November 2022.



(Source: SEBI (Prohibition of Insider Trading) (Amendment) Regulations, 2022 dated 24 November 2022)



Updates relating to the SEBI Regulations



Updates relating to RBI Regulations



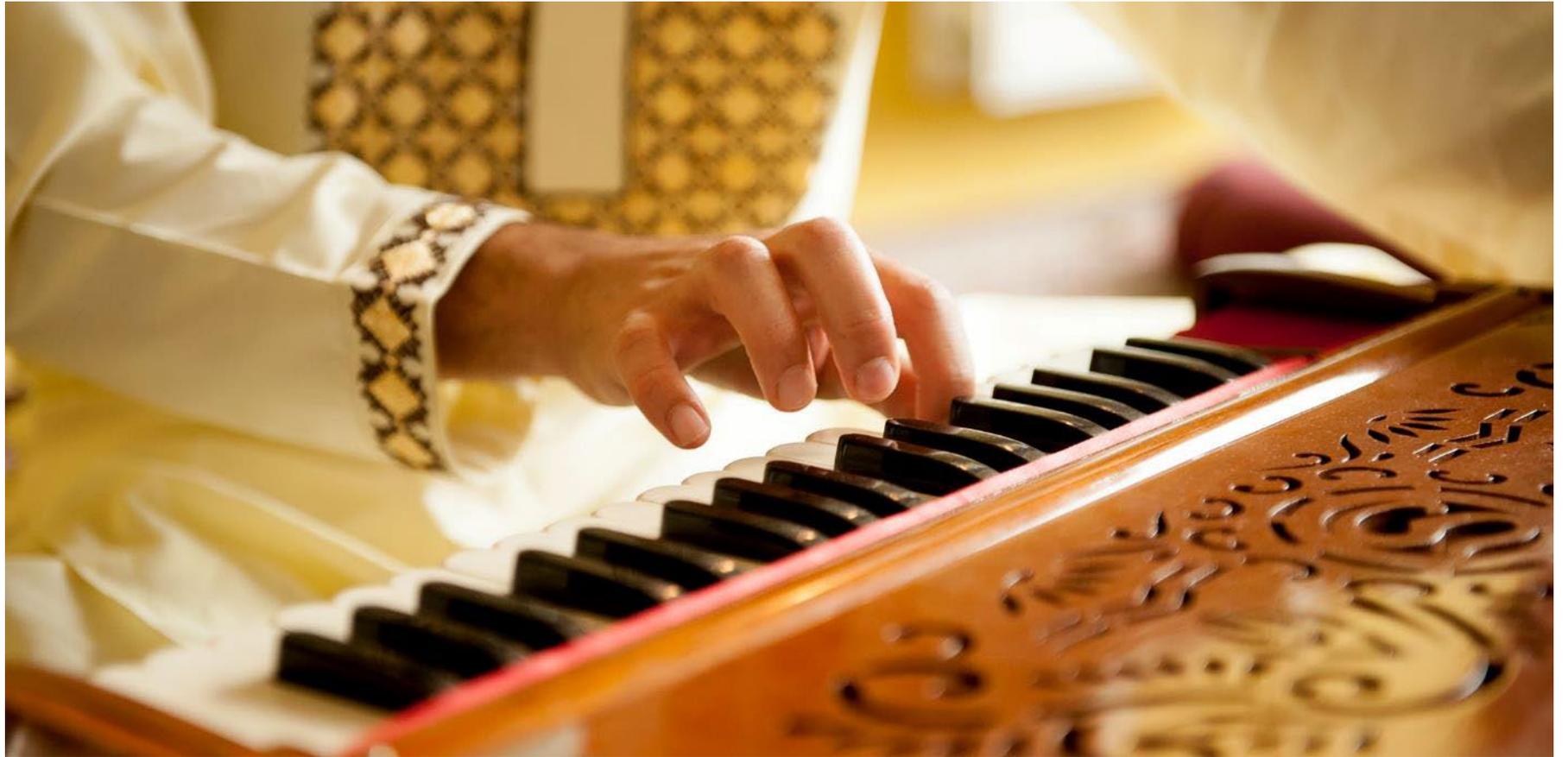
Other updates

10. SEBI's power to relax strict enforcement of the regulations

Regulation 102 of the SEBI LODR Regulations states that SEBI may provide relaxation from the strict enforcement of any requirement stipulated in the regulations subject certain conditions.

On 5 December 2022, through a notification, SEBI has stated that it shall also grant relaxation from the requirements of the regulations if an application is made by the Central Government in relation to its strategic disinvestment in a listed entity.

(Source: SEBI notification no. SEBI/LAD-NRO/GN/2022/109 dated 5 December 2022)





1. Amendments to the directions on presentation and disclosure of financial statements

The RBI (Financial Statements - Presentation and Disclosures) Directions, 2021 (Master Directions) provides guidelines/instructions/directives to the banks on the presentation of financial statements, regulatory clarification on compliance with accounting standards and disclosures in notes to accounts.

RBI has issued the following amendments with respect to presentation and disclosure requirements in the financial statements during the quarter:

i. Disclosure of material items

Annexure II of the Master Directions provides general instructions for the compilation of balance sheet and profit and loss account for commercial banks. On 13 December 2022, RBI issued instructions for commercial banks for disclosure of material items. These instructions are effective for disclosures in the notes to the annual financial statements for the year ended 31 March 2023 and onwards.

The key takeaways are as follows:

- a. **Miscellaneous income and other expenditure:** Particulars should be provided in the notes to accounts if any item under the subhead 'Miscellaneous Income' disclosed under the head 'Schedule 14-Other Income' exceeds one per cent of total income. Similar instructions apply for any item disclosed under the subhead 'Other expenditure' under the head 'Schedule 16-Operating Expenses'.
- b. **Other liabilities and assets:** Particulars should be disclosed in the notes to accounts for any item under the head 'Schedule 5(IV)-Other Liabilities and Provisions- Others (including provisions)' or 'Schedule 11(VI)-Other Assets-Others' exceeds one per cent of the total assets.

- c. **Commission, Exchange and Brokerage:** With respect to Payment Banks (PBs), particulars should be disclosed in the notes to accounts for all such items that exceed one per cent of the total income disclosed under the head 'Schedule 14(I)-Other Income-Commission, Exchange and Brokerage'.

The circular further states that, with respect to the disclosures provided under 'Chapter IV- Disclosure in financial statements – notes to accounts' of the Master Directions, the banks must provide comprehensive disclosures than the minimum required disclosures, if such disclosures significantly aid in understanding the financial position and performance of banks.





1. Amendments to the directions on presentation and disclosure of financial statements

ii. Disclosure of divergence in asset classification and provisioning

Annexure III to the Master Directions requires commercial banks (excluding Regional Rural Banks (RRBs)) to disclose details of divergence in asset classification and provisioning if the divergence assessed by RBI exceeds certain specified thresholds. In order to strengthen the compliance with income recognition, asset classification and provisioning norms, RBI through a circular dated 11 October 2022 has revised the specified thresholds for commercial banks and has introduced similar disclosure requirements for Primary Urban Co-operative Banks (UCBs). The amendment in the circular is applicable for disclosures in the notes to the annual financial statements for the year ended 31 March 2024 and onwards.

The disclosure for asset classification and provisioning norms should be provided if

either or both of the following conditions are satisfied:

- a. The additional provisioning for Non-Performing Assets (NPAs) assessed by the RBI exceeds 5 per cent (*earlier 10 per cent*) of the reported profit before provisions and contingencies⁶ for the reference period, and
- b. The additional Gross NPAs identified by the RBI exceed 5 per cent (*earlier 10 per cent*) of the reported⁷ incremental Gross NPAs for the reference period.

In case of UCBs, the threshold for reported incremental Gross NPA as specified in paragraph (b) above shall be 15 per cent which would be reduced progressively in a phased manner, after review.

The thresholds specified above would be applicable for disclosures in the notes to the annual financial statements for the year ending 31 March 2024 and onwards.



(Source: RBI notification no. RBI/2022-23/154 DOR.ACC.REC.No.91/21.04.018/2022-23 dated 13 December 2022 and RBI notification no. RBI/2022-23/130 DOR.ACC.REC.No.74/21.04.018/2022-23 dated 11 October 2022)

6. To determine this threshold, UCBs should add back (a) tax expense and (b) provisions for standard and NPAs (recognised as expenses in their profit and loss account) to their reported net profits for the year.

7. Reported incremental gross NPAs refers to additions during the reference year to the Gross NPAs as disclosed in the notes to the financial statements of the reference period.



2.RBI issues a concept note on Central Bank Digital Currency (CBDC)

On 7 October 2022, through a press release RBI issued a concept note on CBDC. CBDC is a digital form of currency note issued by a central bank. The purpose behind the issue of the concept note was to create awareness about CBDCs in general and the planned features of the same.

This concept note aims to explain the objectives, choices, benefits and risks of issuing a CBDC in India, referred to as e₹ (digital Rupee). The e₹ will provide an additional option to the currently available forms of money. The concept note also discusses the key considerations of e₹ such as its technology and design choices, possible uses of e₹, issuance mechanisms, etc. It explains the implications of introduction of CBDC on the banking system, monetary policy, financial stability, and analyses privacy issues.

(Source: RBI press release no. 2022-2023/1012 dated 7 October 2022)





3. RBI issues guidelines on unhedged foreign currency exposure

On 11 October 2022, RBI through a circular issued Unhedged Foreign Currency Exposure (UFCE) Directions, 2022 (UFCE Directions 2022). A comprehensive review of the existing guidelines instructions/directions was undertaken and references from banks was received seeking clarifications on certain matters. The revised guidelines are a consolidation of all the existing instructions/guidelines⁸ and the revisions and clarifications on certain matters.

The provisions of the circular are applicable from 1 January 2023 to all commercial banks (excluding Payments Banks and Regional Rural Banks). Additionally, the provisions of the circular are also applicable to overseas branches/subsidiaries of banks incorporated in India subject to certain conditions.



8. RBI circular DBOD.BP.BC.37/21.04.048/2001-2002, 27 October 2001, DBOD.BP.BC.51/21.04.103/2003-2004, 5 December 2003, DBOD.BP.BC.96/21.04.103/2008-09, 10 December 2008, DBOD.BP.BC.No.76/21.04.103/2011-12, 2 February 2012, DBOD.BP.BC.No.61/21.04.103/2012-13, 21 November 2012, DBOD.No.BP.BC.85/21.06.200/2013-14, 15 January 2014, DBOD.No.BP.BC.116/21.06.200/2013-14, 3 June 2014, Mailbox Clarification dated 8 July 2016 and DOR.No.MRG.BC.41/21.06.200/2020-21, 17 February 2021



3. RBI issues guidelines on unhedged foreign currency exposure

The key amendments in the UFCE Directions 2022 are as follows:

- **Revision in the definition of ‘entities’:** As per the existing definition, the term ‘entity’ means an entity which has borrowed from a bank including borrowings in Indian Rupee (INR) and other currencies irrespective of the size of exposure/entity. This definition has been revised. As per the revised definition, an entity means a counterparty to which a bank has an exposure in any currency.
- **Extension of exemption of UFCE transactions:** Currently, banks’ exposures to an entity arising from derivative transactions is excluded from the purview of UFCE guidelines. This exemption has now been expanded to include factoring transactions. Therefore, as per the UFCE Directions 2022, banks’ exposures to an entity arising from derivative transactions and/or factoring transactions shall be excluded from the purview of UFCE guidelines.

- **Assessment of exposure to smaller entities:** Currently, banks have an option to follow an alternative method for exposures to ‘smaller entities’ which have

- a. UFCE and
- b. Are not in position to provide information on their UFCE to the bank.

However, banks were unable to ascertain whether the entity has UFCE due the non-availability of information on UFCE from such entities. In order to address this issue, the UFCE Directions 2022 state that an alternative method would be applicable for exposure to ‘smaller entities’ which have:

- i. Foreign Currency Exposure (FCE), instead of UFCE and
- ii. Are not in position to provide information on their UFCE.

Additionally, the definition of ‘smaller entities’ has also been revised. As per the revised guidelines, smaller entities are those entities on which total exposure of the banking system is INR50 crore or less (*earlier INR25 crore or less*).

- **Incremental capital requirement:** Banks are required to provide incremental capital and provisioning requirements for certain exposures as follows:

Potential Loss/EBID (%) ⁹	Incremental provisioning requirement	Incremental capital requirement
Upto 15 per cent	0	0
More than 15 per cent and upto 30 per cent	20bps	0
More than 30 per cent and upto 50 per cent	40bps	0
More than 50 per cent and upto 75 per cent	60bps	0
More than 75 per cent	80 bps	25 per centage increase in the risk weight

The UFCE Directions, 2022 clarified that the incremental capital requirement for exposures falling in the last bucket is provided as 25 percentage points increase in risk weight. For example, if an entity which otherwise attracts a risk weight of 50 per cent falls in the last bucket, the applicable risk weight would be 75 per cent (i.e. 50 per cent +25 per cent). This is because the exposures falling in the same bucket will have equal increase in their riskiness irrespective of the original risk weight applicable.

(Source: RBI notification no. RBI/2022-23/131 DOR.MRG.REC.76/00-00-007/2022-23 dated 11 October 2022)

9. Earnings Before Interest and Depreciation – EBID is computed as Profit after tax + Interest on debt + Depreciation + Lease rentals (if any)



4. RBI issues a circular on classification of middle layer NBFCs

In October 2021, RBI issued a circular on the Scale Based Regulatory framework (SBR) prescribing the regulatory structure for NBFCs. As per the circular, NBFCs should be classified into four layers based on their size, activity, and perceived riskiness. Further, as per the Master Direction – Non-Banking Financial Company-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions 2016, NBFCs that are part of a common group or are floated by a common set of promoters should not be viewed on a standalone basis.

In this regard, RBI through its circular dated 11 October 2022 provided that the total assets of all the NBFCs (including NBFCs which will always remain in Base Layer – NBFC-Peer to Peer Lending Platform, NBFC-Account Aggregator, Non-Operative Financial Holding Company and NBFC without public funds and customer interface) in a group¹⁰ should be consolidated to determine the threshold for their classification in the middle layer. Therefore, if the consolidated asset size of the group is INR1,000 crore and above, then each

Investment and Credit Company (NBFC-ICC), Micro Finance Institution (NBFC-MFI), NBFC-Factor and Mortgage Guarantee Company (NBFC-MGC) lying in the group shall be classified as an NBFC in the middle layer and consequently all regulations applicable to the middle layer should be applicable to them.

The circular further states that statutory auditors are required to certify the asset size of all the NBFCs in the group as on 31 March of every year. The certificate shall be furnished to the Department of Supervision of the RBI under whose jurisdiction the NBFCs are registered.

The provisions of the above circular are effective from 1 October 2022 and would not be applicable for classifying an NBFC in the upper layer.

10. Para 3 (vi) of the Master Direction – Non-Banking Financial Company-Systemically Important Non-Deposit taking Company and Deposit taking Company (Reserve Bank) Directions defines ‘Companies in a Group’.



(Source: RBI notification no. RBI/2022-23/129 DOR.CRE.REC.No.78/03.10.001/2022-23 dated 11 October 2022)



Updates relating to the SEBI Regulations



Updates relating to RBI Regulations



Other updates

5. RBI issues clarification for furnishing credit information to Credit Information Companies (CICs)

CICs collect and furnish, on request, credit related information on the existing and prospective borrowers of banks and financial institutions for the purpose of processing credit portfolios. For this purpose, banks/financial institutions submit the data to CICs. A uniform format has been prescribed for submission of data to CICs.

In this regard, a notification has been issued by RBI on 13 December 2022 clarifying that cases admitted with National Company Law Tribunal (NCLT)/National Company Law Appellate Tribunal (NCLAT) under the Insolvency and Bankruptcy Code, 2016 are also required to be reported under the suit-filed cases in the reporting to the CICs. The credit institutions should ensure the same is implemented by 28 February 2023.



(Source: RBI notification no. RBI/2022-23/153 DoR.FIN.REC.90/20.16.056/2022-23 dated 13 December 2022)



1.NFRA's circular on accrual of interest on borrowings classified as Non-Performing Asset (NPA) by the lender

Ind AS 109, *Financial Instruments*, prescribes the principles for the financial reporting of financial assets and financial liabilities. As per Ind AS 109, borrowings and interest thereon should be recognised at amortised cost as per Effective Interest Method (EIM) and Effective Interest Rate (EIR). Further, Ind AS 109, states that a financial liability can be derecognised from the balance sheet only when it is extinguished i.e. when the borrower is legally released from the primary responsibility for the liability or part of it, either by process of law or by the creditor.

In case a bank classifies a borrowings as a Non-Performing Asset (NPA) as per the prudential guidelines of RBI or where a bank writes off the loan for accounting purpose (termed as technical write-off), however, banks are required to maintain memorandum record of accrued interest. This indicates that banks have not legally released the borrower from their contractual liability to pay the interest on the borrowing

and therefore, the borrower must continue to recognise the interest expense on its financial liability. In this scenario, if a company does not accrue or discontinues the recognition of interest expense on borrowings classified as NPA by the lender bank, then such an accounting treatment followed by the company contravenes the principles of Ind AS 109.

In this regard, the National Financial Reporting Authority (NFRA) has issued a circular clarifying that discontinuation of interest expense recognition on financial liability solely based on borrowing company's expectation of waiver/concession of a loan/interest without evidence of legally enforceable contractual documents would result in a major non-compliance with the principles of Ind AS 109.



(Source: NFRA circular no. NF-25011/5/2022-O/o Secy-NFRA dated 20 October 2022)



2.NFRA issues audit quality inspection guidelines

On 11 November 2022, the NFRA published its audit quality inspection guidelines. The overall objective of the inspections is to evaluate the compliance of the audit firm/auditor with auditing standards and other regulatory and professional requirements, and the sufficiency and effectiveness of the quality control system of the audit firm/auditor including:

- i. Adequacy of governance framework and its functioning
- ii. Effectiveness of firm's internal control over audit quality
- iii. System of assessment and identification of audit risks and mitigating measures.

The guidelines prescribe the criteria, scope and methodology of conducting inspection.



(Source: NFRA press release id 1875275 dated 11 November 2022)



3. Framework for sovereign green bonds in India

On 9 November 2022, the Department of Economic Affairs, Ministry of Finance published the India's Sovereign Green Bond Framework (Framework). The issuance of Sovereign Green Bonds (SGB) will help the Government of India (GoI) in obtaining requisite finance from potential investors for deployment in public sector projects aimed at reducing the carbon intensity of the economy.

The framework sets forth the obligations of the GoI as a green bond issuer and it applies to all SGBs issued by the GoI. The framework is designed to comply with the components and key recommendations of the International Capital Market Association (ICMA) Green Bond Principles, 2021.

The four core components as outlined in the framework are as follows:

i. Use of proceeds: The proceeds should be utilised in the manner as prescribed in the Framework. The GoI will use the proceeds raised from SGBs to finance and/or refinance expenditure for eligible green projects described under the 'eligible categories' in the Framework.

ii. Project evaluation and selection: The Framework lays down the process for evaluating and selecting eligible green projects. A Green Finance Working Committee (GFWC), constituted by the Ministry of Finance, will provide support in the selection and evaluation of projects and other relevant work related to the Framework.

iii. Management of proceeds: In order to ensure transparency in the allocation and accounting of the proceeds, a separate account will be created and maintained by the Ministry of Finance. As per the Framework, the Public Debt Management Cell (PDMC) will track the proceeds and shall also monitor the allocation of funds to the eligible green projects. A summary of the project details, allocation of proceeds to each project, expected climate impact and the extent of unallocated proceeds will be maintained in the 'Green Register'.

iv. Reporting: An allocation report will be maintained and updated annually until outstanding proceeds are fully utilised and allocated to the eligible projects. The

report shall also be updated in case of any material changes. The allocation and utilisation of the green bonds will also be under the purview of the Comptroller and Auditor General of India (CAG).



(Source: Department of Economic Affairs, Ministry of Finance publication on framework for sovereign green bonds issued on 9 November 2022)



ICAI updates

1. Non-Compliance with Laws and Regulations (NOCLAR) issued by ICAI

The Code of Ethics (the Code) issued by ICAI lays down the professional obligations and ethical responsibilities of the members whether in practice or in service.

A professional accountant (who is a member of the ICAI) is responsible to act in the public interest and should comply with principles of integrity and professional behavior. They should alert management/Those Charged With Governance (TCWG) on situations of identified/suspected non-compliance. In this regard, on 29 September 2022, ICAI issued the provisions with respect to NOCLAR for both members in service as well as in practice under Volume I of the Code. These provisions are effective from 1 October 2022.

The provisions of NOCLAR in the Code provide detailed guidance in assessing the implications of NOCLAR instances encountered or suspected NOCLAR, while rendering professional services to a client or carrying out professional activities for an employer and provides the possible course of action for addressing the same. Section 260 of the Code provides guidance for professional accountants in employment with listed entities whereas Section 360 of the Code provide guidance for professional accountants undertaking audit engagements for listed entities.



(Source: ICAI's Ethical Standard Board announcement dated 29 September 2022)



Updates relating to the SEBI Regulations



Updates relating to SEBI Regulations



Other updates

2. ICAI publications

The table below provides an overview of some important publications released by ICAI during the quarter:

Publications	Particulars
Report on audit quality review by the Quality Review Board (QRB)	The report summarises the approach for selection of audit firms for review, QRB's expectations, key findings observed in the audit quality reviews and key takeaways for audit firms. The major observations covered in the review report are with respect to Standards on Auditing (SAs), Accounting Standards (AS) and Indian Accounting Standards (Ind AS) and compliance with relevant laws & regulations.
Study on compliance of financial reporting requirements (Ind AS Framework) – Volume II	<p>The publication highlights the instances of non-compliance with the financial reporting requirements observed by the FFRB during its review of the general-purpose financial statements and auditor's report of various entities.</p> <p>The observations are with respect to assets, equity, liabilities, statement of profit and loss, statement of cash flows, other disclosures, auditor's report and CARO, 2016.</p>
Guidance note on the report issued under section 92E of the Income-Tax Act, 1961 (IT Act) (Ninth Edition)	As per Section 92E of the IT Act, every person who has entered into an international transaction or a specified domestic transaction is required to obtain a report from a chartered accountant. As the obligation of the members of ICAI is to express opinion on the accounts, records and documentation pertaining to international transactions and specified domestic transactions, ICAI has issued a guidance note for its members with respect to this report. The guidance note incorporates all the amendments made up to the Finance Act, 2022.
Indian Accounting Standard (Ind AS) Disclosure Checklist	The checklist aims to help entities identify the relevant disclosures required under Ind AS to prepare and present financial statements. It contains all the amendments made in Ind AS up to March 2022 and which are effective from 1 April 2022.
Implementation Guide to Standard on Auditing (SA) 230, <i>Audit Documentation</i> (Revised 2022 Edition)	SA 230 prescribes the basic principles of audit documentation. These principles are required to be complied with by the auditors with respect to the documentation requirements. The 'Implementation Guide to SA 230, <i>Audit Documentation</i> ' provides practical implementation guidance to auditors but also provide guidance with respect to assembly of the final audit file. The revised edition of the implementation guide contains summary of the standard, introduction to the standard, Frequently Asked Questions (FAQs) on SA 230, checklist and an illustrative working paper format.

(Source: QRB publication on report on audit quality review published on 18 October 2022, ICAI publication on Study on compliance of financial reporting requirements issued in 2022, ICAI announcements - Guidance Note on Report Under Section 92E of The Income-Tax Act, 1961 (Transfer Pricing) (Revised 2022) issued on 25 October 2022, ICAI announcement issued in November 2022 and ICAI announcement issued on 15 December 2022)



Updates relating to the SEBI Regulations



Updates relating to SEBI Regulations



Other updates

3.EACs issued by ICAI during the quarter ended 31 December 2022

Topic	Month
Applicability of Ind AS 108, <i>Operating Segments</i> on Section 25 company of the Companies Act, 1956 (now, Section 8 of the Companies Act, 2013)	October 2022
Adoption of 'net book value' method as one of the valuation techniques to measure the fair value of investments in equity instruments that do not have a quoted market price in an active market under Ind AS	November 2022
Timing of capitalisation of transmission lines and sub-stations as an item of property, plant and equipment from capital-work-in-progress and also in case of modernisation work under Ind AS 16, <i>Property, Plant and Equipment</i>	December 2022



(Source: The Chartered Accountant –ICAI Journal for the month of October 2022, November 2022 and December 2022)



Updates relating to the SEBI Regulations



Updates relating to SEBI Regulations



Other updates



First Notes

Social Stock Exchange - A detailed framework issued by SEBI

In July 2022, the Securities Exchange Board of India (SEBI) incorporated new chapters relating to the Social Stock Exchange (SSE) by amending the SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018 (ICDR Regulations), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (LODR Regulations) and SEBI (Alternative Investment Funds) Regulations, 2012 (AIF Regulations).

Further in September 2022, SEBI issued a detailed framework prescribing the minimum requirements to be followed by a Not for Profit Organisation (NPO) that desires to be registered/listed on an SSE. The main themes of the Framework are depicted below:

- a. Registration of a NPO
- b. Disclosure to be provided by NPOs for raising funds through the issuance of Zero Coupon Zero Principal (ZCZP) Instruments
- c. Annual disclosures and disclosures forming part of the Annual Impact Report (AIR)
- d. The circular also prescribes the time limit for submission of statement of utilisation of funds by an NPO.

This issue of the First Notes provides an overview of the SSE framework issued by SEBI.

To access the First Notes, please click [here](#).



Accounting and Auditing Update

Issue No. 77 – December 2022

Going concern is one of the fundamental principles of accounting, on the basis of which financial statements are prepared. Under this principle, it is assumed that a business will continue to operate in the foreseeable future without the need or intention to liquidate or curtail its operational activities. It is the responsibility of the management of an entity to determine whether the going concern assumption is appropriate in the preparation of financial statements. Therefore, the management needs to assess whether these events or conditions, either individually or collectively, may cast significant doubt on a company's ability to continue as a going concern. This assessment provides significant value to the stakeholders at large and also casts responsibilities on the management as well as on the auditors. This edition of the Accounting and Auditing Update (AAU) contains an article on going concern, which highlights the responsibility of the management and an auditor regarding going concern assumption of a company.

The publication also carries an article on the Exposure Draft (ED) on Standard on Sustainability Assurance Engagements (SSAE) 3000, Assurance Engagements on Sustainability Information issued by the Institute of Chartered Accountants of India (ICAI). The article summarises important aspects discussed in the ED and analyses the related considerations for management as well as practitioners.

As is the case each month, we have also included a regular round-up of some recent regulatory updates in India and internationally.

To access the publication, please click [here](#).



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