

COMPLIANCE 3.0

BEYOND ACCIDENTAL COMPLIANCE



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TeamLease RegTech is India's leading regulatory technology company transforming Compliance. Its SaaS solution helps Corporate India stay on the right side of the law with a real-time environment that is trusted by over 2,600 entities and 50,000 enterprise users in over 50 industries. The RegTech platform manages over 50 million compliance instances, over 12 million compliance documents, and scans over 3700 union, state and local websites for staying on top of the regulatory changes.

TeamLease RegTech offers a cloud-based, multi-tenant, web, and mobile Compliance SAAS solution that tracks all compliances and now has advanced workflows for the automation of Labour and Secretarial compliance. A subsidiary of Teamlease Services, the company envisions a national open compliance grid towards a cashless, paperless, and presence-less compliance in digital India.

COMPLIANCE 3.0

BEYOND ACCIDENTAL COMPLIANCE

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Foreword

Unshackling India's Growth Potential

India's path to prosperity runs through the formalisation and productivity of its firms — but today, many of these firms are trapped in a dense web of regulatory cholesterol. The productivity gap between our largest and smallest manufacturing firms is an astounding 24-fold, while manufacturing's share of total employment has remained stuck at just 12%. Despite a favourable demographic window, the growth of high-wage, non-farm jobs continues to be stifled by an outdated and irrational compliance regime.

Chief Ministers hold powerful levers to unlock this transformation. Three “flick-of-a-pen” reforms—decriminalisation, digitisation, and rationalisation—can significantly reduce the compliance burden. State governments are responsible for 80% of employer-related criminal provisions, 65% of filings, and 63% of all compliance. These can be rapidly addressed by eliminating jail provisions for procedural lapses, adopting digital systems for filings, and streamlining bloated and overlapping bureaucracies. Many states have begun exploring State Employer Compliance Grids (SECGs), built on India's Digital Public Infrastructure, to enable presenceless, paperless, and cashless compliance systems.



Manish Sabharwal
Vice Chairman,
TeamLease Services

Poverty in India is fundamentally a productivity problem—and productivity depends on the efficiency of our firms. While the global economy faces long-term structural headwinds, India stands out as the only major economy with 25 years of high-growth potential—if we unshackle our employers. The path to creating 100 million formal, high-wage jobs demands lies in eliminating compliance barriers that are neither pro-worker nor pro-employer, but merely serve as levers for rent-seeking and inefficiency.

Compliance 3.0 marks the third edition in our annual effort to catalogue India's complex compliance landscape, highlight progress, and recommend reform. This series is anchored in the belief that India's excessive and poorly designed compliance requirements have become a form of “regulatory cholesterol”—clogging the arteries of our economy. If India is to truly rise, we must take our foot off the regulatory brakes and accelerate into an era of Compliance 3.0—smart, digital, accountable, and growth-oriented.



Executive Summary

'Compliance 3.0 - Beyond Accidental Compliance' provides an overview of the business regulatory framework in India, its extant challenges, and how digital transformation is the way forward. A typical firm plying its business in the country is required to comply with provisions under 1,536 Acts, fulfil 69,233 compliances, and complete 6,618 filings at the central, state, and local government levels. These compliances, which include licenses, registrations, permissions, returns, and displays, extend across areas as diverse as labour protection, finance and taxation, health and safety (EHS), Environmental, social, and corporate governance (ESG), and industry-specific compliances.

India has become the fifth-largest economy globally, though significant efforts are still required to boost per capita income. Over the past decade, the country has consistently worked to enhance the ease of doing business (EoDB) to attract investments and foster entrepreneurship. During the COVID-19 pandemic, India gained recognition as the 'Pharmacy to the World' for its advanced technical expertise and manufacturing capabilities in producing and supplying essential medicines and vaccines on a global scale. In addition, the National Single Window System (NSWS) has significantly reduced the time and complexity of obtaining business approvals, allowing companies to focus on expansion and innovation. Coupled with PLI schemes across diverse sectors like electronics, pharmaceuticals, and renewable energy, India is positioning itself as the 'Factory to the World.'

The Gati Shakti – National Master Plan for Infrastructure has further strengthened India's logistics and transportation networks, ensuring faster movement of goods and reducing supply chain costs. India's strides in taxation reforms, such as faceless assessments, are fostering greater transparency and efficiency, while initiatives like the Vivad se Vishwas Scheme continue to ease tax disputes. Additionally, the decriminalization of minor offenses in various business laws has reduced the regulatory burden, creating a more entrepreneur-friendly environment. The Jan Vishwas Act has played a key role in this, fostering a culture of trust and compliance among businesses. India's digital transformation remains a cornerstone of its EoDB agenda, with the further digitalization of processes through GST e-invoicing, the MCA21 V3.0 platform for corporate filings, and the e-Shram portal for labor compliance. These efforts have made regulatory compliance simpler and more accessible for businesses of all sizes.

Looking ahead, India's commitment to net-zero emissions by 2070 underpins its economic development strategy, with the Green Hydrogen Mission and expanded renewable energy programs positioning the country as a leader in sustainable growth. The government's focus on balancing industrial growth with environmental responsibility is evident in its efforts to build a resilient, competitive economy in 2024 and beyond.

The past few years have also seen widespread adoption and adaptation of technology and digital solutions as organisations struggled to function and create a remote working ecosystem. It led to the rapid advancement of digital solutions, facilitating communication, collaboration, and coordination within companies. From HR solutions to digitising attendance and payroll management to SaaS offerings that digitised and streamlined workflows, businesses saw a major level up in their technology levels.

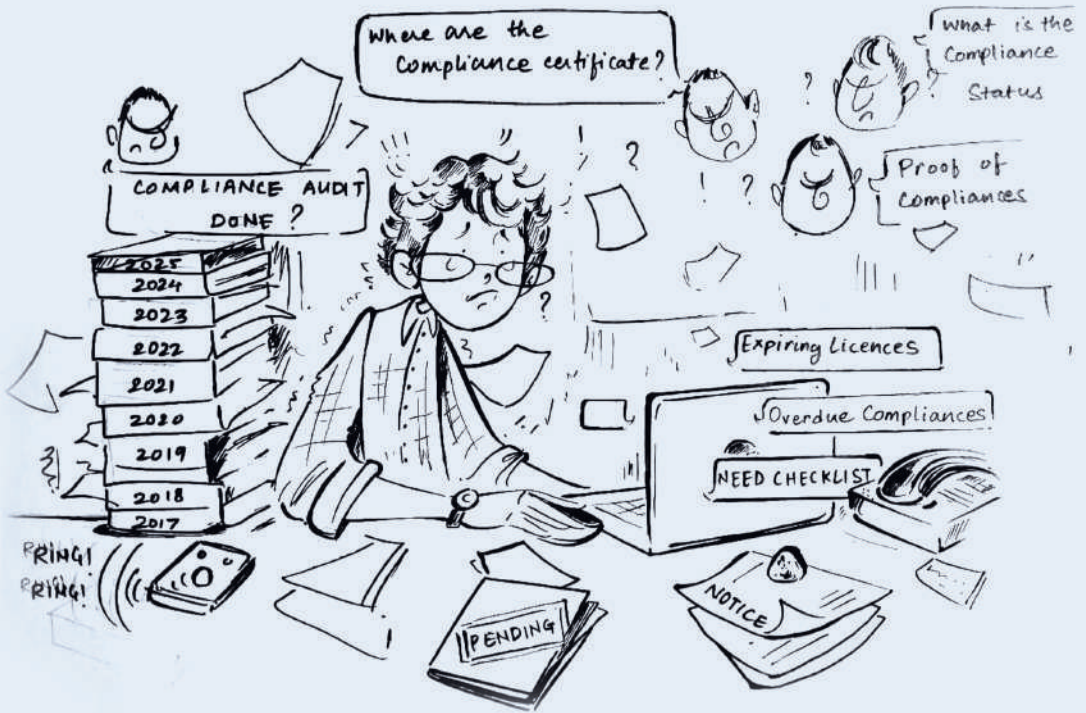


The incorporation of RegTech is but the next logical step of this transformation. New-age business models are structured around the UN Sustainable Development Goals (SDGs) with a renewed focus on Environmental, Social, and Corporate Governance standards. As more and more shareholders, investors, and customers emphasise the importance of sustainability, both in terms of business models and day-to-day business operations, there has been an upward movement of compliance in terms of priority and importance. Gone are the days of anecdotal compliance wherein sub-standard compliance processes were the norm. Modern Key Managerial Personnel (KMPs) are now driving the compliance agenda and setting the tone from the top. With Board members being responsible for the compliance status of the organisation, companies are seeing a paradigm shift with the introduction of a culture of compliance. However, compliance itself is a non-trivial task with its associated complexities and challenges.

The number of compliances applicable to a business can go from hundreds to thousands, depending on the size of the enterprise. At the inception stage alone, a firm has to obtain ~70 licenses and permits at the state level. Once they begin operations, a small plant must meet 750+ compliances, a medium plant must file 5,500+ compliances, and a large plant must file 9,500+ compliances. Every year, these regulations undergo over 9,000 updates, and in order to keep track of these, a firm has to navigate over 3,000 government websites. The prevalent manual compliance processes are paper-based and fraught with instances of lapses, delays, and defaults. Although ensuring accurate and time-bound compliance is an essential component of business, it has become quite a complicated and time-consuming process with the added disadvantage of high penalties and imprisonment for non-adherence.

This report presents instances of compliance complexities that exist in a few industries/sectors and delves into the cause of accidental non-compliance. It also covers recent developments in the regulatory ecosystem and how the compliance environment is evolving. Policy interventions and smart digital solutions have made this evolution possible. It is here that TeamLease RegTech employs its digital platforms to aid businesses in navigating the complex regulatory terrain. The report is the result of TLRegTech's understanding of the intricacies of the business regulatory framework and an insight into what the present offers and what the future holds for the RegTech transformation of businesses.

Life of a Compliance Officer



01

Introduction

Compliance in India

According to the World Bank, India's GDP is projected to grow at a rate of 7% in 2024–25, making it the world's fastest-growing major economy. At the same time, the economy also reported steady growth of 8.2% during fiscal year 23–24, which has taken us past the \$3.3 trillion mark. As we set our goal towards achieving the \$10 trillion milestone by the end of the decade, we must strive to leverage the capabilities of our demographic dividend. The working-age population can deliver results only when it is provided with the opportunities to be involved in economic activities. Similarly, without a business-conducive environment that promotes productivity, innovation, and transparency, employers cannot be expected to deliver well on the promise of 'Amrit Kaal'. The 37-year period of peak demographic dividend will continue till 2055. However, to fully reap the benefits of a young population, India needs to create at least 100 million more jobs by 2030 (Ghani, 2020).

Unfortunately, mass manufacturing has largely remained a 'missing middle' in India's structural transformation story. While the agriculture sector contributes 16.5% to the country's total Gross Value Added (GVA), it employs 44% of the workforce (Gupta, 2019). For an economy to grow in a sustained and inclusive manner, the aggregate productivity of the economy has to increase, which

necessitates a reduction in the number of people engaged in agriculture (Islam and Iversen, 2018). India needs to create jobs through a manufacturing revolution so that the underemployed farm workforce can become part of the prosperity story (Malhan, Manchanda and Bhatia, 2019).

Job creation on a mass scale directly depends on the environment for conducting business for enterprises. The biggest roadblocks for an entrepreneur are the presence of regulatory cholesterol & license-permit-inspector raj. The difference in an entrepreneur's experience in top and bottom-performing economies is discernible. Entrepreneurs in a low-income economy typically spend about 50% of their per capita income to launch a company, compared to just 4.2% in a high-income economy (World Bank, 2020).

For too long, the Indian government has made it difficult for entrepreneurs to start and grow businesses, which in turn limits job creation. Complex and ever-changing regulations make it hard for business owners to keep up. Compliance costs are high, mistakes can lead to jail, and regulatory uncertainty often halts operations. This overwhelming compliance burden has also led to increased corruption and rent-seeking behavior.

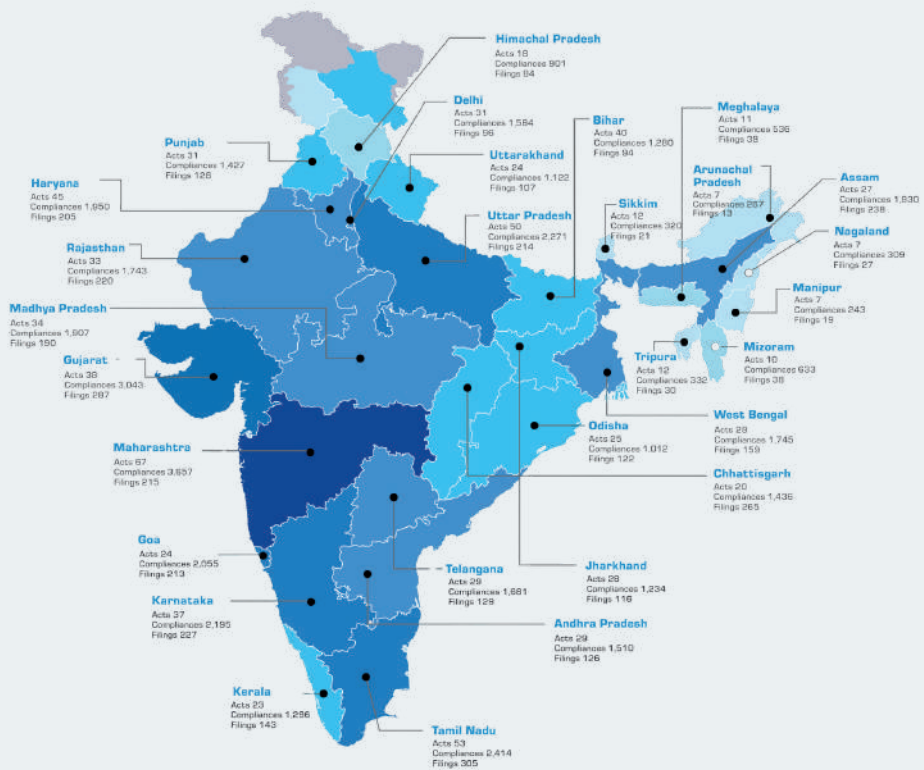
Size of the Ecosystem

India's business ecosystem is governed by 1,536 acts and rules, 69,233 compliances, and 6,618 filings. While the framework ensures that corrupt actors are held accountable, it has also resulted in an overabundance of regulation, creating a massive underground economy. Moreover, regular regulatory updates are published on 3,756 government websites, resulting in a highly fluid and dynamic regulatory ecosystem. This overregulation has spawned economic dwarfs who choose to fly under the regulatory radar even though it restricts their access to institutional capital and superior talent and weakens their resilience in the face of economic vulnerabilities.

The recurrent nature of compliance updates and the sheer volume of regulations further amplifies the intricacy of regulatory compliance. For instance, an MSME with a single manufacturing unit must adhere to approximately fifty display requirements on an ongoing basis. This includes, among other things, the display of registrations, legislative summaries, standing orders, employee-related social security rules, safety sign boards, markings on hazardous substances, and equipment identification marks. Additionally, this enterprise must maintain at least 40 other distinct registers in various formats, including wage registers, muster rolls, leave and attendance registers, temperature registers, and refuse disposal records.

This regulatory burden increases as the establishment's scale increases. A small plant must comply with 780 or more unique and 2,651 total applicable regulations, a medium plant with 3,000 or more unique and 11,801 total applicable regulations. The universe of compliance encompasses licenses, registrations, authorisations, consent orders, returns, displays, registers, challans, payments, notices, and renewals.

Fig. 1 India's Regulatory Universe



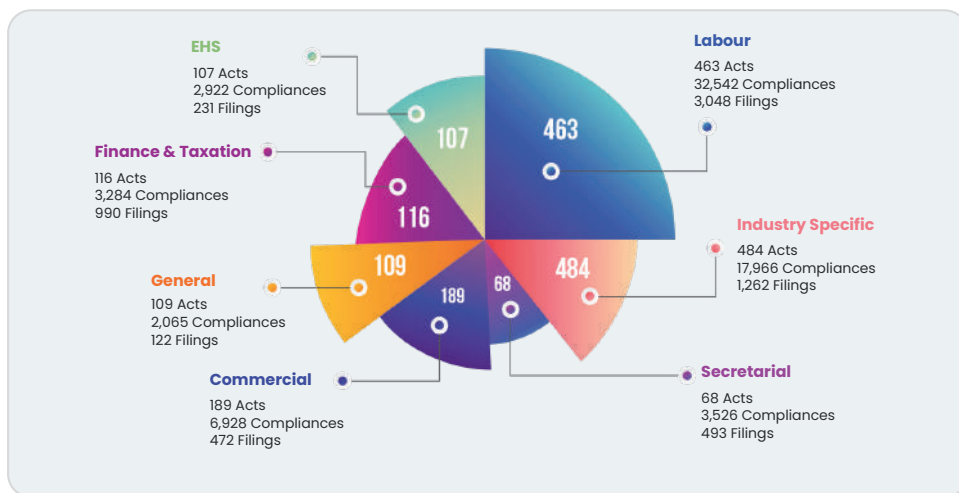
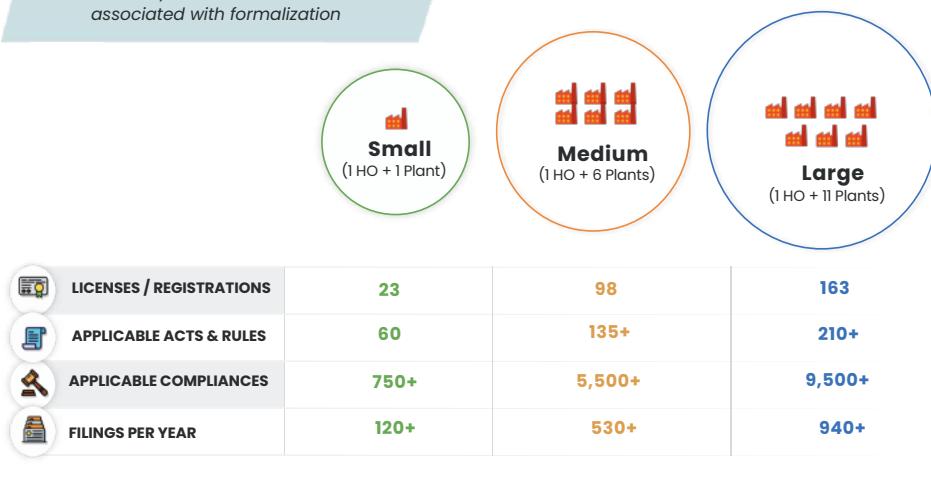


Fig. 2 High Compliance Burden

The regulatory burden only increases as a firm grows in size. Thus, many enterprises 'choose' to stay a dwarf to avoid the costs associated with formalization



Above table is actual Compliance data of Pvt. Ltd. clients of TeamLease RegTech in manufacturing

Types and Categories of Compliance

For most organisations, compliance requirements can be grouped into seven fundamental categories: labour, environment, health and safety (EHS), finance and taxation, secretarial, commercial, industry-specific, & general. Depending on the organisation's size, nature, and operations, each category contains a diverse array of acts, rules, and regulations with differing degrees of applicability.

Labour

Labour is the subject of 32,542 compliances (47% of the 69,233 compliances) and 3,048 filings (46% of 6,618). There are 31,605 compliances at the state level and 937 at the union level, with 72% of all state-level compliances being labour regulations.

Being a concurrent subject, the States further legislate upon labour laws, and each parent Act is accompanied by a host of state legislations alongside the central and state rules.

This category includes 29 central laws like the Factories Act, 1948, the Mines Act, 1952, the Payment of Wages Act, 1936, the Minimum Wages Act, 1948, the Payment of Bonus Act, 1965, the Equal Remuneration Act, 1976, etc. (which have now been condensed into four labour codes).

The Code on Wages, 2019 was passed by the Lok Sabha on July 30, 2019 and notified on August 8, 2019. The Industrial Relations Code, Code on Social Security, 2020 and the Occupational Safety, Health, and Working Conditions Code, 2020 were passed by the Lok Sabha on September 22, 2020 and notified on September 29, 2020.

The OSH&WC Code, 2020 subsumes 13 union acts. It incorporates various new provisions to create standardisation in the statutory norms for workers' occupational safety, health and working conditions. The applicability threshold under the Factories Act, 1948 has been increased for the benefit of smaller enterprises. New provisions on common licences have also been introduced to reduce the compliance burden.



The Industrial Relations Code, 2020 subsumes 3 union acts. The applicability threshold in terms of workers has been increased under the Code. At the same time, the provision on the grievance redressal committee has undergone changes.

The Code on Social Security, 2020 subsumes 9 union acts. Several new provisions have been introduced under the Code for bringing uniformity in social security coverage for workers. Schemes such as Employees' Provident Fund and Employees' State Insurance now have broader applicability and voluntary coverage.

The Code on Wages, 2019 subsumes 4 union acts. It has introduced a broader applicability criterion for establishments and employees. It also has standardised definitions to bring about clarity in implementation. New provisions regarding mode, time, and disqualification of payments of wages and bonuses have also been incorporated to remove ambiguities in enforcement.

Environment, Health & Safety

It covers all aspects of the environment, including pollution, waste management, and discharge of hazardous substances. Most compliances are contained in the Environment (Protection) Act, 1986, and its allied rules.

An illustrative list is provided here:

- Battery Waste Management Rules, 2022
- E-Waste (Management) Rules, 2022
- Environment (Protection) Rules, 1986
- Noise Pollution (Regulation And Control) Rules, 2000
- Plastic Waste Management Rules, 2016
- Solid Waste Management Rules, 2016

Commercial

The commercial compliance category includes all laws overseeing the production and trade of goods and services.

An illustrative list is provided here:

- Boilers Act, 1923 and Boiler Regulations, 1950
- Bureau of Indian Standards Act, 2016, and Bureau of Indian Standard Rules, 1987
- Collection of Statistics Act, 2008 and Collection of Statistics (Central) Rules, 1959
- Food Safety and Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011



- Legal Metrology Act, 2009 and Legal Metrology (Packaged Commodities) Rules, 2011
- Motor Vehicles Act, 1988 and Central Motor Vehicle Rules, 1989

Secretarial

It covers all laws on corporate governance and risk management. The primary legislation is the Companies Act, 2013, accompanied by various rules.

An illustrative list of these rules is provided here:

- The Companies (Acceptance of Deposits) Rules, 2014
- Companies (Accounts) Rules, 2014
- Companies (Appointment and Qualification of Directors) Rules, 2014
- Companies (Audit and Auditors) Rules, 2014
- Companies (Corporate Social Responsibility) Rules, 2014
- Companies (Meetings of Board and its Powers) Rules, 2014
- Companies (Registration of Charges) Rules, 2014
- Companies (Share Capital and Debentures) Rules, 2014
- Companies (Significant Beneficial Owners) Rules, 2018

Finance & Taxation

This category includes laws on direct taxes such as income tax, property tax, and corporate tax; indirect taxes such as goods and services tax (GST); and customs duty. An illustrative list is provided here:

An illustrative list is provided here:

- Income Tax Act, 1961 and Income Tax Rules, 1962
- Central GST Act, 2017 and Central GST Rules, 2017
- State-specific laws for taxes on professions, trades, callings, and employment



Industry Specific

There are a variety of industry-specific legislations that apply to different industries. For instance, for Drugs industry, the Drugs and Cosmetics Act, 1940 and its related rules and schedules, such as the Schedule on Good Manufacturing Practices and Requirements of Premises, Plants, and Equipment for Pharmaceutical Products, govern the import, manufacture, distribution, and sale of drugs and cosmetics in India. For the mining industry, the Mines Act, 1952 read with the Mines Rules, 1955 governs measures relating to the health, safety, and welfare of workers in coal, metalliferous, and oil mines, whereas the Mines and Minerals (Development and Regulation) Act, 1957 has been enacted to regulate the development and exploitation of minerals and the operation of mines in India.

An illustrative list of such legislation is provided here:

- The Reserve Bank of India Act, 1934 and periodic RBI circulars for the banking sector
- The Food Safety and Standards Act, 2006 and the Food Safety and Standards (Food Products Standards and Food Additives) Regulations, 2011
- Chemical Weapons Convention Act, 2000 and Chemical Weapons Convention Rules, 2016



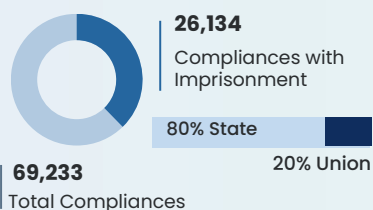
Criminalization in India's Compliance

India has an enormous number of rules and regulations that can delay innovation, prevent investment, and suffocate it. The extensive array of rules and regulations regulating doing business in India might stifle innovation, slow down investment, and discourage entrepreneurship. There are 26,134 imprisonment provisions in the 843 economic laws, rules, and regulations that govern and impact business in the country. In reality, 38% of clauses—or nearly two out of every five—contain sentences of imprisonment as penalties. More than half, or 55%, of the laws have imprisonment clauses.

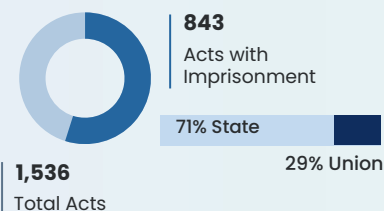
State governments house nearly four out of every five, or 80% compliance with imprisonment terms. The jail terms contained in these clauses range from less than three months to more than 10 years. Almost two out of every five clauses, or 42%, have imprisonments ranging from one to three years. More than four out of every five clauses, or 87%, carry imprisonments of less than three years. One-eighth of the clauses, or 13%, contain jail terms of between three and ten years. The number of clauses that carry imprisonment for more than 10 years is 207, or 0.8%.

Fig. 3 Imprisonment Clauses & their distribution according to the levels of legislation

Compliances



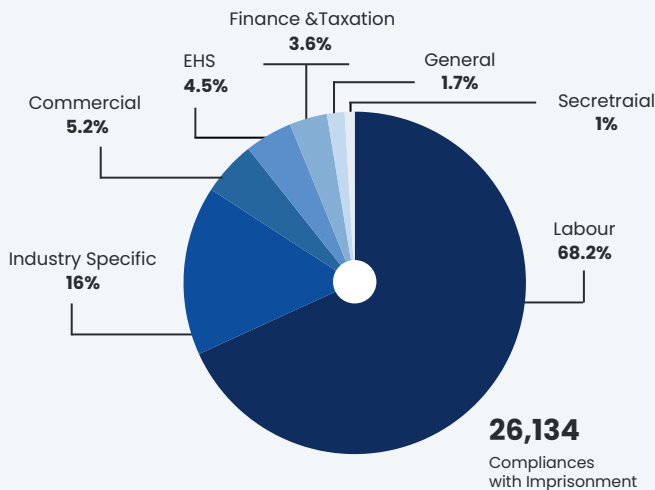
Acts



Through The Jan Vishwas (Amendment of Provisions) Bill, 2023, a total of 183 provisions were decriminalized in 42 Central Acts administered by 19 Ministries/Departments. The Department for Promotion of Industry and Internal Trade (DPIIT) is working on about 100 rules and laws of various departments of government to bring Jan Vishwas 2.0 bill to achieve a greater ease of doing business environment in the country.

The most significant compliance challenges are in the labour category; nearly 7 out of 10 imprisonment clauses, or 68%, fall into this category. In other words, imprisonment clauses under labour laws exceed those in the other five categories combined, accounting for three times more than commercial laws; 4.5 times more than environment, health, and safety laws; seven times more than finance and taxation laws; and over 17 times more than secretarial laws. The Factories Act, 1948, and related rules contribute most of the provisions containing criminal clauses.

Fig. 4 Imprisonment Clauses across Compliance Categories



Labour Compliance Complexities

Labour is included in the concurrent list of the Constitution of India, which means that both the Centre and the states have the authority to enact laws regarding it. Schedule 7 of the Constitution includes within the concurrent list of subjects the regulation of labour and safety in mines and oilfields, trade unions and labour disputes, and labour welfare. Article 254 (2) of the Constitution states that if there is a conflict between union and state law on a concurrent subject, the state law prevails if it was passed after the union law and received presidential approval. After the Union government approves, states may amend or reform their labour laws.

The Industrial Revolution in Britain led to the enactment of several labour laws, beginning with the Factory Act of 1833. Almost a century later, the Industrial Revolution reached India in the mid-1800s, with the first cotton textile factory established in Bombay in 1854. By 1881, factories arose in Bombay, Nagpur, Kanpur, and Chennai more than 5,000 power looms operated in Bengal, and Indian textile mills began competing with those in Britain.

As a result, British mill owners, concerned about lower production costs due to inferior labour standards in India, advocated for raising labour standards. The Factories Act of 1881 was enacted, setting the foundation for regulating working hours and age limits for child labour. The 1881 Act prohibited the employment of children under 7 years and limited the work hours of children aged 7-12 to 9 hours per day. It also mandated safety measures, such as fencing hazardous machinery and appointing inspectors for oversight.

In 1928, the Royal Commission on Labour, chaired by H. H. Whitley with members N. M. Joshi and Dewan Chaman Lal, made key recommendations that led to the passage of the Factories Act, 1934. This act introduced the distinction between seasonal and perennial factories and categorized workers into four groups: adult male, adult female, adolescents (15-17 years), and children (12-15 years). It also reduced and set maximum working hours for each category, improving labour standards.



Post-Independence, the National Commission on Labour (1966) under the Chairmanship of Justice P.B. Gajendragadkar made recommendations on various labour-related topics including wages, training, and social security.

India's employer compliance universe has 1,536 acts that apply to businesses, and 463 (30.1%) of those are labour-related. 32,542 compliances (47% of the total) and 3,048 filings (46% of the total) related to the subject of labour. There are 31,605 state-level compliances and 937 union-level compliances. Labour-related regulations are involved in 72% of all state-level compliances. The Jailed for Doing Business Monograph states that 68% (17,819) of all violations that resulted in an imprisonment term were labour law violations.

There is no centralized list of compliances and a high frequency of regulatory updates. For instance, approximately 517 regulatory updates were published in FY 22-23 alone. Multiple registers and records are required to maintain compliance, often leading to hiring experts for interpretation, filings, and tracking updates.

A pharmaceutical MSME with a single corporate office and a single manufacturing facility in the state of Maharashtra has to obtain 4 licences and registrations and comply with 49 displays and 72 registers and records requirements related to labour obligations. In addition, it has to manage 97 employee safety and welfare compliances. A logistics and supply-chain MSME with a single corporate office and a single warehouse in the state of Maharashtra has to obtain 17 licences and registrations and comply with 61 displays and 64 registers and records requirements related to labour obligations. In addition, it has to manage 49 employee safety and welfare compliances.



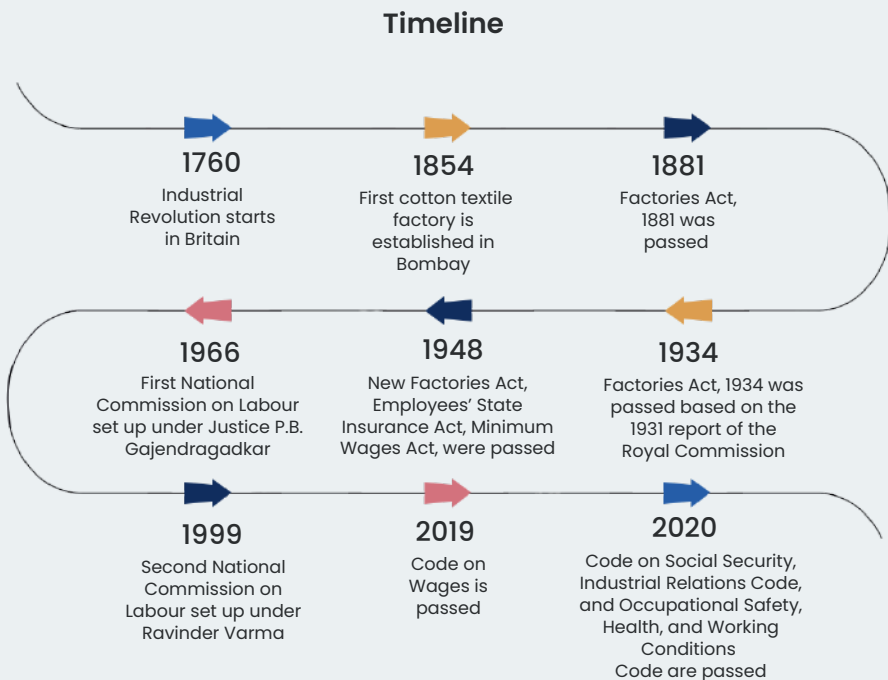
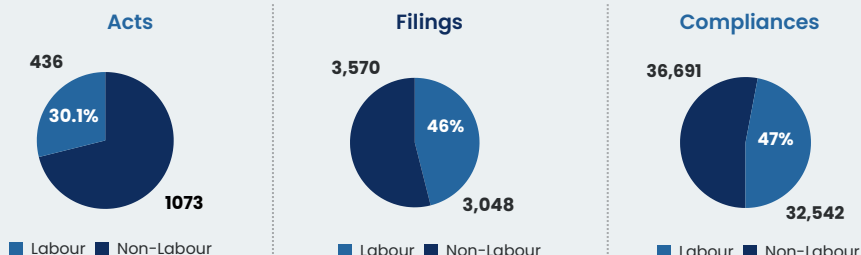
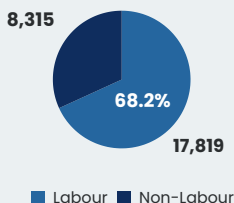
**Fig. 5 Timeline of Labour Reforms**

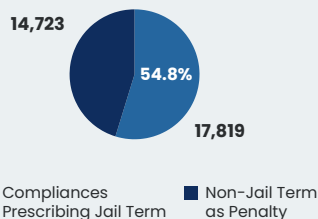
Fig. 6 Decoding India's labour compliance framework



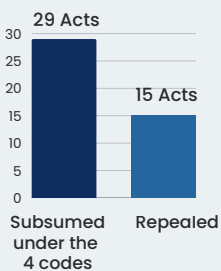
Compliances with provisions for Imprisonment



Labour Compliances



44 Labour Related Union Acts



Reduction in complexity of Labour Compliance



Occupational Safety, Health and Working Conditions Code, 2020

- Subsumed 13 acts
- 4 licences reduced to 1
- 22 returns reduced to 1
- 76 registers reduced to 3
- 11 registrations reduced to 1



Industrial Relations Code, 2020

- Subsumed 3 acts
- 2 registrations reduced to 1



Code on Social Security, 2020

- Subsumed 9 acts
- 36 returns reduced to 1
- 20 registers reduced to 2
- 4 registrations reduced to 1



Code on Wages, 2019

- Subsumed 4 acts
- 3 returns reduced to 1
- 12 registers reduced to 4

02

Compliance Challenges in the Current Environment

Criminality

Of the 1,536 laws that govern doing business in India, more than half carry imprisonment clauses. Two out of every five of the 69,233 compliances applicable to businesses carry imprisonment clauses. Over half the clauses requiring imprisonment carry a sentence of at least one year. Several of these provisions criminalise process violations, while others punish inadvertent or minor lapses instead of deliberate attempts to cause damage, defraud, or evade. Unfortunately, under certain laws, late or incorrect filing constitutes an offence for which the Indian Penal Code, 1860 equates the punishment to that of murder and grievous hurt. Five states have more than 1,000 imprisonment clauses in their business laws: Gujarat (1,469); Punjab (1,273); Maharashtra (1,210); Karnataka (1,175); and Tamil Nadu (1,043).

Furthermore, labour laws contain the most criminal provisions, with 17,819 imprisonment provisions spread across 352 laws. It is anticipated that the four labour codes enacted last year will provide some relief to entrepreneurs, but the criminality issue itself will require our policymakers' attention.

The category of industry-specific laws consists of 4,179 clauses in 205 laws that carry the possibility of imprisonment. Several of these provisions, which govern areas such as Chemical Weapons, Drugs and Cosmetics, Food Safety and Standards, and the associated regulations, impose imprisonment terms exceeding ten years. Nearly one hundred provisions across eight industry-specific statutes are punishable by imprisonment.

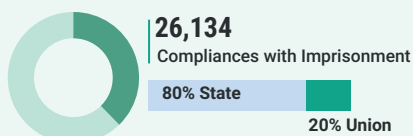


STATE OF CRIMINALISATION IN India's employer compliances

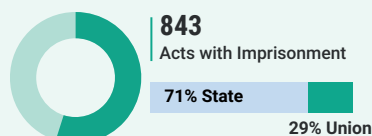
HIGHLIGHTS OF THE REPORT

- 55% of the laws in India's business regulatory universe have imprisonment clauses
- 2 out of every 5 compliances carry imprisonment clauses
- 3 out of every 5 imprisonment clauses prescribe a jail term of more than 1 year
- 68% of the imprisonment clauses are from labour laws
- Nearly half (49%) of imprisonment clauses among labour laws are from the Factories Act, 1948 and state rules
- Five states have more than 1,000 imprisonment clauses in their business laws: Gujarat, Punjab, Maharashtra, Karnataka and Tamil Nadu

IMPRISONMENT CLAUSED & THEIR DISTRIBUTION IN INDIA'S BUSINESS REGULATORY UNIVERSE

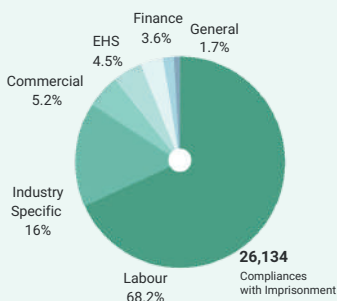


69,233
Total Compliances

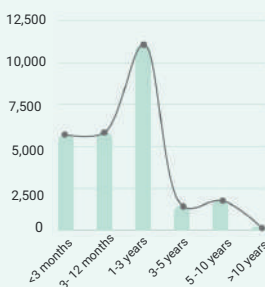


1536
Total Acts

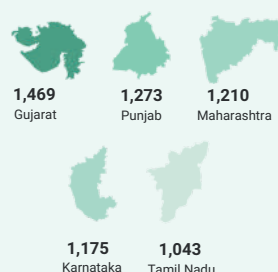
IMPRISONMENT CLAUSES ACROSS COMPLIANCE CATEGORIES



DEGREE OF IMPRISONMENT TERMS



STATES WITH HIGHEST IMPRISONMENT CLAUSES



PATHS TO REFORMS: 10 RECOMMENDATIONS

- Introduce sunset clauses
- Reform with one legislation
- Define standards for legal drafting
- Reform the way policies are designed
- Create alternative mechanisms and frameworks
- End the criminalisation of all compliance procedures
- Use criminal penalties in business laws with extreme restraint
- Involve all independent economic regulators in compliance reforms
- Infuse dignity to entrepreneurs, businesspersons and wealth creators
- Constitute a regulatory impact assessment committee within the Law Commission of India

Under the commercial category of laws, which includes but is not limited to boiler regulations, legal metrology, food safety, etc., there are 1,346 clauses in 106 laws that carry imprisonment sentences. The Legal Metrology Act, 2009 contains the most imprisonment clauses, with 391.

Under environment, health, and safety, there are 78 statutes containing 1,179 imprisonment-inducing provisions. While the environment, health, and safety are sensitive areas in which strict compliance is required, there are times when the law takes an unjustifiably hostile posture toward the entrepreneur. Under the Environmental Protection Act, 1986 and related regulations, failure to submit and update annual reports and provide information to relevant authorities can result in a 5-year sentence.

There are 48 laws pertaining to finance and taxation that contain 929 imprisonment clauses. The Central Goods and Services Tax Act, 2017 stipulates imprisonment from six months to five years. Over 80% of the laws impose prison terms between three and five years.

In the category of secretarial compliances, 247 are subject to imprisonment. This is the only category exempt from the draconian criminalisation that has become the norm for all other categories.



Complexities of Compliance

Pharmaceutical Sector

While the sector has seen sustained growth, regulatory hurdles have blunted the pace of progress. To illustrate, a mid-sized pharmaceutical company with a factory in just one state faces 998 unique and 1456 total applicable compliances involving at least 70 one-time registrations and approvals. These compliances run into several thousand as the company expands its operational capacity and geographical footprint. The sheer number of regulatory updates makes the compliance universe all the more fluid and unpredictable.

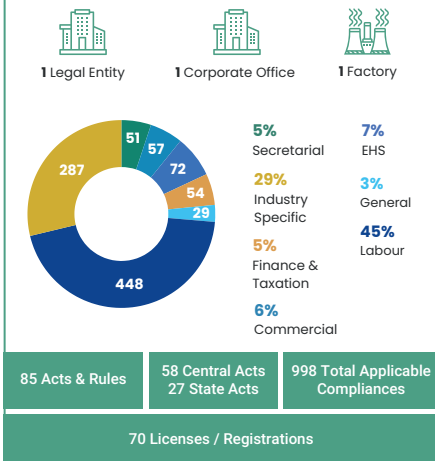
These are accompanied by a plethora of industry-specific compliances such as obtaining licences under the Drugs and Cosmetics Act, 1940, submitting quarterly returns as per the Narcotic Drugs and Psychotropic Substances Act, 1940 and instituting pricing mechanisms in accordance with the Drugs Price Control Order, 2013.

The ICMR Code - Ethical Guidelines for Biomedical Research on Human Participants also prescribes a host of compliances, including registering with the National Apex Committee for Stem Cell Research, providing compensation for subjects of medical trials and giving notifications to the Ethics Committees in case of termination or suspension of trials.

Below is an illustrative list of industry-specific regulations:

- Drugs and Cosmetics Act, 1940 and its associated rules
- Schedule on Good Manufacturing Practices and Requirements of Premises, Plant and Equipment for Pharmaceutical Products.
- Drugs and Magic Remedies (Objectionable Advertisement) Act, 1954 and Drugs and Magic Remedies (Objectionable Advertisements) Rules, 1955
- Essential Commodities Act, 1955
- Drugs (Price Control) Order, 2013



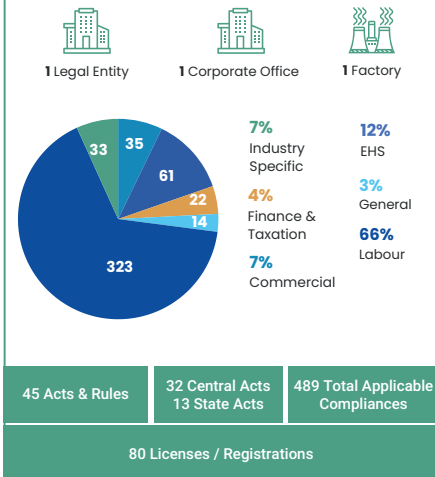
Fig. 7 Pharmaceutical Industry

The Drugs Controller General of India (DCGI) under the Central Drugs Standard Control Organization (CDSCO) highly regulated the pharmaceutical industry in India. But as companies look to fulfil their export ambitions, they are confronted by extensive regulatory norms imposed by other countries. For instance, the US has enacted the Health Insurance Portability and Accountability Act (HIPAA), which sets out numerous compliance requirements for healthcare entities to protect sensitive patient data. Drug controllers worldwide, such as the U.S. Food and Drug Administration, the European Medicines Agency, the Federal Drug Control Service of Russia and the South African Medicines Control Council, also have their procedures, documentation and controls. These regulations become critical as they dictate the conditions for the production, storage, and transportation of pharmaceutical exports from India.

At the same time, pharmaceutical companies' business environment faces regulatory hostility in the form of imprisonment clauses. Of the 998 compliances a pharmaceutical MSME deals, close to 50% prescribe jail terms for violations. A sizable portion of them criminalises procedural violations and technical lapses rather than serious offences involving willful harm. 3 out of every 5 imprisonment clauses prescribe jail terms exceeding 1 year, highlighting the severe implications for non-compliance in the sector. The cost of poor compliance is simply too high, and thus, effective compliance management has become a business imperative.

Automobile Industry

India is fast emerging as a formidable player in the global automobile market. It has positioned itself as the world's fourth-largest motor vehicle producer, having overtaken auto giants like South Korea and Germany over the past year. Despite its bullish prospects, India's automobile segment is saddled with numerous regulatory challenges that are slowing the pace of its progress. A typical mid-sized automobile manufacturing company deals with a few thousand compliances annually. Around 50-100 people from different departments, including Human Resources, Finance & Tax, Company Secretarial, Administration, Environment Health & Safety, Warehouse, Research and Development, are usually involved directly in day-to-day compliance functions.

Fig. 8 Automobile Industry

Even a small automobile manufacturing company operating in a single Indian state deals with at least 428 unique and 624 total applicable compliance requirements in a year. The number of compliances grows as the company expands its geographical footprint. A significant chunk of compliances come from the Factories Act, 1948 and its associated rules that are enacted by every state. These rules add a number of time-based, event-based, and complete checklists of compliance.

In addition, Automobile companies must comply with industry-specific compliance requirements such as obtaining a licence/certificate of conformity under the Bureau of Indian Standards Act, 2016 and Conformity Assessment Regulations, 2018. For every factory, there are specific compliance requirements related to the storage of petroleum under the Petroleum Act, 1934 and Petroleum Rules, 2002. They also need to furnish quarterly filings related to the use of solvents, raffinates, slops and other such chemicals. This is in addition to the licensing requirements for acquiring, storing, and disposing of solvents under the Essential Commodities Act, 1955.

Below is an illustrative list of industry-specific regulations:

- Bureau of Indian Standards Act, 2016 & Bureau of Indian Standards (Conformity Assessment) Regulations, 2018
- Industries (Development and Regulation) Act, 1951 & Registration and Licensing of Industrial Undertakings Rules, 1952
- General Operating Guidelines for Registration of OEMs and Vehicles Models, File No. F 21(37)/NAB/DIDM/2014/ dated 9th April, 2015
- The Motor Vehicles Act, 1988 & Central Motor Vehicle Rules, 1989
- The Petroleum Act, 1934 and Petroleum Rules, 2002



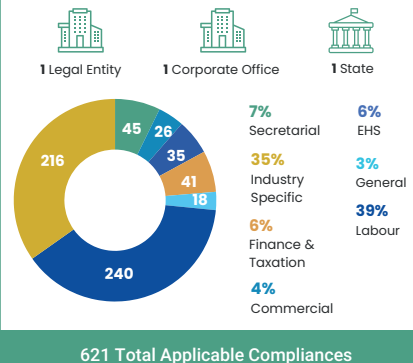
To stay on the right side of the law, automobile companies often deal with the challenge of tracking the applicability of the compliances and their status. These compliances include displaying a notice of danger on every installation of voltage exceeding 250V under the CEA (Measures Relating to Safety and Electric Supply) Regulations, 2010; marking the capacity of storage tanks under the Petroleum Rules, 2004; displaying a 'No Smoking' sign at the entrance of a public area as per the Prohibition of Smoking in Public Places Rules, 2008. The manufacturers must also comply with the recently notified BS VI phase 2 regulations that provide stricter emission standards. The new regulations mandate that vehicles have to be fitted with a self-diagnostic device that continuously monitors the vehicle's emission levels. Furthermore, the new vehicles must also be equipped with programmed fuel injectors.

An automobile company also has to deal with several types of safety audits, environmental audits, and fire drills, such as segregation and storage of waste generated into 3 separate streams under the Solid Waste Management Rules, 2016. If these ongoing compliances are not adhered to, it can lead to poor compliance, resulting in hefty penalties. Manually tracking and managing the applicable licenses for the automobile industry can be tedious.

NBFCs

From gold to microfinance loans and personal to vehicle finance loans, Non-Banking Financial Companies (NBFCs) have been pivotal in promoting credit growth in the economy's unorganised, unbanked, and under-banked sections. Typically, growth in NBFCs is tightly coupled with a larger geographic branch footprint. The more branches there are, the higher the reach and, subsequently, the higher the AUM (Asset under management). Unfortunately, the business growth leads to a significant rise in compliance obligations at Union, state and local levels. An NBFC operating in a single state at one location has to comply with at least 621 unique compliances in a year with at least 35 one-time registrations and approvals.

Fig. 9 NBFCs



NBFCs must adhere to Master Directions and Master Circulars issued by RBI under the Reserve Bank of India Act, 1934. They must also adhere to Fair Practice Guidelines and publish the fair practices code on their website. In addition, the borrowers must be informed in vernacular language about the terms and conditions of their loans. The staff must be trained to refrain from coercive actions during loan recovery. The corporations are required to appoint an internal ombudsman, with quarterly and annual submissions of the complaints received and the decisions made. In addition, all NBFCs must comply with the various V-CIP (Video Customer Identification Process) compliance requirements as well.

Below is an illustrative list of industry-specific regulations:

- Reserve Bank of India, Act 1934
- Master Direction – Information Technology Framework for the NBFC Sector, 2017
- Master Direction – Know Your Customer (KYC) Direction, 2016
- Master Circular – Non-Banking Financial Company – Micro Finance Institutions, 2015
- RBI Guidelines on Fair Practices Code
- Prevention of Money Laundering Act, 2002 and Prevention of Money Laundering (Maintenance of Records) Rules, 2005
- National Housing Bank Act, 1987

In addition, NBFCs are required to maintain records and file returns under the Prevention of Money Laundering Act, 2002 and Prevention of Money Laundering (Maintenance of Records) Rules, 2005. Similar requirements are there under the RBI Guidelines on Fair Practices Code and some other significant regulations as well. The sector is highly regulated, and the companies must comply with RBI regulations and follow the regulations issued by the Ministry of Corporate Affairs. Each regulation comes with its own set of procedures, documentation, filings and penalties.

The sector went through a major regulatory overhaul in 2021, when RBI notified the 'Scale Regulation (SBR): A Revised Regulatory Framework for NBFCs' to align the regulatory requirements for NBFCs because of the change in their risk profiles and their evolution in terms of size and complexity. The framework came into effect this October and has reclassified NBFCs under 4 layers – Base Layer, Middle Layer, Upper Layer, and Top Layer. This classification brings into its fold all Micro-Finance Institutions, Gold Loan Companies, and Vehicle Financing Companies, to name a few. The scale-based regulations determine which level an NBFC will belong to based on whether the company accepts deposits and whether they are systemically important.

The base layer consists of all systematically important and non-systematically important non-deposit-taking NBFCs with asset sizes under 1000 crores. It also has peer-to-peer lending platforms, account aggregators, and non-operative financial holding companies, among others. The middle layer, on the other hand, is made up of all systematically important and non-systematically important deposit-taking NBFCs and non-deposit-taking NBFCs with asset sizes over 1000 crores. Infrastructure debt funds, credit investment companies, housing finance companies, and infrastructure finance companies, among others, are also part of the middle layer.

RBI holds the authority to move NBFCs into the top 2 layers based on certain parameters set by them occasionally. In addition, the top 10 eligible NBFCs in terms of asset size will always remain in the Upper Layer regardless of any other factor. The Top layer is inhabited by upper-layer NBFCs that see a substantial increase in their potential systemic risk. NBFCs in the Base Layer must put in place a Board-approved policy on the grant of loans to directors, senior officers, and relatives of directors. NBFCs that get put into the Upper Layer must determine internal exposure limits on important sectors to which credit is extended.

Housing Finance Companies have to deal with a plethora of returns and filings that have to be submitted to the National Housing Board (NHB), which can be quarterly (SARFAESI return, 20-Major exposure return, Schedule-IV return etc.), half-yearly (FDI norms compliance certificate), or annual (Statutory Auditor Certificate). MFIs are required to maintain margin caps not exceeding 10% and ensure that the total indebtedness of a rural borrower does not exceed INR 1,00,000. Gold Loan Companies are required to implement board-approved policies related to the storage of jewellery as well as the auction of jewellery in case of non-repayment to ensure transparency with adequate prior notice to the borrower.



Some recent regulatory steps taken by RBI:

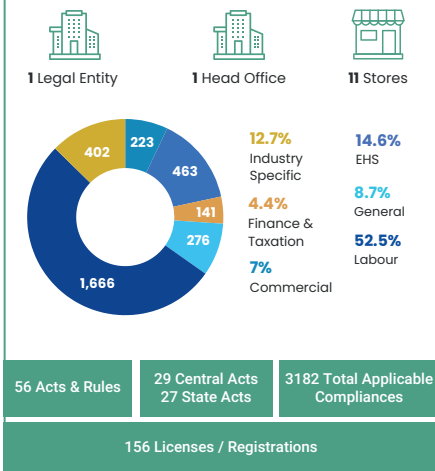
- On July 15, 2024, the Reserve Bank of India (RBI) issued the Master Directions on Fraud Risk Management in Non-Banking Financial Companies (NBFCs). These directions are intended to strengthen the framework for preventing, detecting, and reporting fraud in NBFCs, including housing finance companies (HFCs). The directions superseded the 2016 Master Direction: Monitoring of Frauds in NBFCs (Reserve Bank) Directions.
- RBI issued the revised Master Circular on 'Bank Finance to Non-Banking Financial Companies (NBFCs)' on April 24, 2024. This circular consolidates all instructions issued up to 23.04.2024. The purpose is to outline the RBI's regulatory policy regarding the financing of NBFCs by banks.

- The Reserve Bank of India (RBI) issued the Master Direction – Reserve Bank of India (Filing of Supervisory Returns) Directions – 2024 on February 27, 2024. The new directions aim to streamline the reporting process and reduce the burden on regulated entities.
- Vide notification dated August 12, 2024, RBI has amended certain regulations applicable to Housing Finance Companies, and NBFCs to ensure harmonization between HFC Master Directions and SBR Master Directions. These amendments shall be effective from January 01, 2025.

Retail Industry

The retail industry has witnessed remarkable growth in recent years, becoming one of the most dynamic and fast-paced industries. It encompasses several businesses, including department stores, bookstores, grocery stores, and other establishments catering to the general public's home and personal needs. The emergence of e-commerce platforms and digital innovations has also had a profound impact on the industry, resulting in exponential growth and significant market disruption. However, despite these advancements, employers are still hamstrung by the sheer volume and complexity of regulatory requirements.



Fig. 10 Retail Industry

For instance, a retail company with a single corporate office and a single retail outlet in just one city must comply with at least 185 checklisted compliances. On the other hand, A retail chain with a presence in multiple cities and across state borders needs to keep track of 478 unique and 3,182 total applicable compliances. Of these, 2,108 are checklisted, 948 are function-based, and 126 are time-based. The overlapping distribution of legislative powers among the union and the states has added a layer of complexity to the regulatory framework. Retail stores are obligated to display a framed plan showing the location of fire extinguishers and other useful information near the entrance of the premises under the Indian Standard - Selection, Installation and Maintenance of First-Aid Fire Extinguishers - Code of Practice.

In addition, the fire extinguishers must be inspected annually. They are also required to segregate sanitary waste into dry or non-biodegradable waste under the Solid Waste Management Rules. Failure to comply for over a year carries a penalty of imprisonment for up to 7 years.

Furthermore, Enterprises are required to obtain registrations and certificates under the Contract Labour (Regulation and Abolition) Act, 1970 and consequent State rules such as the Maharashtra Contract Labour (Regulation and Abolition) Rules, 1971; Employees State Insurance Act, 1948 & Employees State Insurance (General) Regulations, 1950 & Employees State Insurance (Central) Rules, 1950; Central Goods and Services Tax Act, 2017 and Central Goods and Services Tax Rules, 2017; Maharashtra Goods and Services Tax Act, 2017 and Maharashtra Goods and Services Tax Rules, 2017. In addition, a PPL/ ISRA/ IPRS licence is required for stores to play music inside the premises under the Copyright Act, 1957 and Copyright Rules, 2013.

Below is an illustrative list of industry-specific regulations:

- Food Safety & Standards Act, 2006 and Food Safety & Standard Rules, 2011
- Food Safety & Standards Act, 2006 and Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011
- Food Safety and Standards Act, 2006 and Food Safety and Standards (Packaging) Regulations, 2018
- Insecticides Act, 1968 and Insecticides Rules, 1971

Under the present compliance framework, retail outlets have to deal with duplication, overlap, and redundancies in filings, reports, and maintenance of registers. One must maintain over 40 registers, each with a different format, under different acts, rules, and regulations. Stores are further required to make half-yearly filings to the local police for using CCTV under state laws such as the Karnataka Public Safety (Measures) Enforcement Act, 2017. They are also required to follow the regulations under the Indecent Representation of Women (Prohibition) Act, 1986 and the local municipal compliances in advertisements. Shops using weights and measures must keep up with the labelling and licensing requirements.

Furthermore, there are state-specific regulations for using lifts and escalators, along with consent forms required for using Diesel Generator sets. Enterprises are also required to take environmental clearance approvals, infrastructure and construction approvals, as well as electricity-related approvals from appropriate authorities. The compliance framework for retail chains is fraught with provisions prescribing imprisonment for contraventions. Of the 3,182 compliances a retail chain must deal with in a year, 1192 (or 37%) contain imprisonment clauses. Approximately 77% of these clauses are in state laws, while the rest are within Union laws.



Alco-Beverages Industry

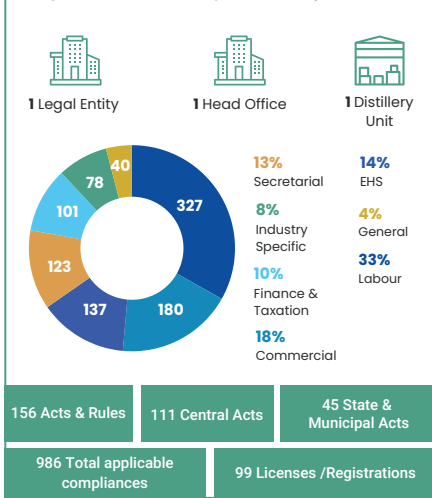
Alco-Beverage is one of India's most underappreciated industries, employing over 20 million people directly or indirectly with a market size of over \$50 billion. An estimated 300 million individuals consume alco-beverages in the country, making it the third-largest market in the world.

For an entrepreneur looking to start from scratch with his/her own manufacturing facility in the state of Maharashtra, he/she needs to obtain at least 99 licenses and permissions spread across four stages (setting up the business, pre-commissioning stage, post-commissioning stage, and post-production stage) before commencing operations. Of these 99, the enterprise needs to renew 35 periodically. The approval timeline for these licenses and permissions also varies, with some being granted within 15 days and some taking more than 60 days.

About 40% of these have no defined approval timeline and can take however much time as directed by the issuing authority. Consequently, it can take an average of 3-4 years for an enterprise to obtain all required licenses.

Breaking down these requirements on the basis of types, we find that they consist of 127 returns/submissions per year, 168 different forms and records, over 30 statutory payments, and more than 118 display obligations.

Fig. 11 Alco-Beverages Industry



Once the business is up and running, it must adhere to 986 unique and 3304 total applicable compliance requirements under 156 acts. Furthermore, these requirements have varying levels of frequency for their compliance. Around 202 of these filings need to be made on a monthly basis, creating 2,424 obligations in a year, whereas 736 need to be complied with once a year.



In addition, there are requirements related to the appointment of specific professionals, such as a safety officer, a medical officer, and a food safety advisor, among others; the creation of specific committees; periodic examinations, inspections, and tests of machinery; and providing for the safety and welfare of employees in the form of canteens, creches, first aid kits, and break rooms to name a few. Enterprises engaged in storing and distributing alco-beverage in Maharashtra are again required to obtain 8 licenses. In contrast, those engaged in retail sales can need 9-13 licenses, depending on their business model.

Below is an illustrative list of industry-specific regulations:

- Food Safety and Standards (Licensing and Registration of Food Businesses) Regulations, 2011
- Food Safety and Standards (Packaging and Labelling) Regulations, 2011
- Prevention of Food Adulteration Act, 1954 and Prevention of Food Adulteration Rules, 1955
- Food Safety and Standards (Food Recall Procedure) Regulations, 2017
- Food Safety and Standard Rules, 2011
- State Excise Policies
- FSSAI Advisory on Disposal of food products unfit for human consumption; File No: RCD11003/3/2021-Regulatory-FSSAI; Dated: 30th September 2021

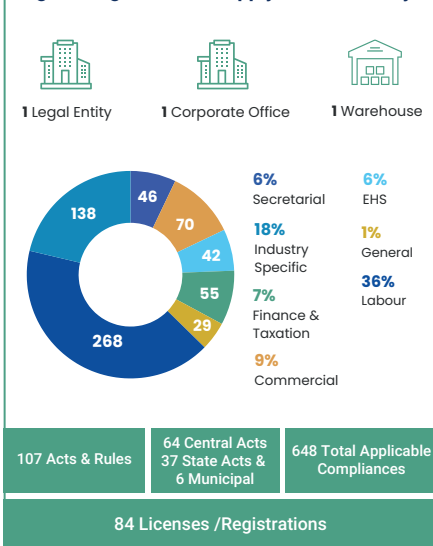
Varying models of governance and pricing dominate the regulatory framework for Alcohol across states. Since Alcohol is listed under the State list of the Seventh Schedule and kept out of the ambit of GST, each state has its own set of policies, acts, rules, and regulations that control the entire supply chain. There are wide variations in State-wise policies in terms of requirements, frequency & timelines for policy revisions, the turn-around time for grant/renewal of licenses, and adoption of technology, among others. Consequently, enterprises have to weather the frequent and ad-hoc changes in policy and regulations. There is a heightened sense of uncertainty in the industry that has become an entry barrier for new players. Even for the enterprises operating in the market, the need for uniformity and the dynamic nature of the regulatory ecosystem affect their compliance management capabilities. This effectively discourages and prevents enterprises from planning long-term investments and strategies. Because of the disparities in regulatory regimes between states, India has been segmented into more than 30 heterogeneous markets rather than a single market.

Logistics and Supply Chain Industry

Despite the tremendous growth in the logistics and supply chain industry, the complexity of compliance has slowed down its progress. An MSME, with a single warehouse and corporate office in a single state, deals with 648 unique and 1053 total applicable compliances in a year.

Among them, 226 (or 34.8%) compliances contain imprisonment clauses. Approximately 54% of these clauses are contained in state laws, while the rest are within Union laws. There is a multiplicity of necessary documents, such as registrations, approvals, licences, permissions, consent orders, and certifications, among others, leading to complex and overlapping documentation.

Fig. 12 Logistics and Supply Chain Industry



Regulations that apply to a logistics warehousing facility include various quarterly disclosures to the WDRA (Warehousing Development and Regulatory Authority), insurance coverage against the various risks associated with the goods deposited in the warehouse, maintaining the quality and quantity of goods stored in the warehouse, maintaining complete and accurate records and accounts of all transactions, painting of walls and ceilings of the warehouse every 3 years and daily cleaning of the warehouse and operating a physical analysis laboratory in the warehouse if agricultural commodities/goods are being stored among others.

Below is an illustrative list of industry-specific regulations:

- Warehousing (Development and Regulation) Act, 2007 and Warehousing (Development and Regulation) Registration of Warehouses Rules, 2017
- Warehouse Manual for Operationalising of Warehousing (Development & Regulation) Act, 2007
- The Carriage by Road Act, 2007 and Carriage by Road Rules, 2011
- Electricity Act, 2003 and Central Electricity Authority (Measures Relating to Safety and Electric Supply) Regulations, 2010
- Foreign Trade (Development and Regulation) Act, 1992 & Foreign Trade (Regulation) Rules, 1993
- Legal Metrology (Packaged Commodities) Rules, 2011



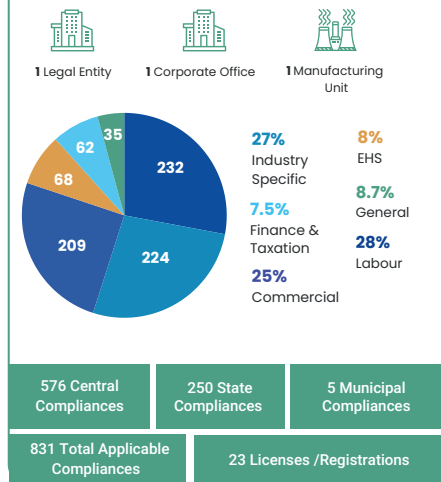
There are also one-time industry-specific approvals that an enterprise must acquire. These include the Import Export Code (IEC) Certificate under the Foreign Trade (Development and Regulation) Act, 1992 & Foreign Trade (Regulation) Rules, 1993, registration as a packer under the Legal Metrology (Packaged Commodities) Rules, 2011, and approvals related to labour safety and health among others.

FMCG Sector

Fast Moving Consumer Goods (FMCG) is the fourth-largest sector and is responsible for employing over 3 million people. The sector is going through a period of sustained growth, thanks to the rise in consumption in tier 2 and 3 cities, semi-urban and rural areas. While increasing awareness, accessibility, and lifestyle transformation have been the key growth drivers, ignorance of regulatory obligations, intricacies of compliance processes, and the sheer volume of updates have complicated the sector's regulatory framework.

For instance, in Maharashtra, an enterprise involved in producing agricultural and dairy products is required to obtain 23 licenses, permissions, and approvals before it can start operations. These include registration as a food business operator (FBO), factory license, fire compliance certificate, approval for sewage discharge, municipal corporation license, PPL, IPRS, and ISRA, and a license to purchase produce directly from farmers.

Fig. 13 FMCG



In addition, separate licenses have to be obtained for every unit wherein it manufactures, stores, sells, or exhibits food items for sale. All the raw materials, ingredients, and water used in the process must be approved and certified annually by an FSSAI-approved laboratory. Such an Enterprise is responsible for abiding by 831 unique and 3296 total applicable regulatory requirements, of which 576 are enforced at the Union level and 250 are State-enforced. Furthermore, if the enterprise operates warehouses for storage and distribution, it must adhere to 421 additional compliance obligations. Deconstructing these requirements on the basis of compliance categories reveals that labour (232), industry-specific (224), and commercial (209) obligations make up the majority (80%) of applicable regulations for an agricultural and dairy product enterprise.

These three categories also account for 84% of the compliances applicable to warehousing operations.

Below is an illustrative list of industry-specific regulations:

- Essential Commodities Act, 1955
- Export (Quality Control and Inspection) Act, 1963 and Voluntary Certification Scheme on Food Commodities, 2007
- Food Safety & Standards Act, 2006 & Food Safety and Standards (Contaminants, toxins and Residues) Regulations, 2011
- Food Safety and Standards Act, 2006 and Food Safety and Standards (Advertising and Claims) Regulations, 2018
- Food Safety and Standards Act, 2006 and Food Safety and Standards (Food Recall Procedure) Regulations, 2017
- FSSAI Advisory on Disposal of food products unfit for human consumption, 2021

The regulations extensively cover all aspects of the production process, including preparation of raw materials/ ingredients, processing, packaging, labelling, storage, and distribution spread across production and storage units.

For production, the enterprise must ensure that the packaging and labelling of its food products conform to the various packaging and labelling requirements. This includes specifying the ingredients, their measurements, dosage in case of nutraceuticals, special dietary foods, and health supplements, hygiene ratings, prohibition on misleading advertisements, ensuring that the food product is free of contaminants and adulteration, and appropriate measures for the production and packaging of vegan food items among others. It must also ensure the training of all its units and employees under the Food Safety Training and Certification (FoSTaC). The regulations call for the business to offer a guarantee on food articles to the vendors in writing, maintain food distribution records, maintain an updated food recall plan, operate a separate storage facility for recalled food products and maintain a record of the recovered food items as well as a record of their disposal, submit the details of the food recall to the concerned authority and a post-recall report, and ensure that the material in contact with the food item is of food-grade quality among other requirements.

Even then, this does not capture the complete picture of the complexity of compliance for such FMCGs, as a major part of these have varying frequencies. Corporations need to ensure that they remain compliant in each cycle, from monthly to quarterly to annual compliance calendars.



Chemical Industry

India is the sixth largest chemical producer in the world and the third largest in Asia. It contributes 75 % to the nation's GDP. On average, a single entity, small-size chemical manufacturing enterprise with a single manufacturing unit operating in Maharashtra faces 635 unique and 1543 total applicable obligations, of which 299 (47.1%) are at the union level, 332 (52.3%) are at the state level, and 4 (0.6%) are at the municipal level. Among these 635 obligations, checklisted compliance constitutes the majority with 330 obligations, followed by function-based at 274. Furthermore, in terms of frequency of these compliances, there are 53 monthly, 93 quarterly, 48 half-yearly and 61 annual compliances.

Below is an illustrative list of industry-specific regulations:

- Chemical Weapons Convention Act, 2000 and Chemical Weapons Convention Rules, 2016
- Electricity Act, 2003 and Electricity Rules, 1956
- Essential Commodities Act, 1955
- Insecticides Act, 1968 and Insecticides Rules, 1971



Hospital Sector

The Indian healthcare sector has seen remarkable growth, with public expenditure rising to 2.2% of GDP in FY23 from 1.6% in FY21. Valued at US\$ 372 billion in 2023, the market is projected to reach US\$ 638 billion by 2025. On average, a single entity, 50-bed hospital with a diagnostic centre, radiology, pathology lab, and pharmacy with a corporate office operating in the Greater Mumbai area in the state of Maharashtra faces 623 unique and 964 total applicable obligations, of which 421 (67.5%) are at the union level, 192 (31%) are at the state level, and 10 (1.5%) are at the municipal level. In terms of frequency of these compliances, there are 27 monthly, 12 quarterly, 11 half-yearly and 47 annual compliances. Ongoing, checklisted, event-based and other compliances account for 523 obligations.



Presented below is an illustrative list of regulations under industry-specific compliance:

- Atomic Energy Act, 1962 and Radiation Safety in Manufacture, Supply and Use of Medical Diagnostic X-Ray Equipment
- Atomic Energy Act, 1962 and Radiation Surveillance Procedures for Medical Application of Radiation, 1989
- Clinical Establishments (Registration and Regulation) Act, 2010 and Clinical Establishment (Central Government) Rules, 2012
- Drugs and Cosmetics Act, 1940 and Drugs and Cosmetics Rules, 1945
- Drugs and Cosmetics Act, 1940 and Schedule N

List of minimum equipment for the efficient running of a pharmacy
 Drugs and Magic Remedies (Objectionable Advertisement) Act, 1954 and Drugs and Magic Remedies (Objectionable Advertisements) Rules, 1955

- Essential Commodities Act, 1955 and Drugs (Price Control) Order, 2013
- Guidelines for Protection of Good Samaritans - Notification No. 25035/101/2014-RS. dated May 12, 2015

Insurance Sector

India's insurance sector is a crucial part of the financial system and has undergone significant growth over the past decades. It is the world's tenth-largest life insurance market, projected to become the 6th largest in the next 10 years. The domestic insurance market has grown at a CAGR of 17% over the last 2 decades and is expected to reach a size of US\$ 222 billion by 2026, driven by rising awareness, a growing middle class, and favourable regulatory changes.

For a typical insurance company operating nationwide with a diverse portfolio, including life, health, and general insurance products, the compliance landscape can be extensive.



A company of this nature may need to address 2,515 unique compliance obligations. However, when considering the annual frequency of these obligations, this number can escalate to 6,255. Out of these 2,515 compliances, 98 (~4.6%) compliances contain imprisonment clauses. ~72% (98) of these clauses are contained in Union laws while the rest are within State laws.

Below is an illustrative list of industry-specific regulations:

- The obligation to maintain accurate and comprehensive records of all insurance policies issued, premiums collected, and claims processed.
- Submitting regular disclosures and reports to IRDAI, including annual financial statements, solvency margins, and details of investments made.
- Under Master Circular on Reinsurance, Ref: IRDAI/REIN/MSTCIR/MSTCIR/MISC/87/5/2024 insurance companies must adhere to strict corporate governance practices, including board composition, risk management, and disclosure requirements.

- Under the Prevention of Money Laundering Act, 2002, insurance companies must implement stringent Anti-Money Laundering (AML) measures, which involve customer due diligence, monitoring of transactions, and reporting suspicious activities to the Financial Intelligence Unit-India (FIU-IND).
- Insurance companies must retain policyholder records, including all communications, grievances, and claim settlements, for a minimum of five years as mandated by the IRDAI (Protection of Policyholders' Interests and Allied Matters of Insurers) Regulations, 2024.
- Insurance companies under IRDAI (Investment) Regulations, 2016 are required to invest their funds in a prescribed manner, ensuring safety and returns while maintaining solvency margins.
- Insurance companies are also governed by IRDAI (Insurance Products) Regulations, 2024 and Insurance Regulatory and Development Authority of India (Rural, Social Sector and Motor Third Party Obligations) Regulations, 2024, respectively.



Inaccurate List of Applicable Compliances

The list of applicable compliances differs based on the scale, geographical footprint, and location of the company in question. For instance, a small retail company operating in a single state in India deals with at least 490 compliances in a year. Similarly, a small logistics and supply chain company operating in a single state in India deals with at least 648 compliances in a year. An MSME pharmaceutical company with one manufacturing facility in a single state must ensure compliance with 998 obligations, whereas an NBFC operating in a single state has to obey 621 regulations.

As enterprises expand their geographical footprint, the number of applicable compliances multiplies significantly. These compliances are at three levels – union, state, and municipal.

In addition, they are in seven compliance categories – labour, finance and taxation, commercial, secretarial, environment, health and safety (EHS), industry-specific, and general. Identification of applicable compliances for a retail company requires deep expertise.

The applicability of compliance changes based on the company's location (industrial areas, export-oriented units, gram panchayats, special economic zones) and the quantity and privacy pertaining to personal data and sensitive information, given the involvement of multiple stakeholders/IoT users. There are also many challenges with respect to the ever-changing threshold quantity and its notification to the concerned authority.



Paper-based & Manual Compliance Program

In India, compliance management has traditionally relied on manual, paper-based processes, making it prone to human errors, delays, and oversights. Such lapses can lead to serious financial and reputational risks, questioning corporate governance and affecting share prices. With increasing regulatory scrutiny and penalties, the cost of non-compliance is too high. As businesses grow, compliance requirements multiply, adding to the complexity and risk.

The manual method of compliance is time-consuming because every record and piece of data must be manually retrieved, processed, and filed in the correct format. The majority of the compliance workflow relies on spreadsheets, which are incompatible with an automated workflow. In many cases, such compliance processes result in multiple spreadsheets with no audit trail that enables transparency or accountability. Additionally, the overwhelming volume of data entries makes it difficult to locate and extract relevant data.

Furthermore, compliance requirements undergo frequent changes, which add to the complexity. Presuming these changes are applicable immediately, they require time-sensitive implementation, which adds further strain to the compliance program. Thus, in the era of Compliance 1.0, there was no effective manual way for an employer to stay on top of all applicable compliance and regulatory updates.

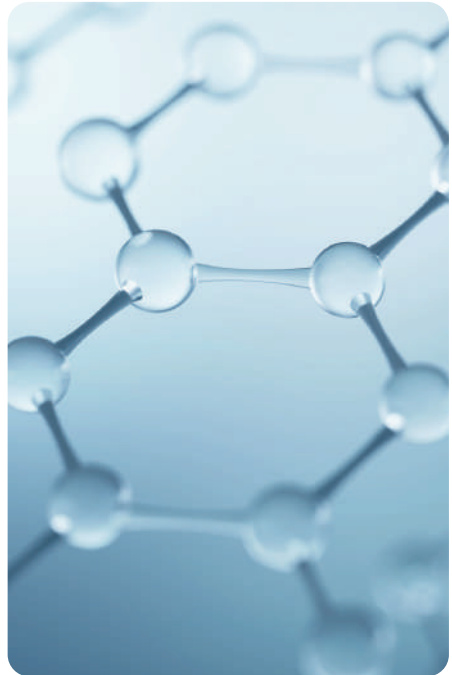
Consider a corporation outsourcing key operations like security, IT, housekeeping, and engineering to 10 to 50 contractors. While these contractors are required to fulfil their regulatory requirements, as the principal employer, corporations are also held liable and responsible. With each contractor itself required to keep up with over 50 compliance obligations, it is challenging for a principal employer to manually keep track of all applicable, pending, and completed compliances, related compliance documents, and any changes that may transpire as a result of the regulatory updates.



Fluid Regulatory Environment

The regulatory framework in India is highly fluid, with 3,756 union, state, and municipal government websites publishing over 3,000 updates each year (over 4,800 in 2022). On average, this amounts to 10 new regulations being added each day. There is no easy way for an employer to get pertinent real-time notifications of regulatory changes. These updates are in various forms (notifications, gazettes, circulars, ordinances, master circulars, press releases, etc.) and lead to changes in formats, dates, timeframes, frequency, penalties, interest rate computations, application threshold values, and the wording of the legislation. Due to the time-sensitive nature of these amendments, prompt interpretation and application are essential. TeamLease Regtech conducted a study and concluded that across all industries and sectors, there were more than 300 regulatory modifications that could impact Micro, Small, and Medium Enterprises (MSME). A typical MSME with over 150 employees confronts 500-900 compliances that cost INR 12-18 lac annually.

However, there is no central platform that publishes up-to-date information on national, real-time, thorough, and customised updates on all regulatory changes that affect the employer compliance burden. As such, it has become a routine practice for compliance officers to check hundreds of websites for new information manually.



03

Key Regulatory Changes in 2024

Key Regulatory Changes – Month wise

January

- NPCI notified the major UPI Apps Enabled to Receive Remittances from Singapore via UPI-PayNow Linkage. The cross-border linkage between Unified Payments Interface (UPI) & PayNow is enabling Indians to receive instant, secure, and cost-effective remittances from Singapore-based Indian diaspora directly into their bank accounts. This facility can be accessed by users of BHIM, PhonePe, and Paytm apps. Additionally, banks such as Axis Bank, DBS Bank India, ICICI Bank, Indian Bank, Indian Overseas Bank, and State Bank of India provide this functionality through their respective apps.
- FSSAI issued a Direction to the Airline Caterers to strictly comply with sub-regulation 5(10) (f) and 8(4) of the Food Safety and Standards (Labelling and Display) Regulations, 2020. This directive aims to improve transparency by providing passengers with detailed information about the nature, origin and manufacturing-related details of the food served during flights.
- Ministry of Information and Broadcasting issued an Advisory to refrain from publishing/telecasting any content that may be false or manipulated or has the potential to disturb communal harmony or public order. The Ministry has issued advisories to television, print, and digital media, including social media platforms, to ensure adherence to applicable norms, particularly concerning public order, factual accuracy, and communal harmony. With the Ram Lalla Pran Pratishtha celebration on January 22, 2024, there were concerns about unverified and provocative content circulating on social media that may disrupt communal peace. The advisories emphasize the importance of compliance with the Programme Code under the Cable Television Networks Regulation Act, 1995, and the Norms of Journalistic Conduct under the Press Council Act, 1978, which are also referenced in the IT Rules 2021.
- The Reserve Bank of India (RBI) has recently directed financial institutions to adopt technology-based solutions to monitor their internal compliance processes and functions. The circular, on streamlining the internal compliance monitoring processes and functions of its regulated entities (REs). These REs include-
 - Scheduled Commercial Banks (excluding Regional Rural Banks);
 - Small Finance Banks; Payments Banks;
 - Primary (Urban) Co-operative Banks (Tier III and IV);

- Upper- and Middle-Layer Non-Banking Financial Companies (including Housing Finance Companies);
 - Credit Information Companies
 - All India Financial Institutions (EXIM Bank, NABARD, NaBFID, NHB and SIDBI)
- The Reserve Bank had earlier looked into the prevailing compliance monitoring systems deployed by selected REs to ensure compliance with their regulatory obligations. It found that they had adopted and implemented varying levels of automation, ranging from macro-enabled spreadsheets to workflow-based software solutions. RBI concluded that comprehensive, integrated, enterprise-wide and workflow-based solutions/ tools (compliance management systems) are needed to enhance the effectiveness of REs' compliance monitoring functions. Consequently, REs have been directed to review their existing internal compliance tracking and monitoring processes. A deadline of 30.06.2024 was set for REs to incorporate the required changes or implement new internal compliance management systems with the aim of automating compliance monitoring and reducing manual intervention. The circular further lists down the criteria for such a compliance management system, requiring it to be able to:
 - Provide a platform for effective communication and collaboration among all the stakeholders (business, compliance and IT teams, Senior Management, etc.)
 - Identify, assess, monitor and manage compliance requirements
 - Escalate issues of non-compliance
 - Ask for recorded approval from a competent authority for any deviations/ delays in compliance submissions/ filings
 - Provide a unified dashboard view to Senior Management on the compliance position of the Regulated Entity as a whole.

February

- In February, the IRDAI issued guidelines for health insurers regarding AYUSH (Ayurveda, Yoga, Unani, Siddha, and Homeopathy) coverage in health insurance policies. Given the growing popularity of AYUSH treatments, insurers are directed to treat these therapies on par with other medical treatments. Insurers must develop a board-approved policy to offer AYUSH coverage, ensure quality parameters for enrolling AYUSH hospitals in their networks, and revise existing products accordingly. They are also required to implement Standard Operating Procedures (SOPs) to manage potential fraud and engage with the Ministry of AYUSH to develop necessary modalities. These guidelines were effective from April 1, 2024.

March

- Bharat Billpay issued a circular regarding the introduction of the payment mode 'UPI Autopay' for BBPS Payments. The NPCI Bharat BillPay introduced "UPI AutoPay" as a new payment mode for recurring bill payments through BBPS. This feature allows users to set up an e-mandate using UPI apps for automatic payments of bills such as electricity, mobile, and EMIs. The recurring payments will be debited automatically based on a set schedule, without requiring manual approval each time. All Bharat Bill Payment Operating Units (BBPOUs) must enable this feature by April 30, 2024. API specifications for implementation are provided in the circular.
- NPCI International Payments Ltd (NIPL) and Fonepay Payment Service Limited launched Unified Payment Interface (UPI) services in Nepal, allowing Indian citizens to make QR-code-based UPI payments in Nepalese stores. This cross-border payment system, facilitated by UPI-enabled apps, marks a significant step in enhancing digital payment convenience and fostering closer economic ties between India and Nepal. The partnership aims to boost financial inclusion, commerce, and tourism between the two countries, driving digital economies and cross-border transactions.
- Pursuant to the Cinematograph (Amendment) Act, 2023, Ministry of Information and Broadcasting, Government of India has notified the Cinematograph (Certification) Rules, 2024, in supersession of the Cinematograph (Certification) Rules, 1983. They have been comprehensively overhauled in order to improve and contemporize the entire process of certification of films for public exhibition. These new rules aim to streamline and modernize the film certification process for the digital age, keeping pace with the emerging technologies and advancement in the film sector. Ministry & CBFC have undertaken extensive consultations with filmmakers, cinema owners, disability rights organizations, NGOs, film industry bodies, general public and other stakeholders, ensuring an all embracing, all-encompassing and all-inclusive approach.
- NPCI notified the implementation of maximum UPI inward credit limits for peer-to-peer merchant (P2PM) transactions. The cap is set to ensure better risk management and compliance with regulatory standards. This measure aims to streamline UPI transactions for small merchants by limiting the total amount they can receive via UPI credits in a day. It includes operational guidelines for banks and payment service providers to ensure smooth adoption of these limits.

April

- NPCI notified regarding the One Vehicle One FASTag and closure of Multiple tags linked to vehicles. The circular mandated that each vehicle can have only one active FASTag, with multiple tags linked to a single vehicle to be closed by April 15, 2024. Issuers must complete necessary certifications for automatic closure of old tags and integrate with the VAHAN system by April 30, 2024. New FASTags will only be issued after verifying documents, and any vehicle with more than one active tag will have new registrations denied. Special provisions apply to Paytm Payments Bank customers. Non-compliance may result in penalties.
- The Food Safety and Standards Authority of India (FSSAI) directed e-commerce food business operators to appropriately categorize food products on their platforms. The advisory came after observing misclassification of proprietary foods, such as dairy-based and malt-based beverages, under categories like "Health Drinks" or "Energy Drinks." FSSAI clarified that these terms are not legally defined under the FSS Act. The directive aims to ensure accurate labeling and classification, helping consumers make informed choices. This action promotes transparency in online food product listings.
- The RBI notified all retail and MSME term loans to include a Key Facts Statement (KFS) to improve transparency. The KFS, which provided essential loan details such as the Annual Percentage Rate (APR) and repayment schedule, aimed to help borrowers make informed decisions. This standardized format was to be given at the time of loan sanctioning, with implementation starting on October 1, 2024. The move was designed to ensure clarity regarding loan terms and conditions for borrowers.
- The International Financial Services Centres Authority (IFSCA) notified the International Financial Services Centres Authority (Payment and Settlement Systems) Regulations, 2024, which came into force on October 17, 2024. The regulations outlined the process for authorizing and operating payment systems within International Financial Services Centres. Entities wishing to establish or operate a payment system were required to submit an application, accompanied by a non-refundable fee of 1000 USD.



May

- The NPCI issued guidelines for members on the acquisition of merchants for BHIM Aadhaar Pay. The guidelines focused on verifying merchant identity, ensuring the necessary hardware and infrastructure for Aadhaar-based payments, and complying with regulatory standards. It also emphasized the importance of training merchant staff and ensuring the security of biometric data. The circular aimed to enhance the ease of onboarding merchants while ensuring a seamless user experience for biometric-based transactions.
- The IRDAI issued a Master Circular on Corporate Governance for insurers, outlining key governance practices for insurance companies. It emphasized the roles of the Board of Directors in ensuring sound decision-making, transparency, and risk management. The guidelines provided clarity on the appointment of key management personnel, compliance, and the implementation of internal controls. Insurers were urged to strengthen their governance frameworks to ensure financial stability and protect policyholder interests. These practices were set to be followed by insurers to maintain a high standard of corporate governance in the industry.
- The IRDAI issued a circular regarding Unsolicited Commercial Communications (UCC) through telecom resources, following TRAI's guidelines. The circular emphasized compliance by service providers and operators to reduce unwanted commercial communication and ensure consumer protection. It also set specific regulations on handling promotional messages and telemarketing calls, highlighting the importance of respecting user preferences and implementing adequate safeguards. The guidelines aimed at curbing spam and enhancing the user experience by streamlining the process of managing unsolicited communications.
- The RBI released a framework for recognizing Self-Regulatory Organizations (SROs) within the fintech sector. This framework aimed to ensure better regulation and self-governance in the rapidly growing fintech industry. It outlined criteria for the formation of SROs, including governance structures, compliance with regulations, and operational responsibilities. The objective was to enhance the sector's accountability, transparency, and operational efficiency while maintaining financial stability. This initiative aimed at fostering a structured environment for the fintech industry to thrive within regulatory boundaries.



June

- FSSAI issued a notification regarding Directions to FBOs to Prohibit Sale/Food Recall in respect of Unsafe Food Samples. The Food Safety and Standards Authority of India, (FSSAI), issued a notification regarding Directions to FBOs to Prohibit Sale/Food Recall regarding Unsafe Food Samples.
- In a landmark move towards environmental sustainability, the Ministry of Environment, Forest and Climate Change has introduced the Battery Waste Management (Second Amendment) Rules, 2024. Effective from June 20, 2024, these regulations set ambitious targets for the use of recycled materials in battery production, aiming to conserve resources and promote eco-friendly practices across the industry. The amended rules outline the minimum percentages of recycled materials required in the total dry weight of various types of batteries over the coming financial years. These standards are designed to gradually increase, driving the industry towards greater sustainability.
- The National Payments Corporation of India (NPCI) notified regarding the Blocking of Magstripe and Fallback Transactions on RuPay Cards, responsible for blocking magstripe and fallback transactions for RuPay cards, this action was taken to mitigate the risks associated with card skimming and cloning frauds.
- The IRDAI issued a circular on reinsurance, updating regulations for insurers. It outlined requirements for the management and use of reinsurance in the Indian market, emphasizing risk management and compliance. The circular focused on enhancing the understanding of reinsurance arrangements, maintaining proper documentation, and ensuring that insurers engage in appropriate risk-sharing practices. These guidelines aimed to improve the stability and growth of the insurance sector by ensuring that reinsurance operations align with regulatory standards.
- MIB notified the mandatory Self-Declaration Certificate by advertisers/ advertising agencies before releasing advertisements. The Supreme Court mandated that all advertisers and advertising agencies must submit a Self-Declaration Certificate before releasing any advertisement. This certificate ensures that advertisements do not contain misleading claims and comply with relevant regulations. The requirement applies to all new advertisements starting June 18, 2024. Advertisers must upload the certificate via designated portals for TV, radio, print, and digital media. The measure aims to promote transparency and consumer protection in advertising practices. A two-week buffer period was provided to familiarize stakeholders with the process.



July

- With an aim to promote better fraud risk management systems and framework in Regulated Entities (REs), the Reserve Bank of India (RBI) issued three revised master directions on fraud risk management in mid-July, which are applicable to banks, Non-Banking Financial Companies (NBFCs) (including Housing Finance Companies (HFCs)) and co-operative banks. All three master directions are together referred to as revised MD. The revised MD are principle-based and strengthen the role of the board of directors in the overall governance and oversight of fraud risk management in Regulated Entities (REs).
- The Indian government announced the Safety Guidelines for the Iron & Steel Sector in the last week of July. The guidelines include 16 process-based safety guidelines, which are designed to improve productivity by standardizing safe operational practices. Four of the guidelines are on workplace safety, and the remaining 12 are on specific iron and steel making processes. The guidelines were developed based on the specific processes used in the sector. The Ministry of Steel formed small teams of experts to discuss and develop each guideline. The guidelines were then reviewed by a Working Group and Sub Group, and finalized in a meeting chaired by the Secretary of the Ministry of Steel.



August

- In a move to clamp down on unauthorised promotional calls, TRAI issued directives mandating stringent actions against violators. Penalties include disconnection of telecom resources, blacklisting for up to two years, and bans on new resource allocations during this period. To improve the traceability of promotional messages, TRAI implemented a new directive on 20th August 2024, requiring that all message trails from senders to recipients be trackable by 1st November 2024.



September

- The Vivad Se Vishwas Scheme (VSV 2.0) came into effect on 1st October 2024 and has the potential of clearing the backlog of the pending direct tax litigations. The scheme has been introduced in response to the increase in pending litigation at the appellate level, with many cases remaining unresolved rather than being disposed of at earlier stages. The success of the Vivad Se Vishwas Act, 2020 (VSV Act), coupled with the growing pendency of appeals, led to the implementation of this new scheme. Approximately 5.6 lakh direct tax cases were pending at various levels in FY 2020-21 and around 80% of cases that are still ongoing are halted at the Commissioner (Appeals) level.

October

- In exercise of the mandate to regulate matters relating to misleading advertisements which is prejudicial to the interest of public and consumers, Central Consumer Protection Authority (CCPA) issued guidelines for Prevention and Regulation of Greenwashing and Misleading Environmental Claims to address the issue of greenwashing and misleading environmental claims. These Guidelines seek to foster truthful practices where environmental claims are both truthful and meaningful, thus enhancing consumer trust and encouraging sustainable business practices.

November

- On November 21, 2024, the Department of Telecommunications notified the Telecommunications (Telecom Cyber Security) Rules, 2024 ("Cyber Security Rules"). The Cyber Security Rules aim to safeguard India's communication networks and services, introducing stringent measures including specified timelines for telecommunication entities to report security incidents and make disclosures.
- The ELI scheme, introduced in the Union Budget for the fiscal year 2023-24, aims to generate over 20 million job opportunities within a span of two years through the promotion of formal-sector employment. A November notification from the Ministry of Labour and Employment outlined that eligible employees must activate their UAN and link their Aadhaar by December 15, 2024, to receive benefits under the ELI scheme.
- The Cabinet Committee on Economic Affairs (CCEA) recently gave its green signal to the Income Tax Department's PAN 2.0 initiative. This programme aims to modernise and digitise the administration of Permanent Account Numbers (PAN) and Tax Deduction and Collection Account Numbers (TAN), establishing a more user-friendly and effective framework enhancing accessibility.

December

- The FSSAI has reclassified packaged drinking water and mineral water as a high-risk food category, mandating stricter regulatory controls and annual facility inspections.

Some Major Regulatory Changes

ULI (Unified Lending Interface)

The Unified Lending Interface (ULI) developed by Reserve Bank Innovation Hub (RBIH) and co-conceptualized with the Reserve Bank of India (RBI) is a transformative digital lending platform to facilitate seamless, transparent, and efficient access to credit, particularly benefiting rural and small-scale borrowers. ULI leverages Application Programming Interfaces (APIs) to provide lenders with centralized access to borrower data, including financial, non-financial information and alternate data for lenders like digitised state land records, milk pouring data from milk federations, satellite data and property search services, to name a few, through a single interface. The data is extracted from various sources, such as government databases, credit bureaus, and financial institutions eliminating the need for borrowers to carry out multiple bilateral integrations with each data and service provider.

ULI also provides borrowers with transparent access to loan products, interest rates, and terms from multiple lenders in one place, enabling them to choose the best option for their needs. This transparency fosters a competitive lending environment. Additionally, ULI integrates government schemes to streamline support for agricultural and MSME sectors and serves as a platform to enhance borrowers' financial literacy, empowering them to make informed financial decisions.

Reforms for Gig Workers

Karnataka has introduced a cess of 1-2% on transactions carried out through aggregator platforms like ride-sharing apps, food delivery services, and e-commerce marketplaces. The collected funds will support social security, healthcare, and other welfare initiatives for gig workers, who have long been excluded from traditional employee protections. This move signals a significant step towards recognizing the contributions of gig workers and providing them with a much-needed safety net. With the Karnataka Platform-Based Gig Workers (Social Security and Welfare) Bill, 2024 on the horizon and the country's new labour codes still awaiting enforcement, this initiative could be India's first concrete step in formalizing benefits for gig workers. The move represents a shift towards bridging the gap between gig and traditional workers by incorporating social security measures into the gig economy, setting a precedent for other states to follow.

For the new cess to truly transform the gig economy, effective implementation, transparent fund allocation, and stakeholder collaboration will be essential. By setting the stage for other states to adopt similar measures, Karnataka's move could pave the way for a new era of gig worker protections in India, marking the beginning of a shift towards a more inclusive and equitable labor framework that anticipates the demands of the country's evolving digital economy. As India awaits the rollout of comprehensive labor reforms, this cess may well be the country's first meaningful step in securing the future of its gig workforce.

AI in Advertising

With the Indian advertising market size reaching INR 1,977.3 billion by 2032, and exhibiting a growth rate (CAGR) of 9.9% during 2024-2032, it is imperative to deal with misleading ads. Digital advertising is growing rapidly and is projected to reach USD 24.4 billion by 2030, this has resulted in a flood of non-compliant ads due to lenient regulations as compared to traditional media. As per the Advertising Standards Council of India (ASCI), a shocking 85% of violative advertisements are found on digital platforms, emphasizing the difficulties in monitoring and enforcing online compliance. Despite efforts to monitor these platforms, the compliance rate for digital ads remains low at 75%, compared to 97% for print and TV. In 2023-24, the number of complaints received by ASCI regarding advertisement being misleading and violative of norms was 12.75 per cent higher at 10,093 as compared to 8,951 in 2022-23.

In a media interaction, CEO and Secretary General of the Advertising Standards Council of India (ASCI), emphasized the importance of collaborating with technology partners to develop AI tools specifically tailored to India's advertising landscape. If ASCI encodes its advertising policies and guidelines in AI based models, it can become a path breaking move and will be a game changer. The integration of AI models trained on Indian advertisements and ASCI's guidelines will enable advertisers to pre-test their content for compliance before it goes live. This initiative is particularly beneficial for smaller advertisers, many of whom lack in-house compliance teams or dedicated marketing heads.

By using AI to analyze ads against ASCI's standards, the SMEs can have compliant advertising at a lower cost and expertise with better accuracy. This proactive approach will not only help reduce the incidence of misleading ads but also fosters a more transparent and trustworthy advertising environment across digital platforms.

Fintech SRO

The RBI has finalized the framework for recognizing SRO (Self-regulatory organization) for the Fintech sector following the feedback received from stakeholders on RBI's "Draft Framework for Self-Regulatory Organisation(s) in the FinTech Sector".

The SRO-FT would be responsible for establishing regulatory standards, promoting ethical practices, ensuring market integrity, resolving disputes, and maintaining transparency & accountability amongst its members. The framework defines FinTech entities as those providing technological solutions for delivering financial products and services to businesses and consumers, independently or in partnership with traditional financial institutions.

The SRO-FT, operating with objectivity, credibility, and responsibility, is expected to play a pivotal role in aligning its members with regulatory priorities. This involves advocating for necessary changes and promoting an alliance and culture of compacting as a crucial conduit between industry players and the RBI. With SRO-FT we can expect growth in the sector, as it would enhance the FinTech sector by providing a framework for consistent standards and practices, boosting credibility and trust.

The Reserve Bank of India (RBI) announced on August 28 that the Fintech Association for Consumer Empowerment (FACE) would be the first Self-Regulating Organisation in the FinTech sector (SRO-FT). Repeating again after P2P Lending RBI Amendment 2024

P2P Lending RBI Amendment 2024

- The Reserve Bank of India (RBI) has introduced revised regulations for NBFC-P2P lending platforms to curb non-compliant practices and enhance transparency. The new guidelines aim to reinforce the sector's regulatory framework, ensuring greater protection for lenders and borrowers.
- RBI had introduced the Master Directions - Non-Banking Financial Company – Peer to Peer Lending Platform (Reserve Bank) Directions to regulate P2P lending in 2017
- All P2P lending platforms are required to be registered with the RBI.
- In its monitoring activities, the central bank has noted that some P2P platforms have been providing liquidity options and also operating similarly to deposit takers or lenders rather than as intermediaries facilitating lending between peers.
- Several platforms were identified for breaching designated funds transfer protocols
- These NBFCs have also been found to be advertising peer-to-peer lending as an investment tool offering guaranteed returns tied to tenure, contravening the regulatory framework.
- The reserve bank has also found deficiencies in the disclosures regarding any losses incurred by lenders, emphasising the importance of transparency in these transactions.
- NBFC-P2Ps are now explicitly prohibited from providing or arranging any form of credit enhancement or guarantee. This is intended to prevent these platforms from assuming any credit risk associated with transactions carried out on their platforms.
- RBI has restricted NBFC-P2Ps from cross-selling any products, with the sole exception of loan-specific insurance products, in order to maintain the platforms' focus on their core function.
- The RBI has also imposed a cap on the aggregate exposure of a lender to all borrowers across all P2P platforms, limiting it to ₹50 lakh.
- Lenders who exceed ₹10 lakh in loans across P2P platforms must now provide a certificate from a Chartered Accountant certifying a minimum net worth of ₹50 lakh.
- No loan disbursement should occur unless the lenders and borrowers have been properly matched according to a board-approved policy
- All fund transfers between participants on a P2P platform must be conducted through an escrow account mechanism operated by a bank-promoted trustee.
- NBFC-P2Ps are now required to publicly disclose their portfolio performance, including non-performing assets (NPAs), on a monthly basis.
- Platforms cannot use funds from one lender to substitute another.

Impacts of the Regulations

Early Withdrawal Options

- Some platforms have halted early withdrawal options in accordance with the new amendment. Due to the implementation of the amended guidelines, platforms are also anticipating a cash crunch.
- These platforms provided loans at 18-20% interest rates while giving lenders/ investors 8-10% returns. The P2P platform pocketed the spread, which also allowed it to absorb loan defaults.
- In the event a lender wanted to withdraw their money immediately, the platform transferred the loan to another lender. This virtually gave the original lender an exit from the credit agreement, creating a secondary market. This has been prohibited now.
- This affects the liquidity available to investors/ lenders of these platforms. They can no longer opt for early withdrawal of their funds loaned to borrowers and must bear the risk of defaults.
- The earlier operation model allowed NBFC-P2Ps to function as 'shadow banks' wherein they assured returns and credit guarantees and assumed credit risk using the spread to cover defaults. These enterprises were accepting deposits in the form of investments with guaranteed returns and lending money to borrowers at 18-20% interest rates.
- The amendment prohibits these prevalent business practices within the sector and mandates the NBFCs to play their intended role of an intermediary.
- Para 9 of the 2017 Master Directions prescribed fund transfer between platform participants via an escrow account mechanism.
- The amendment introduces Para 9(1) and 9(2).
- Para 9(1) now requires the borrower to transfer the repayment amount from his bank account to the Borrowers' Escrow Account. The funds will then be transferred to the respective lender's bank account.
- Funds from 'Lenders' Escrow Account' cannot be used for repayment of loans
- Funds from 'Borrowers' Escrow Account' cannot be used for disbursement of loans
- Para 9(2) requires the funds in the escrow accounts to be transferred to the borrower/lender's account within 'T+1' days. 'T' is the date on which the funds are received in these Escrow Accounts

Disclosure of lender losses

- Para 11(1)(iii)(d) of the 2017 Master Directions requires NBFC-P2Ps to disclose the performance portfolio on its website. This disclosure includes the share of non-performing assets on a monthly basis and segregated by their age.
- The amendment adds another requirement to include all losses borne by the lenders on principal/ interest or both.
- This amendment will enhance transparency for existing, future, and potential lenders, providing a clearer view of the risks involved in P2P lending.
- Such disclosures will encourage NBFC-P2Ps to adopt more stringent credit assessment and risk management practices. These platforms will need to refine their borrower selection processes to minimise losses.
- The amendment will see a change in platform and lender behaviour with decreased risk appetite and favour creditworthy borrowers.



CCPA's Crackdown on E-commerce Platforms

The Central Consumer Protection Authority (CCPA) took significant steps to uphold consumer rights. Recently, the CCPA issued notices to several prominent quick commerce and e-commerce platforms for failing to comply with essential product disclosure requirements mandated by the Legal Metrology Act, which requires retailers to provide vital product information on packaged goods, including maximum retail price, expiration dates, weight, manufacturer details, and consumer grievance contacts. These companies now face a critical 15-day window to respond and rectify their practices. As quick commerce gains traction in major Indian cities, this oversight aims to protect consumers from potential exploitation in an increasingly complex digital shopping environment. This has stemmed from a survey report conducted by a company, according to which many big giants in the quick commerce industry do not provide this information and others do. The onus lies on the platforms products with all the required information goes out to the consumers to comply with the act requirements and build consumer trust.

Balancing regulatory standards with the fast-paced service that defines quick commerce presents a unique challenge for these platforms. With quick commerce growing in popularity across major Indian cities, these actions aim to safeguard consumers from potential exploitation in an increasingly complex digital shopping landscape.

To ensure compliance, quick commerce platforms can adopt scannable barcodes or QR codes that centralize product information, making essential details like pricing, manufacturing, and expiration dates readily accessible as per the requirement of the Legal Metrology Act. Additionally, post-delivery payment options could be introduced to ensure consumers receive all required information before finalizing a purchase, fostering greater trust. While these measures will increase operational and compliance costs, they align with the CCPA's overarching goal to protect consumer interests and uphold marketplace integrity.

CCPA has steadily expanded compliance requirements to strengthen consumer protection. Last week, it issued new guidelines to curb greenwashing in advertising, following its 2023 release of regulations against dark patterns in advertising prohibit dark patterns in e-commerce advertising, aiming to protect consumers from deceptive practices on digital platforms. In 2022, the CCPA also introduced measures to curb misleading advertisements.



- A comparison with the 2023 results of the Local Circles survey shows that the percentage of consumers who cannot find the displayed best before date has increased from 50% to 57%, reflecting a decline in compliance.
- A comparison of the new survey data with the results from 2023 reveals that the percentage of consumers unable to locate the displayed best-before date has risen from 50% to 57% in Bangalore, indicating a decline in compliance.
- The Quick Commerce market in India is forecasted to generate a revenue of US\$3,349.00m in 2024.
- This market is expected to exhibit a compound annual growth rate (CAGR 2024-2029) of 24.33%, leading to a projected market volume of US\$9,951.00m by 2029.
- By 2029, it is anticipated that the number of users in the Quick Commerce market in India will reach 60.6m users.
- The user penetration rate, which currently stands at 1.8% in 2024, is projected to rise to 4.0% by 2029.
- Quick commerce platforms in India are regulated by the Central Consumer Protection Authority (CCPA)

Global Regulatory Updates in 2024

AI Regulatory updates

EU

The EU AI Act (Act) came into force on August 1, 2024. In this past quarter, activities in relation to the Act have included discussions on the role of the European Data Protection Board and the AI code of practice. The European Securities and Markets Authority (ESMA) has also recently released its first formal guidance on the use of artificial intelligence (AI) in the provision of retail investment services.

1. European AI Office codes of practice

Part of the Act requires that the AI Office facilitate the drawing-up of codes of practice to help make sure providers of AI tools and systems comply with the Act. In line with this, on July 30, 2024, the AI Office opened a call for expression of interest to participate in the drawing-up of the first General-Purpose AI Code of Practice, which closed on August 25, 2024. In parallel with this, the AI Office further launched a multi-stakeholder consultation on trustworthy general-purpose AI models under the Act, which closes on September 18, 2024.

The Code of Practice will set out detailed rules for general-purpose AI model providers. Providers can use this Code to show they are following the rules set out in the Act.

2. Data Protection Authorities role

On July 16, 2024, the European Data Protection Board adopted a statement on the Data Protection Authorities' role in the framework of the Act. It is noted that, according to the Act, Member States shall appoint Market Surveillance Authorities at a national level before August 2, 2025, to supervise the application and implementation of the Act.

3. Consultation to provide guidance to financial sector on the Act

On June 18, 2024, the European Commission launched a consultation to look at use cases, benefits, barriers, risks and stakeholder needs in the financial sector. The input received will be used to provide guidance to the sector for the implementation of the Act. The consultation closes on September 13, 2024.



UK

On July 17, 2024, King Charles III announced the Government's plan to introduce AI-specific legislation. Whilst not expressly mentioned in the King's speech, the new Labour Government is expected to introduce an AI bill which follows Labour's recent manifesto pledge to introduce new legislation to govern development of AI technologies.

On July 26, 2024, the Government published its AI Opportunities Action Plan, which outlines their plan to develop a roadmap towards an AI Bill (also see below) that will capture the opportunities of AI and harness its potential for economic growth.

US: Deepfake Bill introduced to Senate

On July 11, 2024, a Bill for the Content Origin Protection and Integrity from Edited and Deepfaked Media Act (COPIED) was introduced to the Senate. If it becomes law, COPIED will deliver guidelines for voluntary standards on the detection of synthetic content as well as recommending the provision of watermarking and content provenance information.

COPIED will also require developers and deployers of AI systems and apps used to generate synthetic content to give users the option to attach content provenance information within two years. COPIED will also prohibit removing, altering, tampering with, or disabling content provenance information, with security exceptions. It will also prohibit the use of 'covered content' with content provenance to either train an AI/algorithm-based system or create synthetic content without express informed consent and adherence to the terms of use of such content, including compensation.

Hong Kong

On 11 June 2024, the Office of the Privacy Commissioner for Personal Data (the "PCPD") published the non-binding "Artificial Intelligence: Model Personal Data Protection Framework" (the "Model AI Framework") to provide organisations with internationally recognised recommendations and best practices in the procurement and implementation of Artificial Intelligence ("AI"), which are in line with the requirements of Hong Kong's data protection law (the Personal Data (Privacy) Ordinance (Cap. 486) (the "PDPO")).

The Model AI Framework builds on the "Guidance on the Ethical Development and Use of Artificial Intelligence" published by the PCPD in August 2021 (the "2021 AI Guidance"). To recap, the 2021 AI Guidance recommended that organisations embrace three data stewardship values (being respectful, being beneficial and being fair) and seven internationally recognised ethical principles for AI (accountability, human oversight, transparency and interpretability, data privacy, fairness, beneficial AI, reliability, robustness and security).

China

The Cyberspace Administration of China (CAC), in collaboration with other Chinese regulatory bodies, released the 2024 Edition of the Guidelines for the Construction of a National AI Industry Comprehensive Standardization System on July 3, 2024. These guidelines provide a framework for AI standardization, including the current state of AI development, general requirements for innovation and market-oriented growth, and international cooperation. They also detail the construction of AI standard architecture, technical standards, and key areas for standard formulation such as smart chips, machine learning, and intelligent vehicles.

Recent Developments in ESG-Related Regulations Globally

- The establishment of the IFRS Sustainability Disclosure Standards and the EU's European Sustainability Reporting Standards under the Corporate Sustainability Reporting Directive ushered in a transformative change in corporate sustainability reporting globally. Multiple jurisdictions have adopted the IFRS standards, and how companies adjust to a broader degree of disclosure expectations remains to be seen.
- Investment fund managers must navigate a complex regulatory landscape at the product and manager levels due to policymakers' anti-greenwashing measures that govern the use of ESG-related terms. Reporting regimes include the U.K. Sustainability Disclosure Requirements and the Anti-Greenwashing Rule, the EU Sustainable Finance Disclosure Regulation, and the European Securities and Markets Authority's Guidelines on Funds' Names and apply at the product and manager levels.
- Japan and South Korea have increased the pace of a series of regulatory initiatives designed to improve the market valuation of issuers and to reform corporate governance.
- Multiple countries in the Asia-Pacific region have adopted taxonomies designed to enable investors to assess investments against environmental standards and criteria and allocate capital accordingly.

Given the region's growth and adoption of mechanisms to promote green and transition fixed-income instruments, the taxonomies may noticeably impact the labeled bond market.

- Key issues to watch in ESG-related financial regulation are the growing focus on the green transition; a more prescriptive approach among some regulators to sustainable investment products; supervisory efforts to combat greenwashing; and the post-election tensions arising in certain jurisdictions between expanding regulation and promoting growth.

Cryptocurrency

European Union: The Markets in Crypto Assets Regulation (MiCA), introduced in 2023, is a key framework set to bring greater clarity and oversight to the crypto industry. MiCA is crucial for cross-jurisdictional regulation, ensuring that cryptocurrency service providers across the EU adhere to consistent rules on transparency, KYC (Know Your Customer), and AML (Anti-Money Laundering) compliance.

The G20's crypto-asset policy implementation roadmap is pushing for global cooperation to establish consistent rules that tackle the risks of cross-border crypto activities and regulatory arbitrage. This includes calls for stronger stablecoin regulations and the integration of crypto markets into the global financial system.

04

What Causes Accidental Non-Compliance?



Missed Dates

Corporations have to obtain tens and hundreds of licenses, registrations, permissions, approvals, certificates, etc., before and during the course of carrying out their business. For instance, a medium FMCG enterprise involved in agricultural and dairy production with a single manufacturing unit needs to obtain 23 licenses, permissions, etc., before it can start operations. An MSME logistics company with a single warehouse and single corporate office needs to obtain 35 certificates and licenses. A pharmaceutical enterprise with a single manufacturing unit in a single state needs to obtain about 70 one-time registrations and approvals before beginning operations. The number of required licenses can go into thousands for companies that are larger in scale, size of operations, and geographical footprint. Consequently, it is easy for compliance teams to lose track of license renewal dates among the thousands of other pending and ongoing compliances.



Awareness of Ongoing Compliances

It is a commonly seen phenomenon that the Key Management Personnel (KMPs) have a poor understanding of the compliance obligations of their organisation. A small pharmaceutical company can easily accrue 900-1,000 ongoing compliances just to operate in a single state. For a company active in the logistics and supply chain industry, ongoing compliances can make up 2 out of every 3 compliance obligations. Similarly, for the retail industry, 9 out of 10 compliances are ongoing in nature.

In addition to a lack of awareness at the management level, most compliance teams lack the technology to track and manage ongoing obligations adequately. Consequently, they are forced to deal with them on an ad-hoc basis. Losing track of any of the ongoing compliances can result in a high cost of poor compliance in the form of penalties.



Maintenance of Records & Registers

In addition to various licenses, registrations, permissions, approvals, certificates, etc., corporations also need to maintain records and registers in the prescribed formats. For instance, a NBFC (Non-Banking Financial Corporation) needs to maintain over 100 registers and records. A logistics company with a presence in just a single state must maintain over 135 registers, and a pharmaceutical manufacturer must keep track of at least 40 registers. The sheer volume of records and registers, all with unique formats, makes it extremely difficult for organisations to keep up with their record-keeping compliances.





Missed Regulatory Changes

The Indian business regulatory environment is fluid. There are 3,756 government websites at all three levels of government that publish regulatory updates. These can be through notifications, circulars, directions, press releases, and ordinances, among others. These updates are often related to changes in forms, dates, timelines, frequencies, fines, interest rate calculations, applicability threshold values, and clarification on the letter of the law, among others. These updates ordinarily come into effect within a short timeframe and require time-sensitive interpretation and implementation. In FY22-23, 5,986 regulatory updates were published; FY23-24 saw 8,331 updates. There were a total of 9,331 regulatory updates in 2024.



Frequent New Compliance Obligations

The business regulatory environment is highly dynamic with various new laws, rules, and regulations being continuously introduced. The regulators and government bodies are in a continuous state of fine-tuning the regulatory framework to ensure there are no loopholes or grey areas. Law and policy are evolving fields, and as such, it is pertinent that the authorities keep up with new developments and technologies that can create areas of regulatory arbitrage.

The advent of the internet and digital platforms such as social media and even online gaming platforms have constantly pushed boundaries. Regulations often lag behind these paradigm shifts, and as such, regulators are continuously introducing new laws and compliance obligations to ensure that there are adequate guardrails.



Inaccurate Calculation

Corporations are subject to a host of statutory payment requirements and liabilities. These can be related to social security or tax liabilities. For instance, a single-unit alco-beverage distillery needs to adhere to over 30 statutory payment obligations. In addition, there are more than 25 payment requirements related to employee payments. Various municipal and state laws also prescribe statutory payments to be made for property tax, advertising permit fees, Labour Welfare Board contributions and electricity consumption tax, among others. An inaccurate calculation can lead to the business defaulting on its liabilities and can end up getting the company inspected, audited and even penalised.



Contractor's Compliance Management

There is an increasing trend among current businesses to delegate and outsource certain business operations to contractors. This allows businesses to access individuals with specific skill sets and expertise without providing long-term employment. Principal employers rely on independent contractors so that their businesses can remain flexible and efficient and respond immediately to shifting market demands.

However, maintaining contractor compliance duties is a non-trivial task for principal employers. They are responsible for the compliance obligations of their contractors in the event of contravention and will be liable. Taking into consideration a principal employer engaged in the manufacture of automobile components with a single manufacturing unit. Each contractor is required to obtain six different licenses and registrations.

They also need to furnish six annual returns, two quarterly, one half-yearly, and one monthly return. If a contractor fails to maintain registers under the Contract Labour (Regulation and Abolition) Act, 1970, the principal employer becomes liable for a jail term of up to 3 months. Failure to maintain the register under the Maternity Benefits Act, 1961 can land the employer in jail for up to 2 years.



Uncertainties in Regulations

Sudden regulatory changes, often implemented with little to no transition time, have left businesses unprepared, causing significant operational and financial disruptions over the years. Bans and restrictions on imports and exports have further exacerbated the situation by disrupting supply chains, leading to losses, and forcing businesses to renegotiate contracts. These have made compliance a daunting task as companies struggle to meet new requirements without sufficient transition period. These frequent policy shifts have created market uncertainty, eroding investor confidence and complicating long-term business planning. Smaller players, such as vendors and manufacturers, have been disproportionately affected, as they lack the resources to adapt quickly to these abrupt changes, highlighting the need for a more predictable and consultative approach to policymaking. Below are some examples which illustrate the uncertainty of decisions that have impacted businesses both in terms of tangible and intangible losses.



- Ban on import of refurbished medical devices-** On January 17, 2025, the Central Drugs Standard Control Organization (CDSCO) banned the import of uncalibrated refurbished medical devices with immediate effect after the authority's letter to the Principal Commissioner of Customs. While the ban was imposed, many of these devices would be in transit or custom clearance, leading to capital losses to the industry. India Refurbished Medical Equipment Market size was valued at \$721.4 Mn in 2024 and is expected to grow \$2765.1 Mn at a CAGR of 16.1% by 2024-2033.
- Restriction on import of low-ash metallurgical coke (2024)-** On 26 December 2024, the Ministry of Commerce (MOC) implemented quantitative restrictions on imports of Low Ash Metallurgical Coke having ash content below 18%, which falls under HS codes 2704 0020, 2704 0030, 2704 0040, 2704 0090. This is a crucial raw material for the steel industry that follows production through the blast furnace route. The quantitative restrictions have been effective from 1 January 2025 to 30 June 2025. The user industry in India is in a race against time to plan their procurements for the next six months and some would have to redraw their plans, which would impact already concluded contracts.
- Advisory on Generative AI models before elections (2024)-** Right before the Indian general elections in 2024, the Indian government asked tech companies to seek its explicit nod before publicly launching "unreliable" or "under-tested" generative AI models or tools in the month of March. It also warned companies that their AI products should not generate responses that "threaten the integrity of the electoral process" as the country gears up for a national vote. The Indian government's efforts to regulate artificial intelligence represented a walk-back from its earlier stance of a hands-off approach when it informed Parliament in April 2023 that it was not eyeing any legislation to regulate AI. The advisory was legally non-binding; however, according to experts, it would have attracted prosecution under India's Information Technology Act, 2000 on non-compliance.
- Ban on Import of Electronic Items in August 2023-** On August 3, 2023, the Indian government imposed restrictions on imports of seven items, including laptops, tablets and personal computers. Importing those restricted items would require a valid licence thereafter. In a follow-up notification, the government said this would be implemented after 31st October. The restrictions created uncertainty among foreign investors and led to scraping off long-term product shipment plans by different companies. The decision also sent a shock wave in the market due to dependence on these imported goods.



- **Ban on Basmati Rice export in July 2023**– On July 20, 2023, India announced that it would restrict exports of non-basmati rice to calm domestic rice prices which had risen more than 30% since October 2022. The ban halted overseas sales of the grain with an ‘immediate effect’ and estimatedly covered about 75%-80% of Indian rice exports. The decision led to losses in both domestic and international markets.
- **Implementation of the Foreign Trade Policy (2023)**– The Foreign Trade Policy (FTP) 2023 was announced on March 31, 2023 and came into effect on April 1, 2023. The policy aims at process re-engineering and automation to facilitate ease of doing business for exporters, but it caused disruption in exports as businesses struggled to adjust to new rules without enough preparation time.
- **Withdrawal of ₹2,000 Notes (2023)**– On May 19, 2023, the Reserve Bank of India (RBI) announced the withdrawal of Rs 2000 denomination banknotes from circulation. All banks shall provide deposit and/or exchange facility for ₹2000 banknotes until September 30, 2023. This led to panic among the public and businesses, especially in rural areas with limited banking access. Disruption of daily transactions in informal sectors and small businesses that relied heavily on cash. It also caused operational challenges for banks handling the influx of exchanges and deposits.

- **Ban on identified Single Use Plastic Items from 1st July 2022**– In line with the clarion call given by Hon’ble Prime Minister of India, Shri Narendra Modi, to phase out single use plastic items by 2022, Ministry of Environment, Forest and Climate Change, Government of India notified the Plastic Waste Management Amendment Rules, 2021, on 12 August 2021. Carrying forward the spirit of ‘Azadi ka Amrit Mahotsava’, a defining step to curb pollution caused by littered and unmanaged plastic waste is being taken by the country. India will ban manufacture, import, stocking, distribution, sale and use of identified single use plastic items, which have low utility and high littering potential, all across the country from July 1, 2022. The same was posted on June 28, 2022. With only a couple of days given it caused disruption for small manufacturers and vendors who relied on single-use plastic products. Supply chain challenges for the food and beverage industry, which had to scramble to find alternatives and price increase for consumers as businesses shifted to more expensive eco-friendly alternatives.

These examples highlight the need for a more consultative approach to policymaking, where stakeholders, including businesses, industry experts, and civil society, are involved in the decision-making process. This would help in crafting regulations that are both effective and practical, minimizing disruptions. A predictable regulatory environment is crucial for business planning and investment, and policymakers should aim to provide clear timelines and transition periods for new regulations.



05

How TeamLease RegTech helps Corporations Stay Compliant?

Regulatory Technology

In recent years, technology has revolutionised how corporations approach compliance. Digital compliance management solutions that harness the power of the web, mobile, cloud, and analytics have become the talk of the town. They provide employers with intelligent, productive, and efficient means to meet their individual compliance requirements. In addition, they enable enterprises to make a seamless transition from 'reactive' to 'dynamic' compliance, keeping up with the ever-evolving regulatory landscape. Consequently, an increasing number of businesses across the nation are aggressively digitising their compliance processes. This RegTech disruption has made it simpler for businesses to monitor event-based and ongoing compliances and manage relevant licenses and registrations. It has enabled employers to remain abreast with changes and modifications in applicable compliance requirements and regulatory frameworks.








Track

RegTrack: Track all compliances across the law of the land

Track all compliances across the law of the land with RegTrack, a compliance management platform designed to simplify regulatory processes for businesses. It provides real-time updates on compliance obligations, automates tracking, and helps manage complex deadlines across industries. Now powered by AI, RegTrack also enables intelligent monitoring of regulatory changes and intuitive query handling through natural language. With its user-friendly interface, RegTrack minimizes the risk of non-compliance through advanced reporting, automated alerts, and document management.

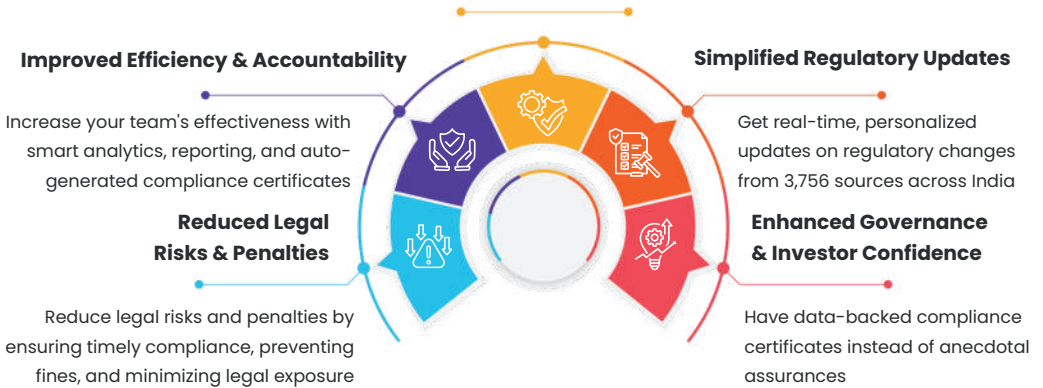
RegTrack Features

 Automate Compliance Tracking & Management	<ul style="list-style-type: none"> India's leading compliance automation solution trusted by over 2,600 entities & 50,000+ enterprise users Deployments across listed and private limited across 50+ industries
 Quick & Easy Deployment	<ul style="list-style-type: none"> Comprehensive assessment of compliance applicability & gap analysis for your business Go live as quickly as in 3-4 weeks Highly configurable and personalised to suit your Business & Industry needs
 Integrated Compliance Database	<ul style="list-style-type: none"> Coverage for over 1,536 Acts, 69,233 Compliances, 6,618 Filings across 28 States, 8 Union Territories covering Central, State & Local Laws
 Real Time & Personalized Legal Updates	<ul style="list-style-type: none"> Use of AI, ML and OCR proprietary technologies to track over 3,700+ Central, State and Local level websites
 Advanced Analytics & Reporting Capabilities	<ul style="list-style-type: none"> Comprehensive standard & on-demand reporting capabilities configurable Notification engine for automated and timely reminders & escalations

RegTrack Benefits

Automate Compliance Tracking & Management

Track and manage all your compliance requirements from one single, state-of-the-art platform



AI in RegTrack

With the integration of AI, RegTrack has evolved from a traditional compliance SaaS platform into an intelligent command centre for compliance management. AI developments within RegTrack are designed to turn compliance data into powerful insights; so you see what matters, when it matters.

These capabilities are already operational, including summarised regulatory changes, advanced contextual assistance, and intelligent, keyword-based document search. The next wave of AI-led innovation will expand this command center with predictive insights and early warnings, behavior-based pattern recognition, and an integrated risk scoring engine—each designed to elevate compliance from a routine task to a data-driven strategic advantage.

HELPAI^{BETA}

SECAI^{BETA}

SUPPORTAI^{BETA}

REGAI^{BETA}

RegTrack Financial Institutions

Track Compliance as per the new RBI's Directive

RegTrack Financial Institutions is a compliance management platform designed for financial institutions to meet RBI's mandatory technology-driven regulations. It offers real-time visibility into compliance statuses, automated workflows, and document management. With features like deviation tracking, task management, and compliance categorization, RegTrack ensures transparency, accountability, and efficient collaboration across teams. Tailored for banks and NBFCs, it aligns with RBI's revised regulatory framework, making compliance processes more streamlined and effective.

RBI Requirement	RegTrack
Provide a platform for effective communication and collaboration among all the stakeholders (business, compliance and IT teams, Senior Management, etc.)	Reminders and escalations via emails from the product, & comments within the product.
Identify, assess, monitor and manage compliance requirements	Compliance applicability assessment
Escalate issues of non-compliance	Email Notification Engine
Ask for recorded approval from a competent authority for any deviations/ delays in compliance submissions/ filings	Maker checker concept
Provide a unified dashboard view to Senior Management on the compliance position of the Regulated Entity as a whole	Colour coded Smart Dashboard with drill down capabilities



RegTrack Financial Institutions Features



Reopening of Compliances

A specialized platform for REs like banks and NBFCs, allowing internal audit teams to thoroughly review regulatory compliance. It also facilitates clarification requests on compliance documents. If unsatisfactory, the team can reopen compliance by documenting their observations.



Deviation Workflow

A feature which is developed as per the RBI circular where the users will be empowered with the capability to request deviations in case of delayed or partially completed compliance. This functionality will involve a structured workflow encompassing specific compliance status, remarks, reports, and tracking of additional deadlines; all deviations will be approved by the competent authority, which can be the chief compliance officer or director.



Compliance Categorization

The regulatory compliance framework for RBI Regulated Entities encompasses six main categories: Policy, Procedure, Disclosures, Customer Communication, Reporting, and Automation. Each compliance requirement will be linked to one of these broader categories, visible across all dashboards and reports.



User-Friendly Compliance Descriptions

An additional column for compliance descriptions allows customers to update compliance actionable in their own language.



Task Module

The task module facilitates breaking down primary compliance into multiple tasks, which can then be assigned to various departments.



RegTrack Financial Institutions Benefits

Real-Time Compliance Visibility

The smart dashboard provides instant insights into compliance status, deviations, and deadlines, enabling Senior Management to make informed decisions

Better Team Collaboration

The platform enables seamless coordination between business, compliance, and IT teams, ensuring clarity in compliance responsibilities

Reduces Compliance Risks & Delays

Automated workflows, reminders, and escalation mechanisms help prevent missed deadlines and non-compliance penalties

Centralized Compliance Visibility

Senior Management gets a unified dashboard view of compliance status across the organization, ensuring better governance and decision-making

Accuracy & Accountability

Multiple levels of review ensure compliance submissions are accurate, transparent, and error-free



RegTrack Contractor

Track your contractor's compliance as a principal employer






RegTrack Contractor is a compliance management platform designed to digitize and streamline contractor-related statutory obligations. It enables businesses to monitor and manage multiple contractors with real-time compliance tracking, reducing manual efforts and ensuring adherence to labour laws. With automated updates and centralized document management, RegTrack Contractor simplifies the complexities of EPF, ESIC, and other statutory requirements. This platform ensures principal employers stay compliant, avoiding legal risks tied to contractor non-compliance.

These are some of the critical statutory requirements that are to be met by the principal employer.

1. Contract Labour (Regulation & Abolition) Act, 1970 & Rules 1971
2. Payment of Statutory liabilities under EPF, ESIC, PT and LWF
3. Maintenance of Statutory registers and filing of periodical returns
4. Statutory License requirements under various regulations



RegTrack – Contractor Features

	Comprehensive Contractor Masters	Create Contractor Master, User Master, Contractor liaisons, Entity / Location Master, Auditors / Users, Acts and Compliances Master
	Compliance Mapping	Search, sort and filter all applicable compliances via contractor, risk, location, Acts & Compliances
	Notification Engine	Contractors receive automated reminders for their periodic compliance submissions. These reminders and escalations are sent to their official email addresses and also appear as notifications on the platform. Each reminder email includes direct links to individual compliance items for easy access and navigation
	Smart Dashboard	The system offers a highly intuitive, colour-coded, real-time, and personalized interface. Users can easily view compliance statuses across different locations and contractor types. The Dashboard view is available to all key stakeholders, customers/employers management, auditors & contractors
	Integrated Document Management	Effectively manage documents with universal document viewer, version management, bulk uploads & downloads

RegTrack – Contractor Benefits

Structured Compliance Breakdown

Be in control with a structured and accurate breakdown of all compliances, acts for the organisation and the vendors

Better Company Reputation

Assurance of company reputation as the audit coverage includes areas of law, locations and review period

Reduce Cost

Reduce the cost of poor compliances as the organisation can detect and prevent missing both critical and non-critical compliances

Data-Driven Decision Making with Structured Compliance Reports

Make decisions easily with our management report that will give a structured summary based on the level of risk, location, and category, among other parameter

RegTrack-SDD (Structured Digital Database)

Track SEBI obligations on UPSI communications

RegTrack SDD offers a robust solution for managing Unpublished Price Sensitive Information (UPSI) in compliance with SEBI's insider trading regulations. This on-premise system ensures meticulous record-keeping through features like time stamping, non-tampering of data, and comprehensive audit trails. By maintaining a structured digital database, RegTrack SDD ensures your company meets Regulation 3(5) of SEBI (Prohibition of Insider Trading) Regulations with ease.

RegTrack-SDD (Structured Digital Database) platform by TeamLease RegTech

Feature	SDD requirements by SEBI	RegTrack-SDD by TeamLease RegTech
Time Stamping	✓	✓
On-premises Hosting (Information maintained internally)	✓	✓
Non-Tampering of Data	✓	✓
Audit Trail	✓	✓
Maintenance of Historical Data	✓	✓
Masters (DP, UPSI, Auditor, Company)	-	✓
Customized Report Generation	-	✓

RegTrack SDD Benefits



- Ensures SEBI compliance with Regulation 3(5) for UPSI management
- Provides secure on-premise hosting for internal data control
- Maintains audit trails and historical records for transparency
- Prevents data tampering with robust security measures
- Easy to use

RegUpdate

Track regulatory updates on the go

RegUpdate, by Teamlease Regtech, is a mobile application for National, Real-Time, Comprehensive and Personalised Compliance Updates. It is integrated with India's best and most comprehensive Compliance Database.

RegUpdate Features

- A list of all the updates based on the profile, with recent updates on top
- Capability to view the associated Act and various compliances under the Act
- Associated notifications/circular documents
- Search for any Act, Compliance, or Update
- Bookmark any update for future reference

RegUpdate Benefits

- Stay informed with the latest compliance updates relevant to your industry
- Access official government notifications and circulars directly
- Easily find specific compliance updates
- Keep track of important updates and revisit them anytime
- Customize your compliance tracking to align with business needs

How RegUpdate Works?

1 Download

Available on iOS App Store and Android Play Store

2 Onboarding

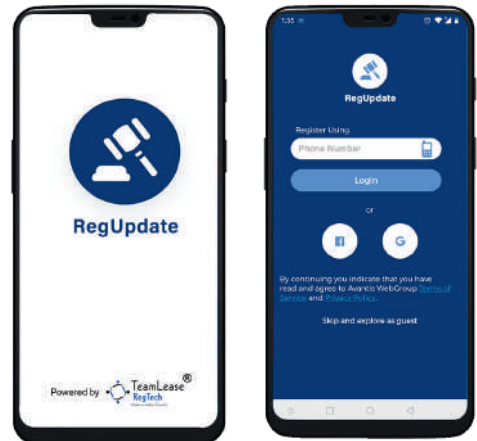
Create a User ID using a mobile number and select relevant Central/State jurisdictions, industries, and compliance categories

3 Personalized Watchlist

Users receive timely notifications on updates

4 Notifications

The system identifies and adds relevant Acts and Compliances to the user's watchlist



Automate

RegAuto – Secretarial: Automate your secretarial function

RegAuto-Secretarial by TeamLease RegTech is a comprehensive solution for managing board meetings and secretarial compliance in line with the Companies Act, 2013 and SEBI regulations. It automates scheduling, documentation (notices, agendas, minutes, CTCs), circular resolutions, director disclosures (MBP-1, DIR-8), and SEBI filings (Reg. 29, 30). The platform also enables video conferencing with auto-recording, maintains statutory registers (CHG-7, SH-2/3/6/10, MBP-2/3/4, ROD, BEN-3), and centralizes documents in a secure, searchable repository.

RegAuto – Secretarial Features

- Tracks over 2,000 SEBI compliances with auto-generated compliance calendars
- Supports management of time-based and event-based (agenda-specific) compliances
- Integrated knowledge repository with detailed statutory procedures for every agenda
- Automated & configurable reminders & escalations to facilitate timely compliance
- Automated generation of select (20) SEBI disclosures
- Capability to generate all meeting-specific documentation
- End-to-end meeting Management (Board, AGM, etc.) with built-in virtual meeting platforms
- Real-time completion status of all compliances in graphical & drill-down dashboards
- Advanced analytics and reporting
- Centralized repository of all compliance documents



RegAuto – Secretarial Benefits



RegAuto-Labour

Manage and Automate your HR compliance

RegAuto-Labour is India's leading software product that automates the preparation of all Labour Registers, Returns, & Challans across India. The platform brings the power of Cloud, automation, & Analytics deeply integrated with India's most reliable labour Compliance database.

Types of Labour Compliances



Payroll Compliances

- Includes Provident Fund (PF), Employee State Insurance (ESI), Professional Tax (PT), and Labour Welfare Fund (LWF)
- Requires one-time registration and periodic payments, challan preparations, and filings



Shop & Establishment Compliances

- Covers Shops & Establishment Act, Minimum Wages Act, Payment of Wages Act, Payment of Bonus Act, and Equal Remuneration Act
- Compliance includes maintenance of muster rolls, wage registers, leave and attendance registers, and registers of fines & deductions
- Includes registrations and periodic renewals



Factory Compliances

- Includes the Factories Act, of 1948, covering one-time licenses, Consent to Operate, Designation of Occupier and Factory Manager, periodic returns, and accident registers



CLRA Compliances

- Includes Compliance under Contract Labour such as maintenance of registers by Contractor and periodic filings



RegAuto-Labour Features



Self Service Solution

RegAuto-Labour is a self-service solution to all your Labour Compliance needs. Your internal HR team can now leverage the platform to generate all relevant regulatory records.



One-time quick and easy onboarding

Your organisation (entities, branches, factories, employees, states, applicable acts & compliances) are set up at the time of onboarding



Periodic Data Upload Capability

There are predefined input file formats which can easily be created and uploaded on the required frequency (monthly, quarterly and annual).



Centralised Document Repository

New and historical regulatory records are available in an easy-to-search, sort, and filter document repository with version control and tamper-proofing. All the input files are also available for future reference.



Secure

RegAuto-Labour is secure with the best-in-class information security and data privacy practices, including state-of-the-art encryption standards for data at rest and data in motion.



Templatized Forms and Formats

The System comes integrated with all the forms and formats across Central, 28 States & 8 Union Territories. These formats are updated as and when they undergo changes. The regulatory records are automatically generated in the applicable forms upon successful data upload.

RegAuto-Labour Benefits

Easy Data Access

A centralized document repository enables quick and easy access to all historical regulatory records and raw data files.

Data Quality

Accurate outputs due to minimum manual intervention, system-driven data computation and current forms and templates

Privacy Protection

No sharing of data with third parties and high encryption standards provide greater control over management and privacy.

Efficiency

Enables capability for centralised data processing, leading to greater control & efficiency over the management of Registers and Returns

Cost Effective

Significant automation leading to lower cost of Compliance Management

RegAuto-Contractor

Track and Validate your Contractor Compliance Digitally

RegAuto Contractor helps with digital audits of your contractor compliance. Monthly GAP reports that highlight compliance issues which could make the principal employer liable. Supported by robust automation, the audit covers PF, ESIC, National Festival Holidays (NFH), and Overtime (OT), ensuring 100% reconciliation and complete visibility into contractor compliance.

Automation Capabilities

- EPF ECR, Holidays, & Overtime hours Validations
- PF, NFH, OT Contribution Validation
- 100% automatic reconciliation of PF, ESIC, NFH & OT compliance

Features

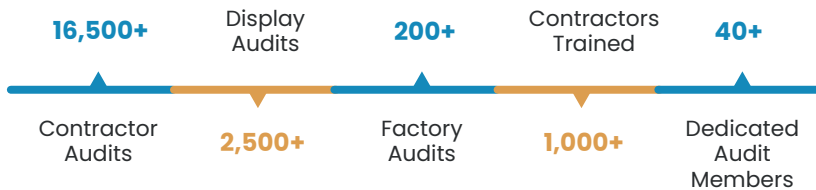
- Cloud-based SaaS Platform
- Compliance submission and workflow management
- Smart dashboards for intuitive monitoring
- Individual contractor logins
- Document management and automated validation
- Deviation reports and state-specific compliance checklists
- Quality assurance, better risk mitigation, quick turnaround, greater expertise, and cost-effectiveness



Service

RegService: Manage your HR compliance services

TeamLease RegTech provides Labour and Payroll Compliance Services to help businesses effectively manage India's complex regulatory requirements. Our offerings include Consulting & Advisory, Audit & Assessment, Statutory Maintenance, and Liaison Services. Through our technology-driven approach, we help businesses stay compliant while reducing the risks of non-compliance.



Services Offered

Labour Law Compliances



**Consulting
& Advisory**



**Liaison
Services**



**Payroll
Compliances**



**Audit &
Assessment**



**S&E
Compliances**



**BOCW
Compliances**



**CLRA
Compliances**



**Display &
Abstracts**



**Maintenance
Services**



**Factory
Compliances**

Industrial Licensing

Consulting & Advisory

- Pre-setup Compliance Applicability Checks
- Project Viability Reports (ESG related Applicability)
- Consulting on industrial licenses



Monitoring Services

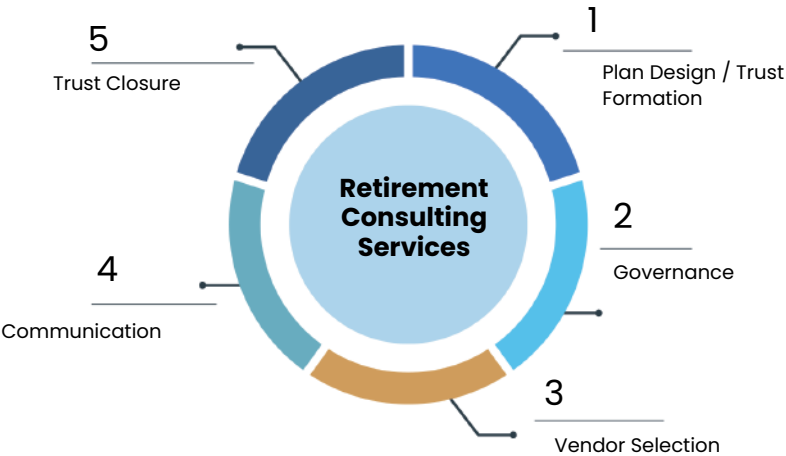
- Green Field Compliance Monitoring
- Periodic Operational Compliance Health Check Up Assessments
- Monitoring of amendments impacting business

Liaison Services

- Business Environmental Licenses
- Business Social Licenses



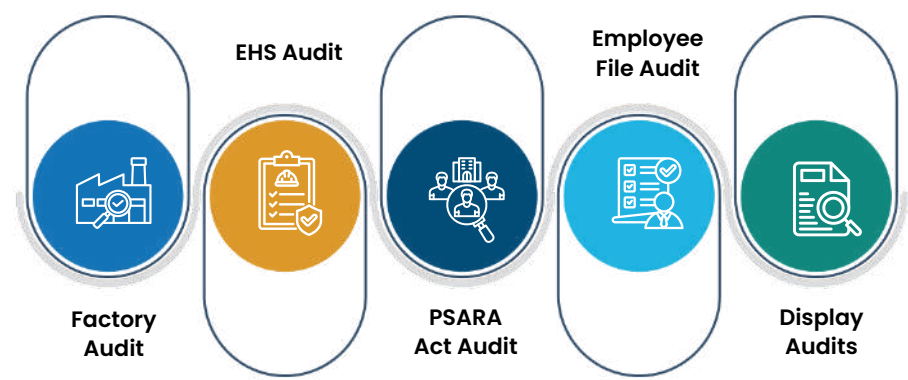
Retirement & Benefits Administration



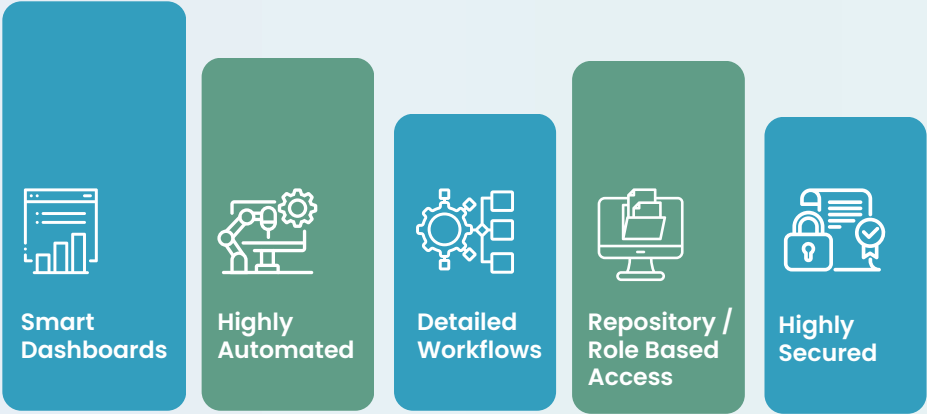
We provide services related to the Retirement Benefit Schemes managed by the clients covering Provident Fund, Gratuity, Superannuation, Pension and NPS

 <p>Trust Set Up</p>	 <p>Rule Amendments</p>	 <p>Governance</p>
 <p>Mergers / Demergers</p>	 <p>Benchmarking & Whitepapers</p>	 <p>Vendor Selection</p>
 <p>Trust Wind Up</p>	 <p>Employee Communication</p>	

Audits



TECHNOLOGY OFFERINGS



06

How Technology is Transforming Compliance?

How Technology is Transforming Compliance

The regulatory landscape in India is dynamic and intricate. Employers are faced with a complex network of regulatory requirements that necessitate extensive knowledge, prompt response, and efficient coordination. Compliance functions have been dependent on ad hoc, manual, and paper-based procedures for several decades. As the adage goes, "to err is human" also applies to compliance management. The reliance of an organisation on its personnel throughout the entire compliance lifecycle creates a substantial margin for errors, lapses, and delays. As governments increasingly enforce strict oversight and impose severe penalties to ensure corporate accountability, non-compliance simply does not justify the expense incurred.

In recent years, however, technological advancements have revolutionised the way in which employers approach compliance. Leveraging the capabilities of the web, mobile, cloud, and analytics; digital compliance management solutions equip organisations with employers with intelligent, productive, and efficient approaches to meet their specific compliance requirements. Additionally, they facilitate a smooth transition for organisations from "reactive" compliance to "dynamic" compliance, which aligns with the ever-changing regulatory environment. As a result, an increasing number of businesses throughout the nation are currently digitising their compliance processes aggressively. The benefits of digital compliance management solutions in surmounting the intricate obstacles of India's regulatory landscape are emphasised here.



Timely Regulatory Updates

The dynamic nature of compliance requirements exacerbates the inherent unpredictability of business operations. A total of 9,331 regulatory changes were implemented in 2024, which corresponds to an average of 23 changes per day. The regulatory updates are published on more than 2,000 government websites and pertain, among other things, to significant modifications in dates, procedures, penalties, and calculations. Frequently, these modifications take immediate effect, necessitating implementation that is time-sensitive. A manual method that enables employers to remain informed about these regulatory changes is currently ineffective.

In contrast, digital compliance platforms have the capability to monitor regulatory modifications on thousands of websites instantaneously and provide pertinent updates, usually within twenty-four hours of receiving the notification. By utilising automated compliance management, employers can prevent the omission of crucial updates and promptly address them.

Integrated document management

Documentation and compliance are inextricably linked in India. Compliance is predicated on paperwork including, but not limited to, applications, acknowledgements, forms, receipts, licences, and registers. Sadly, a substantial portion of the nation's compliance documentation remains on paper and has minimal or no digital functionality. Employers face significant challenges in the manual management of documentation due to the substantial volume of paperwork involved.

Digital compliance software provides innovative solutions for managing the entire documentation process in order to address such concerns. It initially establishes a centralised repository containing digital, tamper-proof, and verified copies of all compliance paperwork. Moreover, it functions as a central location for all active files. The digital document repository functions as a centralised location where documents can be organised and retrieved. Digitally integrated document management enables employers to reallocate their attention to higher-priority tasks by conserving valuable time, energy, and resources.



Smart Tools and Features

Digital compliance platforms provide an assortment of distinctive attributes that manual processes are inherently inadequate to compete with.

Smart dashboards

These facilitate instantaneous monitoring of multiple parameters and accurately depict the remaining compliance risk. Drill-down capabilities are provided by colour coding, smart widgets, and click-through charts, enabling users to access compliance status by various criteria, including Act, Entity, Location, Function, Department, User, or Risk.



Personalised Workflows and Analytics

These components enable organisations to tailor their compliance workflows to the specific requirements of their operations. Furthermore, in accordance with the specific compliance needs of the organisation, they offer reporting and analytics capabilities that are available as needed to identify compliance risks.



Alerts, Reminders, and Escalations

They furnish timely reminders for time-sensitive compliances and prompt alerts regarding regulatory updates. Employers are no longer required to be concerned about forgetting crucial dates. Even if a user fails to meet a deadline, escalations are initiated in order to facilitate the implementation of corrective measures.



Cost savings in compliance

Large corporations have the financial means to employ a specialised group of compliance officers; however, small and medium-sized businesses lack the means to establish an internal compliance department. The oversight of compliance is frequently dispersed among multiple departments, which leads to inefficiency and redundant endeavours. Company secretaries and solicitors typically undertake the supplementary responsibility of compliance management.

In most cases, the implementation expense for digital compliance software is less than that of a junior compliance officer. Adoption is rapid and uncomplicated, and no supplementary investments in IT infrastructure are necessary. Software with a user-friendly interface enables personnel with diverse proficiencies, backgrounds, and technological acumen to seamlessly integrate without necessitating training expenses for the employer.

In the contemporary regulatory landscape of India, manual compliance stands out as a conspicuous anomaly. With the government intensifying enforcement measures, employers are obligated to enhance their adherence to compliance standards. As demonstrated previously, digitisation is the optimal response to these emerging compliance requirements. As organisations strive to achieve enhanced visibility and control over their compliance operations, manual compliance processes are rapidly being phased out. The adoption of automated compliance enables businesses to expand their operations without concern for the efficient administration of their compliance responsibilities. Compliance that is precise, timely, transparent, and accountable requires a transition to digital.



07

Creating a Culture of Compliance

3Cs of Compliance



Control

- > Create a Comprehensive List of Applicable Compliances reviewed periodically
- > Establish a company level compliance calendar at an Entity, sub entity, location, department, categorised across functions & types
- > Periodic Management Review of compliance Status across departments, locations and functions
- > Periodic review meetings on overdue, delayed, upcoming compliances

> Periodic comprehensive compliance Risk Assessments

- Review of applicability
- Quantitative and qualitative assessment
- Assessment for financial and non-financial penalties
- Risk based categorization of non compliances; keeping in mind criminality associated compliances

> A robust and reliable framework to stay on top of all applicable

- Awareness of new acts, bills and their implications on corporate compliance

> A framework to stay on top of all notices

> Compliance Certificate

To succeed in a dynamic market, businesses must maintain control and visibility over compliance processes within a complex regulatory landscape. The foundation of effective compliance management is a thorough compilation of applicable regulations, covering local, regional, and international standards relevant to the organization's operations.



A compliance calendar is essential for systematic management, outlining regulatory deadlines and scheduling periodic reviews. It helps identify and address potential non-compliance early, minimizing risks and penalties. Acting as a coordination hub, the calendar fosters collaboration across legal, regulatory, and operational teams, reducing silos and ensuring a unified compliance approach.

Technology further enhances compliance management by automating tasks, tracking regulatory changes, and generating real-time insights. Custom software centralizes compliance data, enabling informed decisions and strengthening governance and risk management.

By combining a detailed compliance list, a proactive calendar, team collaboration, and advanced technology, businesses can navigate regulatory challenges effectively, protect against legal risks, and bolster their reputation with stakeholders.

Commitment

Accountability and responsibility should be instilled in employees, and a culture fostering commitment should be established. Instituting a system of reward and recognition for exemplary compliance behaviour. Appreciation and recognition of individuals or teams consistently upholding compliance standards can serve as a powerful motivator, instilling a sense of pride and ownership in their roles. This can be done in various ways such as public acknowledgement, a monthly employee of the month award, or career advancement opportunities. This will create a positive reinforcement loop that reinforces the importance of compliance in the roots of the organisation.

To address instances of non-compliance or negligence, it is essential to establish clear and enforceable penalties. A transparent and fair disciplinary framework ensures that employees understand the consequences of violating compliance standards. These penalties should align with the severity of the infraction and be applied consistently across all levels of the organization. By explicitly defining the repercussions of non-compliance, businesses convey a strong message that such behavior is unacceptable and will not be tolerated. This approach not only serves as a deterrent but also reinforces the critical role of compliance as a fundamental pillar of corporate culture.

> A process to store and maintain centralised records and document repositories with a digital copy

> Program to issue reminders for annual and semi-annual compliances

- Process to track and manage compliance across the law of the land
- Process to ensure third party vendor compliance
- Allocating resources for compliance audits every 6 months
- Training on compliance updates, processes and procedures
- Resources/processes to store and maintain centralised records and document repositories with a digital copy

Culture

A strong compliance culture starts with a compliance-centric tone from the top. The board and senior management play a critical role in embedding compliance as a core value, not just a box-checking exercise. This requires visible and consistent commitment to ethical conduct, regulatory adherence, and industry standards.

Leadership must integrate compliance into strategic decision-making, ensuring it is prioritised in discussions, resource allocation, and goal-setting. Regular monitoring and assessments, supported by thorough reports and audits, help maintain this focus. Evaluations should cover both outcomes and processes, fostering a comprehensive approach to compliance.

Top management should also encourage departmental self-assessment and open reporting, empowering employees at all levels to take ownership of compliance. Transparent communication channels must allow staff to raise concerns and report issues without fear of retaliation, promoting early risk identification and reinforcing shared responsibility for ethical behaviour.

> Tone from the Top

- Framework of Compliance status Checks to become an integral part of boardroom meetings

> Periodic HR intervention – HR Goals

> Data-backed compliance assurances

> Reward and recognition, incentive system, bad behaviour need to be penalised



Global trends

The world of technology is evolving continuously. What may be seen as insignificant stand-alone innovations can have widespread and revolutionary downstream implications. No one could have predicted that the discovery of neurons communicating via eclectic pulses would one day lead to the creation of artificial intelligence (AI). In the modern era, the field of AI and Machine Learning (ML) has emerged as the cutting edge of research and innovation. With AI/ML finding applications across sectors, sub-sectors, and industries, the growth in its capabilities is discernible.

Today, AI/ML is accelerating the transformation of business processes, and compliance automation has not been immune. Regulatory Technology Companies (RegTechs) are employing AI to expedite and simplify compliance processes. What we get are reduced compliance costs and enhanced risk mitigation capabilities for businesses. AI and ML are further strengthening automation capabilities, allowing businesses to generate over 3,000 registers and challans in state-specific formats.

At its current potential, it can predict future compliance risks, identify gaps based on past performance, and pick out inadequacies in documentation. It is already improving the efficacy of compliance processes, and in the future, it can also help determine the applicability of compliance obligations on a business.

Not long ago, the onset of COVID-19 disrupted global supply and value chains, leaving companies scampering for digital solutions to keep business operations running. Corporations had to adapt to digital technologies and integrate them into their business processes and organisational workflows at short notice and with almost no preparation. This led to an accelerated adoption of automation and digitisation as remote work became the norm. Recalibrated business processes that relied on digital technologies to remain functional became the norm. Following this trend of rapid adoption of automation in business processes, the time is ripe to adopt fully automated compliance processes using RegTech solutions.



Changing Demands

In the evolving landscape of international trade, corporate governance and compliance have become key factors for foreign investment and market access. Navigating India's complex regulatory environment has historically been challenging, but the growing economy is attracting more foreign investments. The government's strategic approach involves the three-vector framework of rationalisation, digitisation, and decriminalisation to propel these efforts. Simultaneously, businesses play a crucial role in contributing to this environment by streamlining their compliance processes. To do so, they need to turn to technology, as has been the case with every other business process.

The integration of digital technologies is transforming compliance by enhancing transparency, accountability, and timeliness. Boards are now prioritizing regulatory compliance, dedicating more time to monitor pending, ongoing, and future obligations. This focus aims to prevent compliance lapses and reduce costs associated with non-compliance. Shareholders and creditors are increasingly aware of the impact of non-compliance on reputation and share prices, scrutinizing companies more closely.

Investors are cautious about businesses with a history of penalties, driving demand for greater transparency in compliance status.

On the regulatory front, there is a parallel push for greater accountability from businesses, coupled with an embrace of digital technologies. The adoption of single-window mechanisms, online portals, and digital returns signifies a concerted effort to create a cashless, presence-less, and paperless ecosystem. Regulators, through the implementation of API-based straight-through filings, aim to revolutionise the compliance landscape, offering a streamlined approach that significantly improves enterprises' ability to fulfil their compliance functions efficiently. As these dynamics continue to unfold, the intersection of regulatory expectations, digital transformation, and investor scrutiny will likely reshape the business landscape in India. Companies that proactively adapt to these changes, incorporating digital solutions and prioritising compliance, stand to not only meet regulatory requirements but also enhance their attractiveness to investors in an increasingly competitive global market.

08

Future of Compliance

Digitise

Why digitise?

Multiple Employer Identities

An employer currently holds at least 23 different identities. Examples include:

Central Identities: EPFO Number, ESIC Number, PTIN, IEC, FSSAI, LIN (Labour Identification Number), PAN, TAN (multiple), GSTN, CIN, and Udyog Aadhaar.

State Identities: Professional Tax Number, Factory Licence Number, Shop & Establishment Registration, Labour Welfare Board Registration, Contract Labour Principal Employer Registration Number, and TIN.

Integrating Common Business Identifier (CBI) that consolidates identities like PAN and GSTN will be a boon for businesses. All departments and ministries should register enterprises under the Common Business Identifier (CBI), enabling the phasing out of all central numbers within 18 months.

Lack of Document Repository

There is no centralized repository or vault for government-issued documents such as licenses, registrations, permissions, approvals, exemptions, consent orders, NOCs, and notices. For instance, applying for a new factory license can require hundreds of pages, often involving self-attestations or notarizations.

Developing a unified digital document vault linked to the Common Business Identifier (CBI), where all government-issued documents for an enterprise are stored is the need of the hour. Government-issued forms should directly access EntityLocker. Employers can share Common Business Identifier (CBI)-linked documents with any government department, paving the way for a paperless compliance ecosystem.



Fragmented Government Websites

There are 3,756 government websites across central, state, and local levels, including 561 central government sites, 2,064 state government sites, and 1,131 local government sites. While some allow digital filings, they lack uniformity in user interfaces, authentication systems, security measures, levels of automation, alerts, and reminders.

Solutions

API, the Rise of DPI, and the Creation of Public Goods

Public infrastructure has been and continues to be crucial to the development of human society and national economies. The underlying public infrastructure has always supported innovation, and the same holds true for the digital public infrastructure. Digital public infrastructure (DPI) serves as the fundamental framework upon which the expansion and progress of the digital economy lie. Adopting open access, interoperability, and scalability principles establishes an equitable playing field. The JAM (Jan Dhan, Aadhaar, and Mobile) trinity has established the groundwork for advancing digital inclusion. The 950 million internet users in India now have access to the digital economy via 5G-enabled handsets, thanks to the dissemination of digital payments endorsed by the DPI. Digital portals, Aadhaar, and Single Window systems have significantly transformed how critical government services are provided.

The implementation of DPI has been instrumental in addressing information asymmetry and enhancing the accessibility, accountability, and transparency of essential service delivery.

Identity, payments, and data layers comprise the DPI foundation. As digital building blocks, they can be utilised to promote innovation and inclusion. DPI is not limited to the delivery of services through digital channels; rather, it permits others to utilise the infrastructure to create and innovate their own applications and programs. It also incorporates the 'Security-by-design' and 'privacy-by-design' principles to ensure the security of processed and shared data. The infrastructure incorporates access control, encryption, and anonymisation. It ensures that data is collected for a specific purpose and with the user's informed consent in terms of privacy. Additionally, the stack ensures compliance with applicable data regulation laws. The Digital Personal Data Protection Act of 2023 aims to develop regulations that can keep pace with the evolution of digital technologies. A robust data privacy and protection regulatory framework coupled with DPI's use of secure data-sharing protocols ensures that sensitive information remains inaccessible to malicious actors.

In the corporate setting, DPI will expedite the delivery of services, such as enterprises' access to instant credit. Financial institutions can access the complete financial and operational history of a business in order to assess its risk profile and financial health. It will generate a composite corporate profile that can be used to evaluate creditworthiness, regulatory compliance, and fraudulent behaviour. The existence of this business profile will significantly reduce physical interactions between government officials and businesses.

By employing sanctions and penalties, regulators will be able to easily and swiftly identify and resolve instances of fraud, unfair trade practices, and financial misconduct. Additionally, corporations will be able to approach regulators and relevant authorities for faster resolution of their questions and complaints. Thanks to open access, interoperability, and scalability, DPI has become an inclusive and adaptable digital ecosystem.

India is the global leader in the development of DPI and is using it to implement widespread adoption of digital payments, data exchange, and industrial expansion. The advancements of DPI have helped strengthen domestic small businesses by facilitating the replacement of humans and paper with code. 463 million low-cost bank accounts have been opened as a result of DPI, with 56% of account holders being female. Since its inception in 2017, India's formal financial system has expanded substantially, with financial inclusion increasing at a compound annual growth rate of over 5%.

Furthermore, enterprises can also gain the capability to access critical government services through single window systems and portals that leverage the foundational elements of DPI to guarantee prompt and effective service provision. An increasing number of micro and small enterprises are transitioning to the formal sector as a result of the services provided by utilising DPI's capabilities.

As a stepping stone, the Karnataka government has officially proposed the Karnataka Employers' Compliance Digitisation Bill as part of its 2025–26 state budget. This initiative aims to fully digitise employer compliance processes, making Karnataka the first state in India to undertake such a comprehensive reform.



For compliance to be incorporated into India's DPI, employers must possess an Aadhaar equivalent. At present, Indian businesses are required to manage numerous identities (including PF, ESIC, PAN, CIN, and TAN) that have been issued by various central and state departments. This causes redundant efforts and places superfluous administrative responsibilities on businesses. A Common Business Identifier (CBI), analogous to the 12-digit Aadhaar, will serve as the foundation for all digital transactions involving the government, regulators, and employers and provide all corporations with a singular identity. It will establish a Single Authentication Ecosystem that facilitates the development of a comprehensive corporate profile suitable for compliance, credit and risk assessment, and governance.

EntityLocker

The EntityLocker will serve as a centralised repository for legitimate documents, including but not limited to licences, registrations, permissions, NOCs, and consent orders. Subsequently, these genuine digital documents may be employed in compliance and verification procedures.

By granting consent to service providers, organisations can streamline the approval, registration, and clearance processes, among others. Additional support for the document's authenticity can be obtained by implementing a transparent, verifiable, and tamper-proof storage system.

This will substantially diminish the occurrences of fraudulent activities involving falsified and counterfeit documents to acquire licences, registrations, and approvals.

The use of open APIs by the government and entrepreneurs will facilitate the seamless and secure passage of information. It will empower the entrepreneurs to complete filings expeditiously, remit statutory payments, and provide, among other things, returns, registrations, and challans. Conversely, it will enable the government to administer licences, registrations, and acknowledgements while also guaranteeing an uninterrupted stream of regulatory updates pertaining to the enterprises' pertinent compliance obligations. The three of them will form a triumvirate resembling that of JAM, thereby reducing the amount of physical contact between government inspectors and corporations. It will establish a cashless, paperless, and presence-less compliance framework in digital India, thereby eradicating the Inspector Raj menace.

Open APIs will serve as the final component to integrate RegTech into India's DPI as part of a National Employer Compliance Grid (NECG); they will enable a network of empanelled RegTechs to facilitate a seamless exchange of information between entrepreneurs and the government at the central, state, and local levels.

The grid will facilitate the exchange of information via APIs for a variety of purposes, including the issuance of licences, registrations, permissions, NOCs, and consent orders directly into the EntityLocker's by the authorities and the submission of periodic returns through authorised regtechs.



Establishing a National Employer Compliance Grid (NECG)

There are over 2,300 websites that publish regulatory updates in India. Each website has its own layout, design, features and online capabilities. There is no standard way of publishing and consuming regulatory information. Hence, compliance could be integrated into India's DPI Stack through the NECG. Leveraging Common Business Identifier and EntityLocker, NECG will facilitate straight-through filings, payments, regulatory updates (over 8,000 annually), inspection notices, and audit trails via a unified tech platform. Empanelled private sector companies, similar to banks and fintechs on UPI, will develop applications for tracking, automation, and compliance filings on top of the NECG infrastructure.

Hence, it is recommended that a National Employer Compliance Grid be created to facilitate the smooth exchange of information between entrepreneurs and government at union, state and local levels via a network of RegTechs.

The grid will enable API-based exchange of information for the following purposes

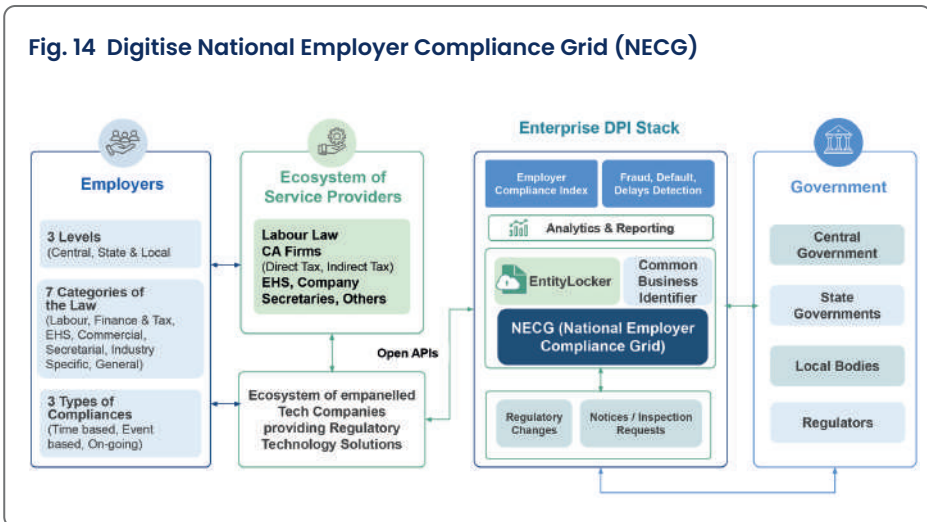
- Online filing of first-time as well as renewal applications for licences, registrations, permissions, approvals, NOCs and consent orders. Status tracking of all applications, along with capabilities to respond to requests for information from the concerned authorities

- Automated notifications for all applicable compliances for upcoming and overdue compliances
- Seamless filing of periodic returns via one of the empanelled RegTech players
- Management of online requests for information to facilitate faceless and digital inspection requests

Leveraging Common Business Identifier and EntityLocker, NECG will facilitate straight-through filings, payments, regulatory updates (over 8,000 annually), inspection notices, and audit trails via a unified tech platform. Empanelled private sector companies, similar to banks and fintechs on UPI, will develop applications for tracking, automation, and compliance filings on top of the NECG infrastructure.

A high-level block diagram of the proposed NECG is given below

Fig. 14 Digitise National Employer Compliance Grid (NECG)



Blockchain in RegTech

Blockchain, at its essence, functions as a decentralised virtual ledger capable of documenting and authenticating digital transactions. The immutability of the stored data is guaranteed by the decentralised nature of blockchain, wherein each node possesses a duplicate of the virtual ledger. In order to modify a blockchain entry, it is necessary to amend every succeeding transaction across all nodes. This obviates the necessity for data reconciliation and verification. In 2021, blockchain-based firms raised \$25.2 billion, representing an increase of 713% year-over-year. Gartner projects that by the end of the decade, the technology will have generated \$3.1 trillion in new business value. With the capacity to propel India towards cashless, paperless, and presence-less compliance, this disruptive technology holds promise. Employers are required to peruse the foundational Act in addition to countless pertinent amendments that have been published over an extended period of time in various documents that are not contained in a centralised repository. Consequently, the task of ascertaining a business's regulatory responsibilities is challenging. By storing all regulatory documents on a public blockchain, an official, centralised, verified, and chronological database will be created that is accessible to all parties for the purpose of determining their compliance obligations.

In the next era, it is imperative that all legislative documents, encompassing diverse draughts, public input, feedback, numerous iterations, ultimate enactment, pertinent regulations, and later modifications, be readily accessible and amenable for utilisation on the blockchain.

Challenges in Implementation

- Excessive Regulatory Compliance Burden-** Entrepreneurs in India navigate a complex regulatory ecosystem with over 9,000 annual regulatory changes impacting compliance, penalties, duties, and deadlines. These changes are communicated via OM, notifications, orders, gazettes, and circulars across 3,756 regulatory websites at the municipal, state, and federal levels. Blockchain technology presents a rational resolution for ensuring that digital documents maintain their integrity. All licences, registrations, permissions, consent orders, returns, inventories, challans, payments, and notices can be digitally maintained and exchanged in accordance with a CBI (Common Business Identifier) as part of India's 21st-century compliance. The use of a blockchain ledger to store these documents can establish their authenticity and foster confidence among the involved parties.



- **Extensive Documentation-** Presently, in order for an entrepreneur to establish a new factory in any state, they are required to print and submit a minimum of 5,000 pages of mandatory documentation. By storing all government approvals in a digital ledger, the data can be rendered extremely accessible, transparent, instantaneous, and secure. This will eliminate the necessity for tangible paper to be utilised as a means of communication. Furthermore, the pertinent regulatory authorities will have access to these documents to facilitate renewals, reviews, and inspections, thereby streamlining, expediting, and simplifying the enforcement process.

A proficient implementation of Blockchain technology has the potential to significantly diminish the duration, expenditure, and exertion devoted to regulatory reporting while concurrently enhancing the process's quality, precision, and assurance.

This system will provide an immutable audit trail for all compliance actions and enhance data visibility. Every ledger entry on the blockchain will encompass comprehensive information, including the change's author, the time and date of its creation, and the change's contents. The digital signature will aid in verifying that the individual who possesses the private key is, in fact, the author of the transaction. The verification of data authenticity and integrity during retrieval can be effectively conducted by the regulatory office or the compliance officer inside the organisation. Any instances of data corruption can be detected and rectified in an instant.

Government should allocate resources towards the development of blockchain networks while also ensuring the implementation of appropriate access control measures. A National Employers Compliance Grid will be established through the creation and collaboration of digital compliance documents by regulators and enterprises in the midst of the digital transition.



Generative AI in RegTech

The introduction of AI and ML has had visible effects in the realm of Natural Language Processing (NLP). Programs such as ChatGPT and GPT4 have become capable of understanding and deconstructing complex human sentences and commands. This has enabled these tools to 'converse' intelligently and in real time with humans. Users are able to extract useful information based on a set of sources or even the internet, depending on the database available to the 'chatbot'. As such, future RegTech applications will enable compliance professionals to simply type in a query to find pending and upcoming compliances. They will be able to use such chatbots to quickly filter through a mountain of data and compliances to find specific information. For instance, a compliance officer can ask the chatbot to find all compliances that prescribe penalties of monetary fines over 5 lac and the bot will present the results from the compliance database for that business.



Rationalise

To reduce the compliance burden without compromising accountability, it is essential to identify and eliminate duplicate, overlapping, and irrelevant compliances. Regulatory changes must be rationalized, as over 9,000 changes are published annually across 3,756 government websites, with no centralized source available. Employers are forced to manually monitor these websites for updates, creating inefficiencies and risks of non-compliance. A central compliance change portal can address this challenge by offering search, sort, filter, and subscription capabilities, providing real-time, national, and personalized updates to subscribers.

Additionally, India's rapid growth has outpaced the government's ability to expand regulatory capacity. To bridge this gap, a Public-Private Partnership (PPP) model can be adopted to empanel private companies for inspections and certifications. Significant opportunities for such third-party certifications exist in areas like solar power installations, DG set installations, lift and escalator deployments, boiler installations, petroleum storage tanks, and legal metrology, ensuring effective compliance while alleviating the regulatory burden.



Decriminalise

The introduction of Jan Vishwas can reverse the gaze by eliminating employer jail provisions by applying specific filters. Jail penalties should only apply to offenses involving physical harm to individuals, intentional fraud against stakeholders such as employees, lenders, shareholders, or the government, or large societal externalities that cannot be compensated, such as those affecting public order, national integrity, or trust in property rights. Provisions in general clauses that either fail to specify the crime or define it too broadly should be removed, along with penalties for procedural issues such as delayed or inaccurate filings, incorrect calculations, or errors in formatting. This approach seeks to rationalize penalties, ensuring accountability without excessive criminalization.

According to the report on Accelerating MSME growth by the Global Alliance for Mass Entrepreneurship, 14% of the total compliances (8,682) were associated with a penitentiary sentence— 69% (5,952) of the compliances with a prison sentence involved labour. Teamlease Regtech's analysis reveals that 352 Labour Acts/Rules contain 17,819 provisions for imprisonment. For instance, under the Maharashtra Factories Rules, 1963, failure or lapse in sustaining certain lighting standards, the quantity of drinking water, and reconstituting the canteen committee once every two years can result in up to two years of imprisonment.

The prospect of indictment compels companies to negotiate with inspectors, as bribes are a price worth paying to avoid disruption of production schedules or loss of staff time, which would result from additional visits.

The legal objective of penalising corporations or business owners should be deterrence, not retribution. Except for a few willful offences, all business punishments must be monetary. If an entrepreneur violates the law to earn ill-gotten gains, the appropriate policy response should be to seize those gains and more.

Furthermore, all imprisonment clauses must be reviewed by the legislature at least once every five years. For this, sunset clauses can be introduced in the legislative process to ensure either the renewal or termination of imprisonment clauses depending on their need and relevance in light of the evolving business climate. The enactment of the Jan Vishwas (Amendment of Provisions) Act, 2023 was another milestone in the quest for decriminalisation. 183 provisions were decriminalised, allowing businesses to pay an appropriate monetary penalty. Similar initiatives are required to continue the trend of decriminalisation and consequently ease of doing business in the country. The Jan Vishwas 2.0 announced in the Union Budget 2025 intends to further usher in comprehensive reforms aimed at decriminalising procedural lapses and enabling ease of doing business.

As an example for other states to follow, the Karnataka government has officially proposed the Karnataka Employers' Compliance Decriminalisation Bill as part of its 2025–26 state budget. It aims to decriminalise certain compliance violations by employers, replacing criminal penalties with monetary fines or civil actions.

09

Evolving Regulatory Ecosystem

Deregulation

Deregulation refers to the process of reducing or eliminating government controls over industries or sectors to foster competition and enhance market efficiency by encouraging the entry of new players. It is an essential practice to foster economic growth, innovation and ease of doing business by reducing unnecessary government controls and allowing markets to function more efficiently. Overregulation can stifle entrepreneurship, increase compliance costs and slow down business operations, making it harder for companies to compete globally. The Indian government has identified these challenges and has proposed the constitution of a deregulation commission. Acknowledging the critical role of the private sector in India's journey towards Viksit Bharat 2047, the government has systematically opened up key sectors such as nuclear energy, space, commercial mining, and power distribution to private participation, bringing in efficiency, innovation, and competition.

Over the past decade, India has spearheaded multiple deregulation initiatives, eliminating hundreds of archaic compliances, implementing business-friendly reforms, and simplifying regulations across industries.

The Goods and Services Tax (GST), labour code rationalisation, decriminalisation of business laws through the Jan Vishwas Act, and now, Jan Vishwas 2.0, a revised framework further eliminating regulatory bottlenecks, underscore India's bold reforms.

Economic Survey 2024-25 highlights how deregulation has been a cornerstone of India's governance reforms, emphasizing process simplifications, governance overhauls, taxation rationalization, and digitization of compliance. The Business Reform Action Plan (BRAP) by DPIIT has demonstrated how reducing compliance burdens directly fuels industrialisation, economic growth, and employment generation. Moreover, states are now encouraged to embark on the next phase of reforms through a systematic three-step approach, identifying areas for deregulation, benchmarking against global best practices, and assessing the cost of regulations on businesses.



Below are some examples of how other countries are treading on the path of deregulating their economies:

Department of Government Efficiency- USA

The Department of Government Efficiency (DOGE) is an initiative of the second Donald Trump administration in the United States tasked with reducing federal spending. It was established on January 20, 2025, by an executive order renaming the United States Digital Service (USDS) to the United States DOGE Service (USDS), and establishing a temporary organization, the U.S. DOGE Service Temporary Organization (USDSTO), within USDS. The initiative established "DOGE teams" at federal agencies and aims to carry out spending cuts and "modernize federal technology and software to maximize governmental efficiency and productivity". USDSTO is scheduled to be dissolved on July 4, 2026. The Trump administration's deregulation agenda focuses on reducing government oversight across industries with the goal of stimulating innovation, investment and economic activity. The initial focus of this deregulation drive appears to be the energy industry – oil and gas. The president aims to lower energy costs and boost American energy independence, although it's already pretty independent as the world's largest oil exporter.

Simplification Omnibus- EU

The European Commission has launched the "Simplification Omnibus", a broad deregulatory initiative aimed to reduce bureaucratic burdens, enhance industrial competitiveness, and attract investment.

The plan scales back corporate sustainability reporting, exempting 80% of companies (those with fewer than 1,000 employees) from annual disclosure requirements under the Corporate Sustainability Reporting Directive (CSRD). It also relaxes supply chain transparency rules, easing due diligence obligations for businesses. In parallel, the EU has announced a €100 billion investment push to support heavy industry decarbonization, renewable energy production, and lower energy costs for businesses and households.

Ley Bases- Argentina

On June 27, 2024, the Argentine Congress passed Argentine Law No. 27,742, translated in English as the "Bases and starting points for the liberty of the Argentine people" and commonly referred to in Spanish as the "Ley Bases." The Ley Bases includes a series of blanket reforms designed to effect deregulation and cut federal government spending, and represents the libertarian agenda of Javier Milei, who became president of Argentina in December 2023. The Ley Bases, passed in conjunction with a separate law introducing tax reforms that follow the same goals, authorizes the privatization of several government-owned entities and promotes the development of large projects by insulating investors from certain risks related to the Argentine economy and by providing tax, foreign exchange and regulatory incentives, including a 30-year guarantee of stability. It also adopts measures designed to bring greater flexibility to the labor market and to promote registered employment, authorize the renegotiation of some public infrastructure contracts, and modernize the energy and oil and gas regulatory landscape.

Regulatory Capacity Creation

According to the Economic Survey 2024-25, there are only 644 working inspectors to oversee compliance in 3,21,578 factories. This would mean one inspector oversees 500 factories, which is an example of an extreme manpower crunch. India's regulatory capacity faces critical gaps due to a shortage of inspection personnel, inadequate testing infrastructure, outdated compliance processes, and fragmented state-level regulations. Key regulatory domains such as legal metrology (weights and measures standardization), electrical safety (compliance with electrical hazard protections), and elevator safety (technical regulations for installation and maintenance) suffer from inspection backlogs, while the absence of sufficient Government Application Test Centres (GATCs) and accredited labs slows down product approvals. Paper-based compliance systems and inconsistent state regulations further increase delays and compliance costs.

However, India is taking steps towards reducing these gaps. Some instances are mentioned below:

- India's drug regulator aims to implement various reforms, including streamlining export clearances for unapproved drugs and simplifying the manufacturing licensing process, in an effort to reduce the burden on its workforce. The agency has only 2,000 officials to oversee over 10,000 drug factories and 1 million pharmacies in India.

To simplify export procedures and enhance regulatory efficiency, the Drugs Controller General of India (DCGI) has announced overhauling the process of granting no-objection certificates (NOCs) in exporting unapproved drugs. Previously, companies exporting drugs from India had to apply for a customer- and quantity-specific NOC each time they received an order. Under the new system, the DCGI will grant a blanket NOC based on a company's history of exporting the drug over the past one year as long as the drug is approved in the importing country. The NOC will not be tied to the client or importer but will be product- and country-specific, reducing the number of NOCs issued from approximately 15,000 annually to around 5,000 or fewer.

- In a major push to further strengthen the Make in India initiative, Department for Promotion of Industry and Internal Trade (DPIIT) introduced the Business Reforms Action Plan (BRAP) 2024, which aims to establish a seamless business regulatory framework across the country, enhancing the ease of doing business. The next-generation reforms address the needs of both businesses and citizens. Building on the successes of previous editions, BRAP 2024 aligns with key government initiatives such as the Reducing Compliance Burden (RCB) and Decriminalisation, while also integrating elements from the World Bank's upcoming B-READY program. This convergence will streamline regulatory processes, bolster economic growth, and foster greater investor confidence in India's business landscape.

Codification of Labour Laws

Labour is a critical component among land, labour, entrepreneurship, and capital production factors. Schedule 7 of the Constitution includes within the concurrent list of subjects the regulation of labour and safety in mines and oilfields, trade unions and labour disputes, and labour welfare. As such, of the 1,563 laws applicable to businesses across India, 30.1% are labour-related.

The subject of labour had 463 Acts (30.1% of the total), 32,542 compliances (47% of the total) and 3,048 filings (46% of the total) associated with it. The complex and burdensome regulatory structure imposes an implicit 'formalisation tax' on enterprises. Complying with the requirements of a complex regulatory structure requires hiring company secretaries and labour lawyers to interpret the language of the laws, ensure timely filings, and track updates.

The 2nd National Commission on Labour (SNCL), under the chairmanship of Ravinder Varma was set up in 1999. The need to constitute the SNCL was felt as three decades had passed since the submission of the report of the First National Commission on Labour, and the 1991 reforms changed the Indian industrial climate, which needed to be supplemented by labour market reforms.

The agenda of the SNCL was to rationalise existing labour laws and incorporate their provisions into a comprehensive code. The Commission constituted 6 study groups and considered their recommendations in their Report. The Report recommended simplifying laws, covering all aspects of employment, curbing inspector raj, and balancing the industry's and workers' needs.

In 2014, the Government of India introduced procedural reforms in labour laws, including a single-window labour compliance process and a new inspection scheme, which included a computerised system that identified companies to be inspected using unbiased, objective criteria. The Government intended to improve the Ease of Doing Business and stimulate the growth of the manufacturing sector to boost its 'Make in India' campaign.

Of the original 44 labour laws, 29 were redrafted into four codes: the Occupational Safety, Health, and Working Conditions Code, 2020; the Industrial Relations Code, 2020; the Code of Social Security, 2020; and the Code on Wages, 2019, and 15 were repealed. These codes also extended the coverage of the labour regulatory framework to the informal sector.



Under the Code of Wages, the provisions of the Minimum Wages Act that initially applied only to employees engaged in scheduled employment and drawing wages less than Rs. 18,000/- will apply to all employees (Ministry of Labour & Employment 2015). Under the Code on Social Security, the ESIC facility, which was provided in 566 districts only, would now be provided in all 740 districts. EPFO's coverage would apply to all establishments with 20 workers, which was applicable only to establishments included in the Schedule. The 'Social Security Fund' provision for 40 crore unorganised workers will help provide universal Social Security coverage.

With changing technology and the working environment, newer forms of employment have developed. The labour codes bring these newer forms of employment, like 'platform worker or gig worker', into social security. Schemes for linking the unorganised sector and Gig workers with ESIC schemes and for bringing self-employed workers under the aegis of EPFO are also in process.

The Code on Social Security also establishes the National Social Security Board to recommend and monitor schemes for gig and platform workers. For the first time, a Fixed-term Employee working for a determined period on contract has been given the right to social security like a regular employee. The OSH&WC Code 2020 has also updated its definitions to align with the working conditions of industrial or other establishments. They also provide for the creation of a national database for unorganised workers and inter-state migrant labour. A helpline facility for the redressal of problems of migrant workers will also be set up.

The OSH&WC Code, 2020 has brought uniformity in the definition of employee and workman. It has reduced four licences and 22 returns to one each. Under the acts the Code covers, the employer must maintain 76 registers. These include records of whitewashing, accident and dangerous occurrences, humidity registers, inspection books, etc. The number of registers required to be maintained by employers has now been reduced to 2-3 and can be reduced to 1 register. It also reduces 11 different registrations covered under the 13 different Acts to 1.

Similarly, The Industrial Relations Code, 2020 subsumed 3 acts and increased the applicability threshold. It has reduced the two registrations required by the trade unions to one. The Code on Social Security, 2020 subsumed 9 acts and increased the coverage of social security programs. It reduced the 36 annual returns under the 9 Acts to one. The previous regime required 12 Remittances, 24 Returns under PF, four returns under Employment Exchanges (ERI), and two under ESI.



The Code on Wages, 2019 subsumed 4 acts and introduced new provisions regarding mode, time, and disqualification of wages and bonuses payments. 'Wages' was defined under ten separate acts, now replaced by the universal definition under the Code on Wages. It has reduced the 3 annual returns to be filed by the employer under the Minimum Wages Act, 1948; Payment of Wages Act, 1936; and Payment of Bonus Act, 1965 to one consolidated annual return.

Earlier, the employer had to maintain 12 different registers, which included particulars related to work performed by the employees, fines, deductions made from the wages of the employees, bonuses, wages, and other particulars that may be prescribed. The Code on Wages reduces the number of registers from 12 to 4. These 4 registers can further be reduced to 1.



Decriminalisation – Jan Vishwas Act, 2023

Entrepreneurs operating in post-colonial India have historically faced significant challenges due to the intricate regulations imposed by the business regulatory framework. The framework pertaining to employer compliance has exhibited a lack of progress, as it continues to adhere to practices and principles that originated in the 19th and 20th centuries. The existing regulatory framework is structured in a manner that holds employers accountable for potential imprisonment, even in cases involving minor infractions arising from procedural irregularities and technical oversights.

Over 50% of the 1,536 business laws contain provisions for imprisonment, with 40% of compliance requirements stipulating the possibility of incarceration for non-compliance. Consider, for example, a micro, small, and medium-sized enterprise (MSME) operating in the pharmaceutical industry with a focus on manufacturing. The adherence to 998 compliance obligations is mandatory, with a notable provision in which 486 instances (equivalent to 48.7% of the total) stipulate imprisonment as a punitive measure for failure to comply.

The prevalence of criminalisation within business laws can be ascribed to the indiscriminate application of criminal sanctions without due regard for the principles of necessity and proportionality.

The lack of trust towards entrepreneurs has hindered the natural progression of innovation, job creation, value generation, and economic prosperity.

The monograph titled 'Jailed for Doing Business' provides further insight into the utilisation of imprisonment as a means of exerting control over employers. The analysis focuses on macro-level data and reveals that more than half of business laws contain a total of 26,134 provisions related to imprisonment. A significant proportion, specifically 40%, of the clauses encompassed within the business regulatory framework prescribe imprisonment as a punitive measure. A significant majority of these clauses, amounting to 87%, have the potential to result in a maximum jail term of three years.

At the state level, the situation is equally concerning. Five states, specifically Gujarat, Punjab, Maharashtra, Karnataka, and Tamil Nadu, have more than 1,000 provisions containing imprisonment clauses within their respective business legislations. Among these five states, four are considered to be among the largest in India in terms of their Gross State Domestic Product (GSDP), with each state contributing an amount exceeding \$200 billion. The rationalisation and decriminalisation of state-level compliances have the potential to propel them towards the significant milestone of \$1 trillion.

The Jan Vishwas (Amendment of Provisions) Act, 2023 represents a significant achievement in the ongoing efforts to enhance the ease of conducting business by simplifying the regulatory framework governing businesses within the nation. The establishment of a framework is instrumental in facilitating the analysis of the decriminalisation of employer compliance. Although the decriminalisation of only 183 out of the extensive 26,134 provisions may not have a substantial impact, it does set a precedence for future reforms. Approximately 68.2% (17,819 instances) of employer compliance violations pertain to labour laws.

In addition, the labour laws are poised to undergo a comprehensive restructuring, as the four labour codes are scheduled for implementation. The implementation of this codification is anticipated to result in a significant reduction, potentially up to 80%, in persistent criminal behaviour. This legislation addresses the problem of criminality head-on and eliminates provisions that prescribe both imprisonment and fines as forms of punishment.

Additionally, it stipulates a 10% increment in fines and penalties every three years. While the elimination of incarceration as a potential consequence is a notable aspect, the inclusion of fines remains intact. Additionally, the potential for compounding offences in specific situations has been introduced. The methodology employed bears resemblance to that utilised in the process of decriminalising the Companies Act, 2013 (Companies Act).

The Companies Act was decriminalised by the Ministry of Corporate Affairs (MCA) through subsequent amendments in 2019 and 2020. The amendments resulted in the decriminalisation of the regulatory framework through the implementation of four key aspects. The offences were reclassified into distinct categories for various types of offences, shifting from compoundable to in-house adjudication mechanisms.

This reclassification eliminated the possibility of imprisonment, making fines the sole form of punishment. Additionally, penalties were reduced, penal provisions were removed, and alternative mechanisms were prescribed. Companies have acquired the capacity to address their errors through the imposition of fines, while courts have shifted their focus primarily towards grave crimes and offences. The decriminalisation measure facilitated a sense of security and commercial opportunities for entrepreneurs, while the elimination of criminal responsibility associated with compliance matters resulted in a notable increase in foreign direct investment (FDI) within the nation.

At a granular level, enterprises must possess knowledge of relevant regulatory obligations pertaining to their entire range of business operations. For instance, a typical service sector company of moderate size requires a maximum of 20 unique licences, registrations, permissions, and certifications. The aforementioned items include trade licences, pollution certificates, fire safety certificates, authorisations for outdoor advertising, and motor vehicle registrations. Subsequently, corporations are obligated to conform consistently to a wide range of regulatory obligations.

In the context of a particular jurisdiction, a company that operates from a singular premise is confronted with more than 50 obligations pertaining to submitting tax returns, providing information, and issuing notifications. Therefore, it is challenging for a startup to effectively monitor and manage its various obligations, particularly when non-compliance may result in incarceration.

The decriminalisation of minor offences will afford entrepreneurs increased flexibility and confidence in their business decision-making. Consequently, the elimination of the fear of imprisonment when operating a business will create opportunities for the expansion of emerging companies and individuals pursuing entrepreneurial endeavours.

In order to fully actualise India's economic potential, it is crucial to accord entrepreneurs with a sense of dignity. The primary focus should be on prioritising the decriminalisation of the regulatory ecosystem, beginning with the elimination of criminal responsibility for non-compliance resulting from procedural and technical errors.

The utilisation of incarceration should be limited to serious offences accompanied by criminal intent, while monetary fines should be prioritised as the principal means of deterrence. The achievement of effective implementation of the three-vector framework, which includes Rationalisation, Digitisation, and Decriminalisation, with the aim of improving Ease of Doing Business (EoDB), will require unwavering commitment and determination.



Digital Personal Data Protection Act, 2023

The proliferation of entrepreneurial drive has led to a significant surge in digital and technology-based enterprises, which was facilitated by the progress made in digital public infrastructure (DPI). The emergence of data has become crucial in the contemporary digital economy, serving as the fundamental component for the development of data-centric products and services. The confluence of enhanced accessibility, disposable personal income, and purchasing power has engendered a conducive environment for entrepreneurs to engage in innovation, establish novel markets, and perturb established markets.

The JAM (Jan Dhan, Aadhaar, Mobile) trinity has emerged as a fundamental pillar supporting efficient digital solutions and facilitating the rapid delivery of innovative products and services. This advent of online platforms has revolutionised the accessibility and purchase of a wide range of services and goods, encompassing travel and accommodation reservations, movie tickets, shopping and groceries, and credits and loans.

A substantial volume of data is generated and disseminated within the digital realm minute-by-minute.

As a result, enterprises are collecting, processing, sharing, and storing sensitive personal data, including Personal Identifiable Information (PII) and financial information, in order to facilitate the provision of their services and goods. The disclosure of personal data to service providers, whether it be for online movie ticket purchases or online bill payments, exposes end-users to potential vulnerabilities.

Furthermore, the implementation of Digital India is also impacted by this factor. The DigiLocker initiative, implemented by the Indian Government, currently boasts a user base of more than 187 million individuals and has successfully issued over 6.27 billion digital documents. The system has the capacity to store a total of 631 distinct categories of documents that are issued by a comprehensive range of 1,684 governmental institutions.

Given the fact that approximately 900 million individuals are currently connected to the internet, the extent of personal data that businesses possess is beyond comprehension. In order to safeguard the confidentiality and integrity of sensitive personal information during its transmission, storage, and processing, it became imperative to establish a robust plumbing infrastructure within the existing system.



Consequently, the Digital Personal Data Protection Act, 2023 becomes a logical step in this context. The legislation delineates the entitlements of individuals referred to as 'Data Principals' (users/customers), who possess ownership of the data, as well as the responsibilities and legal responsibilities of entities known as 'Data Fiduciaries' (businesses/enterprises/start-ups), which gather, retain, and manipulate the data.

Data fiduciaries who neglect to implement adequate measures to safeguard user data may be subject to severe penalties amounting to hundreds of crores. It lays down several obligations on businesses while handling personal data. Some of these compliances have been listed here:

- Enterprises are required to Issue a notice of request for consent to the user for the processing of specified personal data
- They must also inform the data principal of the procedure to withdraw consent, the ease of which must be similar to that of giving consent
- Once the user withdraws its consent, the business must cease the processing of the personal data of the user as soon as possible and ensure that its data processor (third-party vendor/ contractor) does the same
- Businesses recognised as consent managers have to be registered with the data protection board

- Fiduciaries are required to protect the data in their possession/ control by taking suitable security measures to prevent a personal data breach
- In the event of a data breach, the breach must be intimated to the Board and affected user
- Enterprises must erase the personal data of the user once the user withdraws consent or the purpose is fulfilled unless required otherwise by any other law
- Corporations that are designated as 'significant data fiduciaries' are required to
 - Appoint a data protection officer who is based in India and is accountable to the board of directors/ governing body of the organisation
 - Appoint an independent data auditor who is responsible for evaluating the compliance of the Significant Data Fiduciary
 - Undertake periodic data protection impact assessments and periodic audits

Moreover, it is imperative for businesses to maintain awareness of the rights bestowed upon users by the Act. These encompass the right to acquire the overview of personal data that is undergoing processing by a fiduciary, along with the processing activities associated with said data.

Furthermore, individuals call for revealing the identities of all additional Data Fiduciaries and Data Processors with whom the enterprise has shared the aforementioned personal data, as well as a description of the shared data. Additionally, individuals retain the right to rectify, supplement, update, and delete their personal data, provided that consent was granted, among various other rights.

There has been significant engagement by malevolent entities in the illicit trade of personal information to the most lucrative buyers, as well as in perpetrating data breaches. In the contemporary landscape, data has emerged as a valuable resource akin to crude oil. In light of this, enterprises leverage their unrestricted access and discretionary powers to generate customer profiles, exhibit tailored advertisements, and inundate users with unsolicited messages.

The legislation has effectively imposed limitations and fostered accountability within the business ecosystem. Enterprises will now need to exhibit heightened awareness of their responsibilities and demonstrate increased sensitivity towards adherence to procedural frameworks, operational systems, and regulatory requirements. These responsibilities result in increased operational expenses for these enterprises as well.

The costs associated with technology development are expected to rise due to the incorporation of supplementary security measures, such as data masking and encryption, into the application.

Moreover, the implementation of additional security measures, such as firewalls and network security protocols, will result in an increase in the expenses associated with hosting. Businesses will be required to engage in penetration testing and obtain certification from relevant certification agencies to ensure the security of their systems. This will result in a notable increase in the expenses associated with maintenance.

Furthermore, the involvement of third-party and external consultants will be imperative in order to comprehend the suitability of the requirements established by the Act. In the event of a data breach, individuals must understand their liabilities and the corresponding reporting mechanism comprehensively. The implementation of the Act has resulted in heightened scrutiny and regulation pertaining to data protection and privacy. Consequently, businesses are now required to comply with these stringent measures prior to the launch of their products and services.

The DPDP Act introduces regulatory measures that corporations must consider, including supplementary technical prerequisites. Although implementing these requirements will lead to an escalation in development expenses, they concurrently impose upon employers the obligation to guarantee the security of users' data.

The gravity of a secure and protected data ecosystem cannot be understated for a digital economy to succeed. The enactment of this legislation has established the fundamental framework for establishing a data protection system characterised by responsibility, accountability, and resilience.

Landscape of Financial Services

The financial sector went through a major regulatory overhaul in 2021 when RBI notified the “Scale Regulation (SBR): A Revised Regulatory Framework for NBFCs” to align the regulatory requirements for NBFCs because of the change in their risk profiles and their evolution in terms of size and complexity. The framework reclassified NBFCs into 4 layers - Base Layer (BL), Middle Layer (ML), Upper Layer (UL), and Top Layer (TL). RBI holds the authority to move NBFCs into the top 2 layers based on certain parameters they set from time to time.

In addition, the top 10 eligible NBFCs, in terms of their asset size, will always remain in the UL regardless of any other factor. The TL will consist of companies from the UL that have seen a substantial increase in their potential systemic risk.

NBFC-BLs are required to put in place a Board-approved policy on the grant of loans to directors, senior officers, and relatives of directors. They must now also make disclosures related to their types of exposure, related party transactions, loans to Directors/ Senior Officers and customer complaints. NBFCs in the BL, ML, and UL are required to make disclosure on their exposure in specific fields in their annual financial statements. NBFC-ULs must determine internal exposure limits on important sectors to which credit is extended.

These institutions are also required to maintain Common Equity Tier 1 Capital of at least 9% of the Risk Weighted Assets. There needs to be a Board approved policy in place for the adoption of the enhanced regulatory framework with an implementation plan. The implementation plan has to be shared with RBI. In addition, both UL and ML institutions are required to put a compliance function in place and appoint a chief compliance officer.

Furthermore, NBFCs must also adhere to the RBI Guidelines on Fair Practices Code for NBFCs, Appointment of Internal Ombudsman by NBFCs, the Integrated Ombudsman Scheme, and the RBI (Regulatory Framework for Microfinance Loans) Directions, 2022 together provide for the framework of ethical and fair practice guidelines for NBFCs. These guidelines require the companies to mention the penal interest for late repayment in bold letters in the loan agreement.

In addition, the fair practices code must be published on the company website. The borrowers must be informed in vernacular language about the terms and conditions, interest, and amount of loan sanctioned. Any changes in the terms and conditions must also be notified to the borrowers. Companies are also required to train the field staff on the appropriate debt recovery behaviour towards borrowers.

The field staff must also not harass the borrowers by using muscle power and/ or bothering/calling borrowers at odd hours, among other things.

The regulations provide for the appointment of an internal ombudsman (IO) every 5 years, with the IO responsible for all complaints examined by the company. The IO is required to do quarterly reporting to the RBI on the total number of complaints received and the number of complaints partly or wholly rejected.

RBI has also issued guidelines for the recovery of microfinance loans under the RBI (Regulatory Framework for Microfinance Loans) Directions, 2022. The guideline provides for the NBFCs to put in place mechanisms to identify borrowers facing difficulties with loan repayment and guide them on the available recourses. As such, recovery of the loan can only be made at a designated place. If the borrower fails to appear on two or more successive occasions, field staff can make a recovery from the borrower's place of residence or work. Even then, the field staff or any loan recovery agent of the institution is not allowed to engage in coercive/ harsh methods for recovery. They cannot use threatening or abusive language or harass the borrower with persistent calling or calling at odd hours. Use or threat of violence as well as misleading the borrower on the consequences of non-repayment, is also barred.

In addition, the companies are required to provide the details of recovery agents to the borrower when the recovery process is initiated. Harassing the relatives, friends or co-workers of the borrowers, as well as harming their reputation, is also not allowed by the guidelines.

Moreover, the RBI Master Direction – Know Your Customer (KYC) Directions, 2016 provides critical provisions to direct the KYC processes for NBFCs. These directions mandate the formulation of a policy to adopt a risk-based approach for periodic updation of KYC. This approach needs to be approved by the Board of Directors and added to the institution's internal KYC policy.

In addition, the companies need to conduct tests of the V-CIP (Video Customer Identification Process) application software and its relevant APIs before it can be used for the KYC process. As part of the requirements for operating a V-CIP software, companies need to formulate a clear flow and standard operating procedures (SOP) and ensure variability in the sequence and types of questions during video interactions.



Impact of Technology on Compliance

Compliance officers have to run from post to post to keep up with all the changes to regulations that are posted on 3,756 government websites. This shows how complicated the business regulatory framework is. Businesses that use ad-hoc, paper-based, and people-dependent processes to manage their compliances can't keep up as the business grows in size and scope of operations and the number of places it operates.

In today's swiftly evolving business world, digital transformation has become a must rather than an option for businesses across industries. The digital revolution has resulted in substantial changes in how organisations function, communicate, and connect with their stakeholders. Corporate compliance is one such area that has seen significant transformations as a result of digitalisation.

There are several benefits to embracing digital transformation in corporate governance and compliance:

Firstly, it promotes better accountability and openness. Real-time reporting, data analytics, and improved communication are made possible by digital tools and technology, which make it simpler for businesses to monitor and report on their governance and compliance initiatives.

Secondly, digital transformation advances production and efficiency. Process automation, workflow optimisation, and the use of digital technologies may greatly minimise human errors, save time, and boost overall operational effectiveness. This encourages businesses to concentrate on critical goals and deploy resources more wisely.

Finally, digital transformation renders better risk management. Companies may get insightful information about possible hazards and take proactive measures to reduce them by utilising sophisticated analytics and artificial intelligence. This reduces legal and financial risks while also protecting the company's brand and assisting in assuring compliance.

Organisations must adopt a comprehensive and strategic plan in order to execute digital transformation successfully in corporate compliance. A clear strategy and roadmap for digital transformation are crucial. This entails determining the precise aims and objectives as well as the crucial areas that need transformation.

Organisations should also make the appropriate technological and digital tool investments. This involves integrating automation, artificial intelligence, data analytics, and cloud computing. It is also crucial to choose solutions that are secure, scalable, and compliant with the organisation's regulations.

Moreover, organisations should prioritise change management and employee engagement. Overcoming these obstacles may be facilitated by offering staff training and assistance, encouraging an innovative and collaborative culture, and clearly conveying the advantages of the digital transition.

Technological innovations and digital technology platforms have always been welcomed with open arms in the business world. In the area of compliance management, businesses are using tracking, automation, and straight-through filings to support their compliance functions and are eagerly awaiting new developments.

In the case of GST, which supports API-based straight-through filings, the compliance processes are already being streamlined for finance-related obligations. GSTN has approved private players to integrate their platforms with the regulatory portal to facilitate automatic filings and has also empanelled intermediaries to operate invoice registration portals. HR departments around the world are enlisting the aid of digital solutions to manage payroll and related compliances.

These compliance management solutions have automated compliance processes by utilising the functionalities of the two layers, namely the tracking and management layer and the automation layer. The tracking and management layer consists of a comprehensive compliance database containing all the 69,000+ different compliances mentioned above. After being onboarded, organisations can see a list of all applicable regulatory obligations, the deadlines by which they must comply or face fines, and any pending filings that have yet to be submitted. They are equipped with an automatic detection system for defaults and delays.

As an added bonus, these solutions are always up-to-date with the latest regulations, guaranteeing timely and precise conformity. In addition, they come loaded with features like customisable checklists, real-time regulatory updates, notifications, and reports. This helps establish a culture where compliance processes are transparent, accountable, timely, and traceable. The record-generation layer produces a verifiable, auditable, and tamper-proof database of compliance records. Depending on the standards, formats, and laws in place, it can facilitate centralised document uploading as well as document development, approval, and archiving.

Today, corporations are outsourcing several essential business processes and operations to contractors in an effort to rationalise costs and improve efficiency.

On average, medium to large enterprises have 40-50 contractors on board who handle a variety of services, including security, housekeeping, canteen, skilled engineering work, IT, waste management, manpower, and consultants, among others.

While these contractors are required to fulfil their regulatory requirements, as the principal employer, corporations are also held liable and responsible. Organisations are now required to keep tabs on the compliance status of their contractors. With each contractor required to undertake over 50 compliance obligations, it is challenging for a principal employer to manually keep track of all applicable, pending, and completed compliances, related compliance documents, and any changes that may transpire as a result of regulatory updates. A central digital platform allowing contractors to upload details and documents that can be reconciled and verified instantly is god-sent for compliance officers.

Adopting digital technology enables employers to mitigate instances of inadequate adherence and non-compliance resulting from lapses, delays, or failures. Intelligent and automated compliance management systems enable businesses to maintain constant vigilance, awareness, and up-to-date information.

The adoption of RegTech in India is expected to play a pivotal role in fulfilling the country's objective of alleviating the regulatory compliance challenges faced by businesses and enhancing the overall business environment.

The integration of RegTechs into digital public infrastructure (DPI), the implementation of Common Business Identifier (CBI), EntityLocker & the utilisation of API-enabled straight-through filings are expected to reshape the regulatory landscape significantly. This action can potentially be a significant milestone in addressing the ongoing regulatory burdens and streamlining compliance processes.

With the use of these technologies, businesses may digitise all of their data and operational processes. These solutions also incorporate regulatory updates to guarantee prompt and accurate compliance by automatically detecting defaults and delays. They offer centralised document upload, document generation, approval, and preservation capabilities in compliance with the necessary standards and laws. Enterprises may be able to consistently remain vigilant, informed, and in the lead thanks to smart and automated compliance management. Businesses must use intelligent, automated compliance solutions that improve control and visibility over compliance-related activities.

TeamLease RegTech offers an all-encompassing compliance solution, including digital compliance management tools that leverage the power of the web, mobile, cloud, and analytics. The brand-new technologically supported compliance management systems offer complete automation, which includes tracking and management, data processing, statutory file preparation, digital record maintenance, and automatic flagging of any non-compliance.

Conclusion

Compliance management is a non-trivial task that cannot be left to ad-hoc, manual processes. Missed compliances affect the reputation, legal standing, and performance of the business. Consequently, it is imperative that corporations adopt and adapt to the 3 'Cs' of digital compliance management to stay on the right side of the law. The 3 Cs enable businesses to maintain complete visibility over their compliance functions. Control, culture, and commitment are interdependent. As such, without embracing all of them, businesses cannot leverage any of them.

Control allows businesses to achieve success in a volatile market. It necessitates a multifaceted approach to compliance management. The foundation is built by meticulously compiling a comprehensive list of applicable compliances and creating a proactive compliance calendar. This calendar not only ensures systematic compliance management but also encourages cross-departmental collaboration, preventing siloed approaches that may lead to oversights. Integrating technology improves control and visibility, allowing businesses to navigate regulatory landscapes more effectively.

Companies need to ensure that their employees are committed towards the common goal of being compliant. They must go beyond processes to implement a framework that encourages adherence to regulatory standards in order to fortify a culture of accountability and responsibility.

Recognising and rewarding exemplary compliance behaviour through various means, such as employee awards or opportunities for advancement, instils a sense of pride and ownership. Concurrently, clear penalties for noncompliance serve as a deterrent and emphasise the importance of adhering to standards.

Furthermore, creating a compliance culture necessitates a top-down approach. The board of directors and senior management are critical in promoting ethical and regulatory compliance. Their consistent communication, demonstration of compliance commitment, and integration of compliance into strategic decision-making set the tone for the entire organisation. Compliance is continually monitored and assessed, both formally and informally, to ensure that it remains an evolving and integral part of business operations.

Encouragement of departmental self-assessment and open communication channels empower employees at all levels to actively participate in compliance, making ethical behaviour a shared responsibility. In essence, this comprehensive approach not only protects businesses from legal and financial issues but also establishes them as trustworthy and responsible entities in the eyes of customers, investors, and other stakeholders.



Life of a Compliance Officer (With Technology)





Rishi Agrawal

Co-founder & CEO

“In the Indian context, compliance has transcended its traditional role as a procedural obligation. It is now a critical expectation from boards, shareholders, clients, and employees alike—demanding enhanced transparency, accountability, and strategic alignment. The effective management of compliance requires specialized expertise, advanced technological support, and well-defined processes. Reliance on ad-hoc, manual, or people-dependent systems exposes organizations to significant risk. Compliance 3.0 embodies Teamlease RegTech’s consolidated research and practical experience across private, publicly listed, and multinational enterprises, offering a comprehensive and authoritative resource for navigating the complexities of the modern regulatory environment.



Compliance is not just a strategic priority—it’s an operational challenge that organizations face every single day. Complex regulations, manual processes, and limited visibility make execution complex and risk-prone. At TeamLease RegTech, we’ve focused on building scalable systems that turn compliance from a reactive task into a structured, tech-enabled process. This report doesn’t just present a framework—it highlights the day-to-day challenges faced by compliance teams and offers practical, tested solutions drawn from on-the-ground implementation across industries.



Sandeep Agrawal

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