RBI for periodic interest reset on long-term fixed-rate loans

The panel said banks could reset interest rates after a period of 7-10 years instead of charging a fixed rate throughout the tenure as it will be costlier for borrowers than floating rate loans.

The Reserve Bank suggested that banks reset interest on fixed-rate long-term loans instead of charging a fixed rate throughout the tenure as it will be costlier for borrowers than floating rate loans. If implemented, the move will not only help borrowers who currently end up paying more, but will also help bank balance their assets and liabilities, the RBI said, adding banks could reset interest rates after 7-10 years. In recent times retail loan portfolios have become skewed in favour of floating rate products, “it said in a report prepared by a committee which assessed feasibility of introducing more long-term fixed rate loan products. The committee was set up in 2012 under the chairmanship of K K Vohra, RBI Chief General Manager for internal debt management department.

“Fixed rate long-term loan products with periodic interest reset provision (say every 7-10 years) may be offered by banks in addition to the plain vanilla fixed rate loans. The RBI panel also urged banks to raise long-term bonds to finance their long-term fixed-rate loan products to avoid asset-liability mismatch.

FM woos foreign investors, promises fiscal prudence

Hong Kong Expressing India’s commitment to fiscal prudence, Finance Minister P Chidambaram promised foreign institutional investors (FIIs) that the government will contain deficit at 5.3% of GDP in the current year and bring it down to 4.8% in 2013-14. He said the government is committed to lowering the fiscal deficit by 0.6% every year for the next five years.

“The first step is fiscal consolidation and (India) is committed to the path of fiscal prudence. At the end of this year we will achieve the target of 5.3% of fiscal deficit and next year I will budget it no more than 4.8%,” he told PTI here. “Under no circumstances will I breach the fiscal target of 5.3% (in current fiscal),” he said. Ahead of the disinvestment and the Union Budget, FM kicked off his campaign to woo investment and met over 200 top investors at the “India for Investment Conference” organised by the Citibank and BNP Paribas.

He is also expected to hold meetings in other top financial centres like Singapore, Frankfurt, furt and London. The roadshows are aimed at boosting foreign investments as a record current account deficit, tumbling exports and elevated inflation threatens growth. Chidambaram hinted that tax base may be widened to augment revenues. “I must get more and more people into the tax net, even if they pay small amounts of taxes. More and more amount of people must pay tax”, he said, maintaining that he cannot discuss Budget details, the Minister said “one of the principal considerations will be adhering to the path of fiscal prudence.”

CCI begins probe in VeriFone case

India’s anti-trust watchdog has begun investigations into a complaint against US-based electronic payments company VeriFone Systems Inc. and its Indian arm VeriFone India Sales Pvt Ltd in a dispute over software upgrades.

The complaint was filed by Atos Worldline India, an Indian arm of Atos SA, a French company that makes software for point-of-sale, or PoS, machines that are used to swipe credit and debit cards at shops and restaurants.

The Competition Commission of India (CCI), in an order dated 31 December, directed its investigation wing to begin a formal probe after it found “that prima facie the conduct of OP-1 (VeriFone India) was in contravention of section 4 of the (Competition) Act and needs investigation by the DG (director general).” Section 4 prohibits the abuse of dominant position by a business enterprise in a specified market.

VeriFone is the leading supplier of PoS terminals to the card payment industry in India and controls 70-80% of the market, Atos said in its complaint, adding that the payments company “abused its dominant position in this market by imposing unfair/discriminatory conditions and prices in the downstream market for VAS in India.”

CCI has completed its investigation and submit a report in 60 days.
Higher taxes on super rich is politically correct: Azim Premji

...but I do not actually know if it will come up in the next Budget, says Premji

Amidst the debate on taxing the super rich, Wipro Chairman Azim Premji has said it is “politically correct” to do so, but expressed doubts whether the government will actually implement the proposal.

‘It sounds like a right thing to do politically, but I do not actually know if it will come up (in the next Budget),’ Premji said on the sidelines of World Economic Summit.

Asked if he is in favour of rejigging tax slabs, Premji said: “It depends on what rate do they start, but in terms of the super-rich, I think there is a legitimacy in a country as poor as ours.”

Several experts including chairman of Prime Minister’s Economic Advisory Council (PMEAC) C Rangarajan have underlined the need for imposing higher rates of taxes on super rich.

India taxes income at three rates - 10 per cent, 20 per cent and 30 per cent. These rates were fixed in 1997.

Finance Minister P Chidambaram will have to take a call on the issue of levying higher tax rate on super rich in his budget proposals to be presented in the Lok Sabha on February 28.

The Minister, however, in his recent meetings with investors in Hong Kong and Singapore had indicated that he might not increase the tax rates but would focus on compliance to increase revenue. Chidambaram had last year called for a debate on the need to impose inheritance tax in India saying that enough attention had not been paid on accumulation of wealth in the hands of a few.

Reebok faces heat from serious fraud probe office

Turning the fire on to the company itself, Serious Fraud Investigation Office (SFIO) officials say Reebok India is causing delay in a probe into its complaint against its two top former employees for alleged financial irregularities and fraud.

“We need the audited accounts from the company for 2011 to substantiate our claims in the investigation report. We are mostly through with our probe but we are not able to wrap it up because the company has not yet submitted the accounts for the period when most of the irregularity took place,” says a key SFIO official, engaged in the probe. SFIO, the corporate fraud investigative wing of Ministry of Corporate Affairs (MCA) started a probe into the Reebok India case in May last year and was expected to submit its report by October 2012.

However, in the absence of the accounting details from the sportswear maker, the SFIO is yet to finalise its report.

“Once we receive the audited accounts from the company, it will take us another 15-20 days to finalise and formulate our report,” the official said.

Reebok was required to submit its audited annual accounts for 2011 by September 30. However, the company twice sought extension of the date from the Registrar of Companies (RoC) till December 31, 2012, along with permission to submit audited accounts for a period of 15 months, starting January 2011 to March 2012. It got these permissions.

Govt hikes import duty on gold, ETFs to park some holdings with banks

The government on Monday announced a slew of measures including a hike in import duty on gold and platinum to discourage their consumption. The finance ministry directed gold exchange-traded funds to park a part of their gold holdings with banks so that some demand for these metals is met from domestic sources.

It also eased the terms of gold deposit schemes of banks to encourage individuals to deposit their idle gold, which will help increase domestic supply.

India’s current account deficit widened in the first half of the current fiscal as gold and crude oil imports remained high, increasing the country’s dependence on foreign capital inflows. Announcing the measures, economic affairs secretary Arvind Mayaram said import duty on gold and platinum will now be 6% against 4% earlier. He said the steps taken by the government will help moderate the quantity of gold that is imported.

Following the announcement, gold rose Rs 315 to Rs 31,250 per 10 gram in the Delhi bullion market. Gold futures went up by almost 1% as February contract touched Rs 30,847 per 10 gm at the MCX. Bullion traders and jewellers said gold and platinum will become costlier and the demand for the yellow metal in particular will come down.

Sebi issues stringent norms for investment advisers

Sebi has notified norms that make it mandatory for investment advisers to register with the capital market regulator and also require them to disclose all issues that could result in conflict of interests, among others.

To ensure more transparency, the new regulations require investment advisers – banks, non-banking financial companies (NBFCs) and corporates – would have to segregate their investment advisory services from other activities. Investment advisers also have to disclose the fee received for their advice on a particular financial product. The Sebi said that all entities engaged in advising on financial products would need to get registered with it. Besides, the investment advisers need to separate this activity from all other activities such as distribution. To be an investment adviser, corporate bodies need to have a minimum worth of Rs 25 lakh while the threshold level would be Rs 1 lakh for individuals.

Tata Steel to raise 10 bn rupees via dual tranche bonds

Tata Steel is planning to raise 10 billion rupees ($186.52 million) through a dual tranche bond sale, a source with direct knowledge of the deal said on Wednesday.

The company will issue six-year and eight-year bonds at 9.15 per cent, the source said.

The issue is rated AA+ by Care and Brickworks and is scheduled to open and close on Thursday.

Yes Bank is the sole arranger to the bond sale, said the source.

Tata supplies steel and related services to construction, automotive and aerospace markets among others.
RBI for periodic interest reset on long-term fixed-rate loans

The Reserve Bank of India (RBI) today suggested banks reset interest on fixed-rate long-term loans instead of charging a fixed rate throughout the tenure as it will be costlier for borrowers than floating rate loans. If implemented, the move will not only help borrowers who currently end up paying more, but will also help bank balance their assets and liabilities, the RBI said, adding banks could reset interest rates after 7-10 years.

"Till a few years back, a majority of loans offered by banks and financial institutions used to be in the nature of fixed-rate loans. However, in recent times retail loan portfolio has become skewed in favour of floating rate products," it said. RBI said, adding banks can offer fixed-rate loans of up to 30 years to reduce the EMIs of the borrowers. RBI said, therefore, make efforts to offer longer-tenor fixed rate loans, say up to 30 years which would help release resources for extending long-term fixed-rate loans, the report said.

SOURCE: FINANCIAL EXPRESS & PTI

Netherlands based ING is the second foreign insurer to withdraw from India this fiscal after New York Life

ING Vysya Life at about Rs 1,100 crore. Headquartered in Bangalore, ING Vysya Life Insurance has over a decade of experience serving more than one million customers in over 200 cities in India.

ING’s exit from the Indian venture is part of its previously announced divestment of ING’s Asian Insurance and Investment Management businesses, the Dutch banking and insurance company said. In June, US-based New York Life exited from its Indian life insurance business by selling 26% stake at Rs 2,731 crore to Mitsui Sumitomo Insurance of Japan. Exide further said that it will look for a new foreign partner for its life insurance company.

SOURCE: FREE PRESS JOURNAL

Exide to buyout partners’ stake in ING Vysya life for Rs 550 cr

Exide Industries, which already holds 50% stake in the insurance company, will also buy the remaining 24% from two other promoters - Hemendra Kothari Group and Enam Group. The sale of Vysya Life Insurance does not impact ING Vysya Bank, a listed Indian bank in which ING has a 44 percent stake, nor ING’s fund management operations in India, ING said in a statement.

Exide proposes to pay about Rs 550 crore for 50% stake, thereby valuing the ING Vysya Life at about Rs 1,100 crore. Headquartered in Bangalore, ING Vysya Life Insurance has over a decade of experience serving more than one million customers in over 200 cities in India.

The body would also seek the Aadhaar numbers to avoid inconvenience of members as they had done it in a time bound manner," an official order to the field staff said.

In case any employees does not have issued the Aadhaar number as KYC (Know Your Customer) credential for enrolment from March 1, 2013, Employees' Provident Fund Organisation's (EPFO) existing over 50 million subscribers would be given time to furnish Aadhaar numbers.

"It has been decided to make Aadhaar numbers mandatory for new members...joining on or after March 1, 2013. However for existing members, the seeding of Aadhaar number has to done in a time bound manner," an official order to the field staff said.

For fiscal consolidation in the current financial year, the minister said he was relying mostly on savings under the Direct Benefits Transfer scheme, Chidambaram said. Pilot projects indicate a saving of 20-60% by reducing leakages.

PUBLIC sector companies that don’t meet investment targets by March 31, 2013, will be asked to return the surplus to meet investment targets by March and NTPC will be divested next year, the minister said, adding that the disinvestment target of Rs 30,000 crore would be met, and NTPC would be divested next year, the minister said.

The government was also counting on savings under the Direct Benefits Transfer scheme, Chidambaram said. Pilot projects indicate a saving of 20-60% by reducing leakages.

And even without raising tax, the minister held a meeting with the finance minister and foreign institutional investors, debt investors and representatives of companies in Singapore. After Mauritius, Singapore is the biggest source of FDI inflows into India.

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CCI found NIMPA’s practices of pressurising the distributors to settle the monetary disputes with its members to be in contravention of the provisions of Competition Act. Accordingly, the Commission also directed NIMPA to file an undertaking regarding compliance of its order within a period of 30 days from the receipt of the order. As NIMPA was already directed by the Commission in earlier cases to modify its Articles of Association and rules and regulations and remove the condition of compulsory registration of films as a pre-condition for release of any film, the Commission did not find it necessary to pass similar directions again in the present case. The Commission also did not find it appropriate to impose any penalty upon NIMPA in light of the facts and circumstances of the present case.

Source: Live Mint & PTI

Banking licences: Corporate honchos rule out conflict of interest

Chief executives of leading corporate houses, led by Bajaj Auto Chairman Rahul Bajaj, have come out in favour of granting banking licences to conglomerates, saying the Reserve Bank of India (RBI) should instead ensure Chinese walls between group companies and bank applicants, so that banks avoid lending funds to group companies. Economists advise against it, citing international experiences business leaders say RBI should allow move for inclusive growth.

Many economists have cautioned against giving a banking licence to a conglomerate, saying it would lead to a conflict of interest between the bank and group companies. They cited in-stances of global banks facing various problems after lending to group companies. Economists advise against it, citing international experiences. Business leaders say RBI should allow move for inclusive growth.

Source: The Economic Times

Bridge the current account deficit

The Reserve Bank of India (RBI) on Thursday hiked FII investment limits in government securities and corporate bonds by $5 billion each, taking the total cap in domestic debt to $75 billion, with a view to bridging the current account deficit.

Further liberalising the norms, the three-year lock-in period for foreign institutional investors (FIIs) purchasing government securities (G-Secs) for the first time has been done away with, RBI said. The sub-limit of $10 billion for investment by FIIs and long-term investors in G-Secs stands enhanced by $5 billion, it said.

The limit in corporate debt, other than infrastructure sector, stands enhanced from $20 billion to $25 billion, RBI said. With increase of $5 billion in each of the two categories, FIIs and long-term investors can now invest $25 billion in G-Secs and $50 billion in corporate debt instruments, taking the total to $75 billion.

The earlier FII investment limit in G-Secs was $20 billion and for corporate debt it was $45 billion, including sub-limit of $25 billion for infra bonds. RBI further said: "Residual maturity condition shall not be applicable for the entire sub-limit (in GSecs) of $15 billion but such investments will not be allowed in short-term paper like Treasury Bills, as hitherto".

Source: Ministry of Finance