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S N Jha

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Economy

RBI in Mid-Quarter Monetary Policy Review

Reserve Bank of India (RBI) in its mid-quarter Monetary Policy Review, announced on 18 December 2013, has kept the policy rate unchanged at 7.75%. The move was unexpected in light of the recent spike in inflation, especially food inflation. This has come as welcome relief for the industry which already is battling gloomy economic environment as indicated 1.8% growth in industrial output in November 2013. The RBI's policy decision to keep the policy rate unchanged is based on the assessment that there exists great deal of uncertainty with respect to the short-term path of inflation from its high current levels. Besides, given the weak state of the economy, RBI felt that it would be unwise to adopt an overtly reactive policy action. It would be more prudent to determine the lag-effect of monetary policy.

Thus, on the basis of an assessment of the current and evolving macroeconomic situation, the RBI decided to:

- Keep the policy Repo Rate under the Liquidity Adjustment Facility (LAF) unchanged at 7.75%, and
- Keep the Cash Reserve Ratio (CRR) of scheduled banks unchanged at 4.0% of the Net Demand and Time Liability (NDTL).

As a result, the reverse repo rate under the LAF will remain unchanged at 6.75%, and the Marginal Standing Facility (MSF) rate and the Bank Rate at 8.75%.

About Policy Rates

Basis points: It is the increase in interest rates in percentage terms. For instance, if the interest rate increases by 50 basis points (bsp), then it means that interest rate has been increase by 50%. One percentage point is broken down into 100 basis points. Therefore, an increase from 2% to 3% is an increase of one percentage point or 100 basis points.

Repo rate: Repo rate is the policy rate and is part of RBI's Liquidity Adjustment Facility (LAF). It is the rate at which commercial banks borrow from the RBI by selling their securities or financial assets to the RBI for a short-period of time. It comes with an agreement that the sold securities will be repurchased by the commercial banks from the RBI at a future date at predetermined price. The repo rate is used by the central bank to increase liquidity in the system.

Reverse repo rate: Reverse Repo Rate is also a part of LAF. It is the rate of interest at which the central bank borrows funds from other banks for a short duration. The banks deposit their short term excess funds with the central bank and earn interest on it. This rate is used by the central bank to absorb liquidity from the economy. Generally it is one percentage less than the Repo rate.

Bank rate: The only way the bank rate is different from the repo rate is that the bank rate is the rate at which banks borrow money from the central bank without any sale of securities. It is generally for a longer period of time.

Cash reserve ratio: CRR is the minimum percentage of cash deposits that banks must keep with the central bank. The current rate is 4%, which means for a cash deposit of Rs. 100, the bank has to park 4 rupee with the central bank.

Marginal Standing Facility: The Reserve Bank of India in its monetary policy for 2011-12 introduced the marginal standing facility under which banks could borrow funds from RBI when there is a considerable shortfall of liquidity. This measure has been introduced by RBI to regulate short-term asset liability mismatches more effectively. Under this facility, banks can borrow up to 1% of their net demand.

Liquidity Adjustment Facility: Under this facility, banks borrow from the central bank by pledging government securities.

Statutory Liquidity Ratio: This is the percentage of deposits that banks must mandatorily hold in the form of government bonds. SLR bonds are liquid assets that can be sold at a short notice to meet any unexpected demand from depositors.

PPPAC appraised five Port Projects

The Public Private Partnership Appraisal Committee (PPPAC-a high level committee of the Government of India) on 30 December 2013 appraised five proposals in the Port Sector. These projects will now be recommended for grant of final approval by the Cabinet Committee on Economic Affairs (CCEA). For this purpose of approval of the CCEA, a Cabinet Note will be submitted by the Ministry of Shipping.

The five projects are

- Development of 4th Container Terminal at Jawaharlal Nehru Port Trust (JNPT) on DBFOT- Design, Build, Finance, Operate and Transfer basis
- Development of Container Terminal at Ennore Port Limited (EPL) on DBFOT
- Development of Multipurpose Cargo at Mumbai Port Trust (MPT) on DBFOT
- Development of Mega Container Terminal at Tuna Tekra at Kandla Port (KPT) on BOT
- Development of Container Terminal at Diamond Harbour at Kolkata Port Trust (KoPT) on BOT

These projects are proposed to be awarded in the current financial year by various Major Ports for implementation under Public Private Partnership (PPP) mode. The proposed projects are to create an additional capacity of 150 MMTPA with an investment of about 17630 Crores rupees. In the year 2013, the Ministry of Shipping has so far conveyed approval for 16 projects against a target of 30 and the major ports have already awarded these projects.

Of the 16 projects that has been granted an approval includes six under PPP and 10 projects are under non-PPP mode. It is expected that these projects will add a capacity of 89 MMTPA with an investment of 4200 crore rupees.

PSB's to Act as Insurance Brokers

The Union Finance Ministry on 23 December 2013 directed public sector banks (PSBs) to act as insurance brokers from 15 January 2014. In the Budget speech 2013-14, the Finance Ministry remarked that banks will be permitted to act as insurance brokers to increase insurance penetration and mis-selling of insurance products.

The Guidelines are as follows:

- At present the banks are allowed to sell products of one life, one nonlife and one health insurance Company.
- There is an arbitrage available for private sector banks since it is not made mandatory for them to sell multiple companies products.
- Recently Reserve Bank of India (RBI) released the guidelines for banks to become brokers with stringent capital requirements
- Banks with large bad loans, low capital and losses may not qualify to start insurance broking firms.

The Insurance Regulator and Development Authority (IRDA) on August 2013 released the final guidelines of bancassurance that the companies must not have more than a 50% exposure to any one client. For the life insurance sector, the bancassurance (corporate agency-bank) channel accounts for 30% of total new business premium collection.

About Bancassurance:

- Bancassurance is the bank insurance model (BIM).
- Banacassurance is the partnership between a bank and an insurance company.

Financial sector regulators asked to implement FSLRC proposals

Union Finance Minister P Chidambaram told the regulators must implement proposals of the Finance Sector Legislative Reforms Commission (FSLRC).The Finance Sector Legislative Reforms Commission (FSLRC) report contains 12 key proposals and these do not require legislative changes. According FSLRC report's proposal, financial sector regulators likely to take serious action with higher penalties on violators and time bound investigations that would act as deterrents and improve consumer protection. The report included a draft Indian Financial Code that is expected to replace the current financial sector legislations but is unlikely to be tabled in Parliament soon. The Financial Stability and Development Council on October 2013 had decided to finalize an action plan for implementation of all FSLRC principles on regulatory governance, transparency and improved operational efficiency that do not require legislative action. The FSLRC proposals that called for penalties discourage the future violations as a multiple of the illegitimate gain of violations. Regulators should also put in place internal manuals on conducting investigations. The investigating officer would be kept different from the officer who would decide the penalty for the crime.

India's trade deficit with China surges to 29.5 billion dollar

According to the data released by the China's General Administration of Customs on 13 December, India's trade deficit with China reached a record $29.5 billion in the period January-November 2013. The trade deficit with China in 2013 was higher than the trade deficit in 2012. The numbers underline the sharp decline in once-burgeoning trade, which reached 74 billion dollar in 2011 when China became India's biggest trading partner. In 2012, India's the trade deficit with China registered a 10% decline to reach 66.50 billion dollar, even as both the countries announced an ambitious 100 billion trade target to be achieved by 2015. The decline was partly the result of 20% slump in India's exports, largely on account of iron ore mining bans by China and partly on account of global slowdown. The latest figures have casted doubt on whether that target may be achieved. During the period January-November 2013, even as China's trade with the rest of Asia as well as with its major Western trading partners has picked up, trade with India has remained in a slump. This suggests that causes were more structural rather than a reflection of global trends. After 11 months of this year, India's exports to China reached only 14.87 billion dollar out of total bilateral trade of 59.24 billion dollar. Trade between the two countries was down by 2.7% year-on-year, even as China's overall global trade rose 7.7%. This was driven by an export sector that has continued to show signs of revival, growing 12.7% and marking the second straight month of rising exports. Trade has grown more than 50 times since 2006, when the Nathu La pass between Sikkim and the Shigatse prefecture in Tibet was reopened. Most of the trade is made up of imports of Indian goods into Tibet, which reached 12 million dollar in 2012. Authorities said the border market is open for only six months of the year — opening on May 1 and closing on November 30.

Cabinet approved FTA with ASEAN

The Cabinet approved free trade agreement between India and the Association of South East Asian Nations (ASEAN) on 19 December 2013. The Agreement of Trade in Services and Agreement was signed under the Comprehensive Economic Cooperation (CECA) between and the ASEAN. The CECA between India and ASEAN was signed in 2003. The Cabinet approved the Agreement on Trade Goods under the CECA with the ASEAN in 2009. The agreement will help to boost the movement of Indian professionals in the ASEAN region and also facilitate more investments in the services sector. In 2011, the implementation of the free trade pact in goods, made both sides engaged in widening the base of the pact by including services and investment sectors. Trade between India and ASEAN countries was of about 76 billion dollar in 2012-13. Both the sides aim to increase it to 100 billion by 2015.

About ASEAN

- The Association of South East Asian (ASEAN) was established in 1967 in Bangkok, Thailand.
- The member of ASEAN countries are Brunei Darussalam, Burma, Cambodia, Indonesia, Laos, Malaysia, Philippines, Singapore, Thailand and Vietnam.

Business Confidence Index

Business Confidence Index (BCI) was released by the Confederation of Indian Industry (CII) for the period October-December 2013-14 on 29 December 2013. The Index indicated pick-up in the economic activity in the Quarter 4 of 2013-14. BCI rose sharply to 54.9 during the Q4 of 2013 -14 from 45.7 in the Q3 of 2013-14 indicating that there are signs of economic turnaround in the fiscal year 2013-14.This improvement in BCI happened because of improvement in export performance, said the CII Director-General Chandrajit Banerjee. The growth in BCI for the Q4 came as a major relief for the Indian economy which has braved the onslaught of the slowdown for the last several quarters and been awaiting the return of growth.

However, the BCI also revealed downside risks to the economy. These include: domestic economic and political instability, slackening consumer demand, high level of corruption, persistent high inflation and risk from exchange rate volatility.

HSBC Business Confidence Index

HSBC Bank Middle East Limited has teamed up with Middle East Economic Digest and YouGov to create a unique index of business sentiment in the Middle East. The first edition of the HSBC - MEED Middle East Business Confidence Index was published in the Middle East Economic Digest magazine on 18 June. HSBC Trade Confidence Index for India stood at the highest — 142 points, followed by UAE (132 points) and Indonesia (127 points).

Currency swap agreement between RBI and Bank of Japan

Reserve Bank of India (RBI) and Japan's Central bank, Bank of Japan, decided on 18 December 2013 to enhance the bilateral currency swap arrangement from 15 billion dollars to 50 billion dollars. The agreement would help bring stability in the financial markets in both the countries. The deal is basically aimed at lifting sentiments and allaying any fears that India has insufficient cushion to finance its current account deficit (CAD) if the situation worsens drastically. The arrangement implies that, the Bank of Japan will accept rupees and give dollars to the Reserve Bank of India (RBI). Similarly, India's central bank will take yen and send dollars to the Bank of Japan. The arrangement will help stabilise the currencies of the two nations in time of contingencies. It can be put into operation whenever there is depletion of foreign exchange reserves or speculators hammer the currencies. Further, this will help reduce the demand for dollars in the short-term and boost exports and could be effective hedge against the volatility in the foreign exchange market. India should only enter into such agreements with countries with which it does not have a big trade imbalance. The currency swap arrangement was first signed in 2008 and was limited to 3 billion dollars. In 2011, the deal was renewed and the size was increased to 15 billion dollars.

What is Currency Swap ?

A currency swap is defined as the exchange of principal and interest in one currency for the same in another currency. It is considered to be a foreign exchange transaction and is not required by law to be shown on a company's balance sheet. For example, suppose a U.S.-based company needs to acquire Swiss francs and a Swiss-based company needs to acquire U.S. dollars. These two companies could arrange to swap currencies by establishing an interest rate, an agreed upon amount and a common maturity date for the exchange. Currency swap maturities are negotiable for at least 10 years, making them a very flexible method of foreign exchange.

Fiscal deficit to touch 5.2%

Ratings agency CRISIL (Credit Rating Information Services of India Limited) on 24 december 2013 said government's fiscal deficit would touch 5.2% during current Fiscal , above the target by 0.40%. In the Union Budget 2013-14 , government had set the target to curb the fiscal deficit by 4.8%.

The Centre can reduce its fiscal deficit by as much as 20000 crore rupees this fiscal by using cash reserves of public sector units. The top 20 public sector undertakings will have a cash reserve of 160000 crore rupees by March 2014 and are comfortably placed to pay a special dividend.

The public sector undertakings considered for this report include Bharat Electronics, Bharat Heavy Electronics, Bharat Petroleum Corp, Coal India, Container Corporation, Engineers India, Gail, MMTC, MOIL, Nalco, Neyveli Lignite Corp, NHPC, NMDC, NTPC Ltd, Oil India, Oil and Natural Gas Corporation, Power Grid Corporation, Shipping Corporation, SJVNL, and Sail.

About Crisil

CRISIL - Credit Rating Information Services of India Limited.CRISIL is a global analytical company providing ratings, research, and risk and policy advisory services.CRISIL's majority shareholder is Standard & Poor's, a division of McGraw-Hill Financial and provider of financial market intelligence. Its rating capabilities span the entire range of debt instruments and it has worked across the corporate strata, from large corporates in the country to the SMEs.

What is fiscal deficit

Fiscal deficit is the difference between the government's expenditures and its revenues (excluding the money it's borrowed). A country's fiscal deficit is usually communicated as a percentage of its gross domestic product (GDP).

What are the causes of fiscal deficit

- Government spending
- inflation
- lower revenue
- Slow economic growth
- Sluggish economic activities

How fiscal deficit can be bad for India

A large fiscal deficit is an indication that the economy is in trouble and will have reasons to worry. A high fiscal deficit could pose an inflation risk, minimize the growth of the economy, doubt the government's abilities; it could affect the country's sovereign rating, which in turn will limit foreign investors from looking at India as one of the investment hubs.

CIL allowed to pump gas from CBM mines

The Cabinet Committee on Economic Affairs (CCEA) allowed state-owned Coal India Ltd (CIL) to pump methane gas trapped in coal seams of its existing mines. The decision by the CCEA would open a new revenue stream for the world's largest coal miner CIL. Further it would help unlock several mines that have remained out of bounds because of the presence of the explosive gas that make mining unsafe.

Currently, rules and regulations prohibit mining firms from extracting CBM during mining as the policy does not allow for simultaneous extraction of methane (CBM) and coal. CBM extracted by CIL will be priced and marketed as per the government's gas pricing and utilization policy. At present, only those companies that successfully bid for mines with CBM are allowed to explore and produce such gas.

The government has auctioned 33 CBM blocks since 2001. CIL holds at least 20% of the estimated 60 billion tonnes of coal resources in India. It has several coal mines in eight States, which are estimated to have CBM reserves of 3.5-4 trillion cubic feet.

Coalbed methane

Coal bed methane (CBM), coalbed gas, or coal mine methane (CMM) is a form of natural gas extracted from coal beds. It is an unconventional source of energy because methane gas is contained in the coal and does not migrate to other rock strata. In recent decades it has become an important source of energy in United States, Canada, and other countries. Australia has rich deposits where it is known as coal seam gas.

Coal Bed Methane Policy in India

CBM Policy was the Government of India on

19 July 1997 with an aim to offer the block for the exploration of CBM through open competitive bidding system. It provides infrastructure status to the exploration and exploitation of CBM. It asks the contractor to pay royalty at a flat rate of 10% ad valorem as is applicable to natural gas. These amounts will accrue to the State Governments concerned.

The duration of the CBM contract will be for 38 years for blocks located in a normal area and 40 years for blocks in a frontier area. Government will not have any participating interest. Foreign/Indian companies could have 100% participating interest.

Inflation Indexed Saving Bonds

The Reserve Bank of India (RBI) launched an inflation indexed saving bonds on 23 December 2013. The newly launched indexed savings bonds offer protection to retail investors from price rise. It will be open for subscription between 23 to 31 December. These securities were launched in the backdrop of announcement made in the Union Budget 2013-14 to introduce instruments that will protect savings from inflation, especially the savings of the poor and middle classes. The minimum limit for investment on the indexed saving bonds is 5000 rupees and maximum is 5 lakh rupees per annum. Interest rate on these securities would be linked to final combined Consumer Price Index (CPI) Interest rate would comprise two parts - fixed rate (1.5%) and inflation rate based on CPI and the same will be compounded in the principal on half-yearly basis and paid at the time of maturity. Early redemptions would be allowed after one year from the date of issue for senior citizens (i.e. above 65 years of age) and 3 years for all others, subject to penalty charges at the rate of 50% of the last coupon payable for early redemption. Early redemptions, however, will be made only on coupon dates.

These securities will be issued in the form of Bond to be held in the Bond Ledger Account (BLA) and all the provisions of Government Securities Act, 2006 shall be applicable. The eligible investors for these bonds would include individuals, Hindu Undivided Family (HUF), charitable institutions registered under section 25 of the Indian Companies Act and Universities incorporated by Central, State or Provincial Act or declared to be a university under section 3 of the University Grants Commission Act, 1956 (3 of 1956). The eligible investors can approach three private sector banks — HDFC Bank, ICICI Bank and Axis Bank — and Stock Holding Corporation of India.

The Ragarajan Panel Recommendation for Highway sector

The C Rangarajan panel recommended the guidelines prescribing bailout packages for developers of highway projects and the task of implementation lie with the National Highway Authority of India (NHAI. The panel recommended that 75% of the premium amount payable to the government will be restricted in the first three years of the contract. Further it recommended that the road developers should submit the entire premium amount three years before the completion of full contract.

At present companies pay some amount of premium to the government in the first year of the project which keeps increasing in the subsequent years. The panel's recommendations, if accepted, will lead to huge reduction in the premium payment in the first years. As a result, it will provide relief to the developers like GMR Infrastructure Ltd and GVK Power and Infrastructure Ltd and 23 other road developers.

Background

The panel was appointed by the Government in October 2013 o fine-tune and decide all terms and conditions of the bailout policy for the road developer who were pulling out of road projects due to the premium burdens.

The six-member panel is headed by the Prime Minister's Economic Advisory Council Chairman C Rangarajan.

The other members of the panel include Secretary Planning Commission Sindhushree Khullar, Expenditure Secretary R.S. Gujral, Secretary, Economic Advisory Council Alok Sheel, Roads Secretary Vijay Chhibber, Joint Secretary Road Transport and Highways Rohit Kumar Singh and Chairman National Highways Authority of India

(NHAI) R.P. Singh. Earlier in October 2013, the Cabinet note, which included suggestions of the finance ministry, planning commission and law ministry, had suggested that developers pay a discount rate of 12% on the premium payment and also pay a penalty of up to 0.5% of the total project cost in case default was on their part.

The proposal says if toll revenues turn out to be more than projected, the money left after servicing debt and other necessary costs would go to NHAI as advance payment.

Further the concessionaire cannot claim return to equity till premium equals or exceeds what was originally quoted for that particular year. The highways sector has seen a drastic reversal of fortune since 2012-13 with developers and financiers steering clear of the sector even while multiple projects have failed to take-off.

The National Highways Authority of India (NHAI) managed to award only 479-km till now as against target of 3000 kms by September 2013. In the previous financial year, only 1,116-km was awarded against the target of 9,500-km.

Sugar Industry got 6600 crore rupees free loan

The Cabinet Committee on Economic Affairs (CCEA) approved 6600 crore rupees interest-free loans to cash starved sugar industry on 19 December 2013. The loans will be provided by banks to sugar mills exclusively for making payments to sugarcane farmers, including arrears. The loans are equivalent to the excise duty paid by the mills in the past three years.

The Interest subvention will be 12 percent which will be borne by the Centre and Sugar Development Fund. Mills have to repay the loans in five years and can avail of a moratorium on repayment for the first two years.

The loans will help the industry reduce around 500 crore rupees annually of interest burden in the next 5 years. The informal Group of Ministers (GoM) set up by the Prime Minister under the chairmanship of Union Agriculture Minister Sharad Pawar recommended the proposal to address the cash crunch of the sugar industry. The sugar industry is facing financial problems due to higher cost of production and lower sugar prices in the wake of surplus production in the last few years.

FDI Policy for unlisted Companies modified

The Government of India on 6 December 2013 modified the FDI policy allowing unlisted companies to directly list on stock exchanges abroad. The move will facilitate raising of funds for acquisitions or clearing overseas debts. It may help India in containing its high Current Account Deficit (CAD).

Presently, unlisted companies are not allowed to directly list in overseas markets without prior or subsequent listing in the Indian market.

According to the Revised FDI Policy;

1. Unlisted companies shall be allowed to raise capital abroad without the requirement of prior or subsequent listing in India initially for a period of two years.
2. The capital raised abroad may be utilised for retiring outstanding overseas debt or for operations abroad including for acquisitions.
3. In case the funds raised are not utilised abroad, the company should repatriate the funds to India within 15 days and park it with a scheduled bank and “may be used domestically”.
4. While raising funds abroad, the listing companies would have to be fully compliant with the FDI policy.
5. The listing company would also have to comply with the instructions on downstream investment and the criteria of eligibility of who can raise funds through American depositary receipts (ADR) or global depository receipts (GDR) would be as prescribed by the government.
6. The new scheme will be implemented on a pilot basis for a period of two years.

Unlisted Company: a company whose shares are not traded on a stock exchange. Its shares are therefore not available for trade to the general public.

Listed company: a company whose shares are bought and sold on a particular stock market. The share price of a listed company is quoted and traded on a stock exchange.

Justice Sodhi Committee submitted report

The High Level Committee to Review the SEBI (Prohibition of Insider Trading) Regulations, 1992 constituted under the Chairmanship of Justice N.K. Sodhi on 7 December 2013 submitted its report to SEBI Chairman, UK Sinha at Chandigarh. Justice N.K. Sodhi has been the former chief justice of Karnataka and Kerala High Courts and has been the former presiding officer of the Securities Appellate Tribunal. The Committee has made many recommendations to the legal framework for prohibition of insider trading in India. It has also focused on making this area of regulation more predictable, precise and clear by suggesting a combination of principles-based regulations and rules that are backed by principles. The Committee has also suggested that each regulatory provision may be backed by a note on legislative intent.

Some features of the proposed regulations are:

- While enlarging the definition of “insider”, the term “connected person” has been defined more clearly and immediate relatives are presumed to be connected persons, with a right to rebut the presumption. The term “immediate relative” would cover close relatives, who are either financially dependent or consult an insider in connection with trading in securities.
- Insiders would be prohibited from communicating, providing or allowing access to UPSI unless required for discharge of duties or for compliance with law.
- The regulations would bring greater clarity on what constitutes unpublished price sensitive information (UPSI) by defining what constitutes generally available information (essentially, information to which non-discriminatory public access would be available). A list of types of information that may ordinarily be regarded as price sensitive information has also been provided.
- Trading in listed securities when in possession of UPSI would be prohibited except in certain situations provided in the regulations.
- Insiders who are liable to possess UPSI all round the year would have the option to formulate pre-scheduled trading plans. In such cases, the new UPSI that may come into their possession without having been with them when formulating the plan would not impede their ability to trade. Trading plans would, however, be required to be disclosed to the stock exchanges and have to be strictly adhered to.
- Conducting due diligence on listed companies would be permissible for purposes of transactions entailing an obligation to make an open offer under the Takeover Regulations. In all other cases, due diligence would be permissible subject to making the diligence findings that constitute UPSI generally available prior to the proposed trading. In all cases, the board of directors would need to opine that permitting the conduct of due diligence is in the best interests of the company, and would also have to ensure execution of non-disclosure and non-dealing agreements.
- Trades by promoters, employees, directors and their immediate relatives would need to be disclosed internally to the company. Trades within a calendar quarter of a value beyond 10 lakh rupees or such other amount as SEBI may specify, would be required to be disclosed to the stock exchanges.
- Every entity that has issued securities, which are listed on a stock exchange or which are intended to be so listed would be required to formulate and publish a Code of Fair Disclosure governing disclosure of events and circumstances that would impact price discovery of its securities.
- Every listed company and market intermediary is required to formulate a Code of Conduct to regulate, monitor and report trading in securities by its employees and other connected persons. All other persons such as auditors, law firms, accountancy firms, analysts, consultants etc, who handle UPSI in the course of business operations may

formulate a code of conduct and the existence of such a code would evidence the seriousness with which the organization treats compliance requirements.

- Companies would be entitled to require third-party connected persons who are not employees to disclose their trading and holdings in securities of the company.

Merger and Acquisition Guidelines for Telecom Sector approved

The Empowered Group of Ministers (EGoM) headed by Finance Minister P Chidambaram, approved the guidelines on telecom merger and acquisition on 3 December 2013.

In addition to this EGoM cleared the sale of over 400 MHz of 2G spectrum (1800 MHz band), which are to be auctioned in January 2014. EGoM also approved payment of market rates for spectrum above 4.4 MHz allotted to the acquired entity. The EGoM also cleared the sale of 403 MHz of 2G spectrum, which is valued at about 36000 crore Rupees, as per the reserve price recommended by the Telecom Commission.

The Telecom Commission has already approved the draft M&A guidelines, which says that the market share of a merged entity should not exceed 50 per cent of the subscriber base.

The much-awaited mergers and acquisitions guidelines would pave way for consolidation of mobile market which presently has 12 mobile operators. All these decision would now be forwarded to the Union Cabinet for final approval.

8TH Financial Stability Report

Reserve Bank of India (RBI) released its 8th Financial Stability Report (FSR) on 30 December 2013. The FSR was released against the backdrop of a mild positive market reaction to the announcement of tapering in the US Federal Reserve bond purchase plan from January 2014.

Major Highlights of the report are:

- India's external sector has improved with reduction in Current Account Deficit (CAD). CAD is expected to be less than 3 per cent of the GDP during the current financial year 2013-14.
- Report revealed that the banking system is facing rising tide of bad loans. The gross non-performing assets (NPAs) in the system will rise to 4.6 per cent by September 2014 from 4.2 per cent in September 2013.
- The amount of recast loans touched an all-time high of 10.2 per cent of the overall advances as of September 2013.
- The state-run banks will be the worst-affected, the report said, pegging the gross NPAs for public sector banks at 4.9 per cent by March 2015. It projected the gross NPAs for private banks at 2.7 per cent in the same period.
- Asset quality continues to be a major concern for Scheduled Commercial Banks (SCBs). The Gross Non-performing Assets ratio of SCBs as well as their restructured standard advances ratio has increased.
- Five sectors — infrastructure, iron & steel, textiles, aviation and mining — have a high level of stressed advances. At system level, these five sectors together account for around 24 per cent of total advances of commercial banks and around 51 per cent of their total stressed advances.
- Due to the interconnectedness with banks, liquidity pressure is felt by the money market mutual funds (MMMFs) whenever redemption requirements of banks are large and simultaneous. Regulatory measures are taken to reduce the degree of interconnectedness seem to have been successful in reducing the liquidity risk in the system.
- However, macro-economic adjustment is far from complete, with persistence of high inflation amidst growth slowdown. Fall in domestic savings and high fiscal deficit are other major concerns for India.
- Macro stress tests on credit risk suggest that if the adverse macroeconomic conditions persist, the credit quality of commercial banks could deteriorate further. However, under improved conditions, the present trend in credit quality may reverse during the second half of 2014.

RIL allowed to sell gas at higher price with bank guarantee

The Cabinet Committee on Economic Affairs (CCEA) resolved the issue of Reliance Industries (RIL) to sell KG-D6 block gas at a higher price with effect from April 2014. RIL has been asked to provide bank guarantees that would be in force till an international court of arbitration gives its final ruling on whether RIL has willfully violated contractual obligations on 80 per cent of committed gas output or resorted to hoarding.

The government said that details of the bank guarantee including its periodicity would be worked out by January 2014, taking into account the law ministry's views. According to the government, the short-supply of gas at KG-D6 so far has been around 1 trillion cubic feet.

About New pricing Formula

The new pricing is based on the Rangarajan committee formula. The new formula will be valid for five years and applies only to new contracts or renewals when existing ones expire. It does not apply to contracts which contain a specific formula for natural gas price indexation or fixing. As per the Rangarajan formula, beginning 1 April 2014, all domestic gas will be priced at an average of international hub prices and the cost of LNG imported into India. The increased domestically produced gas price in the country would hover around 7-8/mmBtu dollar at the current rate. This would be almost double that of the current rate. This would also result in higher subsidy outgo, as the input costs for fertiliser and gas-based power plants will go up.

Benchmarks

There are two broad elements which are used for an average which will be used as an unbiased arm's length price.

These are

1. A price obtained by taking the cost of liquefied natural gas (LNG) imports into India under long-term contracts and removing charges such as transportation to obtain a theoretical price at the point of production in exporting countries. This is known as the netback price. The government decided not to include spot import costs. It will be a weighted average.
2. The weighted average of prices at three major gas trading points - the hub price at Henry Hub in the United States, the price at the National Balancing Point of the UK and the netback price at sources of supply for Japan.

Mauritius-India agreement on revised Tax Treaty

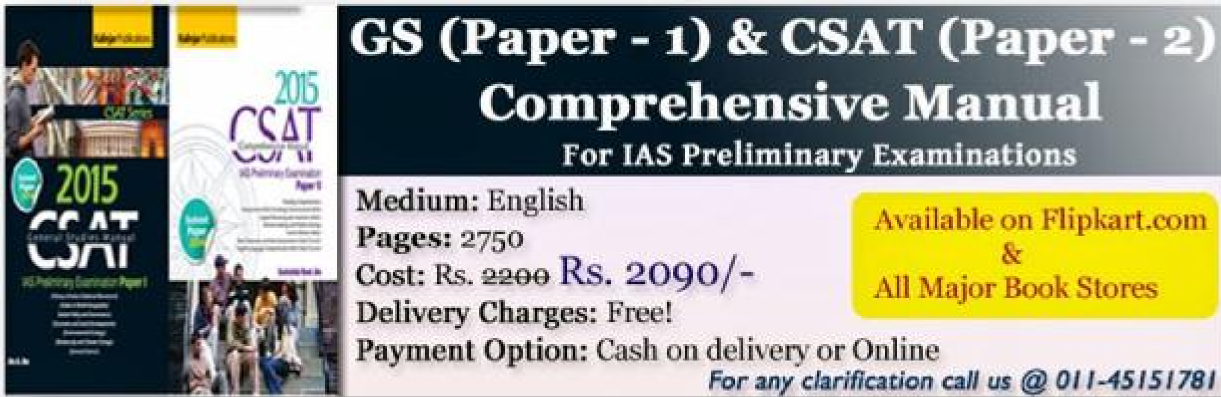
Mauritius and India agreed on 9 December 2013 to include Limitation of Benefit (LoB) clause in the revised tax treaty. This was revealed by the Mauritius Financial Services Commission (FSC) Chairman Marc Hein. He was in Mumbai to participate in an international taxation conference. While details of this clause in the India-Mauritius tax treaty are being worked out, LoB clauses aim to prevent treaty shopping or inappropriate use of tax agreements by third-country investors. Treaty benefits are limited by this clause to those who meet certain conditions, including those concerned with business, residency and investment commitments of anyone seeking benefit of a Double Taxation Avoidance Agreement (DTAA).

Financial Services Commission (FSC)

The FSC is Mauritius' integrated regulator for global business companies and non-banking financial services sector. Marc Hein is its present chairman.

Double Taxation Avoidance Agreement (DTAA)

It is a tax agreement that India has with 65 nations. It means those Non-resident Indians (NRIs) who are the residents of the country in which they stay and pay income taxes in that country are eligible to pay a lower tax on their incomes earned in India in the same financial year. For example many Indian companies have offices in Mauritius and they route their investments to India through that country because the general taxation rates are lower than compared to India. This means India gets to lose tax revenue as DTAA ensures that these



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http://iasexamportal.com/civilservices/study-kit/ias-pre/general-studies-foundation-course investments are taxed at much lower rates than investments of the same quantity but not routed through Mauritius or any other nation with which India has a DTAA. This is called Round tripping.

This also leads to conditions conducive to money laundering. Money laundering is when the sources of money are not known. So it may be money earned through corrupt means and money meant for funding terrorist activities. Such money is called dirty money.

Direct transfer of Cash subsidy soon on kerosene

The government of India puts a way ahead to launched Cash subsidy on kerosene after the successful implementation of cash subsidy on LPG for BPL (below poverty line) families. The scheme would be known as DTCK (direct transfer of cash subsidy on PDS kerosene).

This would be on the lines of DBTL(direct benefit transfer of subsidy on LPG (cooking gas). The mode of implementation would be covered under two phases , In the first phase seven districts of three states would be covered under the subsidy. In Maharashtra , the scheme would be lunched in Nandurbar , Wardha and Amrawati . while in Rajasthan , Alwar , Ajmer and Udaipur would be covered. Similarly, the initiative would be covered in north Goa. So far , Centre had grant a subsidy of around 1700 crore rupees for DBTL , but now the exchequer would be expected to face a subsidy bill of 30000 crore rupees for providing fuel to BPL families. A pilot DTCK scheme has been running in Kotkasim tehsil of Rajasthan's Alwar district since December 2011. The results have been encouraging.

What is direct transfer of cash subsidy :

The price of the commodity remain same as that of the market price , government itself decide the subsidized price and pay the difference between market price and subsidized price directly to the family of the BPL in their account. Instead of paying subsidy to the manufacturer , government directly pay cash to the poor people.

The change in the subsidy policy able to tackle the following shortcomings of the system :

- Dual – pricing
- Black Marketing
- Unresponsiveness to customer needs
- Poor targeting of BPL population
- Diversion and leakages
- Under recoveries for Oil Manufacturing companies (OMCs) .

Bolsa Família Program (BFP):

The largest and the most successful conditional cash transfer program is the Bolsa Família Program (BFP) in Brazil that covered close to 100 percent of Brazil's poor in 2007. Under the programme, the government transfers cash straight to a family subject to conditions such as school attendance, nutritional monitoring, pre-natal and post-natal tests. The entire system is managed through efficient targeting, disbursement and regular monitoring of the disbursed funds.

Impact on government

- The new system is expected to reduce this cost and subsidy bill through better targeting
- In the Union Budget 2012-13, target is to keep 2012-13 subsidies under 2 percent of GDP and under 1.75 percent of GDP in the next 3 years .

Companies' Foreign Funding Norms for Infra Projects eased

The Reserve Bank of India on 3 December 2013 eased norms for companies raising foreign funds for infrastructure projects. The new norms will help Companies to raise funds through the External Commercial Borrowing (ECB) route for their infrastructure projects through their holding firms or core investment firms. This will enable them to arrange finances for their projects faster and strengthen the flow of resources in the sector. The RBI also stated that such funds should be used in special purpose vehicles (SPVs) for a specific project. Presently, the SPVs are allowed to bring in ECB funds for infrastructure projects, while there were restrictions for parent firms in doing so. The Reserve bank, however, has listed a series of conditions to avail this facility.

What is External Commercial Borrowing?

External Commercial Borrowing is an instrument used in India to facilitate the access to foreign money by Indian corporations and PSUs. External Commercial Borrowings (ECB) refers to commercial loans in the form of bank loans, buyers' credit, suppliers' credit, securitized instruments (e.g. floating rate notes and fixed rate bonds, non-convertible, optionally convertible or partially convertible preference shares) availed of from non-resident lenders with a minimum average maturity of 3 years.

Union Cabinet approved Reserve price for Spectrum Auction

The Union Cabinet on 9 December 2013 approved the finalization of the reserve price for the auction of spectrum in 1800 MHz band for all service areas. It also finalized the reserve price for auction of spectrum for 900 MHz band in metro in service areas of Delhi, Mumbai and Kolkata. The cabinet has approved the following points on the recommendation of the Empowered Group of Ministers:

(i) The reserve price for 1800 MHz band of 1765 crore rupees per MHz Pan India, which works out to be 8825 crore rupees for 5 MHz Pan India

(ii) The reserve price for 900 MHz band of 360 crore rupees, 328 crore rupees and 125 crore rupees per MHz in Metro service areas of Delhi, Mumbai and Kolkata respectively.

The decisions will help in further efficient utilization of the scarce natural resource of spectrum facilitating expansion of telecom services in the country.

Deposit Requirements for members of the Debt Segment

Securities and Exchange Board of India (SEBI) on 19 December 2013 laid out the minimum deposit requirements for members in debt segment of the stock exchanges. SEBI on 20 January 2013 announced a separate debt segment on bourses and had amended norms to enable registration of the stock broker, proprietary trading member, clearing member and the self clearing member on platform.

In the newly issued circular, SEBI has said that the minimum capital requirements as per the norms for stock brokers and proprietary trading members will be applicable for the debt segment as well. As per the market regulator, SEBI for a member seeking registration in the debt segment, no deposit will be required if they are already member if some another segment on the stock exchange. It also said that the Clearing Member (CM)/Self Clearing Member (SCM) will have to deposit 10 lacks rupees. No exposure shall be granted against such deposit requirement of the Clearing Member/ Self Clearing Member. The circular also said that no deposit shall be payable in case a CM/SCM clears and settles trades only on gross basis for both securities and funds, and where no settlement guarantee is provided by the clearing corporation. This circular was issued in exercise of powers conferred under Section 11 (1) of the Securities and Exchange Board of India Act, 1992 to protect the interests of investors in securities and to promote the development of and to regulate the securities market.

CCEA noded to provide aid to sugar industry

The Cabinet Committee on Economic Affairs (CCEA) on 26 December 2013 approved the guidelines for providing financial assistance to the sugar industry for payment of cane price arrears. The expenditure for the scheme will be met fully from the Sugar Development Fund (SDF). The Central Government will provide an interest subvention up to 12 percent at a simple rate of interest for the additional working capital loans to the sugar undertakings. Banks will provide the additional working capital loan that is equal to last three sugar seasons excise duty, cess and surcharge on sugar. Sugar undertakings with loan classified Non Performing Assests (NPA) by the banks are also eligible for the loans only if the concerned state government will give a guarantee for their new loans. The interest subvention on the total loan has been provided for five year, which includes moratorium period of two years. In the principal repayments, no interest subvention will be provided for the period of defaults. The loans would be meant exclusively for effecting cane price payments by the sugar mills.

Norms relaxed for participation of NBFCs in Insurance JVs

Reserve Bank of India (RBI) on 28 November 2013 relaxed norms for participation of Non-Banking Finance Companies (NBFCs) in the insurance joint ventures by allowing them to hold more than 50 percent in such companies. The notification of Reserve Bank of India has stated that - it has been decided that in cases where IRDA issues calls for capital infusion into the Insurance joint venture company, the RBI may, on a case to case basis, consider need based relaxation of the 50 percent group limit.

The relaxation will be subject to compliance by the NBFC with all regulatory conditions. In the operation of Insurance Company, the IRDA often requires an insurance company to expand its capital taking into account the stipulations of the Insurance Act and the solvency requirements of the insurance company. The restriction of a group limit of the NBFC to 50 percent of the equity of the insurance joint venture company prescribed in the above mentioned circular may act as a constraint for the insurance company in meeting the requirement of IRDA.

RMS for Trade Facilitation in Export Sector Introduced

Union Finance Minister P. Chidambaram was on 13 November 2013 inaugurated the IT based Risk Management System (RMS) for the Customs clearance of export goods at New Delhi. Government has introduced RMS to enhance trade facilitation in export sector and to check smuggling of drugs, weapons and other illegal substances harmful to the country. RMS will also enable the Excise and Customs Department to enhance the level of facilitation and speed up the process of cargo clearance. The single window system of RMS will contribute to reduce in dwell time, by achieving the desired objective of reducing the transaction cost in order to make the business internationally competitive. The launch of RMS in exports covers 11 Customs stations at Bangalore, Chennai, Delhi, Hyderabad, Mumbai, Pune and Tutocorin. It would be extended to all EDI Customs stations by year end. Benefits are expected to accrue to the trade in terms of faster clearances and reduced transaction costs thereby enhancing the global competitiveness of our export goods.

Medium Manufacturing Enterprises to be included under Priority Sector

The Reserve Bank of India (RBI) on 26 November 2013 allowed banks to treat loans given to medium manufacturing enterprises after 13 November 2013 as priority sector advance. RBI stated that the step has been taken to provide enhanced liquidity support to the medium and small enterprises. The RBI also allowed incremental bank loans to medium services enterprises extended after 13 November 2013 to up to 100 million rupees and raised the loan limit given to micro and small service enterprises to 100 million rupees from 50 million rupees that will be treated as priority sector advance. This facility will remain open till 31 March 2014. Under priority sector advance, most banks have to lend 40 percent of their loans to agriculture, micro and small enterprises, poor people for housing, students for education and other low income groups and weaker sectors.

NIC got approval of 75 % Innovation Fund Corpus

The National Innovation Council (NInC) on 20 November 2013 got approval of 75 percent of the 500 crore rupees initial corpus of the upcoming India Innovation Fund (IIIF), which is an Indian model of innovation. IIIF will have contributions from Ministry of Finance, public sector banks (PSBs) and multilateral agencies and is being mobilized by NInC. The main objective of IIIF is to finance Enterprises focusing on the bottom of the pyramid that is, firms delivering goods and services to the poorest of the country. Multilateral agency, PSBs and financial institutions already gave commitment of 375 crore rupees and additional commitments to council, which mentioned in NInC annual "Report of the People 2013". The launch date not yet decided though it is in its final stage of launching the fund. Minimum 50 percent of advances from the fund would be to micro, small and medium enterprises (MSMEs) in the first close.

The fund will not invest more than 15 percent of the corpus in any single company to ensure spread of investment. The fund intends to partner with public R&D programmes and laboratories to support the commercialization and deployment of socially relevant technologies and solutions.

The fund would be registered with Securities and Exchange of India (SEBI). A pipeline of the potential investment prospects has been identified. A specialised core team is also expected to be in place before the first closure. It is expected that the fund would be operational by the beginning of 2014. The fund may increase eventual size of 5000 crore rupees in the long term.

About National Innovation Council (NInC)

The National Innovation Council (NInC) was set up by the Prime Minister under chairmanship of Sam Pitroda, an adviser to PM on public information infrastructure and innovations (PIII). NInC will provide mutually reinforcing policies, recommendations and methodologies to implement and boost innovation performance in the country.

The task of the National Innovation Council include formulating Roadmap for innovation for 2010-2020 and creating framework for evolving an Indian model of innovation, with focus on inclusive growth, encouraging central and state governments , universities and R&D institutions to innovate and to encourage the multi-displinary and globally competitive approaches for innovations and others. The Council will also promote the setting up of State and Sector Innovation Councils to help implement strategies for innovation in Stated and Specified sectors.

Provision for Higher Sugar Export announced

The Union Government of India on 15 November 2013 announced the provision of higher sugar export with domestic production becoming surplus.

The condition of export of sugar has been relaxed by doubling the limit of the overseas shipment that sellers can register. The export of sugar has been doubled to 50000 tonnes from 25000 tonnes per application for registration was announced by the Directorate General of Foreign Trade. The sugar production of India is projected at 25 million tonnes in 2013-14, which is two million tonnes more than the domestic demand.

Third-party payment for Export and Import Transactions allowed

The Reserve Bank of India (RBI) on 8 November 2013 has allowed third party payment for the export and import transactions. The procedure relating to payments for exports or imports was liberalized taking into account the evolving international trade procedure. Banks are allowed to receive the payments for export of goods/software from the third party. The order of RBI also permits the banks to make payments to the third party for imports of goods. The third party refers to an entity other than the buyer or the seller. The procedure was liberalised taking into account the evolving international trade practices.

However, banks would have to follow certain conditions in case of export transaction:

- Firm irrevocable order backed by a tripartite agreement should be in place
- Third party payment should come from a Financial Action Task Force (FATF) compliant country and through the banking channel only
- The exporter should declare the third party remittance in the Export Declaration Form;
- It would be responsibility of the Exporter to realize and repatriate the export proceeds from such third party named in the EDF
- Reporting of outstandings, if any, in the XOS would continue to be shown against the name of the exporter. However, instead of the name of the overseas buyer from where the proceeds have to be realised, the name of the declared third party should appear in the XOS
- In case of shipments being made to a country in Group II of Restricted Cover Countries, (e.g. Sudan, Somalia, etc.), payments for the same may be received from an Open Cover Country

The banks have been allowed to make payments for import transactions to a third party for import of goods, subject to conditions as under:

- Firm irrevocable purchase order / tripartite agreement should be in place
- Third party payment should be made to a Financial Action Task Force (FATF) compliant country and through the banking channel only
- The Invoice should contain a narration that the related payment has to be made to the (named) third party
- Bill of Entry should mention the name of the shipper as also the narration that the related payment has to be made to the (named) third party
- Importer should comply with the related extant instructions relating to imports including those on advance payment being made for import of goods
- The amount of an import transaction eligible for third party payment should not exceed USD 100,000. This limit will be revised as and when considered expedient

Banks to Charge customers on actual usage of SMS alerts

The Reserve Bank of India (RBI) on 26 November 2013 directed the banks to charge customers for the transaction SMS alerts on the basis of usage, instead of imposing a fixed fee. The RBI in its notification issued to all banks has asked the banks to charge customers based on actual usage of SMS alerts, considering the technology available with banks to considering the technology available with banks and the telecom service providers.

The notification has been done to ensure reasonableness and equity in the charges levied by banks for sending SMS alerts to customers. In its second quarter review of monetary policy 2013-14, the RBI had advised banks to charge for SMS alerts on usage basis. Earlier, the Reserve Bank of India had set the guidelines for banks to send online alerts to the customers for all types of transactions, irrespective of the amount in March 2011.

Sale of 5 kg LPG cylinders extended to petrol pumps

The Government of India on 4 November 2013 decided to extend the sale of the non-subsidized 5 kg cooking gas (LPG) cylinders at petrol pumps across the country. The proposal to extend the scope of the scheme was approved by M. Veerappa Moily, the Union Minister of Petroleum and Natural Gas. Earlier, the scheme was in operation in Mumbai, Kolkata, Chennai and Bengaluru. The scheme was launched on 5 October 2013 by Moily in Bangalore for sale in selected company owned and company operated petrol pumps in the four cities. The cylinders will be sold at market rates. The scheme will be delayed in poll bounding states like Delhi, Madhya Pradesh and Chhattisgarh. The scheme has allowed to sale the 5 kg LPG cylinders with just proof of Identity through Petrol Stations to students, IT professional, BPO employees and people with odd duty timings. As per the decision, the sale of the cylinders would be done with or without regulator for the first time. The cylinders will be charged 1000 rupees and the regulator will be available at 250 rupees. Whereas, the cost of refills of the LPG will be as per to the non-domestic rates applicable in the market. A 5 kg is sold at about 340 to 350 rupees.

Refinance window for the MSME extended to 5000 crore

The Reserve Bank of India on 18 November 2013 opened a 5000 crore rupees refinance window for MSME sector, for a period of one year to ease the liquidity. The view of easing the liquidity stress to the Micro and Small Enterprises sector was taken by the RBI to provide refinance to the small Industrial Development Bank of India. Basically the Micro and Small Enterprises sector is employment intensive and contributes significantly to exports. At present, the slowdown in the economy has resulted in the liquidity tightness in the MSEs in the manufacturing and services sector raising the need of liquidity support. The availability of the refinance facility will be till 13 November 2014.

Women SHGs to get Banks loans at 7 percent

The Reserve Bank of India (RBI) on 19 November 2013 directed Public Sector Banks (PSBs) to provide loans to women self-help groups

(SHGs) at 7 per cent per annum to avail the benefit of interest rate subvention scheme under the Swarnajayanti Gram Swarozgar Yojana-Aajeevika (SGSY) scheme.

Salient features of RBI Notification

1. All women SHGs will be eligible for interest subvention to avail the credit upto 3 lakh Rupees at 7 per cent per annum.
2. PSBs will be subvented to the extent of difference between the Weighted Average Interest charged and 7 per cent subject to the maximum limit of 5.5 per cent, for the FY-2014.
3. This subvention will be available to all the PSBs on the condition that they make SHG credit available at 7 per cent in the 150 districts.
4. The Regional Rural Banks (RRBs) will be subvented to the extent of difference between the lending rates and 7 per cent for the FY-2014 on the condition they make SHG credit available at 7 per cent.
5. SHGs will be given an additional 3 per cent subvention on prompt repayment of loan.

Swarnajayanti Gram Swarozgar Yojana-Aajeevika (SGSY) is an initiative by the government to provide sustainable income to poor people living in rural areas of the country.

About Interest Rate subvention concept

Interest Rate subvention is a subsidy of interest given by Government to certain sectors like Textiles, Agriculture etc. For eg. Textile Company borrows from Bank at 10 percent and Government gives subvention of 2 percent. Hence net bank takes interest from textiles companies 8 percent. Other sectors have to pay 10 percent to the bank.

Foreign banks subsidiaries permitted to acquire domestic PSBs

The Reserve Bank of India (RBI) on 6 November 2013 permitted the Wholly Owned Subsidiaries (WOS) of the foreign banks to acquire the domestic private sector banks. RBI also permitted the banks to set up branches anywhere in the country. As per the permission given by RBI, the foreign banks will have to seek permission of RBI to open branches in certain sensitive locations. The foreign bank subsidiaries have also been allowed to list on the local stock exchanges. Although, they will not be allowed to hold more than 74 percent in the private banks they may acquire. The order of the RBI also stated that the foreign banks that commenced banking business in India before August 2010 will be given an opportunity to convert into a wholly owned subsidiary.

Key features of the Framework

- Banks with complex structures, also the banks which do not provide adequate disclosure in their home jurisdiction, as well as the banks which are not widely held and banks from jurisdictions having legislation giving a preferential claim to depositors of home country in a winding up proceedings, would be mandated entry into India only in the WOS mode.
- Foreign banks in whose case the above conditions do not apply can opt for a branch or WOS form of presence.
- A foreign bank opting for branch form of presence shall convert into a WOS as and when the above conditions become applicable to it or it becomes systemically important on account of its balance sheet size in India.
- Foreign banks, which commenced banking business in India before August 2010 shall have the option to continue their banking business through the branch mode. However, they will be incentivised to convert into WOS because of the attractiveness of the near national treatment afforded to WOS.
- To prevent domination by foreign banks, restrictions would be placed on further entry of new WOSs of foreign banks/ capital infusion, when the capital and reserves of the WOSs and foreign bank branches in India exceed 20 per cent of the capital and reserves of the banking system.
- The initial minimum paid-up voting equity capital for a WOS shall be ' 5 billion for new entrants. Existing branches of foreign banks desiring to convert into WOS shall have a

minimum net worth of 5 billion.

- The parent of the WOS would be required to issue a letter of comfort to the RBI for meeting the liabilities of the WOS.

Corporate Governance

(i) Not less than two-third of the directors should be non-executive directors;

(ii) A minimum of one-third of the directors should be independent of the management of the subsidiary in India, its parent or associates

(iii) Not less than fifty percent of the directors should be Indian nationals /NRIs/PIOs subject to the condition that not less than 1/3rd of the directors are Indian nationals resident in India

- The branch expansion guidelines as applicable to domestic scheduled commercial banks would generally be applicable to WOSs of foreign banks except that they will require prior approval of RBI for opening branches at certain locations that are sensitive from the perspective of national security.
- Priority Sector lending requirement would be 40 per cent for WOS like domestic scheduled commercial banks with adequate transition period for existing foreign bank branches converting into WOS.
- On arm's length basis, WOS would be permitted to use parental guarantee/ credit rating only for the purpose of providing custodial services and for their international operations. However, WOS should not provide counter guarantee to its parent for such support.
- WOSs may, at their option, dilute their stake to 74 per cent or less in accordance with the existing FDI policy. In the event of dilution, they will have to list themselves.

Definition of Infrastructure lending Sub Category widened

Reserve Bank of India on 25 November 2013 widened the definition of infrastructure lending sub category in a bid to expedite Projects. In a notification issued by RBI, it has stated that new sub-sectors that have been added in the list will include hotels with project cost of more than 200 crore rupees bring built anywhere in India and of any star rating. The list will also include convention centres with project cost of more than 300 crore rupees. RBI also stated that the new sub-sectors will get classified as 'infrastructure' for the purpose of lending by banks and select All India Term-Lending and Refinancing Institutions. Various sub-sectors under the categories such as Transport, Energy,Water & Sanitation, Communication, Social and Commercial Infrastructure come under infrastructure lending. Hotel and convention centre come under 'Social and Commercial Infrastructure' category for this kind of lending.

Bharatiya Mahila Bank launched

Prime Minister Dr. Manmohan Singh and UPA Chairperson, Sonia Gandhi Jointly inaugurated India's first all-women bank, Bharatiya Mahila Bank in Mumbai on 19 November 2013,marking the birth anniversary of former Prime Minister Indira Gandhi. The main objectives of the bank will be to focus on the banking needs of women and to promote their economic empowerment. The bank will commence operations with an initial capital of one thousand crore rupees.

The Union Government on 12 November 2013 appointed Usha Ananthasubramanian as the first chairperson and managing director of public sector Bharatiya Mahila Bank (BMB).

About Bharatiya Mahila Bank

1. The Mahila bank aims to service women and women-run businesses, support women's self-help groups and their livelihoods and promote further financial inclusion.
2. An only-for-women bank first time in India.
3. Bhartiya Mahila Bank will be a universal bank and will provide every banking service and facility that is provided by comparable Public and Private sector banks. It will establish branches all over the country and, in due course, some branches in abroad.

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4. The Union Cabinet cleared the proposal for setting up of all-women bank on August 2013.
5. The Reserve Bank of India gave its in-principal approval for the Bharatiya Mahila Bank in June 2013 and the banking company was set up.
6. The Union government approved 1000 crore Rupees seed capital for the women-focused public sector bank, announced by Union finance minister P. Chidambaram in his 2013-14 budget speech.

Continuation of Agriculture Export Plan of APEDA approved

The Cabinet Committee on Economic Affairs (CCEA) on 25 November 2013 approved the continuation of the Agriculture Export Promotion Plan Scheme of the Agricultural and Processed Food Products Export Development Authority (APEDA) during 12th Plan Period (2012-13 to 2016-17). It was a proposal of the Ministry of Commerce and Industry for APEDA with four components namely infrastructure development, transport assistance, market development and quality development.

The CCEA meeting was chaired by Prime Minister of India, Manmohan Singh. The outlay of the scheme will be 1100 crore rupees during the 12th Plan period. The investments on the components are (Rupees in crore):

Component	2012-13*	2013-14	2014-15	2015-16	2016-17	Total
Infrastructure Development	43.35	62.00	62.00	65.00	66.65	299.00
Transport Assistance	72.99	116.00	125.00	130.00	66.65	600.00
Market Development	26.98	29.00	31.00	34.00	30.02	151.00
Quality Development	6.68	9.00	10.00	11.00	13.32	50.00
Total	150.00	216.00	228.00	240.00	266.00	1100.00

The Integrated Finance Division approved the expenditure incurred in the 1st year of the 12 plan period. The scheme will enhance the capabilities of the Indian exporters of agro products and support them in realizing their export potential. The components will help to catalyze the efforts of the exporting community because of the interventions by APEDA at different stages of supply chain.

IPDS for Textiles Industry

The Cabinet Committee on Economic Affairs on 30 October 2013 approved the launch of the new Integrated Processing Development Scheme (IPDS) during the 12th five year plan with an investment of 500 crore rupees.

The IPDS was approved for establishment of four to six brown field projects and three to five green field projects that addresses the environmental issues that is faced by the Textile Processing Units.

The projects are eligible under the scheme that cover following things:

- Common Effluent Treatment Plant (CETP)
- Captive power generation on technology preferably renewable/green technology
- Infrastructure such as storm water management, necessary roads and pipelines for water & wastewater
- Facility for testing and R&D centers

The scheme would make possible for the textiles industry to become the globally competitive by using the processing standards and technology, which are environment friendly and by creating the new processing parks. It will also help in upgradation of the processing clusters/centers in existence, specifically in the areas of the water and waste water management. The scheme will also encourage the research and development work in the textiles processing sector.

Broadband Subscriber increased to 15.24 Million

As per the latest telecom subscription data released by the Telecom Regulatory Authority of India on 31 July 2013, total Broadband subscriber base in India increased from 15.19 million at the end of June 2013 to 15.24 million at the end of July 2013. This is a monthly growth of 0.33 percent. Yearly growth in broadband subscribers is 3.79 percent during the last one year (July 2012 to July 2013). At present, there are 161 Internet Service Providers (ISPs) which are providing broadband services in the country. Out of these, 121 ISPs (having 98.48 percent market share) have provided broadband subscription data for the month of July 2013, for the rest of the ISPs data from previous month has been retained. Top five ISPs in terms of market share (based on subscriber base) are: BSNL (9.97 million), Bharti Airtel (1.43 million), MTNL (1.10 million), Hathway (0.37 million) and You Broadband (0.32 million).

Telecom Subscribers increased to 904.46 Million

Telecom Regulatory Authority of India released the latest telecom subscription data on 31 July 2013. As per this data, the total number of subscribers has increased to 904.46 million with a net addition of 1.37 million subscribers during the month – showing a monthly growth of 0.15 percent. Out of the total subscriber base, 548.85 million are from the urban areas and the remaining 355.60 million are the rural subscribers.

The total Teledensity at the end of July 2013 was 73.54 out of which the share of urban subscribers was 60.68 percent and that of rural subscribers was 39.32 percent. Mobile Number Portability (MNP) requests increased from 95.59 million subscribers at the end of June 2013 to 97.82 million at the end of July 2013. In the month of July 2013 alone, 2.23 million requests have been made for MNP.

India & Japan Signed MoU to study Mumbai-Ahmedabad Rail Route

India and Japan on 9 October 2013 signed MoU to do a joint feasibility study of High Speed Railway system on the Mumbai-Ahmedabad route. The aim of the Joint study is to prepare a feasibility report of High Speed Railway system on the Mumbai-Ahmedabad route with speed of 300-350kmph.

The cost of the study will be shared equally between India and Japan. The study will take 18 months to complete. The study will include traffic forecasting, alignment surveys and undertake comparative Study of High Speed Railway Technology and System. India and Japan also decided to set up A Joint Monitoring Committee which comprises the Ministry of Railways, Planning Commission, the Ministry of Finance and the Ministry of External Affairs for the Indian side and the MOFA (Ministry of Foreign Affairs), the METI (Ministry of Economy, Trade and Industries), the MLIT (Ministry of Land, Infrastructure, Transport and Tourism), the MOF (Ministry of Finance), EoJ (Embassy of Japan in India) and JICA from Japan.

Pact for Uttar Pradesh Water Sector Restructuring Project

Government of India on 25 October 2013 signed an agreement with World Bank for credit of 360 million US Dollar for the second phase of Uttar Pradesh Water Sector Restructuring Project. The agreement was signed by Nilaya Mitash, Joint Secretary in the Ministry of Finance, Government of India and Country Director of the World Bank, Onno Ruhl. Similarly the Project Agreement was signed by Deepak Singhal, Principal Secretary, and Department of Irrigation on behalf of the Government of Uttar Pradesh. The objective of the project is to support the State on capacity building of Water Users Association, rehabilitation and modernization of irrigation, development of Basin River planning strategies and flood management systems.

The Project's Development objective is to

(a) Strengthen the institutional and policy framework for integrated water resources management for the entire State; and

(b) Increase agricultural productivity and water productivity by supporting farmers in targeted irrigation areas.

The project has six main components:

1. Strengthening of State Level Water Institutions and Inter Sector Coordination
2. Modernization and Rehabilitation of Irrigation and Drainage Systems
3. Consolidation and Enhancement of Irrigation Institution Reforms
4. Enhancing Agriculture Productivity and On-Farm Water Management
5. Feasibility studies and Preparation Activities for the Next Phase
6. Project Coordination and Monitoring.

The closing date for the project is 31 October, 2020.

Cabinet Committee on Economic Affairs Decisions

- CCEA also approved sanction of new projects for utilizing 717 crore Rupees the balance left in the 12th five year plan allocation, after meeting committed liabilities of the sanctioned 61 parks.
- It also gave its nod for an additional grant of 10 crore Rupees to be given to existing parks for setting up apparel manufacturing units. 50 crore Rupees have been allocated for the purpose.

About Integrated Textiles Parks

- The primary objective of the scheme for Integrated Textile Parks is to provide the industry with world class infrastructure facilities for setting up their textile units.
- The product mix in these parks would include apparels and garments parks, hosiery parks, silk parks, processing parks, technical textiles including medical textiles, carpet parks, powerloom parks.
- The Scheme for Integrated Textiles Parks seeks green field investments in textiles sector on a public private partnership basis with the objective of setting up world class infrastructure for Textiles industry.

The Scheme for Integrated Textile Parks (SITP) was approved in the 10th Five Year Plan (July 2005) to provide the industry with world-class infrastructure facilities for setting up their textile units by merging the erstwhile Apparel Parks for Exports Scheme (APES) and Textile Centre Infrastructure Development Scheme (TCIDS). The scheme targets industrial clusters or locations with high growth potential, which require strategic interventions by way of providing world-class infrastructure support.

Integrated Textile Parks Scheme in 12th FYP

The Cabinet Committee on Economic Affairs (CCEA) on 3 October 2013 approved continuation of the scheme for Integrated Textile Parks in the 12th five year plan.

Trade Deficit Estimated at 80126.24 Million US Dollars

As per the data released by Ministry of Commerce and Industry, India's Exports during September, 2013 were valued at 27679.33 million US dollars (176461.53 crore rupees) which was 11.15 per cent higher in Dollar terms (29.77 per cent higher in Rupee terms) than the level of 24902.00 million US dollars (135978.63 crore rupees) during September, 2012. Cumulative value of exports for the period April-September 2013 -14 was 152105.40 million US dollars (901194.97 crore rupees) as against 144673.91 million US dollars (790838.40 crore rupees) registering a growth of 5.14 per cent in Dollar terms and growth of 13.95 per cent in Rupee terms over the same period last year.

Imports

Imports during September, 2013 were valued at 34439.50 million US dollars (219559.04 crore rupees) representing a negative growth of 18.10 per cent in Dollar terms and a negative growth of 4.38 per cent in Rupee terms over the level of imports valued at 42051.45 million US dollars (229624.04 crore rupees) in September 2012. Cumulative value of imports for the period April-September 2013-14 was 232231.64 million US dollars (1365699.30 crore rupees) as against 236493.90 million US dollars (1292490.99 crore rupees) registering a negative growth of 1.80 per cent in Dollar terms and growth of 5.66 per cent in Rupee terms over the same period last year.

Crude Oil And Non-Oil Imports

Oil imports during September, 2013 were valued at 13196.5 million US dollars which was 5.94 per cent lower than oil imports valued at 14029.5 million US dollars in the corresponding period last year. Oil imports during April-September, 2013-14 were valued at 82876.1 million US dollars which was 3.58 per cent higher than the oil imports of 80011.6 million US dollars in the corresponding period last year.

Non-oil imports during September, 2013 were estimated at 21243.0 million US dollars which was 24.19 per cent lower than non-oil imports of 28022.0 million US dollars in September, 2012. Non-oil imports during April-September, 2013-14 were valued at149355.5 million US dollars which was 4.55 per cent lower than the level of such imports valued at 156482.3 million US dollars in April-September 2012-13.

Trade Balance

The trade deficit for April-September, 2013-14 was estimated at 80126.24 million US dollars which was lower than the deficit of 91819.99 million US dollars during April-September, 2012-13.

Jet-Etihad deal Approved by SEBI (Securities Exchange Board of India)

Jet-Etihad deal was approved by SEBI (Securities Exchange Board of India) on 1 October 2013. Jet Airways had proposed to sale 24 percent stake to Abu Dhabi-based Etihad. The Jet-Etihad deal was announced in April 2013 and because of objections from regulators the deal was stuck half-way. The proposal will now be considered by the Cabinet Committee on Economic Affairs. The Competition Commission of India (CCI) had also asked for changes in the original deal. The two parties had informed the fair trade regulator about the changes in the deal and approval from the CCI is expected soon. SEBI informed the Finance Ministry about its decision on 25 September 2013. With this deal in place, Jet eventually has a 51 per cent stake in the company, Etihad 24 per cent and the public the remaining 25 per cent.

RBI fixed the Reference Rate of Rupee against US Dollar at 61.4050

The Reserve Bank of India on 4 October 2013 fixed the reference rate of rupee against US dollar at 61.4050 and the euro at 83.6790 as against 61.9348 and 84.2360 on 3 October 2013.

The exchange rates for the pound and yen against the rupee were quoted at 99.2857 a pound and 63.25 per 100 yen, based on reference rates for the dollar and cross-currency quotes at noon. The reference rate is based on the noon rates of select banks and the SDR-Rupee rate would be based on this rate.

Bhubaneswar and Imphal airports were Declared as International Airports

The Union Cabinet of India on 30 October 2013 gave its approval for declaring the Bhubaneswar and Imphal airports as international airports to fulfill the long pending demand of people as well as the State Governments of Odisha and Manipur. Declaration of these airports as international airports will offer improved connectivity, wider choice of services at competitive cost to the air travelers resulting in boosting international tourism and economic development of the region and the country.

Bhubaneswar Airport

Biju Patnaik Airport or Bhubaneswar Airport belongs to Airport Authority of India and is suitable for operation of Code 'D' aircraft of type B-767-400. The airport is also equipped with facilities for night operations, runway 14/32 of dimension 2743m X 45m, apron to park six aircrafts and navigational aids. A new domestic terminal building with all modern amenities for handling 400 arriving and 400 departing passengers has been constructed and inaugurated in March 2013. The modification/ renovation of the existing domestic terminal building into international terminal building with an area of 6264 sqm. suitable for handling international operations has been completed. Six check-in-counters, custom counters and immigration counters are being provided and the requisite facilities of customs, immigration, health services and animal and plant quarantine at the airport have also completed.

Imphal Airport

Imphal Airport belongs to Airports Authority of India and is suitable for 'C' type (A-320/321) of aircrafts operations in all weather conditions. Major facilities including night operations, runway of dimension 2746m X 45m, Apron to park 3 nos. A-320 and 1 No. ATR-72 at a time, terminal building having an area of 6592 sqm. modified to integrated terminal building, navigational aids, nineteen check-in-counters, custom counters, immigration and sufficient space for health services and animal and plant quarantine are being provided at the airport.

RBI reduced the MSF Rate to 9 Percent

The Reserve Bank of India (RBI) on 7 October 2013 reduced the Marginal Standing Facility (MSF) rate to 9 per cent from 9.5 per cent to improve liquidity in the system. In a release issued from Mumbai the RBI stated that the decision was taken after a review of evolving liquidity conditions.

MSF allows banks to borrow money from RBI at a higher rate when there is a significant liquidity crunch. The RBI further stated that it conducted open market purchase operations of 9974 crore rupees with the aim of injecting liquidity into the system.

This is the second reduction in the rate since the September 20 mid-quarter monetary policy review, when it was lowered to 9.5 per cent from 10.25 per cent.

National Mission on Oilseeds and Oil Palm approved

The Cabinet Committee on Economic Affairs on 3 October 2013 approved the implementation of the National Mission on Oilseeds and Oil Palm (NMOOP) during the 12th Plan Period with financial allocation of 3507 crore rupees.

This would help in enhancing production of oilseeds by 6.58 million tonnes. This would also bring additional area of 1.25 lakh hectares under Oil Palm cultivation with increase in productivity of fresh fruit bunches from 4927 kg/ha to 15000 kg/ha and increase in collection of tree borne oilseeds to 14 lakh tonne. Implementation of the proposed Mission would enhance production of vegetable oil sources by 2.48 million tonnes from oilseeds (1.70 million tonnes), oil palm (0.60 million tonnes) and tree borne oilseeds (0.18 million tonnes) by the end of the 12th Plan Period.

The implementation strategy in the Mission would place emphasis on increasing the Seed Replacement Ratio (SRR) with focus on varietal replacement; increasing irrigation coverage under oilseeds from 26 percent to 38 percent; diversification of area from low yielding cereals crops to oilseeds crops; inter-cropping of oilseeds and use of fallow land; area expansion under oil palm and TBOs; increasing availability of quality planting materials of oil palm and TBOs; enhancing procurement of oilseeds and collection and processing of TBOs.

Recommended varieties and proven technologies would be demonstrated in a cluster approach through mini kits and frontline/cluster demonstration.

The cluster approach would ensure participation of all categories of farmers, irrespective of the size of their holdings, social status and would demonstrate visible impact of technologies in enhancing productivity and production. NMOOP is built upon the achievements of the existing schemes of Integrated Scheme of Oilseeds. Oil Palm and Maize (ISOPOM), Tree Borne Oilseeds Scheme and Oil Palm Area Expansion (OPAE) programme during the 11th Plan period. Implementation of these schemes have shown increase in production and productivity of oilseeds, area expansion with increased production of FFBs under oil palm and augmented availability of quality planting materials, pre-processing technologies and awareness about TBOs.

MSP of Wheat by 50 Rupees per Quintal

The Cabinet Committee on Economic Affairs (CCEA) on 17 October 2013 enhanced the Minimum Support Price (MSP) of wheat by 50 rupees per quintal to 1400 rupees for the fiscal, starting

April 2014. The CCEA accepted the recommendations of Commission for Agricultural Costs and Prices. The MSP of red gram and mustard was also hiked by hundred rupees per quintal each. MSP is the rate at which government buys the grain from farmers.

The government took this step to encourage farmers to cover more area under the crop in the ongoing rabi season. The crop's sowing begins in October and harvesting begins from April onwards. The government procures wheat from farmers during April-June.

IFC Launched 1 Billion Dollar offshore Rupee Bond Programme

International Finance Corporation (IFC), a member of the World Bank Group, on 7 October 2013 launched a 1 billion Dollars offshore bond programme to strengthen India's capital markets and attract greater foreign investment. Under the programme, IFC will issue rupee-linked bonds and use the proceeds to finance private sector investment in the country.

This programme will help bring depth and diversity to the offshore rupee market and pave the way for an alternative source of funding for Indian companies. IFC's offshore bond programme will pave the way for an alternative source of funding for Indian companies.

What are the off shore rupee bonds ?

- These are bonds denominated in rupees but issued in international markets.
- Investor has to convert its currency into rupees before investing.
- The return and final redumption is also in rupees.

Why are such off shore bonds are important ?

- They are an important way of internationalising indian currency.
- It will improve acceptance of the Indian currency in setting trade.
- A deep market for local currency will help reduce dollar needs of the economy.
- The diversity fund raising options for Indian borrowers.

About IFC

IFC, a member of the World Bank Group, is the largest global development institution focused exclusively on the private sector in developing countries.

Established in 1956, IFC is owned by 184 member countries, a group that collectively determines its policies.

IFC works in more than a 100 developing countries allows companies and financial institutions in emerging markets to create jobs, generate tax revenues, improve corporate governance and environmental performance, and contribute to their local communities. IFC's vision is that people should have the opportunity to escape poverty and improve their lives.

RBI Allowed Banks to Revise Periodicity of Interest Payments

The Reserve Bank of India on 29 October 2013 allowed the commercial banks to revise the periodicity of interest payments thus enabling savings bank account and term deposit holders to earn interest at shorter intervals.

The Second Quarter Review of Monetary Policy 2013-14 released by the RBI Governor Raghuram Rajan revealed that as all commercial banks are now on core banking platforms, it has been decided to give banks the option to pay interest on savings deposits and term deposits at intervals shorter than quarterly intervals.

Presently, banks are required to pay interest on savings and term deposits at quarterly or longer intervals. The savings deposit rate for most banks is 4 per cent per annum, while in some cases, it is as high as 7 percent. The interest rate on savings bank accounts is calculated on a daily basis. Term deposit rates are 8-9 per cent for tenures of one year and above. The Reserve Bank of India gave freedom to commercial banks to fix savings bank deposit rates in 2011.

While giving banks this freedom, the RBI kept one condition that a uniform rate will have to be offered on deposits of up to 1 lakh Rupees, on higher amounts banks are allowed to offer differential rates to depositors.

SEBI approved Major Reforms to Attract Overseas Investors

SEBI ushered in major reforms to attract overseas investors. It has announced new Foreign Portfolio Investor regulations for easier registration process and operating framework for investors from abroad.

The new class of investors - FPIs - will encompass all Foreign Institutional Investors, their sub-accounts and Qualified Foreign Investors. They will be divided in three categories as per their risk profile.

The Know Your Client - KYC requirements and other registration procedures will be much simpler for FPIs compared to current practices. The SEBI has also decided to grant them a permanent registration. SEBI also approved setting up 'Designated Depository Participants which will register FPIs on behalf of the market regulator subject to compliance with KYC norms.

Economic Outlook 2013-14 Released

The Economic Advisory Council to the Prime Minister (of India) on 13 September 2013 released the document Economic Outlook 2013-14 in New Delhi. The economic growth forecast of India for the current fiscal 2013-14 was lowered to 5.3 percent from 6.4 percent projected earlier. The PMEAC had in April 2013 projected 6.4 percent growth for Indian economy for current financial year. RBI too had earlier lowered its growth projection for this fiscal to 5.5 percent from 5.7 percent. The Economic Outlook condition listed out host of measures including further liberalisation of FDI norms to improve economy.

The other major highlights of Economic Outlook India are as following:

- The PMEAC expects the agriculture sector to grow by 4.8 percent in the current fiscal up from 1.9 percent, while the industrial growth has been pegged at 2.7 percent as against 2.1 percent in 2012-13.
- The growth of services sector, however, is projected to decelerate to 6.6 percent in current fiscal from 7.1 percent a year ago.
- In order to promote growth, the advisory council suggested that the government should liberalise FDI investment norms, resolve tax concerns of the industry, fast track public sector investment and initiate measures to contain fiscal deficit.
- Referring to the external sector, the advisory council expressed hope that the Current Account Deficit (CAD) in 2013-14 will come down to 70 billion US dollars or 3.8 percent of GDP, from 88.2 billion US dollars or 4.8 percent a year ago.
- As regards rupee, it was hoped at the current level it is well corrected. Stability is returning to the foreign exchange market. As capital flows return and as CAD begins to fall, this tendency will strengthen.
- Admitting that rupee depreciation will put some pressure on inflation, the advisory council stated that On balance, WPI inflation by end March 2014 will be around 5.5 percent as against the average of 7.4percent in 2012-13 and 5.7 percent for March end 2013. The wholesale and retail inflation widened in recent months primarily on account of higher weightage of food items in CPI. The retail inflation in August 2013 stood at 9.52 percent, while the WPI numbers in July was at 5.79 percent.
- The trade deficit, PMEAC said, would come down to around 185 billion US dollars in 2013-14, against an estimated 195.7 billion US dollars in 2012-13.
- Between 2010-11 and 2012-13, the combined impact of higher net oil and net gold imports on the CAD (Current Account Deficit) was almost 57 billion US dollars or 3 percent of GDP.
- The CAD may go even below 70 billion US dollars in 2013-14 if the recent trends in exports and imports are maintained through the year.
- Net Capital flows are projected to fall to 61.4 billion US dollars in 2013-14 against an estimated 89.4 billion US dollars in 2012-13 putting pressure on the country's forex reserves.

FMC's Administrative Control shifted to Finance Ministry

The administrative control of Forward Markets Commission (FMC), the chief regulator of Forwards and Futures Commodity Markets in India on 9 September 2013 was transferred to Ministry of Finance following the orders of Government of India. Earlier, the FMC was under the control of the Department of Consumer Affairs under the Ministry of Food. With this decision, the regulators of financial sector like SEBI, RBI, IRDA and PFRDA, all have been brought under one roof and that is Ministry of Finance. The Government notified its decision to bring the commodity markets regulator Forward Markets Commission (FMC) under the ambit of the Finance Ministry on 6 September 2013. The proposal to this effect was moved in August 2013 in the wake of the alleged scam in the National Spot Exchange Limited (NSEL) of 5600 crore rupees. NSEL stopped its functioning in the month of August 2013 following the Governments orders which were issued in the wake of violation of certain rules.

About Forward Markets Commission (FMC)

Forward Markets Commission (FMC) headquartered at Mumbai, is a statutory body set up in 1953 under the Forward Contracts (Regulation) Act, 1952. It is a regulatory authority which was overseen by the Ministry of Consumer Affairs, Food and Public Distribution, Govt. of India. Recently, with the decision of Government of India the administrative control of FMC was shifted to Union Finance Ministry. FMC under its ambit regulated futures trading on 21 commodity bourses that includes MCX and NCDEX.

Comment

The Government's decision on FMC would help in increasing the coordination between the market regulators. It will also be helpful for the government in resolving the NSEL payment crisis of 5600 crore rupees.

Government notified GAAR

The Union government of India on 26 September 2013 notified GAAR (General Anti Avoidance Rules). It seeks to check tax avoidance by investors routing their funds through tax havens. It will come into effect from 1 April 2016. The GAAR will apply to entities availing tax benefit of at least 3 crore rupees. It will apply to foreign institutional investors, FIIs that have claimed benefits under any Double Tax Avoidance Agreement (DTAA). Investments made by a non-resident by way of offshore derivative instruments or P-Notes through FIIs, will not be covered by the GAAR provisions. The notification said, investments made before 30 August 2010, will not be scrutinised under GAAR.

RBI appealed against currency garlands

The Reserve Bank of India (RBI) on 11 September 2013 appealed the public not to use bank notes for making garlands, decorating pandals and places of worship or for showering on personalities in social events etc. RBI while issuing the appeal explained that using notes in these activities deface the banknotes and shorten their life.

Banknotes should be respected as the symbol of the Sovereign and public should not misuse them. People should help in increasing the life span of banknotes. The Reserve Bank of India is taking all measures to supply clean banknotes across the country and urged the members of public to contribute their mite to its efforts in pursuing a clean note policy for the country. There is no specific provision under the Banking Regulation Act, 1949, or under RBI Act, 1934 to check or prevent such misuse of currency notes.

Foundation of MEMU Coach Factory was laid at Bhilwara

The foundation stone of Mainline Electrical Multiple Unit (MEMU) Coach Factory was laid on 22 September 2013 at near Rupaheli Station, Bhilwara District, Rajasthan. MEMU Coach Factory had been approved in the Rail Budget 2013-14 at an estimated cost of 800 crore rupees. This factory is a joint effort of Indian Railways, Government of Rajasthan and BHEL. MOU between Ministry of Railways and BHEL was signed for setting up for this factory on 25 February 2013.

MOU between Ministry of Railways and Government of Rajasthan for providing 518 acres of land free of cost for setting up for this factory was signed on 21 September 2013. Once operational, this factory will meet the demand of MEMU Coaches on Indian Railways to a large extent. Besides, it will generate direct and indirect employment & give thrust to area development. With establishment of the factory Bhilwara will now have a new identity that of MEMU Coach Factory, besides being a textile city.

Entire cost of this factory will be incurred by BHEL. Presently the only source manufacturing of the MEMU coaches is Rail Coach Factory (RCF), Kapurthala of Indian Railways, which has been manufacturing about 112 coaches per year. The new factory in Bhilwara will further facilitate the supply of additional MEMU coaches required by Indian Railways.

MEMU Trains

MEMU trains are very popular in non suburban sections. These trains are usually used by local commuters to commute from nearby rural areas and small towns to bigger cities for work. They have higher carrying capacity. MEMU trains ensure a better and economical mode of transport for people to commute daily for the livelihood. These trains are more powerful and have faster acceleration and deceleration as compared to conventional trains. This results in less running time resulting in saving of 30 percent in energy consumption. These trains are equipped with toilet and are vestibuled for greater passenger comfort.

Austerity Measures to Contain Rising Fiscal Deficit Announced

The Union Minister of Finance, P. Chidambaram, on 18 September 2013 announced the strictness measures such as a complete ban on the creation of non-plan and plan posts, as well as a slash in the non-plan expenditure by 10 percent. The austerity measures were announced in order to contain the non-developmental expenditure as well as for the promotion of fiscal discipline. In order to cut the rising fiscal deficit of 4.8 percent of the GDP in 2013-14, the strictest of all measures include an overall halt on the new appointments. It is important to note that this is the strictest measure on the part of the UPA Government despite being in the election year. In the recent job-slashing drive, even the Indian Railways, this is the biggest Government job provider, has not been spared.

The Finance Ministry issued a 4-page memorandum which stated, "Posts that have remained vacant for over a year are not to be revived except under very rare and unavoidable circumstances and after seeking the clearance of the Department of Expenditure." This implies that there will be no recruitment now till the betterment of the economy.

In the meanwhile, the Finance Ministry also stated that there should be maintenance of discipline in the fiscal transfers. The Union Government of India from now will not be transferring any funds for the schemes which are under the planned expenditure, until and unless the States release the funds of equal amount. The Finance Ministry issued warning that even the release of the grants-in-aid will be monitored very strictly. Apart from this, all the State Governments will have to now on, furnish the monthly returns of Plan expenditure on Central, Centrally-sponsored and State plans together with the reports on the amount which is outstanding in the Public Accounts.

The Central Government as well as its employees were asked to travel in the economy class, apart from the officials in upper scale. The upper scale officials are allowed to travel through the executive class. However, all the employees have been issued advice to travel with the cheapest tickets available. Other instructions issued by the Finance Ministry included not buying the new cars, not rushing for procuring avoidable items and no advance payment unless sanctioned by the Dept of Expenditure on compassionate grounds. The Union Minister of Finance explained that by tightening the belt, the Indian economy would pick up by 2014. These measures have been announced at the time when the fiscal deficit of India reached 62 percent of the Budget target in merely four months time period, i.e., from April-July 2013-14.

RBI issued norms for Currency Swap Window

Reserve Bank of India on 8 August 2013 issued norms for currency swap window from Mumbai.

The Reserve Bank also cleared that the facility of currency swap would be made available to scheduled commercial banks (excluding regional rural banks) for fresh Foreign Currency Non-Resident Bank (FCNRB) deposits, which would be mobilized for a minimum tenure of three years.

The Reserve Bank also mentioned that the deposits can be made in any permitted currency, but the swaps would be made available only in dollars.

The Swap Window would remain functional and under operations on all working days at Mumbai on daily basis but a particular bank can access the facility of currency swap only once in a week. The Swap Window would remain operation from 10 September to 30 November 2013.

Currency Swap

A foreign exchange agreement between the two institutions for exchange aspects of a loan in one current for equivalent aspects of an equal in net present value loan in another currency is Currency Swap.

RBI Banned Zero Percent Interest Rate Schemes for Purchase of Consumer Goods

Reserve Bank of India on 25 September 2013 banned zero per cent interest rate schemes for purchase of consumer goods. The decision has taken in order to protect consumer interest. In this regard Reserve Bank of India issued a notification to all the Schedule Commercial Banks and local area banks.

Reserve Bank of India Directives

1. The very concept of zero per cent interest is non-existent and such schemes only serve the purpose of alluring and exploiting vulnerable customers. Banks should neither resort to any practice that would distort the interest rate structure of a product nor hide any processing fees.
2. With regard to subvention, the loan amount sanctioned for any purchase should be only after all the benefits and discounts are passed on to the customer fully and indiscriminately, without tampering with the applicable rate of interest.
3. The consumers should not be levied any additional charge for payments made through debit cards.
4. All banks must stop these practices as they violate the very principle of fair and transparent pricing of products which beholds customer rights and protection, especially, in the more vulnerable retail segment.

In the zero percent EMI schemes offered on credit card outstandings, the interest element is often camouflaged and passed on to customer in the form of processing fee.

RBI Increased the Repo Rate

The Reserve Bank of India (RBI) on 20 September 2013 increased the repo rate or the short term lending rate by 25 basis points to 7.5 per cent from 7.25 per cent with immediate effect. This means that the Repo rate has been increased by 0.25 percent. The Governor of RBI, Raghuram Rajan while reviewing the monetary policy for the first time as a Governor, however, brought down the marginal standing facility (MSF) rate by 0.75 per cent to 9.5 per cent. The MSF rate is the one at which the other banks can borrow from the Central Bank. The cash reserve ratio (CRR) remained unchanged at 4 percent. The cash reserve ratio (CRR) is the portion of the deposits which the banks need to maintain in cash with the RBI. The RBI, in the meanwhile, also brought down the minimum daily maintenance of CRR from 99 percent of the requirement to 95 percent with effect from 21 September 2013. All these changes were a part of the monetary policy review for September 2013. The next monetary policy review of the Reserve Bank of India (RBI) is scheduled for 29 October 2013.

CCEA Took Steps For Operationalisation of Infrastructure Debt Funds

The Cabinet Committee on Economic Affairs (CCEA) on 23 September 2013 took some steps to promote the operationalisation of Infrastructure Debt Funds (IDFs).

Steps taken by The Cabinet Committee on Economic Affairs (CCEA)

- Capping of the annual Guarantee Fee payable to the Concession Authority at 0.05 percent per annum, of outstanding debt financed by the IDF NBFC (Non Banking Financial Companies) for the first three years of operation of the IDF NBFC.
- Now Infrastructure Debt Funds (IDF) will get the status of Public Financial Institutions (PFI). Infrastructure Debt Funds are permitted to file Shelf Prospectus under Section 60 A of the Companies Act, 1956 and access to provisions of the SARFAESI Act, including to the adjudicatory process through Debt Recovery Tribunals.
- Post-successful COD PPP (commercial Operation Declaration) projects shall now be eligible for investment by Insurance Companies, Provident Funds (PFs), EPFO, Mutual Funds (MFs), etc.

About Infrastructure Debt Funds (IDF)

- IDFs are investment vehicles which can be sponsored by commercial banks and NBFCs in India in which domestic/offshore institutional investors, specially insurance and pension funds can invest through units and bonds issued by the IDFs.
- IDFs would essentially act as vehicles for refinancing existing debt of infrastructure companies, thereby creating fresh headroom for banks to lend to fresh infrastructure projects.
- IDF-NBFCs would take over loans extended to infrastructure projects which are created through the Public Private Partnership (PPP) route and have successfully completed one year of commercial production. Such take-over of loans from banks would be covered by a Tripartite Agreement between the IDF, Concessionaire and the Project Authority for ensuring a compulsory buyout with termination payment in the event of default in repayment by the Concessionaire.

Expert Committee to revise and strengthen Monetary Policy Framework

Reserve Bank of India on 12 September 2013 constituted an expert committee forexamining its Current Monetary Policy Framework. The committee would be responsible to recommend the measures to revise and strengthen the Monetary Policy Framework, by making it transparent and predictable.

Dr. Urjit Patel, Deputy Governor of Reserve Bank of India has been appointed as the Chairman of the Committee.

The terms of reference of the Committee are:

- To review the objectives and conduct of monetary policy in a globalised and highly inter-connected environment.
- To recommend an appropriate nominal anchor for the conduct of monetary policy.
- To review the organisational structure, operating framework and instruments of monetary policy, particularly the multiple indicator approach and the liquidity management framework, with a view to ensuring compatibility with macroeconomic and financial stability, as well as market development.
- To identify regulatory, fiscal and other impediments to monetary policy transmission, and recommend measures and institutional pre-conditions to improve transmission across financial market segments and to the broader economy.
- To carefully consider the recommendations of previous Committees/Groups in respect of all of the above.

The Committee is expected to submit its report within three months.

RBI allowed the Non-Resident Investors to buy Shares under FDI Scheme

The Reserve Bank of India on 6 September 2013 allowed the Non-Resident Investors including NRIs to purchase shares of Indian entities Under FDI Scheme. The investment can be made as per the mentioned conditions. RBI has allowed the NRIs to make investment under the FDI scheme only on the listed entities, on recognized stock exchanges.

The Reserve Bank of India has decided to include the non-residents, including the NRIs to acquire the shares of domestic companies listed under FDI scheme, on the stock exchanges through a registered broker, if the investor has already acquired and continues to hold control in accordance with SEBI, Substantial Takeover Code. RBI has also cleared that the inward remittance using the normal banking channels can be used for payment of the transfer of shares to non-residents consequent to purchase. The debit to the NRE pr FCNR account of a person with authorized dealer or bank can also be considered for making the payment of the transferred shares. Escrow Accounts (non-interest bearing) maintained in India can also be used to debit the payment.

The prices of the transfer of the shares for the non-resident shareholders would be made in accordance to the pricing guidelines mentioned under, FEMA. Till now, the FIIs (Foreign Institutional Investor), QFIs (Qualified Foreign Investors) and NRIs were eligible to invest and acquire the shares on the recognized stock exchanges of India in compliance with the FEMA (Foreign Exchange Management Act) regulations. But the NRIs were not allowed to acquire shares on exchange (bourses) under the FDI Scheme.

Import Duty on Gold Hiked

The Union Government of India on 17 September 2013 hiked the import duty on gold from 10 percent to 15 percent. The hike is aimed at protecting the domestic industry. The import duty on Silver was also increased from 10 percent to 15 percent.Before the hike in import duty, Reserve Bank of India (RBI) took several steps to limit the imports to meet genuine domestic demands for jewellery and export purposes. Gold jewellery imported during 2012-13 stood at 5.04 billion US Dollar. In the April-June quarter of the current financial year 2012-13, it was 112 million US Dollar. Value of the gold imports decreased to 650 million US Dollar in August 2013 in comparison to 2.2 billion US Dollar in July 2013. The government hiked the import duty on gold August 2013 for the third time in 2013 as a part of the measures to contain the widening current account deficit. The duty on silver and platinum were also increased to 10 per cent in August 2013.Earlier the import duty on gold was hiked from 4 percent to 6 percent in January 2013. India is the largest importer of gold in the world, which is mainly utilised to meet demand from the jewellery industry. Import of gold is mainly responsible for the rise in Current Account Deficit (CAD) and impacts the foreign exchange reserves of the country as well as the value of rupee. Current Account Deficit (CAD) touched a high of 4.8 per cent of GDP in the 2012-13.

What is Current Account Deficit?

Current Account Deficit occurs when a country's total imports of goods, services and transfers are greater than the country's total export of goods, services and transfers.

SEBI relaxed KYC norms for foreign investors

Securities and Exchange Board of India (SEBI) on 12 September 2013 issued the new Guideline to make Know Your Client requirements (KYC) easy for foreign investors. These guidelines related to registration and disclosure norms for low risk foreign investors. SEBI classified foreign investors into three categories depending on their risk profile like category I, category II and category III.

Category I includes

Government and Government related foreign investors such as Foreign Central Banks, Governmental Agencies, Sovereign Wealth Funds, International, Multilateral Organizations and Agencies.

Category II includes

- Regulated broad based funds such as Mutual Funds, Investment Trusts, Insurance / Reinsurance Companies.
- Appropriately regulated entities such as Banks, Asset Management Companies, Investment Managers/ Advisors, Portfolio Managers.
- Broad based funds whose investment manager is appropriately regulated.

- University Funds and Pension Funds
- University related Endowments already registered with SEBI as FII/Sub Account .

Category III includes

All other eligible foreign investors investing in India under PIS route not eligible under Category I and II such as Endowments, Charitable Societies/ Trust, Foundations,

Corporate Bodies, Trusts, Individuals, Family Offices

Category I investors have been exempted from submission of documents like financial statements and board resolution papers. Their top management, partners, directors, trustees and authorised signatories would not be required to submit proof of identity, proof of address and photographs, submission of the list, identity proof, address proof and photographs for their ultimate beneficial owners.

SEBI decision to reclassify foreign investors as per their risk profiles was recommended by a committee headed by former Cabinet secretary K M Chandrasekhar.

Comment

These measures come at a time when concerns are being raised about outflows of foreign capital and weakening of the rupee against the dollar and other foreign currencies. The new norms are expected to make it much easier for the foreign investors to enter the country and make investment decisions.

Government Notified Changes in the FDI Policy

The Union Government of India on 10 September 2013 notified changes in the FDI policy under FEMA regulations, paving the way for larger overseas investments in sectors, such as multi-brand retail and telecom.It is effective from 22 August 2013. As per the revised guidelines, the government relaxed norms for multi-brand retail trading and eased the mandatory 30 per cent local sourcing norms for companies. It has also widened the definition of the term control for mergers and acquisitions, involving overseas companies, a move that will provide more clarity to foreign investors.The government notification follows the Cabinet decision of 2 August 2013 to relax overseas investment norms. As per the notification, control will include the right to appoint a majority of directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreement or voting agreements. The expanded reach of the term control will help calculate the total foreign investment; direct and indirect in Indian companies. Prior to this, control was considered the entity with the power to appoint the majority of directors in a company.

CCEA approved the Methodology for Coal Block Auction

Cabinet Committee on Economic Affairs (CCEA) on 24 September 2013 approved the methodology for auction by competitive bidding of the coal blocks. The methodology provides for auctioning the fully explored coal blocks and also provides for fast tracking the auction by exploration of regionally explored blocks through up gradation of geological data to a reasonable level of certainty. The methodology approved by the Government provides for production linked payment on rupee per tonne basis, plus a basic upfront payment of 10% of the intrinsic value of the coal block. The intrinsic value of coal block will be calculated on the basis of Net Present Value (NPV) of the block arrived at through Discounted Cash Flow (DCF) method. To benchmark the selling price of coal, the international FoB price from the public indices like Argus/Platts will be used by adjusting it by 15% to provide for inland transport cost which would give the mine mouth price. In order to avoid short term volatility the average sale price will be calculated by taking prices during the last 5 years. For the regulated power sector, it has been decided to provide for 90% discount on the intrinsic value for tariff based bidding. This methodology will help in rationalizing the power tariff.

In order to ensure firm commitment, there would be an agreement between Ministry and the bidder to perform agreed minimum work programmes at all stages. There would be development stage obligations in terms of milestones to be achieved such as getting mining lease, obtaining environment/forest clearances etc. The bidder will have to give performance guarantee during the developmental stage. The successful bidder will get 2 years for exploration (for regionally upgraded blocks) and 5 years for development of coal blocks. The new policy also provides for relinquishment of the block without penalty provided, the bidder has carried out minimum work programme stipulated in the agreement. Ministry of Environment and Forest will review the details of the coal blocks and communicate its findings before the blocks are put to auction. However, final approval will be subject to the statutory clearances under the law. Exploration activities in identified coal blocks are at advanced stage and are likely to be completed shortly. Thereafter these blocks would be put to auction under the Competitive Bidding of the Coal Mines Rules, 2012, which were notified on2 February 2012.

RBI liberalised norms for banks to open branches in Tier I cities

Reserve Bank of India (RBI) on 19 September 2013 announced that banks can open their branches in tier 1 centers without taking its permission in each case .But RBI imposed some conditions to open branches. According to 2011 census Tier I center are those with population above 1 lakh.

Conditions Imposed by Reserve Bank of India (RBI)

RBI passed the guidelines under following conditions:

- Banks should open 25 percent of their branches in a financial year in Un-banked tier-V and tier-VI centers as earlier.
- Total number of branches in tier –I center's can't exceed the number of branches opened in tier-2 to tier-6 centers during a year.
- If the banks are unable to open all tier – 1 branches during that year, they can carry it over for next two years
- If the banks unable to open requisite branches in tier- II to tier- VI centers for some reason, it should necessary rectify the shortfall in the next financial year.

Russia Lifted Ban on Import of Non-Basmati Rice and Oilseeds from India

Russia lifted the ban on import of non-basmati rice from India on 10 September 2013, which will eventually lead to an increase in the export of non-basmati rise from India. Russia also lifted the ban on the oilseeds apart from non-basmati rice. It is important to note that the Russian Federation had imposed ban on these commodities in December 2012 because of the presence of khapra beetles pest in rice and aflatoxin contamination of peanuts. Thereafter, from 23 June 2013 to 30 June 2013, Federal Service for Veterinary and Phytosanitary Surveillance (FSVPS) delegation from Russia inspected the processing units in India, which eventually led to a lift on the ban and resumption of the trade on these commodities between India and Russia. The Ministry of Foreign Affairs of the Russian Federation submitted its report on the inspection.

India, at present, is the second largest producer of rice in the world with the output of 104.40 million tonnes in the 2012-13 crop year (July-June). India exports a considerable quantity of basmati as well as non-basmati rice in foreign markets. The International Grain Council (IGC) in the recent past however estimated that the rice export of India in 2013-14 would be 8.5 million tonnes, which is around 10 percent lower than the 9.4 million tonnes exported in 2012-13. The overall export of basmati rice to Russia was 789.19 tonnes during 2012-13 fiscal year before the imports were suspended. It is important to note that khapra beetle, also known as Trogoderma granarium was discovered in certain consignments in early 2012. Khapra beetle is one of the most destructive pests of the world found in the stored products as well as seeds.

RBI relaxed Trade Credit Norms to raise Funds from Abroad

The Reserve Bank of India on 24 September 2013 relaxed trade credit norms to raise funds from abroad. In a notification, the RBI stated that all types of companies can avail trade credit facility now from overseas for import of capital goods. The RBI further added that on a review, it has been decided to allow companies in all sectors to avail trade credit not exceeding 20 million US Dollars up to a maximum period of five years for import of capital goods as classified by the Director General of Foreign Trade. Earlier, only companies in the infrastructure sector were allowed to raise such trade credits. Banks are, however, not permitted to issue Letters of Credit/guarantees/Letter of Undertaking (LoU) /Letter of Comfort (LoC) in favour of overseas supplier, bank and financial institution for the extended period beyond three years.

RBI Announced Committee to Frame Vision for Financial Inclusion

The Reserve Bank of India (RBI) on 23 September 2013 announced the appointment of a Committee on Comprehensive Financial Services for Small Businesses and Low-Income Households under the Chairmanship of Nachiket Mor, who is a Member on the Central Board of Directors of RBI.

Objectives of the Committee

The 15-member committee has been asked to frame a clear and detailed vision for financial inclusion and financial deepening in India. Committee is to lay down a set of design principles that will guide the development of institutional frameworks and regulation for achieving financial inclusion and financial deepening in India.

Committee will review existing strategies and develop new ones that address specific barriers to progress, and that encourage participants to work swiftly towards achieving full inclusion and financial deepening, consistent with the design principles. Further, Committee is to develop a comprehensive monitoring framework to track the progress of the financial inclusion and deepening efforts on a nationwide basis.

The committee has been asked to submit its final report by 31 December 2013. The committee members are: Bindu Ananth (President, IFMR Trust); Prakash Bakshi (Chairman, Nabard); Bharat Doshi (Chairman, Mahindra & Mahindra Financial Services); A. P. Hota (Managing Director and CEO, National Payments Corporation of India); Sunil Kaushal (CEO, Standard Chartered Bank India); Roopa Kudva (MD and CEO, Crisil); Zia Mody (Managing Partner, AZB & Partners); S. S. Mundra (CMD, Bank of Baroda); Vikram Pandit (former CEO, Citigroup); Ramesh Ramanathan (Chairman, Janalakshmi Financial Services) and Shikha Sharma (MD & CEO, Axis Bank). A. Udgata, Principal Chief General Manager, RBI is the Member Secretary. Karuppasamy and Deepali Pant Joshi, both Executive Directors, RBI will be the expert observers.

Bhartiya Mahila Bank Started Recruitment Process

Bhartiya Mahila Bank, the first nationalised bank for women expected to be operational from November 2013.Bhrtiya Mahila Bank In its first advertisement on 18 September 2013 announced that the Bharatiya Mahila Bank (BMB) will recruit 115 vacancies from female candidates only.

Main Objective of Bhartiya Mahila Bank

The main objective of Bhartiya Mahila Bank is to focus on the banking needs of the women and promote economic empowerment. It will also addresses the gender related issues and helpful in financial inclusion.

Headquarter of Bharitiya Mahila Bank and branches

- The proposed bank will be headquartered in New Delhi.
- It will start with 6 branches in North, South, West, Central and North Eastern part of the country. Bharatiya Mahila Bank proposes to complete the first six branches at Mumbai, Delhi, Kolkata, Chennai, Indore and Guwahati by October 15.

About Bharitiya Mahila Bank

- The bank aims to service women and women-run businesses, support women's self-help groups and their livelihoods and promote further financial inclusion in a country where only 35 percent of Indian adults have access to a bank account.

- An only-for-women bank first time in India.
- The announcement to set up all Women's bank was made by Finance Minister of India P Chidambaram in the Budget speech 2013-14.
- The Cabinet cleared the proposal for setting up of all-women bank on August 2013.
- The government has approved 1000 crore Rupees seed capital for Bhartiya Mahila Bank.
- Reserve Bank of India gave its in-principal approval for the Bharatiya Mahila Bank in June 2013 and the banking company is being set up.