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THE INSTITUTE OF COST ACCOUNTANTS OF INDIA

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WEEKLY UPDATES

Updated upto March 21, 2016

DIRECTORATE OF RESEARCH & JOURNAL

The Institute of Cost Accountants of India

(Statutory body under an Act of Parliament)

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INDUSTRY

➤ Retail inflation for February down at 5.18%, from 5.69% in January

After rising for five months in a row, retail inflation in February fell to 3-month low of 5.18 per cent as food prices including vegetables, pulses and fruits became less costly.

Retail inflation, as measured by the Consumer Price Index (CPI), was at 5.69 per cent in January this year. In February last year, it stood at 5.37 per cent. The rate of price rise last month was the slowest since November, when the inflation print was 5.41 per cent.

Read more at: http://articles.economictimes.indiatimes.com/2016-03-14/news/71509641_1_retail-inflation-price-rise-pulses

➤ Industrial output contracts 1.5 per cent in January: Government

Economists surveyed had forecast output would shrink by 0.5 per cent compared with a 1.3 per cent year-on-year fall in December.

Read more at: <http://in.reuters.com/article/india-economy-output-idINKCN0WD1BJ>

➤ Forex reserves jump \$2.54 billion to \$353.40 billion

Country's forex reserves rose for a second consecutive week, going up by a robust \$2.544 billion to \$353.408 billion as of March 18 on a healthy rise in the core currency assets, the Reserve Bank of India said.

After falling for two straight weeks, the total reserves had risen massively by \$4.075 billion to \$350.86 billion at the end of the previous reporting week.

Read more at: http://articles.economictimes.indiatimes.com/2016-03-18/news/71630917_1_reserve-position-forex-reserves-fcas

➤ Current account deficit may narrow to 0.7% of GDP in FY16, says Nomura

India's current account deficit is likely to narrow to 0.7 per cent of the GDP in fiscal 2016 from 1.3 per cent in FY15 largely owing to low commodity prices, a Nomura report said.

According to the Japanese financial services major, the current account deficit is likely to narrow despite sluggish export volumes

and rising import volumes. India's oilmeals exports down 74% in February: Solvent Extractors Association.

Read more at: http://articles.economictimes.indiatimes.com/2016-03-16/news/71573364_1_current-account-deficit-gold-imports-trade-deficit

➤ India's rank unchanged at 19th among top 30 exporters

India's rank remained unchanged at 19th in 2015 in the list of top 30 merchandise exporters of the world, according to a WTO report. China continues to hold the top position in the list.

However, India's ranking among top importers slipped by one notch to 13th in 2015, from 12th in previous year. In imports, the US topped the list.

India's exports dipped by 17.2 per cent to USD 267 billion last year while imports aggregated at USD 392 billion. In 2014, the country's outbound and inbound shipments aggregated at USD 317 billion and USD 460 billion respectively. Slowdown in the global demand hit India's exports in 2015 and this year too the shipments are in the negative zone.

Further, India's rank remained unchanged at 8th last year among the top 30 leading exporters of commercial services respectively. This list was topped by the US in both exports and imports. In imports, India positioned 10th.

Read more at: <http://economictimes.indiatimes.com/news/economy/foreign-trade/indias-rank-unchanged-at-19th-among-top-30-exporters/articleshow/51745091.cms>

➤ India's oilmeals exports down 74% in February: Solvent Extractors Association

Oilmeals exports fell by 74 per cent to 53,866 tonnes last month due to a sharp fall in soyabean and rapeseed meal shipments, industry body SEA said. The country had shipped 2,08,436 tonnes of oilmeals, used as animal feed, in the same period last year.

The overall export of oilmeals during the April-February period of this fiscal fell 52 per cent to 10.92 lakh tonnes, against 22.56 lakh tonnes in the previous year, Solvent Extractors Association (SEA) said in a statement.

Read more at: http://articles.economictimes.indiatimes.com/2016-03-08/news/71309338_1_oilmeals-exports-soyabean-meal-ricebran-extraction

➤ Spices exports drop 6% in April-December; up 8% in value terms

Country's spices exports fell by 6.26 per cent to 6,03,885 tonnes

during April-December 2015-16 on sharp decline in shipments of spice seeds and cumin, the Spices Board said. However in value terms, the spices exports increased to Rs 11,453.99 crore in the first nine months of 2015-16 from Rs 10,580.53 crore in the year-ago period, as per the Board data.

Read more at: http://articles.economictimes.indiatimes.com/2016-04-07/news/72132429_1_spices-board-spices-exports-value-terms

➤ Exports of soybean meal declines 89% in FY15

India exported 70,822 tons of soybean meal in FY16, registering a decline of 89% over FY15, when soybean meal exports were 6,46,488 tons. Exports of Soybean meal during March, 2016 was just 430 tons as compared to 46,670 tons in March, 2015, according to data released by Soybean Processors Association of India.

Read more at: articles.economictimes.indiatimes.com/2016-04-07/news/72132632_1_soybean-meal-soybean-production-soybean-processors-association

➤ Odisha expects 9% growth in 12th Plan period

With one more year remaining in the 12th Plan period, Odisha is expecting a growth rate of 9 per cent for the five years through March 2017.

“Our aim is to achieve a growth rate of 9 per cent during the 12th Plan period, which my government wants to set as the ‘new normal’, and to achieve this, my government is progressively increasing resources allocations to various state plan activities,” Governor SC Jamir said, opening the budget session of the state assembly.

Read more at: http://articles.economictimes.indiatimes.com/2016-03-15/news/71543058_1_gsd-12th-plan-growth-rate

➤ India starts diesel exports to Bangladesh via rail

India began exporting diesel via rail to Bangladesh with the roll-out of first consignment from Siliguri.

A goodwill rail rake consignment carrying diesel from Siliguri marketing terminal of Numaligarh Refineries Ltd (NRL) was flagged off, an official statement said here.

“The goodwill rail rake consignment for supply of 2200 tons (2700 kilolitre) diesel of BS III (of Euro-III) Grade with 350 PPM sulphur content” will travel by rail from Siliguri to Parbatipur storage depot of Bangladesh Petroleum Corporation (BPC) in Bangladesh. From Siliguri, the 42 wagons (each with a capacity of 64 kl) rail consignment will travel over 516 km (253 km in India and 263 km in Bangladesh) on the existing railway line via Rangapani, Sing-

abad, Rohanpur to reach Parbatipur on March 19. “The present consignment is a symbolic gesture of friendship and cooperation that exists between India and Bangladesh,” the statement said.

Read more at: <http://economictimes.indiatimes.com/news/economy/foreign-trade/india-starts-diesel-exports-to-bangladesh-via-rail/articleshow/51445045.cms>

RBI

➤ Review of risk weights assigned to sovereign debt

In terms of the extant directions, deposit accepting NBFCs, systemically important non-deposit taking NBFCs, all NBFC-MFIs and all NBFC-IFCs shall maintain a minimum capital ratio consisting of Tier I and Tier II capital which shall not be less than 15 per cent of its aggregate risk weighted assets on-balance sheet and of risk adjusted value of off-balance sheet items.

Based on the representations received from the industry, the risk weights assigned to exposures to domestic sovereigns have been reviewed. It has been decided as under:

A) Exposures to Central Government

- fund based and non-fund based claims on the Central Government will attract a zero risk weight.
- Central Government guaranteed claims will attract a zero risk weight.

B) Exposures to State Government

- Direct loan/ credit/ overdraft exposure and investment in State Government securities will attract zero risk weight.
- State Government guaranteed claims, which have not remained in default, will attract 20 per cent risk weight. However, if the loans guaranteed by the State Government have remained in default for a period of more than 90 days, a risk weight of 100% should be assigned.

Source: Notification No. RBI/2015-16/336 [DNBR (PD) CC. No.076/03.10.001/2015-16] dated: March 10, 2016

Read more at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10301&Mode=0>

➤ NEFT – Customer Service and Charges – Adherence to Procedural Guidelines and Circulars

RBI has been decided to discontinue the submission of this report by member banks, from the quarter ending March 31, 2016. However, member banks may note that as and when required, the

Reserve Bank may call for adhoc reports regarding the data for NEFT transactions by walk-in customers (those not having an account with the bank). Hence, banks may continue to maintain such data at their end.

Source: Notification No. RBI/2015-16/337 [DPSS.CO.EPPD No.2157/04.03.01/2015-16] dated: March 17, 2016

Read more at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10302&Mode=0>

➔ Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises (MSMEs)

In order to provide a simpler and faster mechanism to address the stress in the accounts of MSMEs and to facilitate the promotion and development of MSMEs, the Ministry of Micro, Small and Medium Enterprises, Government of India, vide their Gazette Notification dated May 29, 2015 had notified a 'Framework for Revival and Rehabilitation of Micro, Small and Medium Enterprises'. However, certain changes in the captioned framework have been carried out in consultation with the Government of India, Ministry of MSME in order to make it compatible with the existing regulatory guidelines on 'Income Recognition, Asset Classification and provisioning pertaining to Advances' issued to banks by RBI. Accordingly, a revised Framework along with operating instructions is furnished in the Annex. The Board approved policy to operationalize the Framework may be put in place by the banks not later than June 30, 2016.

While the prudential norms on Income Recognition, Asset Classification and Provisioning pertaining to Advances will continue to be as per the instructions consolidated in the Master Circular on IRAC Norms dated July 1, 2015 and as updated from time to time, the revival and rehabilitation of MSMEs having loan limits up to Rs.25 crore will be in terms of these operating instructions. Restructuring of loan accounts with exposure of above Rs.25 crore will continue to be governed by the extant guidelines on Corporate Debt Restructuring (CDR) / Joint Lenders' Forum (JLF) mechanism.

Source: Notification No. RBI/2015-16/338 [FIDD.MSME & NFS. BC.No.21/06.02.31/2015-16] dated: March 17, 2016

Read more at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10304&Mode=0>

➔ Participation of Standalone Primary Dealers in Currency Futures Market

RBI has been decided to permit stand-alone Primary Dealers (PDs) to deal in currency futures contracts traded on recognized exchanges subject to the following conditions:

Eligibility:

- Exposure to currency futures will be treated as a non-core activity for PDs and only PDs having a minimum Net Owned Fund of Rs. 250 crore or any amount as prescribed for undertaking diversified activity will be allowed to participate in currency futures.
- As prescribed in the existing guidelines on capital adequacy standards, the capital charge for market risk for the non-core activities (including currency futures) which are expected to consume capital should not be more than 20 per cent of the NOF as per last audited balance sheet.

Membership:

- PDs are permitted to participate in the currency futures market either as clients or direct trading / clearing members of the currency derivatives segment of the Stock Exchanges recognized by SEBI.
- PDs can trade only on their own account and they are not permitted to take positions on behalf of clients.

Read the full notification at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10306&Mode=0>

Source: Notification No. RBI/2015-16/339 [FMRD.FMD.No. 02.03.183/7/2015-16] dated: March 17, 2016

➔ Scheme for Collection of Dues of (i) Central Board of Direct Taxes (ii) Central Board of Excise and Customs (iii) Departmentalised Ministries Account - Reporting and Accounting of March Transactions - Special Arrangements - Financial Year 2015-16

Please refer to Circular DGBA.GAD.No.4285/42.01.029/2014-15 dated March 25, 2015 advising the procedure to be followed for reporting and accounting of collection of Direct Taxes (CBDT) and Indirect Taxes (CBEC) and transactions of Departmentalized Ministries at the Receiving/Nodal/Focal Point branches of your bank for the Financial Year 2014-15.

The Government of India has decided that the date of closure of Residual Transactions for the month of March 2016 be fixed as April 10, 2016 for the Financial Year 2015-16.

In view of the ensuing closing of government accounts for the financial year 2015-16, please reiterate the instructions to your branches regarding introduction of special messenger arrangements at your receiving branches. Receiving branches not situated locally should also adopt special arrangements such as courier service etc. for passing on challans/scrolls etc. to the Nodal/Focal Point branches so that all payments and collections made

on behalf of government towards the end of March are accounted for in the same financial year.

As regards reporting of March 2016 transactions by Nodal/Focal Point branches in April, the branches may be advised to follow the procedure as outlined in the Annex. To sum up, the Nodal/Focal Point branches will be required to prepare separate sets of scrolls, one pertaining to March Residual Transactions and another for April Transactions during the first 10 days of April 2016. The Nodal/Focal Point branches should also ensure that the accounts for all transactions (revenues/tax collections/payments) are effected at the receiving branches upto March 31, 2016 in the accounts for the current financial year itself and are not mixed up with the transactions of April 2016. Also, while reporting transactions pertaining to March 2016 upto April 10, 2016, the transactions of April 2016 should not be mixed up with "March Residual Transactions."

The procedure now followed for reporting and accounting of transactions of Non-Civil Ministries viz. Defence, Posts, Railways and Telecommunications (which was revised with effect from October 1, 1993), is similar to the procedure for reporting and accounting of transactions of Departmentalised Ministries. The special arrangements for reporting March transactions by receiving branches to Nodal/Focal Point branches and the procedure for reporting March 2016 transactions in April 2016 by Nodal/Focal Point branches as indicated in paragraphs 3 and 4 above are also applicable to the reporting of transactions of Non-Civil Ministries. The branches of your bank handling the Non-Civil Ministries transactions, if any, may, therefore, be advised to follow the above procedure.

Source: Notification No. RBI/2015-16/343 [DGBA.GAD. No.2968/42.01.029/2015-16] dated: March 17, 2016

Read more at: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10308&Mode=0>

TAXATION

➤ Income - tax (5 th Amendment) Rules, 2016

Guidelines for application of section 9A:

(1) Where the investment in the fund has been made directly by an institutional entity, the number of members and the participation interest in the fund shall be determined by looking through the said entity, if it, -

- (a) independently satisfies the conditions mentioned in clauses (c), (e), (f) and (g) of sub-section (3) of section 9A;
- (b) has been setup solely for the purpose of pooling funds and investment thereof; and

(c) is resident of a country or specified territory with which an agreement referred to in sub-section (1) of section 90 or sub-section (1) of section 90A has been entered into.

(2) For the purposes of clause (c) of sub-section (3) of section 9A, where direct investor in the fund is a person other than a natural person, the fund shall undertake appropriate due diligence to ascertain the indirect participation, if any, of a person resident in India and the extent thereof:

Provided that where such direct investor is, the Government or the Central bank or a sovereign fund or a multilateral agency or appropriately regulated investor in the form of pension fund or University fund or a bank or collective investment vehicles such as mutual funds, the fund shall obtain a declaration in writing from the direct investor regarding the participation, if any, of a person resident in India and the indirect participation in the fund of any person resident in India may be determined by the fund on the basis of such declaration.

Explanation – For the purposes of this sub-rule an investor shall be considered to be appropriately regulated if it is regulated or supervised by the securities market regulator or the banking regulator of the country outside India of which it is resident, in the same capacity in which it has made investment in the fund.

Read the full notification at: <http://www.incometaxindia.gov.in/communications/notification/notification-no-14-of-2016.pdf>

Source: Notification No. 14/2016 [F.No. 142/15/2015-TPL] / SO 1101(E) dated: 15 March 2016

➤ Agreement between the Government of the republic of India and the Government of the republic of Indonesia for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income

Source: Notification No. 17/2016 [F.No.503/4/2005-FTD-II] / SO 1144(E) dated: 16 March 2016

Read more at: http://www.incometaxindia.gov.in/communications/notification/notification17_2016.pdf

➤ Income-tax (6th Amendment) Rules, 2016

Method of determination of period of holding of capital assets in certain cases.- (1) The period for which any capital asset, other than the capital assets mentioned in clause (i) of the Explanation 1 to clause (42A) of section 2 of the Act, is held by an assessee, shall be determined in accordance with the provisions of this rule.

In the case of a capital asset, being a share or debenture of a company, which becomes the property of the assessee in the circumstances mentioned in clause (x) of section 47 of the Act, there

shall be included the period for which the bond, debenture, debenture-stock or deposit certificate, as the case may be, was held by the assessee prior to the conversion.

Source: Notification No. 18/2016][F.No.142/1/2016-TPL/SO 1146(E) : Income-tax (6th Amendment) Rules, 2016

➤ Clarification on applicability of Circular 21 of 2015

The monetary limits for filing appeals before the Income Tax Appellate Tribunals and High Courts were raised to Rs.10Lakhs and Rs.20Lakhs respectively by Circular 21 of 2015 dated 10.12.2015. Queries have been received regarding the applicability of Circular 21 of 2015 to cross objections filed by the Department before the ITAT under section 253(4) of the Income-tax Act and to references to the High Court under sections 256(1) and 256(2) of the Act.

The matter was examined in the CBDT and it is clarified that the monetary limit of Rs.10 Lakhs for filing appeals before the ITAT would apply equally to cross objections under section 253(4) of the Act. Cross objections below this monetary limit, already filed, should be pursued for dismissal as withdrawn/not pressed. Filing of cross objections below the monetary limit may not be considered henceforth. Similarly, references to High Courts below the monetary limit of Rs.20Lakhs should be pursued for dismissal as withdrawn/not pressed. References below this limit may not be considered henceforth.

Source: Circular - F. No.279/Misc/M-142/2007-ITJ (Part), GOI, Ministry of Finance, CBDT, dated: 8th March, 2016

Read more at: http://www.incometaxindia.gov.in/communications/circular/clarification_circular21_2015.pdf

➤ Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) (Amendment) Rules, 2016

CBEC seeks to amend Notification No. 32/2016-Cus (N.T.) dated 01.03.2016 [Customs (Import of Goods at Concessional Rate of Duty for Manufacture of Excisable Goods) Rules, 2016] so as to notify 16.03.2016 as the date from which the said rules will be effective. Further the requirement of submission of security for availing the benefit under the said notification is being done away with.

Source: Notification No. 39/2016-Cus (NT), dt. 15-03-2016.

Read more at: <http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt39-2016.pdf>

➤ Rate of exchange of conversion of the foreign currency with effect from 18th March, 2016

Source: Notification No. 41/2016-Cus (NT), dt. 17-03-2016

Read more at: <http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt41-2016.pdf>

➤ Tariff Notification in respect of Fixation of Tariff Value of Edible Oils, Brass Scrap, Poppy Seeds, Areca Nut, Gold and Silver

Source: <http://www.cbec.gov.in/htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-nt2016/csnt38-2016>

➤ CBEC levied definitive anti-dumping duty on imports of all kinds of plastic processing machines or injection moulding machines, also known as injection presses, having clamping force equal to or more than 40 tonnes, and equal to or less than 3200 tonnes, used for processing or moulding of plastic materials originating in, or exported from Chinese Taipei, Philippines, Malaysia or Vietnam for a period of five years.

Source: Notification No. 09/2016-Cus (ADD), dt. 15-03-2016

Read more at: <http://www.cbec.gov.in/htdocs-cbec/customs/cs-act/notifications/notfns-2016/cs-add2016/csadd09-2016>

➤ Seeks to amend Notification No. 20/2016-Central Excise (N.T.) dated 01.03.2016 [Central Excise (Removal of Goods at Concessional Rate of Duty for Manufacture of Excisable and Other Goods) Rules, 2016] so as to notify 16.03.2016 as the date from which the said rules will be effective. Further the requirement of submission of security for availing the benefit under the said notification is being done away with.

Source: Notification No. 22/2016-CENT dt. 15-03-2016

Read more at: <http://www.cbec.gov.in/resources//htdocs-cbec/excise/cx-act/notifications/notfns-2016/cx-nt2016/cent22-2016.pdf>

➤ Amendment of Notification No. 25/2012- Service Tax dated 20.06.2012, so as to exempt from Service Tax, certain services provided by Government or a local authority to business entity vide Notification No. 22/2016-Service Tax dt. 13-04-2016.

Read more at: <http://www.cbec.gov.in/htdocs-servicetax/st-notifications/st-notifications-2016/st22-2016>

➤ Notification No. 16 /2016 [F. No. 196/28/2012-ITA-I] / SO 1138(E) dated: 16 March 2016

In exercise of the powers conferred by clause (46) of section 10 of the Income-tax Act, 1961 (43 of 1961), the Central Government hereby notifies for the purposes of the said clause, "National Bio-

diversity Authority” an authority established under the Biological Diversity Act, 2002 (18 of 2003) in respect of the following specified income arising to that Authority, namely:—

- (a) amount received in the form of grant-in-aid from the Government of India;
- (b) amount received in the form of interest;
- (c) benefit sharing fee and royalty received;
- (d) amount received in the form of penalty and application fees.

This notification shall be effective subject to the following conditions, namely:—

- (a) the National Biodiversity Authority shall not engage in any commercial activity;
- (b) the activities and the nature of the specified income of the National Biodiversity Authority shall remain unchanged throughout the financial years; and
- (c) the National Biodiversity Authority shall file return of income in accordance with the provision of clause (g) of sub-section (4C) of section 139 of the said Act.

This notification shall be deemed to apply for the period 01.06.2011 to 31.03.2012 and financial years 2012-13, 2013-14, 2014-15 and shall apply with respect to the financial year 2015-2016.

Read more at: <http://www.incometaxindia.gov.in/communications/notification/notification162016.pdf>

SEBI

➔ Introduction of Exchange Traded Cross Currency Derivatives contracts on EUR-USD, GBP-USD and USD-JPY currency pairs and Exchange Traded Option contracts on EUR-INR, GBP-INR and JPY-INR currency pairs

Reserve Bank of India (RBI) vide A.P. (DIR Series) circular no. 35 dated December 10, 2015 has permitted recognised stock exchanges to offer cross-currency futures and option contracts in the EUR-USD, GBP-USD and USD-JPY currency pairs. RBI has also permitted recognised stock exchanges to offer currency option contracts in EUR-INR, GBP-INR and JPY-INR currency pairs, in addition to the existing USD-INR pair.

In view of the above and after detailed consultations with stock exchanges, it has been decided to permit recognized stock exchanges to introduce cross-currency futures and options contracts on EUR-USD, GBP-USD and USD-JPY. Further, it has also been decided to permit recognized stock exchanges to introduce currency options on EUR-INR, GBP-INR and JPY-INR currency pairs.

Eligible market participants, i.e., stock brokers, domestic institutional investors, FPIs and clients, are allowed to take positions in

the exchange traded cross-currency futures and option contracts in the EUR-USD, GBP-USD and USD-JPY currency pairs and exchange traded currency option contracts in EUR-INR, GBP-INR and JPY-INR currency pairs, subject to terms and conditions mentioned in this circular and the aforesaid circular of RBI.

The existing limits of USD 15 million for USD-INR contracts and USD 5 million for non USD-INR contracts (i.e. EUR-INR, GBP-INR and JPY-INR), all put together, per exchange, without having to establish underlying exposure, as laid down in SEBI circular CIR/MRD/DP/04/2015 dated April 08, 2015, shall remain unchanged. The hedging procedure for eligible market participants as laid down in SEBI circulars CIR/MRD/DP/20/2014 dated June 20, 2014 and CIR/MRD/DP/04/2015 dated April 08, 2015 shall also remain unchanged.

Eligible market participants shall also ensure that any synthetic positions (such as synthetic USD-INR derivatives contracts) created using USD-INR, EUR-INR, GBP-INR or JPY-INR exchange traded currency derivatives contracts and exchange traded cross-currency derivatives contracts is within the position limits prescribed in SEBI circulars CIR/MRD/DP/20/2014 dated June 20, 2014 and CIR/MRD/DP/30/2014 dated October 22, 2014 for the USD-INR, EUR-INR, GBP-INR or JPY-INR derivatives contracts.

Source: Circular - SEBI/HO/MRD/DPCIR/P/2016/0000000038, dated: March 09, 2016

Read more at: www.sebi.gov.in/cms/sebi_data/attach-docs/1457523461184.pdf

➔ Securities and Exchange Board of India (International Financial Services Centres) Guidelines, 2015 (IFSC Guidelines) - Inclusion of Commodity Derivatives

SEBI (International Financial Services Centres) Guidelines, 2015 were issued on March 27, 2015.

Pursuant to Section 131 of the Finance Act, 2015 and Central Government notification S.O. 2362 (E) dated August 28, 2015, all recognized associations (commodity derivatives exchanges) under the Forward Contracts (Regulation) Act, 1952 ('FCRA') are deemed to be recognized stock exchanges under the Securities Contracts (Regulation) Act, 1956 ('SCRA'). Section 133 of the Finance Act, 2015 had amended Securities Contracts (Regulation) Act, 1956 to include "Commodity Derivatives" as securities. Further, the sub-clause (vi) of Clause 7 of IFSC Guidelines, 2015 provides that "Such other securities as may be specified by the Board". Accordingly, it is hereby specified that the "Commodity Derivatives" shall be eligible as securities for trading and the stock exchanges operating in IFSC may permit dealing in Commodity Derivatives.

Source: Circular - CIR/MRD/DSA/41/2016, dt. March 17, 2016

Read more at: http://www.sebi.gov.in/cms/sebi_data/attach-docs/1458199534216.pdf

➔ Investments by FPIs in REITs, InvIts, AIFs and corporate bonds under default

A. REITs, InvIts and AIFs:

RBI had vide notification No. FEMA.355/2015-RB dated November 16, 2015 carried out necessary amendments in Foreign Exchange Management (Transfer or Issue of Security by a Person Resident Outside India) (Eleventh Amendment) Regulations, 2015 for permitting investment by FPIs in the units of REITs, InvIts and AIFs.

Accordingly, it has been decided to permit FPIs to invest in units of REITs, InvIts and Category III AIFs in terms of Regulation 21 (1) (n) of SEBI (FPI) Regulations, 2014 subject to such other terms and conditions as may be prescribed by SEBI from time to time. A FPI shall not hold more than twenty five percent stake in a category III AIF.

B. Corporate Bonds under default:

RBI, vide circular RBI/2015-16/253 dated November 26, 2015 has permitted FPIs to acquire NCDs/bonds, which are under default, either fully or partly, in the repayment of principal on maturity or principal installment in the case of amortising bond.

In partial modification of Para 2 of the SEBI circular CIR/IMD/FIIC/1/2015 dated February 03, 2015, FPIs shall be permitted to acquire NCDs/bonds, which are under default, either fully or partly, in the repayment of principal on maturity or principal installment in the case of an amortising bond. FPIs shall be guided by RBI's definition of an amortising bond in this regard. Such NCDs/bonds restructured based on negotiations with the issuing Indian company, shall have a minimum revised maturity period of three years.

The FPIs shall disclose to the Debenture Trustees, the terms of their offer to the existing debenture holders/beneficial owners of such NCDs/bonds under default, from whom they propose to acquire.

Source: Circular - CIR/IMD/FPIC/39/2016, dated: March 15, 2016

Read more at: http://www.sebi.gov.in/cms/sebi_data/attach-docs/1458041859179.pdf

➔ Circular on Mutual Funds

Consolidated Account Statement (CAS), issued to investors in accordance with Regulation 36(4) of SEBI (Mutual Funds) Regulations, 1996 and circulars thereof, at present provides information in terms of name of scheme/s where the investor has invested,

number of units held and its market value, among other details.

To increase transparency of information to investors, it has been decided that:

Each CAS issued to the investors shall also provide the total purchase value / cost of investment in each scheme. Further, CAS issued for the half-year (September/ March) shall also provide:

a. The amount of actual commission paid by AMCs/Mutual Funds (MFs) to distributors (in absolute terms) during the half-year period against the concerned investor's total investments in each MF scheme. The term 'commission' here refers to all direct monetary payments and other payments made in the form of gifts / rewards, trips, event sponsorships etc. by AMCs/MFs to distributors.

b. The scheme's average Total Expense Ratio (in percentage terms) for the half-year period, of both direct plan and regular plan, for each scheme where the concerned investor has invested in.

Such half-yearly CAS shall be issued to all MF investors, excluding those investors who do not have any holdings in MF schemes and where no commission against their investment has been paid to distributors, during the concerned half-year period.

Enhancing Scheme Related Disclosures:

In order to improve transparency as well as ease of access to Mutual Fund (MF) scheme related information, it has been decided that:

Mutual Funds shall provide the following additional disclosures in the offer documents (Scheme Information Document (SID) / Key Information Memorandum (KIM)) of Mutual Fund scheme (for existing scheme / new scheme, as applicable):

a. The tenure for which the fund manager has been managing the scheme shall be disclosed, along with the name of scheme's fund manager(s);

b. Scheme's portfolio holdings (top 10 holdings by issuer and fund allocation towards various sectors), along with a website link to obtain scheme's latest monthly portfolio holding;

c. In case of FoF schemes, expense ratio of underlying scheme(s);

d. Scheme's portfolio turnover ratio.

Source: Circular - SEBI/HO/IMD/DF2/CIR/P/2016/42, dated: March 18, 2016

Read more at: http://www.sebi.gov.in/cms/sebi_data/attach-docs/1458300086490.pdf



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Behind every successful business decision there is always a CMA