Bank licence: RBI extends validity of in-principle nod

The Reserve Bank of India made getting new bank licences more stringent even as it allowed the aspirants to have the holding and capital structure of the bank-holding company in place within 18 months of getting the in-principle nod, instead of 12 months prescribed earlier.

RBI also ruled out any specific number of licences that would be given to applicants and a timeline to do so. It also decided to grant new entities more time to meet priority sector lending norms.

Emmar fined Rs 8,600 cr by ED for forex violation

The Enforcement Directorate slapped a Rs 8,600 crore show cause notice on construction major Emmar MGF Land Ltd and its sister firms for alleged forex rules violation, the biggest such penal action in the country’s real estate sector.

The agency, which began an investigation in 2010 with regard to the group bringing in Foreign Direct Investment (FDI), alleged that the firm violated RBI rules and stands guilty of “contravention of foreign exchange rules” stipulated under the Foreign Exchange Management Act.

The agency found that while the group had disclosed to the RBI that it is bringing FDI for developing construction related projects in India but instead used the funds for purchasing agricultural land, which is a violation of rules framed by the banking and FDI regulator of the country. “We have not received any communication from government authorities and hence we are not in a position to comment. We emphasise that the company continues to uphold the highest standards of corporate governance and follows the laws of the land,” a spokesperson for Emmar MGF said.

Cabinet clears conciliation to resolve Vodafone tax spat

Outcome of the conciliation will have to be approved by Parliament

To break the stalemate on the Vodafone tax issue, the Cabinet on Tuesday approved a proposal for non-binding conciliation with the British telephone major, the outcome of which will have to be ultimately approved by Parliament.

“We have just accepted a proposal for a non-binding conciliation. If the outcome is acceptable to the government then it will go Cabinet and thereafter to Parliament for approval”, Finance Minister P Chidambaram said.

Chidambaram said that there is no timeline for the conciliation and the government would communicate it to Vodafone in a day or two. "Two conciliators will sit together and they would come out with an outcome. It is not an arbitration. They will suggest an outcome, a modified outcome and it is a step by step approach. Everything is in public domain," he said.

Chidambaram said it is in India’s interest to resolve the case through the process of conciliation and not in an arbitrary manner.

The Minister clarified that what the Cabinet has done was strictly in line with the Parthasarathi Shome committee’s recommendations which had suggested that past disputes should be resolved through conciliation and not through retrospective amendments to tax laws.

Although the British telecom firm had won a tax case in the Supreme Court (January 2012), the government had amended the Income-tax Act, 1961 with retrospective effect to undo the ruling.
Penalties on banks in India peanuts, says RBI Governor

In the backdrop of recent violations of banking norms by some public sector as well as private banks, RBI Governor D Subbarao believes that penalties for such offences in India amounted to “peanuts” compared to those in the western countries.

Eiring banks can face a maximum penalty of Rs one crore in India, he said, adding that it was up to the lawmakers to decide whether this should be increased. Barclays was penalised $450 million, he said in a reference to the fine imposed on the British bank last year to settle charges of manipulating key interest rates.

“Is this money laundering, we do not know...we are not saying there is no money laundering. I am saying whether this money laundering has to be investigated by a much bigger process involving much bigger agencies,” Subbarao said. He said that RBI had found irregularities like violation of KYC norms and cash transactions being sliced into smaller amounts, gold sold without following norms and using cooperative banks as conduit for issuing cheques.

Restriction in gold imports may lead to increased smuggling

The government’s latest measures to restrict gold imports may lead to an increase in smuggling. Jewellers and bullion traders say that nearly 200-250 tonne of gold may be smuggled into India this year following the RBI’s moves to check the metal’s shipments.

Talking to ET, Bachraj Bamalwa, director of Nemichand Bamalwa, said, “According to Thomson Reuters GFMS report, India smuggled 100 tonne of gold in 2012. Market sources have indicated that this year the figure will increase to 200-250 tonne.” Earlier this year, the government raised the import duty on gold and the method of calculation was changed to ad-valorem.

Now the Reserve Bank of India has asked banks, nominated agencies and star trading houses not to import gold on a consignment basis for domestic sales. RBI has also insisted on 100% cash margin for letters of credit.

The central bank has curbed credit by insisting that imports will be on ‘documents against payments’ as against the earlier norm of ‘documents against acceptance’. The restrictions were invoked after imports soared to 162 tonne in May from 142 tonne in April following weak international prices.

PIL FILED AGAINST RANBAXY DIRECTORS

Petitioner seeks sealing of manufacturing facilities

A PIL has been filed against the directors of pharmaceuticals major Ranbaxy Laboratories for allegedly manufacturing adulterated drugs.

The petition, filed in the Supreme Court, sought prosecution of all current and former directors of the company, Manohar Lal Sharma, the petitioner, also sought sealing of the company’s manufacturing facilities at Paonta Sahib and Devas in Madhya Pradesh. Sharma has mentioned the Central Bureau of Investigation as one of the respondents in the case.

A Ranbaxy spokesperson said the company didn’t receive any official communication on this and, therefore, it wasn’t in a position to comment. The suit follows the $500 million fine Ranbaxy had to pay in the US after the US Food and Drugs Administration charged it with making and selling ‘adulterated’ drugs.

Sharma sought a direction for prosecution of Ranbaxy’s current and former directors. He also sought a bar to further sales of drugs manufactured by the pharmaceuticals company, as well as the seizure of the entire properties of its directors. He claimed despite Ranbaxy pleading guilty to supplying adulterated drugs in the US and being fined such a huge amount, the Centre hadn’t taken any action to prohibit or ban drugs made by the company. Sharma also sought action against the drug regulator, Central Drug Standards Control Organisation for permitting Ranbaxy to sell drugs in India, especially after the results of the US FDA investigation against the company.

The petition said Jaslok Hospital had banned medicines supplied by Ranbaxy. Sharma alleged Ranbaxy had been supplying adulterated drugs in India, as well as in other countries, and this was punishable under the Drugs and Cosmetics Act.

RBI panel for single balance sheet of the central bank

A committee appointed by the Reserve Bank of India (RBI) has suggested doing away with the current practice of preparing two balance sheets and instead, prepare a consolidated balance sheet of the issue and banking department of the central bank. It has, however, said assets and liabilities of the department should be displayed separately in this single balance sheet.

Last November, RBI had set up a technical committee under the chairmanship of Y H Malegam to look into the form of presentation of the central bank’s financial statements, the style and content of the management commentaries and notes to the accounts of the balance sheet, and to make recommendations accordingly. The committee recently submitted its report to RBI, which the central bank made public today.

Most central banks across the globe present only a single balance sheet; some exceptions being the top banks in India, Saudi Arabia and the UK, the committee said in its report. The panel said the balance sheet should contain only the main items of capital, reserves, assets and liabilities and all other details should be shown in the accompanying schedules. Since RBI is not a commercial organisation and its primary objective is not to earn profits, the nomenclature ‘Profit & Loss Account’ tends to be a misnomer and, therefore, it should be replaced with the nomenclature ‘Income Statement’, the Malegam committee said.

SOURCE: BUSINESS STANDARD
Subbarao says FSDC must limit itself to coordination

Reserve Bank Governor D Subbarao said the Financial Stability and Development Council (FSDC) should act only as a coordinator between financial regulators for ensuring financial sector stability, reports PTI. “There should be a coordination body such as the FSDC, but the coordination body should be just that – a coordination body which will have more importance during a crisis time – but in normal times, will be at a low level equilibrium,” the governor said.

Subbarao also expressed reservations on the recommendations of the Financial Sector Legislative Reforms Commission, which calls for making FSDC a statutory body to ensure financial stability of a Mumbai-based company to clear loopholes

McGraw Hill offers to raise stake in Crisil for Rs 1,900 cr

McGraw Hill Financial Inc, which owns Standard & Poor’s with a controlling 52.8 % stake in Crisil, said it will make a voluntary open offer to raise its holding in the largest domestic rating agency to 75 % in a deal worth about Rs 1,900 crore, reports PTI. The deal values Crisil at around Rs 8,600 crore, while after a 20 % rally on the bourses the company has a market value of only Rs 8,045 crore on Monday.

McGraw Hill currently owns 52.77 % in the Mumbai based Crisil and plans to acquire up to 15.7 million shares, aggregating to 22.23% equity, through the open offer and will be paid in cash, the US company said in a regulatory filing to the BSE. McGraw Hill said it would pay Rs 1,210 a share, a premium of almost 29 % over the share price on Friday on the BSE at Rs 938.95. The deal will see the company paying Rs 1,896 crore to the existing investors.

SBI MF to acquire Daiwa’s schemes

SBI Mutual Fund, the asset management company of state-run SBI, will acquire all the existing India domiciled schemes of Daiwa Mutual Fund. Though the company did not give the deal value, sources in the industry said it could be around Rs 2 crore, reports PTI.

Daiwa currently manages one scheme each dedicated to liquid funds, debt fund, equity funds and Gilt funds category, as per its website.

According to sources, SBI MF will not absorb any fund manager or employees of Daiwa MF into its rolls as it is only the acquisition of schemes of Daiwa MF and not a full-fledged acquisition of the asset management company. This acquisition will help SBI MF acquire a unique client base which will increase its penetration in retail and HNI space. Daiwa AMC has built robust relationships with its distributors and SBI MF intends to leverage on those relationships to acquire new retail customers,” the firm said.

Retail FDI: DIPP defines Group Company to clear loopholes

To check foreign whole-sellers from selling more than 25 % of goods to affiliated firms, the Department of Industrial Policy and Promotion (DIPP) came out with the definition of ‘group company’ similar to the one in the foreign trade policy, reports PTI. The DIPP said in a press note that “two or more enterprises, which directly or indirectly are in a position to exercise 26 % or more voting rights in the other enterprise, and can appoint more than 50 % of members of board of directors in the other enterprise”, will be termed as group company.

DIPP said the decision will take immediate effect. US retail giant Wal-mart and its Indian cash-and-carry partner Bharti Enterprises had sought clarity after questions were raised over the amount of sales of their joint venture - 50:50 Bharti-Walmart - to Bharti Retail, a wholly-owned arm of the Indian firm. As per a rule introduced in 2010, DIPP had restricted cash- and-carry companies from selling more than 25 % goods to ‘group companies’ in an attempt to prevent foreign firms from indirectly selling in domestic multi-brand retail outlets as FDI was not permitted in the segment then.

The rule had said trade should not exceed 25 % of the total turnover of the wholesale venture and the wholesale made to the group firms should be for their internal use only.

The government has, however, relaxed FDI norms in multi-brand retail and has allowed 51 % foreign investment in the segment.

Maggi is Nestle trademark only, decides patents’ appellate body

The Intellectual Property Appellate Board (IPAB) has set aside an order by the senior examiner of the Patent Office, allowing the application of a Mumbai-based company to register the ‘Maggi’ trademark for its household and kitchen appliances.

Nestle, the Swiss multinational giant which has food products under the same trade name, had filed the petition.

The initial order of the senior examiner of trademarks, under the Controller General of Patents, Designs and Trademarks, had allowed the application of Swaraj Industrial and Domestic Appliances Pvt Ltd to register the Maggi trademark for its household appliances.

On Nestle’s appeal, IPAB vice-chairman S Usha and technical member V Ravi noted the earlier order was passed by the senior examiner of trademarks, where-as the registrar alone had the power to hear and decide the matter. Hence, they said, the said order lacked legal validity.

Also, it said, if the application for registration was allowed, it was likely to cause confusion and deception. And, that Swaraj hadn’t adequately established a reason for adoption of the Magg trademark.

SOURCE: FREE PRESS JOURNAL

SOURCE: FREE PRESS JOURNAL

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CABINET APPROVES CHANGES IN LAND TITLE LAWS

Focus of amendments on transparency and digitization; move will also help in award of compensation

India's cabinet has approved changes in titling law that will make ownership of land more transparent, in a move that could eventually make it easier for industrial projects to acquire land and also reduce the quantum of litigation related to the subject that is clogging up the country's legal system.

On Tuesday, the cabinet approved for introduction in Parliament key amendments to the Registration Act, 1908, which governs the registration of documents and sales transactions for both movable and immovable property within the country. The proposed amendments ensure that the process of registration becomes more transparent and the information available to the public at large is more detailed and accurate, a statement from the rural development ministry said.

The main focus of the amendments is on transparency and digitisation that will help establish land ownership, which, in India, is a complex issue given the lack of documentation and the absence of contemporary land records. Several industrial and infrastructure projects, including Posco's $12 billion steel plant in Orissa, have been delayed for years-eight in the case of the South Korean company on this count. There are 69 infrastructure projects that are facing time and cost over-runs due to land acquisition problems, according to data posted on the website of the ministry of statistics and programme implementation.

The amendments, if legislated, could also help combat, to some extent, the prevalence of so-called black money in any land transaction, said a real estate consultant.

That's because the process means "benchmarks for land prices" will be established "since the last transaction price for a property will be known", said Santhosh Kumar, chief executive officer (operations) at Jones Lang LaSalle India.

It could "potentially reduce the amount of land (related) litigation", said Saroj Kumar Jha, partner at SRGR Law Offices in New Delhi, although it wouldn't "eradicate" them. Almost 70-80% of land cases are on "title issues", he added.

The proposed changes "will ensure greater accuracy in helping identify or determine beneficiaries" through clear titles if and when their land is bought or sold or acquired, the rural development ministry's statement said.

To increase transparency in the management of records and to ensure clarity of title, "records are being made more accessible by all. The amendments allow the land registration office to accept documents digitally and register them online. This will "ensure that digitization of records takes place so that all documents may be accessed at any given point of time and discrepancies may be corrected expeditiously", the statement said.

SOURCE: MINISTRY OF CORPORATE AFFAIRS

Seventh meeting of the Financial Stability and Development Council

The Financial Stability and Development Council (FSDC) reviewed the position of asset quality and capital adequacy of the banking system in the country. The recent initiatives taken by the Government and RBI to monitor credit quality of the banking system were discussed. In addition, an assessment of additional capital requirements for Indian banks under Basel III was deliberated upon.

It was felt that despite the concerns about some deterioration in asset quality, largely, due to global and domestic economic conditions, the strong capital adequacy of banks would enable the banking system to withstand stress.

Restructuring of multi-sectoral development programme

The Cabinet Committee on Economic Affairs has approved the proposal of the Ministry of Minority Affairs for restructuring and its implementation of the Multi-sectoral Development Programme (MsDP) during 12th Five Year Plan according to the following modifications:

i. The unit of planning for implementation of MsDP has been changed to Block, instead of District at present to sharpen the focus on minorities.

ii. Further, the programme would be extended to cover other deserving areas like towns/cities also.

iii. Constitution of Block Level Committee would be constituted to ensure grass root planning and involvement of members of Panchayati Raj Institutions in a bigger way.

iv. Delegation of powers to approve projects to States to expedite the approval process.

Total outlay of Rs. 5,775 cr has been allocated for this programme for the 12th Five Year Plan. The restructuring would sharpen the focus of the programme on minority concentration areas.

SOURCE: MINISTRY OF CORPORATE AFFAIRS

DGFT, Delhi govt ink MoU to use e-BRC

A Memorandum of understanding has been inked between Directorate General of Foreign Trade (DGFT) and Commissioner (Trade and Taxes), Government of NCT of Delhi for the use of electronic Bank Realization Certificate (e-BRC). On behalf of the Government of Delhi, Prashant Goyal, Commissioner (Trade & Taxes) and on behalf of DGFT, D K Singh, Addl. DGFT signed the MoU. Transmission of Bank realisation against shipping bills has been made mandatory w.e.f. August 16, 2012. Eighty-one banks have transmitted more than 38 lakhs e-BRC to DGFT. DGFT has requested State Governments to use e-BRC in their efforts to refund VAT and other related tax administration.

SOURCE: MINISTRY OF CORPORATE AFFAIRS

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