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Info Capsule

APPOINTMENT OF STATUTORY CENTRAL AUDITORS (SCAS) – MODIFICATION OF REST PERIOD[1]

Please refer to DBS.No.ARS.BC.8/08.91.001/2000-2001 dated January 30, 2001 addressed to private sector banks in terms of which, inter alia, an audit firm, subject to its fulfilling the prescribed eligibility norms will be allowed to continue as the SCA for a particular bank for a period of four years and, thereafter, the said firm will be compulsorily rested for a period of two years.

2. It has been observed in a review of the appointment of statutory auditors in private sector/foreign banks that, in some cases, the same audit firm was reappointed after a gap of two years' rest. In a few other private sector/foreign banks, the immediately preceding statutory auditor firm was appointed on completion of the four year tenure of the current statutory auditor. The statutory central audit responsibility in such banks thus remained confined to two audit firms which were appointed on a cyclical basis.

3. The Rest and Rotation Policy in appointment of SCAs for banks has been mandated in order that audit functions are looked at afresh, as a new team is likely to examine the issues in a bank from a different perspective. The policy also aims to deter the auditors and auditee from establishing a comfortable relationship that may lead to compromise in strict adherence to audit principles.

4. To address the above and ensure that rest and rotation policy is followed in letter and spirit, it has been decided that, henceforth, ***an audit firm, after completing its four year tenure in a particular private/foreign bank, will not be eligible for appointment as SCA of the same bank for a period of six years.***

5. The above guidelines are also applicable to foreign banks.

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[1] Available at: https://www.rbi.org.in/Scripts/NotificationUser.aspx?Id=11067&Mode=0

CABINET APPROVES REVISION OF GUIDELINES OF SOVEREIGN GOLD BONDS SCHEME[2]

The Union Cabinet chaired by the Prime Minister Shri Narendra Modi has given approval for revision of guidelines of Sovereign Gold Bonds (SGB) Scheme with a view to achieve its intended objectives.

Two sets of changes have been made in the scheme:

Specific changes have been made in the attributes of the scheme to make it more attractive, mobilise finances as per the target and reduce the economic strains caused by imports of gold and reduce the Current Account Deficit (CAD).

II. Flexibility has been given to Ministry of Finance to design and introduce variants of SGBs with different interest rates and risk protection / pay-offs that would offer investment alternatives to different category of investors. Ministry of Finance (the issuer) has been delegated this power to amend / add to the features of the Scheme with approval of the Finance Minister to reduce the time lag between finalizing the attributes of a particular tranche and its notification. Such flexibility will be effective in addressing the elements of competition with new products of investment, to deal with very dynamic and sometimes volatile market, macro-economic and other conditions such as gold price.

Following specific changes in the scheme have been approved:

The investment limit per fiscal year has been increased to 4 kg for individuals, 4 Kg for Hindu Undivided Family (HUF) and 20 Kg for Trusts and similar entities notified by the Government from time to time.

ii. The ceiling will be counted on Financial year basis and will include the SGBs purchased during the trading in the secondary market.

The ceiling on investment will not include the holdings as collateral by Banks and Financial institutions.

SGBs will be available 'on tap'. Based on the consultation with NSE, BSE, Banks and Department of Post, features of product to emulate 'On Tap' sale would be finalised by Ministry of Finance.

To improve liquidity and tradability of SGBs, appropriate market making initiatives will be devised. Market makers, could be commercial banks or any other public sector entity, such as MMTC or any other entity as decided by Government of India.

The Government may, if so felt necessary, allow higher commission to agents.

Background:

Sovereign Gold Bond (SGB) Scheme was notified by the Government of India on November 05, 2015 after due approval of the Cabinet. The main objective of the scheme was to develop a financial asset as an alternative to purchasing metal gold. The target was to shift part of the estimated 300 tons of physical bars and coins purchased every year for Investment into 'demat' gold bonds. The target mobilisation under the scheme at Rs. 15,000 crore in 2015-16 and at Rs.10,000 crore in 2016-17. The amount so far credited in Government account is Rs. 4,769 crore.

[2] Available at: http://pib.nic.in/newsite/erelease.aspx

In view of less than expected response of the investors to the scheme, and considering its bearing on CAD and consequently on overall macro-economic health of the country, it was felt necessary to make changes in this scheme to make it a success.

THE UNION FINANCE MINISTER, RELEASES A CASE STUDY ON THE BIRTH OF THE GOODS AND SERVICES TAX (GST) IN INDIA – "THE GST SAGA: A STORY OF EXTRAORDINARY NATIONAL AMBITION"[3]

A Case Study on the birth of the Goods and Services Tax (GST) in India – "The GST Saga: A Story of Extraordinary National Ambition" was released by the Union Finance Minister, Shri Arun Jaitley in his office in North Block in the national capital. In view of the successful roll-out of the GST on July 1, 2017, it was felt that there was a need for the public to know of the story of how GST evolved, its timeline, the different stakeholders involved and how it eventually culminated in its inauguration in the Central Hall of the Parliament of India on the midnight of June 30, 2017 and July 1, 2017 by the President and Prime Minister of India. This case study accordingly captures the entire journey of GST right from its ideation in the Kelkar Task Force Report in 2003. Other salient features such as the dates on which the SGST Laws were enacted in the 31 States, peculiarity of the Indian GST model, how the fitment of rates was done and the IT backbone of GST have also been addressed in the case study, thus, making it a concise yet comprehensive repository of the GST story.

Team ICSI

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[3] Available at: http://pib.nic.in/newsite/erelease.aspx