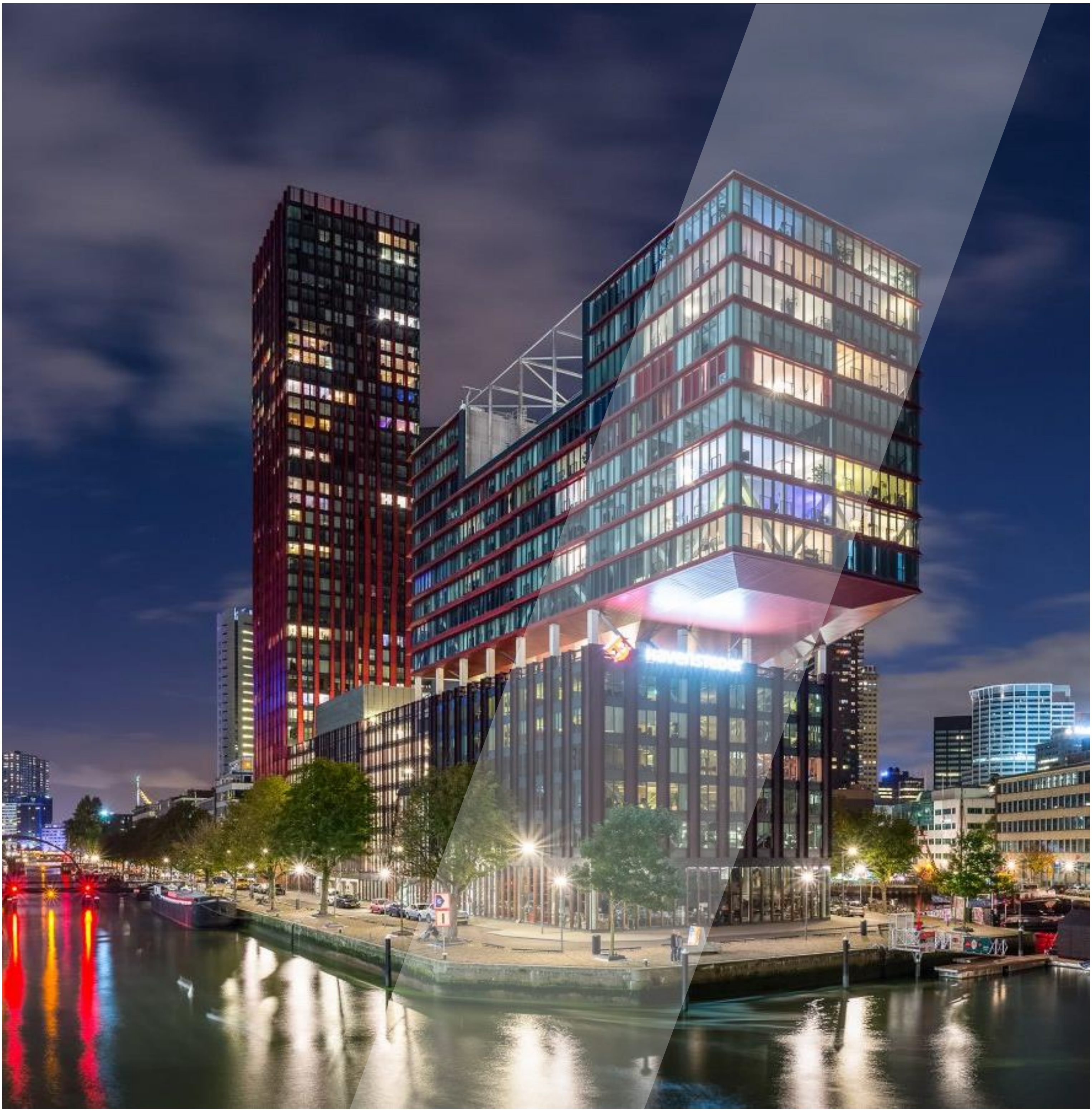

The monthly messenger

Edition #02.25 February 2025

S.N. Dhawan & CO LLP
Chartered Accountants

The Monthly messenger

India | Accounting News

Exposure Draft of Ind AS 118, Presentation and Disclosure in Financial Statements- 6 January 2025

The Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI) has issued the exposure draft of a proposed new standard Ind AS 118, ‘Presentation and Disclosure in Financial Statements’ for public comments. The said exposure draft is formulated based on IFRS 18 issued by the IASB in April 2024. The new standard aims to enhance the presentation of financial performance in profit or loss, introducing five categories for classifying income and expenses viz. operating, investing, financing, income taxes and discontinued operations and requiring new subtotals and disclosures. IND AS 118 will replace Ind AS 1 and introduces consequential amendments to some other Ind ASs.

Ind AS 118 is proposed to be effective for annual reporting periods beginning on or after 1 April 2027. The Exposure Draft is open for public comments until 6 April 2025.

For more information, **click here.**

RBI releases Draft Formats of Financial Statements of Co-operative Banks – 7 January 2025

The Reserve Bank of India (RBI) has initiated a significant update to the financial reporting formats for co-operative banks under Section 29, read with Section 56 of the Banking Regulation Act, 1949 (‘the Act’). Co-operative banks are required to prepare a balance sheet and profit and loss account as on the last working day of the year using the forms specified in the Third Schedule of the Act. These forms, originally notified in 1981, are now being revised to align with the evolving financial landscape, modern accounting standards and practices.
The Reserve Bank has, accordingly, undertaken a comprehensive review of the formats of the financial statements of the co-operative banks and has released draft formats of the revised Forms and their schedules together with instructions for the compilation of the balance sheet and profit and loss account.

Stakeholders are invited to provide comments or feedback on these draft formats by 21 February 2025. Submissions can be sent to the Chief General Manager-in-Charge, Department of Regulation, RBI, Mumbai, via mail or email with the subject “Draft Formats of Financial Statements of Co-Operative Banks.”

For more information, **click here.**

India | Auditing News

NFRA releases the first part of Auditor-Audit Committee Interaction Series titled: Audit of Accounting Estimates and Judgments – 10 January 2025

The National Financial Reporting Authority (NFRA) has released the first in the series of its Auditor-Audit Committee Interactions, titled Audit of Accounting Estimates and Judgments – Part 1: Expected Credit Losses (ECL) under IND AS 109.

In the course of NFRA’s review and monitoring activities, the auditor’s communication with those charged with Governance (TCWG) (including the Audit Committees) has been variously highlighted.

With the objectives of ensuring improvements in overall audit quality, promoting awareness and significance of accounting and auditing standards, auditor's responsibilities, protecting public interest and investor protection, NFRA is commencing with this series of Auditor – Audit Committee interactions, which will be issued on significant areas of accounting and auditing, from time to time.

The said Series 1 draws the attention of the auditors to the potential questions of the Audit committees/ Board of Directors which may be asked by them in respect of the accounting estimates and judgments including the aspects pertaining to the audit of Expected Credit Losses (ECL) for the financial assets and other items as required by Ind AS 109, Financial Instruments.

For more information, **click here**

Exposure Draft of Guidance Note on Audit of Banks (2025 Edition)- 22 January 2025

The Auditing and Assurance Standards Board (AASB) of the Institute of Chartered Accountants of India (ICAI) has released the Exposure Draft of the "Guidance Note on Audit of Banks" (2025 Edition) inviting comments from various stakeholders. This guidance note is published annually to provide detailed guidance to auditors on statutory audit of banks and branches thereof.

The Exposure Draft is open for public comments until 5 February 2025.

For more information, **click here.**

Deferment of Phase III and IV of Peer Review Mandate- 22 January 2025

The Peer Review Board of Institute of Chartered Accountants of India (ICAI) has announced a deferment of Phase III and Phase IV of the Peer Review Mandate by 6 months and 9 months respectively.

The revised dates for the implementation are as under: –

- Practice Units covered for Mandatory Peer Review in Phase III: Mandatory from 1 July 2025.
- Practice Units covered for Mandatory Peer Review in Phase IV: Mandatory from 1 January 2026.

For more information, **click here.**

Guidance on Non-Compliances Observed by Quality Review Board During Quality Reviews (Volume 3) Released by Auditing and Assurance Standards Board - 24 January 2025

The Auditing and Assurance Standards Board (AASB) of the ICAI has issued a publication namely, 'Guidance on Non-Compliances Observed by Quality Review Board During Quality Reviews (Volume 3)'. Volume 1 and 2 of the aforesaid guidance were issued earlier in May 2024 and July 2024 respectively. This publication is a compilation of some common non-compliances observed by the Quality Review Board while conducting quality reviews. The publication also contains guidance suggested by AASB for the members on these common non-compliances to help them in performing quality audits.

For more information, **click here.**

India | Regulatory News

Timeline for Review of ESG Rating pursuant to occurrence of 'Material Events'- 17 January 2025

Securities and Exchange Board of India (SEBI) has issued a revised timeline for the review of ESG ratings following the occurrence of a 'Material Event'.

Originally as per Para 10.1 of the Master Circular for ESG Rating Providers (ERPs) dated 16 May 2024, ERPs are mandated to review ESG ratings within 10 days of occurrence or announcement of material developments, including the publication of the Business Responsibility and Sustainability Reporting (BRSR).

However, due to operational challenges being faced by ERPs, SEBI has revised the timeline for reviewing the ESG rating, pursuant to the publication of the BRSR by the rated entity, to be done immediately but not later than 45 days of the publication of the BRSR.

This circular is applicable with immediate effect.

For more information, **click here.**

Master Direction - Reserve Bank of India (Non-resident Investment in Debt Instruments) Directions, 2025 – 7 January 2025

The Reserve Bank of India (RBI) has issued the Master Direction on Non-resident Investment in Debt Instruments, to regulate foreign investments in Indian debt instruments. These directions issued, based on consolidating various circulars issued previously from time to time, provide guidelines on eligible investments by Foreign Portfolio Investors (FPI), Non-Resident Indians (NRI), Overseas Citizens of India (OCI) and other persons resident outside India as may be notified by RBI.
These directions include provisions with respect to General Route, Voluntary Retention Route, the Fully Accessible Route (FAR) for investment in certain specified category of securities, the investment in Sovereign Green Bonds, and transactions in credit derivatives. These regulations aim to streamline processes and enhance transparency while adhering to applicable laws and controls.

These Directions shall be applicable with immediate effect.

For more information ,**click here.**

Foreign Exchange Management (Mode of Payment and Reporting of Non- Debt Instruments) (Third Amendment) Regulations, 2025- 14 January 2025

The Reserve Bank of India (RBI) has issued the Foreign Exchange Management (Mode of Payment and Reporting of Non-Debt Instruments) (Third Amendment) Regulations, 2025,

Key updates in the said amendment includes revised instructions on the mode of payment and remittance of sale proceeds with respect to equity investments of an Indian company by a person resident outside India, investment by Foreign Portfolio Investors/Foreign Venture Capital Investor, investment in LLPs/investment vehicle, issue of Indian Depository Receipts and issue of convertible notes by an Indian start-up company.
The regulations also clarify the use of rupee vostro accounts for remittances.

For more information, **click here.**

Private Placement of Non-Convertible Debentures (NCDs) with maturity period of more than one year by HFCs – Review of guidelines - 29 January 2025

The Reserve Bank of India (RBI) has updated the guidelines for Housing Finance Companies (HFCs) concerning the private placement of Non-Convertible Debentures (NCDs) with a maturity of over one year. This revision aligns HFCs with the other Non-Banking Financial Companies (NBFCs) under the Scale Based Regulation (SBR) framework.

It has been decided that the Guidelines on the Private Placement of NCDs (with a maturity of more than one year) for NBFCs, as outlined in paragraph 58 of the Master Direction – Reserve Bank of India (Non-Banking Financial Company – Scale Based Regulation) Directions, 2023, will also apply, mutatis-mutandis, to HFCs. As a result, the current guidelines under Chapter XI of the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021, are hereby repealed.

The revised guidelines shall be applicable to all fresh private placements of NCDs (with maturity more than one year) by HFCs effective from the date of this circular i.e. 29 January 2025.

For more information, **click here.**

Insurance Regulatory and Development Authority of India (Maintenance of Information by the Regulated Entities and Sharing of Information by the Authority), Regulations 2025- 9 January 2025

The Insurance Regulatory and Development Authority of India (IRDAI) has issued the "Maintenance of Information by the Regulated Entities and Sharing of Information by the Authority" Regulations, 2025, effective upon publication in the Official Gazette. The objective of these regulations is to enable insurers and intermediaries to maintain essential operational data in electronic form with robust security measures and compliance frameworks. They further aim to facilitate efficient data governance and ensure readiness for regulatory investigations under the Insurance Act, 1938.
Information sharing by IRDAI is also addressed through stringent guidelines requiring consent from involved entities and adherence to confidentiality principles. Sharing of non-public information is also subject to a merit-based evaluation, ensuring legal and public interest considerations. Insurers shall also have board-approved policies detailing record maintenance, data security, and disaster recovery mechanisms. Records must be stored exclusively within India, ensuring accessibility for regulatory purposes.

For more information, **click here.**

Income Tax Notification on IFSC Units and Tax Collection (TCS) Rules- 6 January 2025

The Ministry of Finance has issued Notification No. 6/2025, detailing exemption for International Financial Services Centre (IFSC) units from being treated as buyer under Section 206C(1H) of the Income-tax Act, 1961.

The notification specifies that IFSC units purchasing goods from sellers will not attract tax collection at source (TCS), provided specific conditions are met. Such buyers must submit a statement-cum-declaration in Form 1A, verifying eligibility for deductions under Section 80LA for ten consecutive assessment years. Sellers, upon receipt of this form, are exempt from collecting TCS for the specified period but must report payments in their TCS statement. The relaxation applies exclusively during the declared ten-year deduction period under Section 80LA. The notification also defines key terms, including IFSC and Unit as per the Special Economic Zones Act, 2005.

This notification is effective from 1 January 2025.

For more information, **click here.**

Standard Operating Procedure (SOP) for handling Cyber Security Incidents – 8 January 2025

The Bombay Stock Exchange (BSE) on 8 January 2025 issued a notice wherein it has updated the Standard Operating Procedure (SOP) for handling Cyber Security Incidents attached as 'Annexure A' in the said notice. It states that the Regulated Entities (RE), Members, and DPs shall report cybersecurity incidents within 6 hours and implement precautionary measures to prevent threats. It further provides the timelines applicable for incident reporting(s)/submissions by the REs/Members/DP to SEBI/Exchange/Depository.

It also stipulates the penalty frameworks applicable in case of delay/non- submission of immediate cyber incident, Mitigation Report, RCA, VAPT report or Forensic Audit Report (attached as Annexure B of the notice)

It further provides the Penalty framework as applicable based on the review of the cybersecurity incidents by the Joint/ Relevant Committee of the exchange(s)/ Depositories (attached as Annexure C of the notice).

The provisions of this SOP/Circular shall be applicable for all the cyber incidents as reported from 20 January 2025 and onwards

For more information, **click here.**

Implementation of recommendations of the Expert Committee for facilitating ease of doing business for listed entities- Disclosure of Integrated Filing- Governance-13 January 2025

The Bombay Stock Exchange (BSE) has issued a notice regarding the implementation of the Expert Committee's recommendations aimed at enhancing ease of doing business for listed entities.

The said notice states that:

- The XBRL utility for Integrated Filing - Governance shall be available starting from 14 January 2025 under the XBRL section of the Listing Centre.
- Listed entities are required to submit the Integrated Filing - Governance exclusively in XBRL format within the prescribed timelines.
- Effective from 14 January 2025, PDF disclosures for the Integrated Filing - Governance in the Corporate Announcement, is no longer required.
- Listed entities must continue to submit the existing Corporate Governance Report and Investor Grievance Report in XBRL format as per the current process, alongside the new Integrated Filing - Governance utility, within the revised timelines, until further notice is issued.
- The Listed entities that have already submitted the Integrated Filing - Governance in PDF format, now required to resubmit the same in XBRL format.

For more information, **click here.**

Inclusion of Mutual Fund units in the SEBI (Prohibition of Insider Trading) Regulations, 2015-13 January 2025

The Bombay Stock Exchange (BSE) has issued a circular in respect of the inclusion of mutual fund units under the SEBI (Prohibition of Insider Trading) (PIT)Regulations, 2015.

As part of strengthening the regulatory framework for preventing insider trading in mutual fund units, through a notification dated 24 November 2022, mutual funds units were included under the SEBI (PIT) Regulations, 2015.

In accordance with Regulation 5(E)(1) of the PIT Regulations, Asset Management Companies (AMCs) are required to disclose the holdings of Designated Persons of AMCs, trustees and their immediate relatives on an aggregate basis, on a quarterly basis. For subsequent calendar quarters, AMCs must provide this information within 10 calendar days from the end of each quarter in the prescribed format.

This circular is applicable from 1 November 2024.

For more information, click here.

International | Regulatory News

IFRS Foundation publishes a guide for reporting only climate-related information under ISSB standards- 30 January 2025

The IFRS Foundation has published education material on, Applying IFRS S1 (General Requirements for Disclosure of Sustainability-related Financial Information) when reporting only climate-related disclosures in accordance with IFRS S2 (Climate-related Disclosures), to help companies disclose climate-specific reporting under ISSB Standards.

The guidance addresses the stakeholders growing demand for climate related disclosures, while also considering the concerns about data availability and readiness to report on broader sustainability risks.
The guide is specifically tailored for entities that take advantage of the temporary relief, permitting them to disclose only climate-related risks and opportunities (as per IFRS S2) in their first annual reporting period of applying IFRS S1. These entities are required to follow IFRS S1 only to the extent that it pertains to reporting on climate-related risks and opportunities.

For more information, click here.