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Regulatory updates for the month of October 2025

30 November 2025

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Introduction

The regulatory updates publication issued by the Foundation for Audit Quality (FAQ) highlights the latest developments in auditing, accounting and regulatory space in India and internationally. This month's edition covers important updates on auditing, accounting and regulatory matters from regulators for the period from 1 October 2025 to 31 October 2025.

Some of the key topics covered in this edition include:

- *ICAI announces temporary relaxation on Guidance Notes for Non-Corporate Entities and LLPs*
- *ICAI releases handbook on Certification: Practical guidance for Chartered Accountants*
- *The Ministry of Consumer Affairs issued a 3-part GST FAQ on 22 Sept 2025 to address consumer queries after major GST reforms.*
- *SEBI Refines Disclosure Norms for Related Party Transactions: A Threshold-Based Approach*
- *SEBI expands Single Filing System to include Annual Secretarial Compliance Report under Regulation 24A(2).*
- *MoEFCC notified GHG Emission Intensity Target Rules under the Energy Conservation Act and Carbon Credit Trading Scheme on 8 Oct 2025 to boost India's carbon market and climate governance.*
- *FASB issued ASU 2025-07 refining derivative and share-based consideration accounting, and ASU 2025-06 updating internal-use software cost guidance to improve clarity, consistency, and reduce complexity.*

India updates

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Updates from ICAI

ICAI announces temporary relaxation on Guidance Notes for Non-Corporate Entities and LLPs

In a move aimed at easing transitional challenges, the Accounting Standards Board (ASB) of the Institute of Chartered Accountants of India (ICAI) has announced a relaxation in compliance requirements for two recently issued guidance notes. These include the Guidance Note on Financial Statements of Non-Corporate Entities and the Guidance Note on Financial Statements of Limited Liability Partnerships (LLPs). Originally mandated for financial periods beginning on or after 1 April 2024, ICAI has now made compliance with these guidance notes voluntary for the annual reporting period 2024–25.

This decision, announced on 19 September 2025, reflects ICAI's responsiveness to practical implementation concerns and feedback from its members. It provides preparers and auditors of financial statements additional time to familiarize themselves with the new guidance and align internal processes accordingly. However, it is important to note that this relaxation does not dilute the binding nature of applicable Accounting Standards or the Framework for the Preparation and Presentation of Financial Statements, which continue to govern financial reporting practices.

Regulators, auditors, and firms should take cognizance of this temporary relief and ensure that while the guidance notes are optional for 2024–25, core accounting principles and standards remain fully enforced in all financial disclosures.

Action Points for Auditors

- Inform non-corporate entities and LLPs that compliance with the relevant guidance notes is optional for the 2024–25 reporting period, while Accounting Standards remain mandatory.
- Ensure that all financial statements still comply fully with applicable Accounting Standards and the ICAI Framework, which remain binding.

To access ICAI announcement, please click here

ICAI releases handbook on Certification: Practical guidance for Chartered Accountants

On 13 October 2025, the Centre for Audit Quality Directorate (CAQ) of the Institute of Chartered Accountants of India (ICAI) released the 'Handbook on Certificates by Chartered Accountants: Comprehensive Checklist & Formats'. This publication serves as a definitive resource for chartered accountants engaged in issuing certificates across a wide range of statutory, regulatory, and financial domains. It emphasizes that certificates are not mere formalities but professional attestations requiring sound judgement, ethical discipline, and strict adherence to prescribed procedures. Drawing from the principles outlined in the Guidance Note on Reports and Certificates for Special Purposes (Revised 2016), the handbook provides clarity on the scope of engagements, levels of assurance, and documentation standards essential for certificate issuance. It also mandates the use of the Unique Document Identification Number (UDIN) to ensure traceability and authenticity.

The handbook includes

- structured procedural guidance, illustrative formats for commonly issued certificates - such as net worth, turnover, fund utilization, and proposed accounting treatments in mergers or amalgamations, and
- recommended checklists to be completed prior to issuance.

Certificates are categorized by purpose and intended user, with guidance on engagements beyond standard audits or reviews.

To access handbook on Certification, please click here

Updates from MCA

Extension of time for FY 2024–25 annual filings under Companies Act, 2013

The Ministry of Corporate Affairs (MCA) has granted an extension for filing annual forms for FY 2024–25 under the Companies Act, 2013. Updated versions of key forms—MGT-7, MGT-7A (annual return) and AOC-4 series (financial statements)—have been deployed on the MCA-21 Version 3 portal. To accommodate stakeholder feedback and provide companies time to adapt to the new filing process, these forms can now be filed without additional fees until December 31, 2025.

However, the MCA has clarified that this relaxation does not extend the statutory deadline for holding Annual General Meetings (AGMs). Companies failing to comply with AGM timelines will remain liable under the Companies Act, 2013.

Action Points for Auditors

- Verify Updated Filing Forms
  - Ensure companies are using the latest versions of MGT-7/MGT-7A and AOC-4 series forms deployed on MCA-21 V3 portal.
- Check Filing Deadlines
  - Confirm that annual return and financial statement filings are completed by December 31, 2025 to avail the fee waiver.
  - Monitor compliance with statutory AGM timelines, as the extension does not relax AGM requirements.

To access MCA update on extension, please click here

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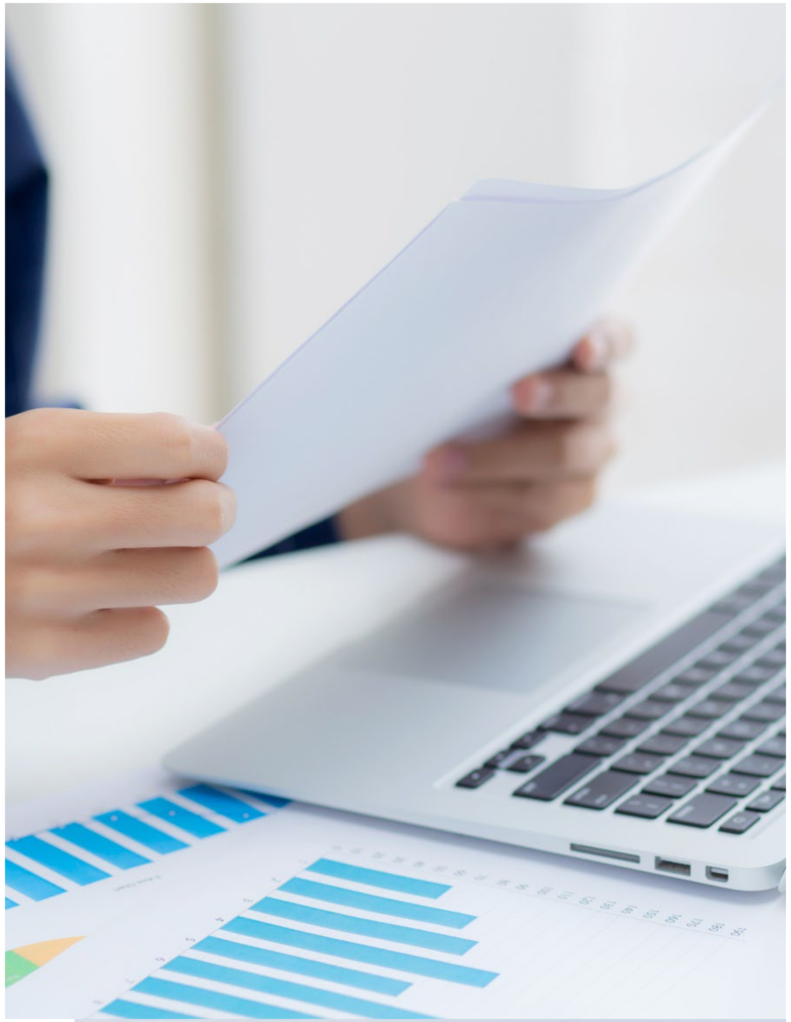


Accounting updates

Updates from Ministry of Consumer Affairs (MOCA)

3-part FAQs on GST

In light of the major GST restructuring effective 22 September 2025, the Ministry of Consumer Affairs, Food and Public Distribution issued a 3-part FAQs on GST. The FAQs address common questions that consumers may have, following the implementation of the GST reforms. They cover various aspects of to the revised GST framework including:

- Clarity on applicable GST rates
- Input tax credit, bringing in clarity on treatment of input tax credit balances post the reforms including aspects of inverted duty structure
- Mandatory price reductions
- Packaging and labeling flexibility
- Guidance on transitional issues
- Impact on e-way bills for goods in transit on date of rate transition.

To access the FAQ on GST, please Part 1, Part 2, Part 3

Updates from SEBI

SEBI Refines Disclosure Norms for Related Party Transactions: A Threshold-Based Approach

The Securities and Exchange Board of India (SEBI) has taken a significant step toward streamlining corporate governance and enhancing transparency in Related Party Transactions (RPTs). Through its circular dated 13 October 2025, SEBI has operationalized a threshold-based framework for the applicability of Industry Standards governing disclosures for RPT approvals. This move follows a series of consultative developments aimed at balancing regulatory rigor with practical compliance needs, particularly for mid-sized firms.

SEBI's circular issued on 26 June 2025 had mandated Industry Standards for the minimum information required to be presented to Audit Committees and shareholders when seeking approval for RPTs. These standards, while comprehensive, prompted concerns from stakeholders regarding their blanket applicability. In response, the Industry Standards Forum (ISF) submitted a representation to SEBI, advocating for a more nuanced approach that would exempt certain transactions from the full scope of disclosure requirements.

Acknowledging these concerns, SEBI released a consultation paper on 4 August 2025 proposing a threshold-based model. This proposal was subsequently approved during SEBI's board meeting held on 12 September 2025, culminating in the issuance of the revised circular on 13 October 2025. The circular modifies both the original directive and the Master Circular to reflect the new framework.

Under the revised guidelines, listed entities are required to furnish information to the Audit Committee and shareholders based on the value of the RPTs, whether entered individually or cumulatively during a financial year, including those ratified post facto. The key thresholds are as follows:

- Exemption for Small Transactions: RPTs valued below INR1 crore are exempt from application of guidance from the Industry Standards. Disclosures outlined in Annexure-13A of the circular are not mandatory for these transactions.
- Simpler disclosure: For RPTs valued at or below 1% of the annual consolidated turnover (as per the latest audited financials) or INR10 crore, whichever is lower, entities must provide the minimum information specified in Annexure-13A.
- Full disclosure for large transactions: RPTs exceeding INR10 crore require comprehensive disclosures in line with the full RPT Industry Standards.

This calibrated approach is expected to ease the compliance burden for mid-sized firms while preserving the integrity of shareholders' oversight and audit committee's review. By aligning disclosure requirements with transaction materiality, SEBI reinforces its commitment to proportional regulation and stakeholders' responsiveness.

The circular is effective from 13 October 2025 and marks a pivotal evolution in India's corporate governance landscape.

Action Points for Auditors

- Discuss the revised with Audit Committees and brief the Audit Committee on the revised framework and its implications
- Incorporate thresholds on material RPTs by SEBI and requirements of the Companies Act, 2013 into audit planning
- Review board and shareholders' documents to ensure disclosures match the applicable threshold
- Review Audit committee, Board of Directors and shareholders' documents to understand completeness of RPT disclosures.

To access SEBI update on RPT please click here

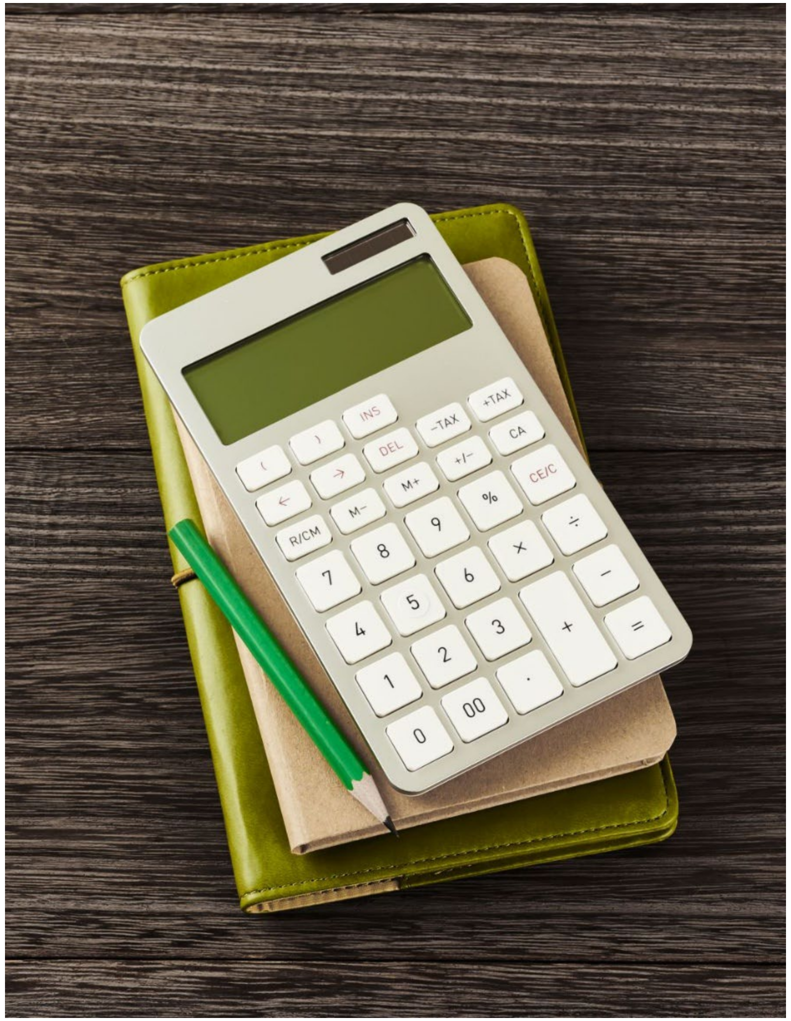
Expansion of SEBI's Single Filing System: Inclusion of Annual Secretarial Compliance Report under Regulation 24A(2)

In a significant move to enhance regulatory efficiency and reduce compliance burden, the Securities and Exchange Board of India (SEBI) has expanded the scope of its Single Filing System (SFS) under the Listing Obligations and Disclosure Requirements (LODR) Regulations, 2015. Traditionally, listed entities were required to submit periodic disclosures - ranging from governance reports and investor grievance summaries to board meeting outcomes and audit-related filings - separately to each stock exchange where they were listed. This practice often led to duplication of effort and increased administrative overhead.

To address this, SEBI introduced the Application Programming Interface (API) -based integrated filing framework, i.e. the Single Filing System, on 30 September 2024. This system allows listed companies to submit a disclosure once on any one exchange, which is then automatically disseminated to other exchanges via secure API connectivity. The initiative marks a pivotal step toward harmonizing compliance processes and improving data consistency across platforms.

Furthering this effort, the National Stock Exchange of India (NSE), through its circular dated 12 September 2025, has announced the inclusion of the Annual Secretarial Compliance Report under Regulation 24A(2) of the LODR Regulations into the SFS, effective 15 September 2025. Initially, this extension applies only to entities listed with equity and equity-plus-debt instruments. The circular also provides a detailed tabular overview of disclosures currently covered under the SFS, categorized by type of listing - equity, debt, REITs, and InvITs.

While the applicability of this new inclusion to exclusively debt-listed entities, REITs, and InvITs is still pending, the move signals SEBI's continued commitment to digital transformation and regulatory simplification. Regulators, auditors, and firms alike should take note of these developments and align their compliance strategies accordingly to leverage the efficiencies offered by the SFS framework.



Action Points for Auditors

- Incorporate the new SFS requirement into internal audit and compliance checklists for listed entities with equity and equity-plus-debt listings;
- Ensure timely preparation and review of the Annual Secretarial Compliance Report aligning submission timelines with the SFS framework;
- Confirm that disclosures are being routed through the designated stock exchange under the SFS and that API-based transmission to other exchanges is functioning as intended.

To access SEBI update on single filing system please click here

Updates from MOEFCC

GHG Emission Intensity Targets under Carbon Credit Trading Scheme

On 8 October 2025, the Ministry of Environment, Forest and Climate Change (MoEFCC) formally notified the Greenhouse Gas (GHG) Emission Intensity Target Rules, 2025 (the *GHG Rules*) under the Energy Conservation Act, 2001 and the Carbon Credit Trading Scheme, 2023. These rules mark a significant step toward operationalizing India's carbon credit market and strengthening climate governance.

Purpose and Objectives

The GHG Rules aim to:

- Establish binding emission intensity targets for designated entities across key industrial sectors starting FY 2025-26.
- Facilitate the issuance and trading of carbon credit certificates, including purchase and banking of credits.
- Ensure compliance through penalties and compensatory mechanisms, thereby promoting accountability and transparency.

Key Provisions of the GHG Rules

1. Applicability

- Targets apply to designated entities in sectors such as aluminum, cement, paper and pulp.
- Their performance will be tracked annually, ensuring continuous monitoring and improvement.

2. Emission Intensity Targets

- Emission Intensity Targets are defined in terms of CO_2 per unit of output.
- Progressive reductions will be mandated for FY 2025-26 and FY 2026-27, aligning with India's climate commitments.

3. Compliance Obligations

- Entities must:
  - Meet annual GHG intensity targets.
  - Register on the Indian Carbon Market Portal.
  - Submit periodic documentation and data to demonstrate compliance

4. Carbon Credit Issuance

- Credits awarded for outperforming targets.
- Deficits require purchase of carbon credits based on a defined formula or utilization of banked credits.

5. Environmental Compensation

- Non-compliance penalties equal to twice the average market price of carbon credits.
- Funds collected will be used for national carbon market development, reinforcing sustainability objectives.

6. Industry-Wise Targets

- The schedule to the rules includes:
  - List of designated entities by industry.
  - Baseline GHG emission intensity (FY 2023-24).
  - Targets for FY 2025-26 and FY 2026-27.

Conclusion

The GHG Rules represent a transformative step in India's climate policy, integrating market-based mechanisms with regulatory oversight. By enforcing emission intensity targets and enabling carbon credit trading, these rules aim to accelerate the transition toward a low-carbon economy while ensuring transparency and accountability.

Implications for Regulators and Auditors

- Regulators must ensure robust monitoring frameworks and timely enforcement of penalties.
- Auditors should focus on:
  - Verification of emission intensity data.
  - Assessment of carbon credit transactions.
  - Evaluation of compliance documentation and reporting accuracy.

To access the update on Green House Emission, please click here

Updates from IRDAI

IRDAI Issues comprehensive guidelines to combat insurance fraud

The Insurance Regulatory and Development Authority of India (IRDAI), through its notification dated 9 October 2025, has introduced the Insurance Fraud Monitoring Framework Guidelines, 2025, which will be effective from 1 April 2026. These guidelines aim to establish a uniform and robust framework for insurers and distribution channels to prevent, detect, report, and respond to insurance fraud in a structured and timely manner.

A. Purpose and regulatory intent

The guidelines are designed to:

- Reinforce zero tolerance for fraud across the insurance ecosystem.
- Ensure systematic governance and accountability.

Address emerging risks, including cyber and technology-driven frauds.

B. Salient features of the guidelines

(a) Scope and applicability

The fraud risk framework is applicable to all insurers and distribution channels, unless specifically exempted.

(b) Fraud classification

The guidelines classify fraud into five distinct categories:

1. Internal Fraud – involving employees or management.

2. Distribution Channel Fraud- involves fraud via agents, brokers, corporate agents etc.
3. Policyholder/Claims Fraud – involves fraudulent acts by customers during policy purchase, servicing, or claims processing.
4. External Fraud – committed by vendors or third parties.
5. Affinity or Complex Fraud – involving collusion among multiple parties.

(c) Fraud risk management framework

This framework under the said guidelines has the following aspects:

- Adoption of a Board-approved anti-fraud policy, incorporating Red Flag Indicators (RFIs), reviewed annually.
- There should be defined roles, responsibilities, and escalation protocols.
- Establish internal turnaround times (TATs) for detection and response.
- Whistleblower protection mechanisms should be implemented.

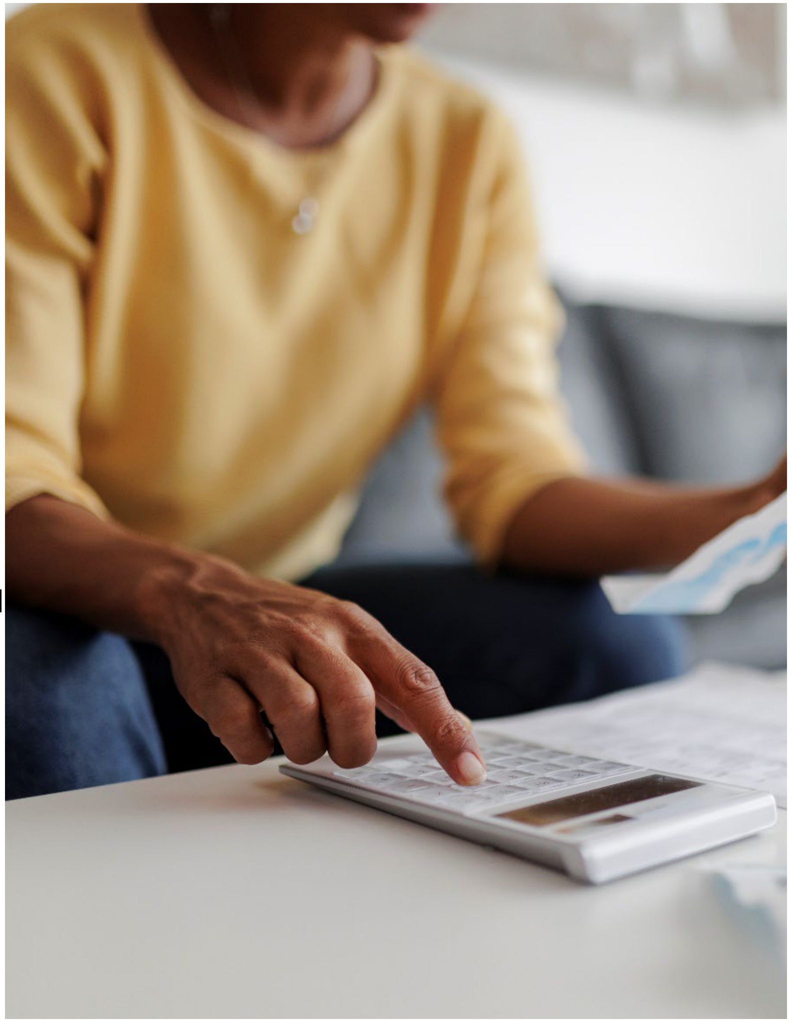
(d) Governance structure

- Fraud Monitoring Committee (FMC): Headed by a Key Management Person (KMP) responsible for oversight and operationalization of the fraud risk framework and responsible for submission of quarterly and annual reports.
- Fraud Monitoring Unit (FMU) Independent of internal audit it shall supports FMC in implementing anti-fraud measures.

(e) Cyber and digital fraud controls

In order to prevent cyber or new age fraud following measures are specified:

- Deployment of robust cybersecurity infrastructure.
- Continuous monitoring of digital fraud risks and evolving threats.
- Formation of a specialized team with risk and technology expertise.



(f) Monitoring and reporting requirements

Following are the reporting requirements under these guidelines:

- Mandatory reporting of fraud incidents to law enforcement authorities.
- Quarterly reporting to the Risk Management Committee (RMC).
- Annual fraud risk assessment reports to the Board of Directors.
- Reporting of internal frauds to the Audit Committee.

Conclusion

The IRDAI Guidelines, 2025, represent a significant step toward strengthening fraud risk management in the insurance sector. By mandating comprehensive governance, proactive monitoring, and advanced cyber risk controls, these guidelines aim to protect policyholder interests and uphold the integrity of India's insurance industry.

Regulatory expectations

- Insurers must ensure full compliance with the framework, including governance, monitoring, and reporting obligations.
- Auditors should verify:
  - Effectiveness of fraud detection and response mechanisms.
  - Adequacy of cybersecurity measures.
  - Accuracy of governance and reporting structures.

International updates

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Updates from IESBA

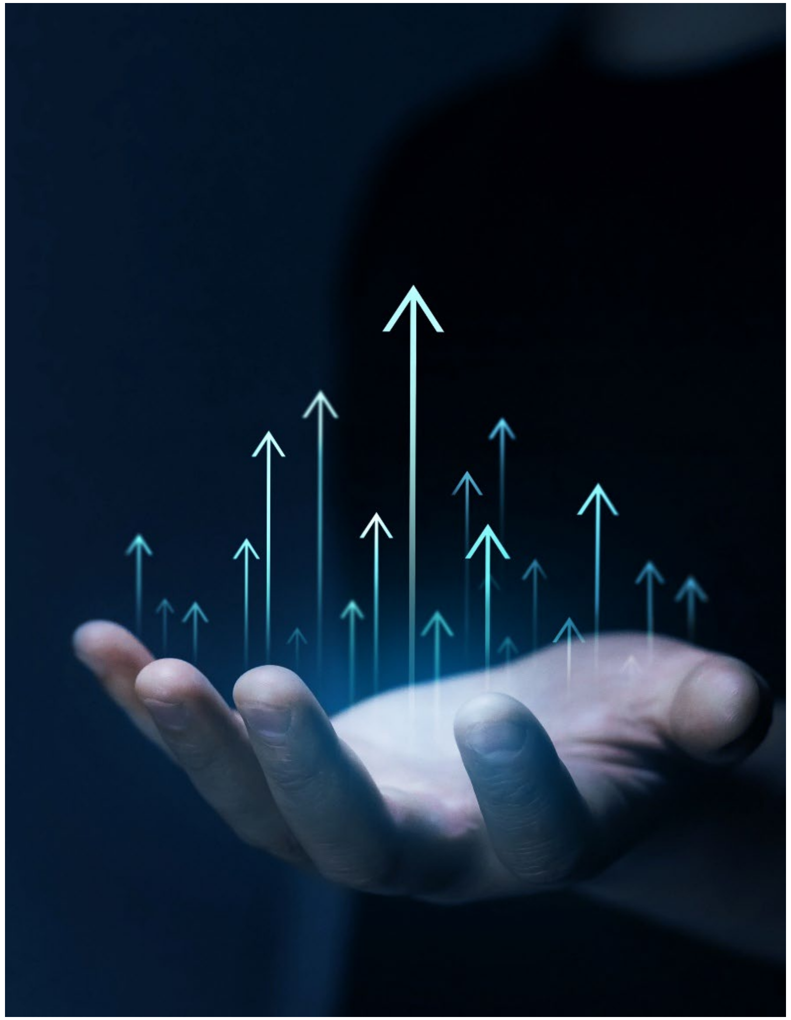
IESBA released 2025 Handbook of the International Code of Ethics

On 7 October 2025, the International Ethics Standards Board for Accountants (IESBA) issued the 2025 edition of the Handbook of the International Code of Ethics for Professional Accountants, including the International Independence Standards. This updated handbook introduces major enhancements to ethical guidance, particularly in sustainability reporting and assurance.

Volume 1 incorporates revisions on the use of external experts and sustainability-related ethics, effective December 2026.

A new Volume 2 establishes the International Ethics Standards for Sustainability Assurance, including independence requirements for such engagements, expanded guidance on external experts, and additional sustainability-related revisions to the Code.

These provisions take effect in December 2026, with value chain independence standards deferred to July 2028. This release represents a significant step toward aligning professional ethics with global expectations for sustainability, transparency, and responsible practices.



To access the IESBA update please click here

Auditing updates

PCAOB Issues Policy Statement on Evaluating External Electronic Information

On 12 June 2024, the Public Company Accounting Oversight Board (PCAOB) adopted amendments to AS 1105, *Audit Evidence*, introducing a new provision in paragraph .10A that addresses the evaluation of external electronic information provided by companies as audit evidence. Effective for audits of fiscal years beginning on or after 15 December 2025, paragraph .10A requires auditors to understand the source of such information and the company's processes for receiving, maintaining, and processing it, as well as to test for modifications or assess controls over its handling.

During rulemaking process, stakeholders requested clarity on the testing requirements in .10A(b). Following

Securities Exchange Commission (SEC) approval of the amendments, the PCAOB responded by issuing a Board policy statement on 18 September 2025 to assist auditors in implementing these requirements. This guidance aims to strengthen audit quality by ensuring the reliability of external electronic information used in financial statement audits.

To access the update please click here

ASU on scope of derivative accounting and on accounting for share-based noncash consideration received from customers

On 29 September 2025, FASB issued ASU 2025-07 covering:

1. Targeted refinements to the scope of derivative accounting under Topic 815, *Derivative and Hedging*. A new exception excludes certain non-exchange traded contracts from derivative accounting if the relevant underlying is tied to operations or activities specific to one party (e.g., regulatory approvals, product milestones).
2. Clarifying how entities should account for share-based non-cash consideration received from customers under Topic 606, *Revenue from Contracts with Customer* and its interaction with other Topics (including Topic 815 and Topic 321, *Equity Securities*).

This ASU aims to reduce complexity, clarity and bring consistency in financial reporting given the evolving contractual arrangements.

The ASU is applicable for fiscal years beginning after 15 December 2026 and early adoption of the same is permitted. Also, transition may be prospective or on modified retrospective basis.

To access the update please click here

FASB issues ASU to update accounting for internal-use software

The Financial Accounting Standards Board (FASB) issued an Accounting Standard Update ASU 2025-06 to update the guidance on accounting for internal-use software costs. The amendments in the new ASU apply to all entities subject to guidance in FASB Accounting Standards Codification Subtopic 350-40, Intangibles - Goodwill and Other -Internal-Use Software. The update aims to:

- Align accounting practices with modern software development methods
- Clarify when cost capitalization should begin
- Improve consistency and transparency in financial reporting
- Reduce complexity and judgement inconsistencies in applying outdated staging criteria.

The ASU will be effective for fiscal years beginning after 15 December 2027, with early adoption permitted.

To access the update please click here

EDs/Consultation papers – India

The table below provides an overview of Press Release issued by RBI during this month:

Regulator	Topic	Particulars
RBI	**Press Release on Expected Credit Loss Framework for provisioning for banking sector**	On 1 October 2025, RBI Governor in his statement announced to issue the revised asset classification and provisioning framework for banks. Key points from his statement are: Proposed framework to replace the extant framework based on incurred loss with an Expected Credit Loss (ECL) approach, subject to a prudential floor. To be implemented with effect from 1 April 2027 and a glide path till 31 March 2031 would be provided Expected to enhance credit risk management practices, promote better comparability of reported financials by the banks. **Relevant:** Scheduled Commercial Banks (excluding Small Finance Banks (SFBs), Payment Banks (PBs), Regional Rural Banks(RRBs)) and All India Financial Institutions (AIFIs). To access the text please click here.

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