Sebi raises alarm over fast-growing grey mkt

Chairman U K Sinha calls for a single watchdog to regulate all entities collecting public money under various illegal means

Expressing concerns over a fast-growing grey market in the financial sector, Sebi chief U K Sinha called for a single watchdog to regulate all entities collecting public money under various illegal means. Sinha said, "The move will make it difficult for firms to dress up numbers."

The move will make it difficult for firms to dress up foreign currency gains and losses separately in their financial statements, a move that will make it difficult for firms to dress up numbers.

Companies will now have to separately state the impact of foreign exchange fluctuations in their balance sheets.

An accounting expert said the move will ensure that forex related losses would be recorded only in the Balance Sheet and not in the Profit & Loss Account of a company. "This (change) will help a reader of the financial statement understand as to how much impact the foreign currency has had on the company," ICACI President Subodh Kumar Agrawal said. The move will help avoid divergence in accounting and bring more transparency in reporting of numbers.

From now on, companies should show the Foreign Currency Monetary Item Translation Difference Account (FCMITDA) separately, under which they have to show foreign currency fluctuations under the 'Equity and Liabilities' side of the balance sheet under the head 'Reserve and Surplus'. According to accounting watchdog ICAI, the move is based on the premise that foreign currency translation loss is neither a resource nor any future economic benefit would flow to the entity from there.

ICAI tightens reporting norms for firms on forex

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Banks free to sell pledged shares of UB Group

In a setback to liquor baron Vijay Mallya, the Bombay High Court on Tuesday refused to restrain banks from selling shares of United Spirits Ltd, pledged as security against loans to Kingfisher, apparently jeopardising his plans to complete stake sale to Diageo and to revive the grounded carrier.

The court order would mean that the consortium of 17 banks would be free to sell shares of the UB Group that had been pledged as collateral.

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Fraud costs ICICI Prudential Rs 90 lakh, police probe on

Fraudsters have managed to steal customer database from ICICI Prudential causing a "loss" of over Rs 90 lakh after some policy holders either surrendered or discontinued policies believing the cheats.

"It appears that due to malicious practice of some unscrupulous people, ICICI Prudential has received complaints with regard to calls made allegedly on behalf of the company giving false promises of bonus, scholarship etc to genuine policy holders by tele-calling and inducing them to buy new policies of different agencies," the official said.

Fraudster collected customer database inducing them to put money in certain accounts to avail bonus and providing wrong information about their policies among other acts.

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"It is not known what the banks and other financial institutions were doing after taking legal and accounting opinions," the filing said.

Fraudsters have been attempting to cheat its customers by impersonating as its representatives after stealing their details, including their policy details, from the database.

Internal probes find no proof of KYC breach

The banks could still face a regulatory penalty for lax internal governance standard not found any violation of know your customer norms, said one of the persons who did not want to be identified.

These are not the complete findings of the probe, there may be more. "It is possible that banks could be held responsible for violation of internal governance and select branches could be penalised." RBI and the banks were probing into alleged irregularities and banking practices that are violation of law. That followed a sting operation by cobrapost.com, an online news provider, which captured on camera suggestions by bankers that could help clients avoid tax, convert black money into accounted money, and even siphon-off funds. "We do not discuss individual bank in public domain," the Reserve Bank of India said in an e-mail response.

ICICI Bank spokesperson said that the bank has submitted the inquiry report to RBI, HDFC Bank and Axis Bank did not respond to emails seeking comment. RBI, whose investigation findings are not known, is expected to issue a show-cause notice to the banks and then decide whether to levy a penalty, or let off with a warning.

RBI notifies simplification of rules for Fills in bonds

The Reserve Bank announced rationalisation of Fill investment in bonds, including G-Secs, by doing away with various categories, a step to attract more foreign inflows to fund widening current account deficit. "It has now been decided to merge the existing debt limits into two broad categories," RBI said in a notification.

The first category will consist of government securities of $25 billion which merges $10 billion for investment limit in shortterm government papers, including Treasury Bills, and $15 billion for long-term government papers.

The second category is for the corporate debt with a limit of $5 billion, including a sub-limit of $25 billion each for bonds of infrastructure sector and non-infrastructure sector, and USD $1 billion for QFIs (Qualified Foreign Investors) in non-infrastructure sector.

Fraud targets ICICI Prudential Rs 90 lakh, police probe on

Fraudsters have managed to steal customer database from ICICI Prudential causing a "loss" of over Rs 90 lakh after some policy holders either surrendered or discontinued policies believing the cheats.

"It appears that due to malicious practice of some unscrupulous people, ICICI Prudential has received complaints with regard to calls made allegedly on behalf of the company giving false promises of bonus, scholarship etc to genuine policy holders by tele-calling and inducing them to buy new policies of different agencies," the official said.

The tele-callers have stolen the data and misused it, he said.

According to the complaint filed by ICICI Prudential, certain people have been attempting to cheat its customers by impersonating as its representatives after stealing their details, including their policy details, from the database.
Flush with billions of dollars in cash, Mukesh Ambani-led Reliance Industries Ltd (RIL) has parked more than Rs 800 crore in various mutual fund schemes of younger sibling Anil-led Reliance Group.

RIL has made these investments, totalling over Rs 800 crore, mostly in the Fixed Maturity Plans and other debt schemes of Reliance Mutual Fund, market sources said. Reliance MF is part of Anil Ambani-led group's financial services arm Reliance Capital.

On Tuesday, RIL and Anil Ambani group announced their first business partnership since a bitter family split in 2005. The two groups have agreed to share optic fibre cables and other telecom infrastructure for their ventures, Reliance Jio Infocomm and RCOM in a Rs 1,200-crore deal.

The two groups, which about three years ago had scrapped a non-compete agreement between them, have now also agreed for a comprehensive framework of business cooperation.

At the end of fiscal 2011-12 ended March 31, 2012, RIL had invested over Rs 8,700 crore in various mutual fund schemes, including Fixed Maturity Plans, but they did not include any scheme of Reliance MF.

REGULATOR SETS UP PANEL TO WORK OUT COMPENSATORY RATES IN A MONTH

The Central Electricity Regulatory Commission (CERC), the country’s power sector regulator, has allowed a “compensatory tariff” for Adani Power’s imported-coal-based power project in Mundra, Gujarat.

The CERC order has come as a boost for investor confidence, as it sets at rest the industry’s apprehension the government might not allow post-bid changes in contract conditions. It has also ignited hopes for Tata Power and Reliance Power, the two firms seeking increase in tariff on similar grounds for their ultra mega power projects - in Mundra, Sasan and Krishnapatnam.

Following the order, Adani Power’s shares surged 8.79 per cent over their previous close, to Rs 47.6, on the Bombay Stock Exchange. The stocks of Tata Power and Reliance Power also rose - by 0.73 per cent to Rs 96.05 and by 0.69 per cent to Rs 66.10, respectively.

However, power prices for consumers in Gujarat and Haryana could rise. Haryana’s state power regulator has already allowed up to 15 per cent increase in power tariff for the current financial year. Haryana Power Distribution Utilities Chairman Devinder Singh told Business Standard his state had not decided on the future course of action; the order was still being studied.

The regulator also ordered setting up of a committee to work out the exact quantum of “compensation” over the current tariff for the 4,620-Mw project. The CERC order has come as a boost for investor confidence, as it sets at rest the industry’s apprehension the government might not allow post-bid changes in contract conditions. It has also ignited hopes for Tata Power and Reliance Power, the two firms seeking increase in tariff on similar grounds for their ultra mega power projects - in Mundra, Sasan and Krishnapatnam.

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Strategic priorities of the ICAI

B
ased on the Corporate Social Respons-
ibility initiative of the Ministry of
Corporate Affairs, the Institute of
Chartered Accountants of India (ICAI),
has decided that through its dedicated
network at the Regional and Branch level
centers, it will seek volunteers from
amongst its eligible members for offering
audit services to at least 100 auditable
entities, to start with, viz. to undertake pro
bono and gratis and complete audit in
terms of applicable Generally Accepted
Accounting Principles.

The Central Gov-
ernment in consultation
with Reserve Bank of In-
da (RBI) and SEBI has
been progressively liberal-
ising the scheme for for-
gain investment in G-Secs
and Corporate bonds
keeping in view the evolv-
ing macroeconomic sce-
nario and financing needs
of the economy.

Till now FIIs were per-
mitted to invest $25 bn in
G-Secs (Comprising of
two sub-limits of $SD 10
bn and $15 bn), $26 bn in
General Corporate bonds
(comprising of $25 bn
limit for FIIs and $1 bn
limit for QFIs) and $25 bn
in Long-term infra bonds
(comprising of $10 bn
limit for IDFs, $12 bn lim-
it for FII investment in
long-term infra bonds and
$3 bn limit for QFI invest-
ment in Mutual Fund
Debt schemes which in-
vest in Infrastructure sec-
tor). The various sub-lim-
its stated above were sub-
ject to different sets of
conditions in terms of
original maturity, lock-in
period and residual matu-
ritv restrictions.

On review, it was ob-
served that the existing
framework of various
debt sub-limits and asso-
ciated conditions with
respect to each sub-limit led
to complexity and inflexi-
bility for investors and
hampered investment in
debt securities.

ADB, India ink A$ 252 mn loan to
continues improving rural roads

T
he Asian Development
Bank (ADB) and the
Government of India
today signed here a $252
million loan to continue im-
proving rural roads in the
States of Assam, Chhattis-
garh, Madhya Pradesh,
Odisha, and West Bengal.
The loan represents the
first tranche of a US$ 800
million financing facility un-
der the Rural Connectivity
Investment Program. The
loan will construct 3,461 km
of all-weather rural roads in
the five States, benefiting
nearly 1,600 rural habita-
tions. The second goal is to
improve the capacity of im-
proving rural roads network
management units. The signatories to the
loan were Mr. Nilaya Mit-
tash, Joint Secretary (Multi-
lateral Institutions), Depart-
mant of Economic Affairs,
Ministry of Finance, on be-
half of the Government of
India; and Mr. Hun Kim,
Country Director for India,
on behalf of ADB. The proj-
ject agreements were signed by representatives
from Ministry of Rural Develop-
ment (MoRD) and respect-
ive concerned States- As-
am, Odisha, West Bengal,
Madhya Pradesh and Chhat-
tisgarh.

The institute will seek
volunteers from amongst
its eligible members for
offering audit services
to at least 100 auditable en-
tities, located in tribal, remote and rural areas,
belonging to underprivileged/disad-
vantaged sections of the society, differently
able and deserving but deprived classes.
Agrawal also highlighted some of the
strategic priorities of the ICAI Action
Plan for 2013-14 as follows:

- Collaborating with Governmental Ministries to
draw synergy and analogy in enhancing ac-
countability and transparency including public serv-
vice delivery mechanism and upholding the
national and public interest.
- Increase the role of ICAI and its members in
the various “Financial In-
clusion” initiatives of the Government.
- Realigning the institutional mecha-
nism to further enhance the robustness
of existing regulatory system and
address the perceived expectation gap.
- Harmonizing with International
standards, espousing special and differ-
ential needs in respect of technical stan-
dard(s).
- Leveraging Global Opportunities for
ICAI Members and Student Community.
Harnessing Technology to Deliver Bet-
ter Services.

Auction for Sale of Government Stocks

G
overnment of India have an-
nounced the sale (re-issue) of
(i) “8.12 per cent Government Stock 2020” for a notified amount
of Rs. 4,000 crore (nominal) through price based auction,
(ii) “8.33 per cent Government Stock 2026” for a notified amount of
Rs. 6,000 crore (nominal) through price based auction,
(iii) “8.32 per cent Government Stock 2032” for a notified amount of
Rs. 2,000 crore (nominal) through price based auction, and (iv) “8.30 per
cent Government Stock 2042” for a notified amount of Rs. 3,000
crore (nominal) through price based auction. The auctions will be
conducted using multiple price method. The auctions will be con-
ducted by the Reserve Bank of In-
da, Mumbai Office, Fort, Mumbai
on April 5, 2013 (Friday).

Up to 5% of the notified amount of the sale of the stocks will be al-
lotted to eligible individuals and Institutions as per the Scheme for
Non-Competitive Bidding Facility in the Auction of Government Se-
curities. Both competitive and non-com-
petitive bids for the auction should be
submitted in electronic format on the Reserve Bank of India Core
Banking Solution (E-Kuber) sys-
tem on April 5, 2013. The non-
competitive bids should be submit-
ted between 10.30 a.m. and 11.30
a.m. and the competitive bids should be submitted between
10.30 a.m. and 12.00 noon.

The result of the auctions will be announced on April 5, 2013 and
payment by successful bidders will be on April 8, 2013 (Monday).

Foreign investment in Govt
securities, corp bonds liberalised

The Central Gov-
ernment in consultation
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long-term infra bonds and
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Debt schemes which in-
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conditions in terms of
original maturity, lock-in
period and residual matu-
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On review, it was ob-
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framework of various
debt sub-limits and asso-
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respect to each sub-limit led
to complexity and inflexi-
bility for investors and
hampered investment in
debt securities.