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Weekly Updates

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WEEKLY UPDATES

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INDUSTRY

➤ IIP, CPI data show steady growth: Finance Ministry

The finance ministry has said latest data for Index of Industrial Production (IIP) and Consumer Price Index (CPI)-New Series points at steady improvement in the Indian economy. The August IIP growth has registered an increase of more than 6 % after 34 months, a ministry statement said .

“Cumulative IIP growth in the first five months in 2015-16 at 4.1% better than the growth of 3 % in the same period last year,” it said adding that the manufacturing sector growth at 6.9 % in August has spearheaded industrial production. Double digit growth in capital goods (21.8 %) and consumer durables (17%) in August 2015, helped of course by a favourable base effect, imply improvement in investment and consumption demand, it said.

Industrial growth data is a reflection of recovery in the economy, predominantly led by domestic demand as the external sector environment continues to be sluggish, the statement said.

Read more at: <http://economictimes.indiatimes.com/news/economy/indicators/iip-cpi-data-show-steady-growth-finance-ministry/articleshow/49345482.cms>

➤ Wholesale prices fall for the 11th straight month in September

India's wholesale prices fell for the 11th straight month in September, declining 4.54% from a year ago, compared with a 4.95% drop in August. A steep 17.71% fall in fuel prices kept the Wholesale Price Index in the negative zone, data released by the commerce department. The index for September is in line with expectations and does not have any policy implications, apart from highlighting continued price pressure in pulses and onions.

Read more at: <http://economictimes.indiatimes.com/news/economy/indicators/wholesale-prices-fall-for-the-11th-straight-month-in-september/articleshow/49367678.cms>

➤ September trade deficit drops to \$10.5 billion; exports decline by 24.33%

Contracting for the 10th month in a row, India's merchandise exports dipped 24.33 per cent in September to USD 21.84 billion, mainly due to steep fall in shipments of petroleum products, iron ore, and engineering goods amid tepid global demand.

The imports too shrank 25.42 per cent to USD 32.32 billion in September on yearly basis, thus narrowing the trade gap to 10.47 billion from USD 14.47 billion recorded in the same month of 2014.

Read more at: <http://economictimes.indiatimes.com/news/economy/indicators/september-trade-deficit-drops-to-10-5-billion-exports-decline-by-24-33/articleshow/49385760.cms>

➤ Forex reserves up \$2.263 billion to \$353.069 billion

India's foreign exchange reserves rose to \$353.069 billion at the end of October 9, close to its all time high of \$355.459 billion seen on June 26. Reserve Bank of India said that forex reserves rose \$2.26 billion in the week to October 9 with overseas portfolio investors driving dollar inflows into Indian debt and equity markets.

Read more at: http://economictimes.indiatimes.com/article-show/49415731.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

➤ Indian consumer inflation accelerates; factory output jumps

India's annual consumer price inflation quickened to 4.41 percent in September from a year earlier, compared to an annualised 3.66 percent in August, government data showed.

Read more at: <http://in.reuters.com/article/2015/10/12/india-economy-inflation-view-idINKCN0S61AZ20151012>

➤ Manufacturing sector growth improves in October: SBI Index

Country's manufacturing sector growth improved in October largely driven by the manufacturing sector, but mining and electricity are still acting as a drag on the economic activity, says a report. The monthly SBI Composite Index, an indicator for manufacturing activity in the country, increased to 50.8 in October from 48.4 in September. However, the yearly index for October stood at 53.6 compared with last month index of 53.9.

Read more at: <http://economictimes.indiatimes.com/news/economy/indicators/manufacturing-sector-growth-improves-in-october-sbi-index/articleshow/49452085.cms>

➤ Rising food prices push Sept CPI up to 4.4 pct

A rise in some food prices lifted Indian retail inflation in September after it had hit a record low in the previous month, but inflation is expected to remain low thanks to falling global commodity prices.

Read more at: <http://www.reuters.com/article/2015/10/12/india-economy-cpi-idUSL3N12C3LW20151012>

➤ Preview - India Sept consumer inflation seen picking up from record low

India's retail inflation likely picked up in September, driven by higher food prices, but will remain comfortably below the Reserve Bank of India's target and allow room for further policy easing, a Reuters poll showed.

Read more at: <http://in.reuters.com/article/2015/10/09/india-economy-output-inflation-idINKCN0S309H20151009>

➤ Gold imports decline in September

After rising for two months, gold imports reduced to almost half in September to USD 2 billion, trade data released by the Commerce Ministry showed. The imports shrunk 45.62 per cent in September to USD 2.057 billion as against USD 3.783 billion in the similar month last year. The import of another precious metal silver too declined by 9.23 per cent to about USD 433.5 million. There was also a decline of nearly 28 per cent in imports of pearls, precious and semi-precious stones. Export of gems and jewellery contracted by 18.81 per cent to USD 3.64 billion in September as against USD 4.48 billion in the similar period last year, the data showed.

Read more at: <http://economictimes.indiatimes.com/news/economy/indicators/gold-imports-decline-in-september/article-show/49387497.cms>

➤ Japan and Andhra Pradesh signed a Memorandum of Co-operation (MoC) to promote investments by Japanese companies in the state. The MoC was signed by Andhra Pradesh Chief Minister N Chandrababu Naidu and Japanese State Minister for Economy, Trade and Industry (METI) Yosuke Takagi, an official release said. A memorandum of understanding (MoU) was also signed between Andhra Pradesh Finance department and Japan Bank for International Cooperation (JBIC) for inviting foreign investments and develop the state's new capital city and the region. JBIC intends to promote investment in and export to the state by Japanese companies and is willing to develop mutual relationship of cooperation.

Read more at: http://economictimes.indiatimes.com/article-show/49494976.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

➤ Haryana announces new integrated licencing policy

The Haryana government announced the launch of New Integrated Licencing Policy (NILP) 2015 for the development of hyper and high potential urban complexes.

Terming it as a "game changer", the state government said the policy finds proper balance between the aspirations of farmers, property buyers, real estate developers and the government. Blaming previous "faulty policy" for the lack of proper development in the

state, Haryana Chief Minister Manohar Lal Khattar said the new policy will not allow "manipulative methods" adopted by some real estate companies in the past for availing "undue favour".

Read more at: <http://economictimes.indiatimes.com/news/economy/policy/haryana-announces-new-integrated-licencing-policy/articleshow/49508429.cm>

➤ LLP incorporation certificate to have national emblem: Government

The government has amended certain rules pertaining to Limited Liability Partnership (LLP) entities, which now require to have national emblem on their certificate of incorporation. The changes have been made by the Corporate Affairs Ministry which is implementing the LLP Act. In an LLP, the partners have limited liabilities and the entity has features of both partnerships and corporations.

Under the revised rules, the national emblem would be there in the certificate of incorporation. The same would be applicable for certificates of registration on conversion and establishment of place of business in India. Among others, entities that are converting themselves into an LLP have to intimate the same to the Ministry through a particular form within 15 days from registering itself as an LLP.

Read more at: http://economictimes.indiatimes.com/article-show/49456742.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

Read Notification: http://www.mca.gov.in/Ministry/pdf/LLP_Notification_15102015.pdf

➤ Now LLPs have to furnish Annual Return of foreign assets and liabilities to RBI

In order to capture the statistics relating to Foreign Direct Investments (FDI), both inward and outward, by Limited Liabilities Partnerships (LLPs) in India, it has been decided that henceforth, all LLPs that have received FDI and/or made FDI abroad (i.e. overseas investment) in the previous year(s) as well as in the current year, shall submit the FLA return to the Reserve Bank of India by July 15 every year, in the format as prescribed in the A.P (DIR Series) Circular No. 145 dated June 18, [...]

Read more at: <http://rbidocs.rbi.org.in/rdocs/Notification/PDFs/N21087350A25FE6345379E5159E8F83FA6B5.PDF>

➤ Guidelines in FDI for insurance firms issued

The Insurance Regulatory and Development Authority of India (IRDAI) said the total foreign investment in Indian insurance

companies had been capped at 49 per cent. The regulator gave three months to insurers to comply with these norms from the date of issue of the guidelines. Ashvin Parekh, managing partner, Ashvin Parekh Advisory Services, said the guidelines provide clarity on foreign investments.

Read more at: http://www.business-standard.com/article/finance/guidelines-in-fdi-for-insurance-firms-issued-115101901361_1.html

➔ IRDA unveils guidelines on 'Indian owned and Controlled entities'

Guidelines on "Indian owned and controlled" The Insurance laws (Amendment) Act 2015 introduced some much awaited reforms, including, increasing the foreign investment cap in the insurance sector to 49 percent, permitting overseas reinsurers to open branch offices to carry out reinsurance business in India, etc. The Insurance laws (Amendment) Act, 2015 also provides for "Indian Owned and controlled" requirement for an Indian Insurance Company. The Insurance Laws (Amendment) Act, 2015 defines Indian insurance company under section 2(7A).

Read more at: <https://corporatelaws.taxmann.com//topstories/10401000000046697/irda-unveils-guidelines-on-indian-owned-and-controlled-entities.aspx>

➔ Jharkhand to upgrade infrastructure including road, rail networks to attract more investment

After making it to the top three states in the country in terms of ease of doing business, Jharkhand is now focusing on a massive uplift of basic infrastructure including road, rail and power networks to usher in the next stage of reforms and attract more investment. As part of this plan, the state is also aggressively pushing for private investment in mineral exploration and looking to rope in private talent in government departments and key state entities.

Read more at: http://economictimes.indiatimes.com/article-show/49488385.cms?utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst

CUSTOMS

➔ Increase in Custom Duty on import of wheat to 25%

Notification No. 51/2015 –Customs Dated-19th October, 2015- seeks to further amend notification No. 12/2012-Customs dated 17.03.2012 so as to increase the basic customs duty on wheat [CTH 1001 19 00 and 1001 99 10] from the present rate of 10% to 25% for a period up to and inclusive of 31.03.2016. In view of the continued fall in international prices of wheat and the anticipated

adverse impact of increased imports during the first half of this financial year, basic customs duty on wheat has increased.

Read more at: <http://www.cbec.gov.in/htdocs-cbec/customs/cs-act/notifications/notfns-2015/cs-tarr2015/cs51-2015>

➔ Increases in the basic customs duty on ghee, butter and butter oil from the 30% to 40%

CBEC increases the basic customs duty on ghee, butter and butter oil from the present rate of 30% to 40% for a period upto and inclusive of the 31st day of March, 2016 vide [Notification No. 49/2015-Cus, dt. 05-10-2015](#).

➔ CBEC amends notification No. 12/2012-Customs dated 17.03.2012 so as to:

- extend zero import duty regime for all pulses except gram [CTH 0713 20 00] and lentil [CTH 0713 40 00] without an end date;
- extend zero import duty regime for gram [CTH 0713 20 00] and lentils [CTH 0713 40 00] only up to 31.12.2015

Source: [Notification No. 48/2015-Cus, dt. 30-09-2015](#)

➔ Tariff Notification in respect of fixation of T V of Edible oil, Brass, Poppy seed, Areca nut, gold and Silver vide [Notification No. 100/2015-Cus \(NT\), dt. 15-10-2015](#).

Read more at: <http://www.cbec.gov.in/htdocs-cbec/customs/cs-act/notifications/notfns-2015/cs-nt2015/csnt100-2015>

➔ CBEC levied definitive anti-dumping duty on:

- imports of Plain medium Density Fibre Board of thickness 6 mm and above, originating in or exported from the People's Republic of China, Malaysia, Thailand and Sri Lanka for a period of five years vide [Notification No. 48/2015-Cus \(ADD\), 21-10-2015](#).
- imports of Front Axle Beam and Steering Knuckles for medium and heavy commercial vehicles, originating in or exported from the People's Republic of China for a period of five years vide [Notification No. 49/2015-Cus \(ADD\), dt. 21-10-2015](#).
- imports of Hexamine, originating in or exported from the People's Republic of China and UAE for a period of five years vide [Notification No. 50/2015-Cus \(ADD\), dt. 21-10-2015](#).
- imports of All Fully Drawn or Fully Oriented Yarn/Spin Draw Yarn/Flat Yarn of Polyester (non-textured and non POY), originating in or exported from the People's Republic of China and Thailand for a period of five years vide [Notification No. 51/2015-Cus \(ADD\), dt. 21-10-2015](#).

➤ CBEC further amended notification No. 27/2011-Customs dated 01.03.2011 so as to reduce the export duty on export of Iron Ore by MMTC Limited (only NMDC origin) to Japan and South Korea under the Long Term Agreement (LTA), from 30% to 10%, upto and inclusive of 31.03.2018.

Source: [Notification No. 50/2015-Cus, dt. 16-10-2015](#).

➤ Use of digital signature for submission of documents

Board Circular No. 10/2015 - Customs dated 31.03.2015 lays guidelines for use of digital signature certificates for submission through remote EDI filing of customs process documents viz. Bill of Entry, Shipping Bill, Import General Manifest (IGM), Export General Manifest (EGM) by importers, exporters, Customs brokers, airlines and their agents, with effect from 01.04.2015. In terms of Board Circular No 10/2015 - Customs, dated 31.03.2015, importers registered under Accredited Client Programme (ACP) are mandatorily required to file Bills of Entry with digital signature with effect from 01.05.2015. Wherever the customs process documents are digitally signed, the Customs will not insist on the user to physically sign the said documents.

In order to increase coverage of digitally signed documents and subsequent phasing out of physical /manual submission of documents, Board has decided that all importers, exporters using services of Customs Brokers for formalities under Customs Act, 1962, shipping lines and air lines shall file customs documents under digital signature certificates mandatorily with effect from 01.01.2016. The importers/ exporters desirous of filing Bill of Entry or Shipping Bill individually may however have the option of filing declarations/ documents without using digital signature.

Further, wherever the customs process documents are digitally signed, the Customs will not insist on the user to physically sign the said documents.

Source: [Circular No. 26/ 2015- Customs, dated 23.10.2015](#)

➤ Revised Guidelines for Arrest and Bail in relation to offences punishable under Customs Act, 1962 vide Circular 28/2015 dt 23-10-2015.

Read more at: <http://www.cbec.gov.in/resources//htdocs-cbec/customs/cs-circulars/cs-circulars-2015/circ28-2015cs.pdf>

CENTRAL EXCISE

➤ Tower/Blades to be deemed as parts of Wind Operated Electricity Generator; eligible for exemption

Clarification regarding tower and blades constitute an essential

component of Wind Operated Electricity Generators (WOEG) vide Circular 1008/15/2015-CX dated: 20-10-2015.

Read more at: <http://www.cbec.gov.in/htdocs-cbec/excise/cx-circulars/cx-circulars-2015/circ1008-2015cx>

➤ Revised monetary limits for arrest in Central Excise and Service Tax

CBEC has decided to revise the limits for arrests in Central Excise and Service tax. Henceforth, arrest of a person in relation to offences specified under clause (a) to (d) of sub-section (1) of Section 9 of the Central Excise Act, 1944 or under clause (i) or (ii) of sub-section (1) of section 89 of the Finance Act, 1994, may be made in cases where the evasion of Central Excise duty or Service Tax or the misuse of Cenvat Credit is equal to or more than rupees one crore.

Read more at: <http://www.cbec.gov.in/htdocs-cbec/excise/cx-circulars/cx-circulars-2015/circ1010-2015cx>

➤ Central Excise - Guidelines for launching of Prosecution under the Central Excise Act, 1944 and Finance Act, 1994 regarding Service tax

Whoever commits any of the offences specified under sub-section (1) of Section 9 of the Central Excise Act, 1944 or sub-section (1) of section 89 of the Finance Act, 1994, can be prosecuted. Section 9AA (1) of Central Excise Act, 1944 provides that where an offence under this Act has been committed by a company, every person who, at the time offence was committed was in charge of, and was responsible to, the company for the conduct of the business of the company, as well as the company, shall be deemed to be guilty of the offence and shall be liable to be proceeded against and punished accordingly.

Read more at: <http://www.cbec.gov.in/htdocs-cbec/excise/cx-circulars/cx-circulars-2015/circ1009-2015cx>

➤ CBEC amends notification No. 12/2012- Central Excise dated 17.03.2012 so as to exempt central excise duty on RBD Palm Stearin, Methanol and Sodium Methoxide used in the manufacture of specified biodiesel subject to actual user condition vide Notification No. 42/2015-CE, dt. 19-10-2015.

Read more at: <http://www.cbec.gov.in/htdocs-cbec/excise/cx-act/notifications/notfns-2015/cx-tarr2015/ce42-2015>

➤ Withdrawal of Order under 37B of Central Excise Act, 1944 on classification of Coconut Oil packed in small containers vide Circular 1007/14/2015-CX dated: 12-10-2015.

Read more at: <http://www.cbec.gov.in/resources//htdocs-cbec/excise/cx-circulars/cx-circulars-2015/circ1007-2015cx.pdf>

SERVICE TAX

➔ Taxability of services provided in relation to remittance of money to India from overseas

Central Government being satisfied that in the period commencing on and from the 1st day of July, 2012 and ending with the 13th day of October, 2014 (hereinafter referred to as the said period) according to a practice that was generally prevalent, there was non levy of service tax on the services provided by an Indian Bank or other entity acting as an agent to the Money Transfer Service Operators (hereinafter referred to as MTSO), in relation to remittance of foreign currency from outside India to India (hereinafter referred to as the said practice), and this service was liable to service tax, which was not being paid according to the said practice.

Now, therefore, as per section 11C of the Central Excise Act, 1944 (1 of 1944) as made applicable to like matters in Service Tax vide section 83 of the Finance Act, 1994 (32 of 1994), the Central Government hereby directs that the service tax payable under section 66B of the Finance Act, 1994, on the service provided by an Indian Bank or other entity acting as an agent to the MTSO in relation to remittance of foreign currency from outside India to India, in the said period, but for the said practice, shall not be required to be paid vide Notification No. 19/2015-Service Tax dated: 14 Oct, 2015

➔ Revised monetary limits for arrest in Central Excise and Service Tax

Central Board of Excise & Customs vide its circular [Circular No. 1010/17/2015-CX dated 23-10-2015 \(F.No. 96/54/2014-CX.1\)](#) has clarified that Prosecution can now be launched where evasion of Central Excise duty or Service Tax or misuse of Cenvat Credit in relation to offences specified under sub-section (1) of Section 9 of the Central Excise Act, 1944 or sub-section (1) of section 89 of the Finance Act, 1994 is rupees one crore or more. Consequently, it has been decided to revise the limits for arrests in Central Excise and Service tax. Now Arrest of a person may be made in cases where the evasion of Central Excise duty or Service Tax or the misuse of Cenvat Credit is equal to or more than Rupees One Crore. It may be noted that earlier vide Central Excise circular no. 974/08/2013-CX and Service Tax circular no. 171/6 /2013-ST both dated 17-7-2015 the limit was Rs.50 Lacs.

➔ CBEC included activities relating to advancement of yoga, in the definition of charitable activities, for the purposes of exemption from Service Tax vide [Notification No. 20/2015-ST dt. 21-10-2015](#).

➔ Based on [Notification No. 20/2015-Service Tax dated 21.10.2015](#), CBEC further amended notification No. 25/2012-Service Tax dated 20.06.2012 so as to exempt specified services pro-

vided by Business Facilitator/Business Correspondent with respect to a Basic Saving Bank Deposit Account covered by Pradhan Mantri Jan Dhan Yojana [PMJDY] in the banking company's rural area branches.

INCOME TAX

➔ CBDT looks to connect with taxpayers online in smaller cases

The Income Tax department has started a pilot project of using e-mails for sending notices, getting replies as well as carrying out tax assessments in an attempt to make sure taxpayers don't have to visit I-T offices physically in smaller cases. The Central Board of Direct Taxes (CBDT) has identified non-corporate charges at five locations and 100 initial cases for e-hearing.

Read more at: <http://timesofindia.indiatimes.com/business/india-business/CBDT-looks-to-connect-with-taxpayers-online-in-smaller-cases/articleshow/49465289.cms>

➔ Income-tax (17th Amendment) Rules, 2015

CBDT vide its notification no.84/2015, dt. 20/10/2015 has amended Income Tax Rules, 1962. The above notification has substituted sub-Rule (1) and (2) of Rule 2F, as follows:-

1. The Infrastructure Debt Fund shall be set up as a Non-Banking Financial Company conforming to and satisfying the conditions provided by the Reserve Bank of India in the Infrastructure Debt Fund - Non-Banking Financial Companies (Reserve Bank) Directions, 2011, vide notification No, DNBS.233/CGM (US)-2011, dated the 21st November, 2011 as amended vide notification no. DNBR.020/CGM (CDS) -2015, dated the 14th May, 2015;

2. The funds of the Infrastructure Debt Fund shall be invested only in Post Commencement operation Date Infrastructure Projects which have completed at least one year of satisfactory commercial operations that are:-

a. Public Private Partnership Projects and are a tripartite agreement with the concessionaire and the project authority for ensuring compulsory buy out and termination payment;

b. Non-Public Private Partnership Projects and Public Private Partnership Projects without a project authority, in sectors where there is no project authority.

Read Full Notification:-

<http://www.incometaxindia.gov.in/communications/notification/notification%20no%2084%20of%202015%20dated%2020th%20oct%202015.pdf>

➔ Income - tax (15th Amendment) Rules, 2015

Central Board of Direct Taxes makes the rules further to amend the Income-tax Rules, 1962, namely Income-tax (15th Amendment) Rules, 2015. In the Income-tax Rules, 1962, in rule 11DD, for sub-rules (2) and (3), the following sub-rules shall be substituted, namely:-

(2) The prescription in respect of the diseases or ailments specified in sub-rule (1) shall be issued by the following specialists:-

(a) for diseases or ailments mentioned in clause (i) of sub-rule (1) - a Neurologist having a Doctorate of Medicine (D.M.) degree in Neurology or any equivalent degree, which is recognised by the Medical Council of India;

(b) for diseases or ailments mentioned in clause (ii) of sub-rule (1) - an Oncologist having a Doctorate of Medicine (D.M.) degree in Oncology or any equivalent degree which is recognised by the Medical Council of India;

(c) for diseases or ailments mentioned in clause (iii) of sub-rule (1) - any specialist having a post-graduate degree in General or Internal Medicine, or any equivalent degree which is recognised by the Medical Council of India;

(d) for diseases or ailments mentioned in clause (iv) of sub-rule (1) - a Nephrologist having a Doctorate of Medicine (D.M.) degree in Nephrology or a Urologist having a Master of Chirurgiae (M. Ch.) degree in Urology or any equivalent degree, which is recognised by the Medical Council of India;

(e) for diseases or ailments mentioned in clause (v) of sub-rule (1) - a specialist having a Doctorate of Medicine (D.M.) degree in Hematology or any equivalent degree, which is recognised by the Medical Council of India;

Provided that where in respect of any diseases or ailments specified in sub-rule (1), the patient is receiving the treatment in a Government hospital, the prescription may be issued by any specialist working full-time in that hospital and having a post graduate degree in General or Internal Medicine or any equivalent degree, which is recognised by the Medical Council of India.

(3) The prescription referred to in sub-rule(2) shall contain the name and age of the patient, name of the disease or ailment along with the name, address, registration number and the qualification of the specialist issuing the prescription:

Provided that where the patient is receiving the treatment in a Government hospital, such prescription shall also contain the name and address of the Government hospital.

Read more at: http://www.incometaxindia.gov.in/communications/notification/notification78_2015.pdf

SEBI

➔ Risk management for Regional Commodity Derivatives Exchanges

Pursuant to Section 131 of the Finance Act, 2015 and Central

Government notification F.No. 1/9/SM/2015 dated August 28, 2015, all recognized associations under the Forward Contracts (Regulation) Act, 1952 are deemed to be recognized stock exchanges under the Securities Contracts (Regulation) Act, 1956 with effect from September 28, 2015. This circular applies to Regional Commodity Derivatives Exchanges as defined in the Securities Contracts (Regulation) (Stock Exchanges and Clearing Corporations) (Amendment) Regulations, 2015.

Exchanges shall comply with the following norms latest by April 01, 2016:

a. **Member Deposits:** Exchanges shall continue with their practice of keeping exposure free member deposits at the current level.

b. **Ordinary margins:** Exchanges shall levy minimum ordinary margins of 4% on the open outstanding positions.

c. **Other margins (delivery period margins, additional margins etc.):** Exchanges may levy appropriate delivery period margins, additional margins etc. based on their evaluation.

d. **Additional Ad-hoc Margins:** Exchanges have the right to impose additional risk containment measures over and above the risk containment system mandated by SEBI. However, the Exchanges should keep the following three factors in mind while taking such action:

i. **Additional risk management measures** (like ad-hoc margins) would normally be required only to deal with circumstances that cannot be anticipated or were not anticipated while designing the risk management system. If ad-hoc margins are imposed with any degree of regularity, exchanges should examine whether the circumstances that give rise to such margins can be reasonably anticipated and can therefore be incorporated into the risk management system mandated by SEBI. Exchanges are encouraged to analyse these situations and bring the matter to the attention of SEBI for further action.

ii. Any additional margins that the exchanges may impose shall be based on objective criteria and shall not discriminate between members on the basis of subjective criteria.

iii. Transparency is an important regulatory goal and therefore every effort must be made to make the risk management systems fully transparent by disclosing their details to the public.

e. **Margin computation at client level:** Exchanges shall levy ordinary margins at the level of each individual client comprising his positions in futures contracts across different maturities. For member level margin computation, margins shall be grossed across various clients. The proprietary positions of the member should also be treated as that of a client for margin computation.

f. **Margin Collection and Enforcement:** All applicable margins shall be collected by Exchanges before start of trading on the next trading day. If the member's collateral is insufficient to cover the required margin and deposit requirements, member shall not be allowed by Exchanges to further increase his open positions.

g. **Collateral type to cover margin/deposit requirements:** Exchanges shall collect collateral from their members only in the following form:

- Cash
- Pledging of Bank Fixed Deposits
- Bank Guarantee

h. Mark to market settlement: Daily mark to market settlement of open positions (both gains and losses), based on the Daily Settlement Price (DSP), in cash, before start of trading on the next trading day. DSP shall be reckoned and disseminated by the Exchange at the end of every trading day.

Source: Circular CIR/CDMRD/DRMP/2/2015, October 21, 2015

BANKING

➤ Investments in Market Infrastructure Companies by State Central Cooperative Banks

RBI has been decided to permit investment in shares of Market Infrastructure Companies (MICs) as under:

- Investments made by StCBs/CCBs in MICs will be reckoned as Non-SLR investments;
- StCBs/CCBs are allowed to exceed the limit for investments in Non-SLR securities, if it becomes necessary to do so for acquiring membership of MICs;
- The MICs eligible for such investments by StCBs/CCBs are Clearing Corporation of India Ltd. (CCIL), National Payments Corporation of India (NPCI) and Society for World Wide Inter-Bank Financial Tele-Communication (SWIFT). The list of eligible MICs will be updated from time to time by the Reserve Bank of India.

Source: Notification No. RBI/2015-16/209 [DCBR.CO.RCBD.BC. No. 5/19.51.026/2015-16] dated: October 21, 2015

➤ Services of banking correspondents under Jan Dhan Yojana out of tax loop

The government has exempted from tax the services of a banking correspondent for opening savings account under Jan Dhan Yojana, in a move aimed at promoting financial inclusion. "In order to promote financial inclusion, the government has exempted services provided by a business facilitator or a correspondent to a banking company with respect to basic savings bank deposit accounts covered by Pradhan Mantri Jan Dhan Yojana (PMJDY)..." a finance ministry statement said.

"This is by way of account opening, cash deposits, cash withdrawals, obtaining e-life certificates and Aadhar seeding in rural branches of banking companies from service tax," a finance ministry statement said. The services provided by any person as an intermediary to a business facilitator or a correspondent with respect to the above mentioned services have also been exempted from service tax, it added.

Read more at: economictimes.indiatimes.com/news/economy/policy/services-of-banking-correspondents-under-jan-dhan-yojana-out-of-tax-loop/articleshow/49492350.cms

➤ Partial credit enhancement to reduce cost of borrowing for projects: Ind-Ra

Reserve Bank's move to introduce partial credit enhancement (PCE) for corporate bonds is a positive step as it will allow companies to lower borrowing costs, India Ratings has said.

"The guidelines will allow project companies to reduce their borrowing costs based on improved ratings," the domestic ratings agency said in a note issued here. "The key mandate of a PCE is to provide credit support in times of distress and also provide project companies time to turn around if they reach a situation of distress," it added. The Reserve Bank had last month come out with guidelines on PCE, allowing banks to provide PCE to bonds issued for projects. A PCE enhances the credit rating of bonds, and hence, enables corporates to raise more resources from the bond market at better terms.

Read more at: <http://economictimes.indiatimes.com/news/economy/policy/partial-credit-enhancement-to-reduce-cost-of-borrowing-for-projects-ind-ra/articleshow/49504377.cms>

➤ Financial Inclusion Fund (FIF) - Revised Guidelines

Financial Inclusion Fund (FIF) and Financial Inclusion Technology Fund (FITF) was constituted in the year 2007-08 for a period of five years with a corpus of Rs. 500 crore each to be contributed by Government of India (GOI), RBI and NABARD in the ratio of 40:40:20. The guidelines for these two funds were framed by GOI. In April 2012, RBI decided to fund FIF by transferring the interest differential in excess of 0.5% on RIDF and STCR deposits on account of shortfall in priority sector lending. Keeping in view the various developments over the years, GOI has merged the FIF and FITF to form a single Financial Inclusion Fund.

The Reserve Bank of India has finalized the new scope of activities and guidelines for utilization of the new FIF in consultation with GOI. The new FIF will be administered by the reconstituted Advisory Board constituted by GOI and will be maintained by NABARD vide Notification No. RBI/2015-16/206 [DCBR.RCBD.BPD. No.4/19.51.010/2015-16] dated: October 15, 2015.

Please refer: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10074&Mode=0> for detail Financial Inclusion Fund – Guidelines.

➤ Memorandum of Procedure for channeling transactions through Asian Clearing Union (ACU)

RBI decided to permit the use of the Nostro accounts of the commercial banks of the ACU member countries, i.e., the ACU Dollar and ACU Euro accounts, for settling the payments of both exports and imports of goods and services among the ACU countries. Consequently, payments for all eligible:

- export transactions may be made by debit to the ACU Dollar / ACU Euro account in India of a bank of the member country in which the other party to the transaction is resident or by credit to the ACU Dollar / ACU Euro account of the authorized dealer maintained with the correspondent bank in the other member country;
- import transactions may be made by credit to the ACU Dollar / ACU Euro account in India of a bank of the member country in which the other party to the transaction is resident or by debit to the ACU Dollar / ACU Euro account of an authorized dealer with the correspondent bank in the other member country;

It is further reiterated that all eligible export/import transactions with other ACU member countries (except in the case of certain countries where specific exemptions have been provided by the Reserve Bank of India) shall invariably be settled through the ACU mechanism.

Source: Notification No. RBI/2015-16/203 [A. P. (DIR Series) Circular No. 21] dated: October 08, 2015

➤ Risk Management & Inter-Bank Dealings: Booking of Forward Contracts - Liberalization

As per Fourth Bi-monthly Monetary Policy Statement (para. no. 39) on September 29, 2015, with a view to further liberalizing the existing hedging facilities, RBI has decided to allow all resident individuals, firms and companies, who have actual or anticipated foreign exchange exposures, to book foreign exchange forward and FCY-INR options contracts up to USD 1,000,000 (USD one million) without any requirement of documentation on the basis of a simple declaration. While the contracts booked under this facility would normally be on a deliverable basis, cancellation and rebooking of contracts are permitted. Based on the track record of the entity, the concerned AD Cat-I bank may, however, call for underlying documents, if considered necessary, at the time of rebooking of cancelled contracts vide Notification No. RBI/2015-16/201 [A. P. (DIR Series) Circular No. 20] dated: October 8, 2015.

Source: <https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=10064&Mode=0>

➤ Advance against Pledge of Gold ornaments/jewellery

As per para 3 of the circulars UBD.CO.BPD.PCB.Cir. No.60/13.05.001/2013-14 dated May 09, 2014 and RPCD.RRB.RCB.B.C.No.8/03.05.33/2014-15 dated July 01, 2014 wherein it

was stipulated that in order to standardize the valuation and make it more transparent to the borrower, gold jewellery accepted as security/ collateral will have to be valued at the average of closing price of 22 carat gold for the preceding 30 days as quoted by Indian Bullion and Jewellers Association Limited. Now RBI has decided that the cooperative banks may also use the historical spot gold price data of the preceding 30 days publicly disseminated by a Commodity Exchange regulated by the Securities and Exchange Board of India.

Source: Notification No. RBI/2015-16/207 [DCBR.BPD. (PCB/RCB). Cir. No. 3/13.05.001/2015-16] dated: October 15, 2015

FOREIGN TRADE

➤ Amendment in import policy of Human Embryo classified under Exim Code 0511 99 99 of Chapter 05 of ITC (HS), 2012 - Schedule - 1 (Import Policy)

Import policy of the item 'Human Embryo' classified under EXIM Code 05119999 has been changed from "free" subject to a 'No Objection Certificate' from Indian Council of Medical Research (ICMR) to "Prohibited" except for research purposes based on the guidelines of the Department of Health Research vide Notification No. 25/2015-2020 dated: 26.10.2015.

Read more at: <http://dgft.gov.in/Exim/2000/NOT/NOT15/not2515.pdf>

➤ Amendment in Policy condition 1 of Chapter 88 of ITC(HS), 2012 - Schedule-1 (Import Policy) vide Notification No. 24/2015-2020 dated: 9 October, 2015

Revised Policy Condition 1 of Chapter 88 of ITC (HS), 2012 - Schedule - 1 (Import Policy):

Aircraft and Helicopters (including used/second hand aircraft and helicopters) may be imported by the following without the need to obtain an import licence from Directorate General of Foreign Trade.

- (a) Air India, (b) Pawan Hans Limited
- (c) Airport Authority of India, (d) Indira Gandhi Rashtriya Uran Academi (IGRUA) and such other flying clubs/ Academies recognised by the Ministry of Civil Aviation, Government of India
- (e) Any person who has been granted permission by Director General of Civil Aviation, for operating Scheduled or Non-Scheduled Air Transport Services (including Air Taxi Services) for import of aircraft / helicopter subject to the condition that the import of the aircraft or helicopter and their use is in accordance with that permission.

Read more at: http://dgft.gov.in/Exim/2000/NOT/NOT15/Notification_No.24.e.2015.pdf



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