Sebi tightens ‘conflict of interest’ rules for entities

To ensure fair and non-discriminatory treatment to all investors and companies, Sebi asked stock exchanges, rating agencies, brokers, depositories and other market entities to put in place a strong system to manage any conflict of interest.

The credit rating agencies have been specifically asked to deploy adequate systems and policies to ensure that they address any conflict of interest during investment decisions of their own funds or by their top management and employees.

The rating agencies, their employees and key executives have also been asked not to “take undue advantage of any price sensitive information that they may have about any company”. The key executives, such as CEOs and Managing Directors, would need to take prior approval from the Compliance Officer for sale or purchase of securities of the companies with which the credit rating agency may have rating-related dealings.

Issuing detailed guidelines for avoidance and handling of “conflict of interest” by market infrastructure institutions and intermediaries, Sebi said all such entities and associated persons would need to maintain “high standards of integrity” in conduct of their business. They have also been asked not to use any information received from the clients, under the normal business dealings, for any personal interest and to put in place “information barriers” to block flow of confidential information from one department to another.

Credit rating agencies would need to ensure compliance to the new guidelines by October 1, the others have been asked to review their existing policies and comply within six months.

Tata laments the leadership deficit in UPA

Says India has lost the confidence of the world

A leadership deficit is aggravating the economic crisis in India, Tata Group Chairman Emeritus Ratan Tata has said, adding that the country has lost the confidence of the world.

In an exclusive interview to television channel CNN-IBN, aired on Wednesday, Tata said India needed leaders who lead from the front and the prime minister’s team and the political class needed to pull in one direction, and not pursue individual agendas above national interests.

“There are leaders whom I’ve respected all through my life for their public life. But something has happened that has diffused this leadership. We don’t have leadership that we have been talking about, that is leading from the front,” said Tata. At the same time, Tata said his respect for Prime Minister Manmohan Singh continues to be very high.

“My expectation of him is very high. Perhaps the team is not leading in one direction; it is pulling in different directions. States are pulling in one direction, allies are pulling in a different direction and many heads of the portfolios in the government are pulling in different directions,” he said.

“We are not consolidating ourselves in the government. We are not any longer looking at ourselves as one India.” He said Manmohan Singh has held the country’s esteem high but in recent times that esteem had been squandered. “We have lost the confidence of the world. We have been slow to recognize that in the government.” He also said that the government has ‘swayed’ under the influence of vested interests in private sector and policies have been “changed, delayed and manipulated”. “So, for one reason or the other, the government has swayed with those forces,” Tata said, adding that if the policies were implemented as they were written, it would be good for the country.
FinMin blames ‘irrational sentiment’ for Re freefall

There is no need to panic. The Indian economy is strong and we will turn it around, says Commerce Minister Anand Sharma

As the rupee fell below the 68-mark and global agencies painted a gloomy outlook for the economy, the government sought to reassure investors by saying there was no need for panic as the decline in the domestic currency was a reflection of “irrational sentiment.” “There is no need to panic. The Indian economy is strong and we will turn it around,” Commerce and Industry Minister Anand Sharma said.

Trying to assuage investors, Economic Affairs Secretary Arvind Mayaram said: “This is an irrational sentiment. It will correct itself. It is important to stay on the course. There is no need to panic.” The rupee has plummeted over 20% since April. The mayhem in the currency market was extended to equities, with the Sensex declining 9% in the past month.

India Inc urged the government to take urgent measures like issuing sovereign guaranteed bonds and exempting FIs from short term capital gains tax to stem the rupee’s slide. India Inc said today. “Consideration has to be given to issuing a sovereign guaranteed bond which would be of a substantial amount. Additionally, we need to explore if FIs can be exempt from short term capital gains tax,” CII President Kris Gopalakrishnan said.

Stressing that foreign institutional investors (FIIs) must be reassured through appropriate action by the government, corporate India said the solution lies in correcting the current account deficit (CAD) by building a robust exports sector and strong domestic manufacturing base.

“Finance Minister P Chidambaram should speak to his counterparts in the rest of the EMEs like Brazil, South Africa, China, Russia, Indonesia and Turkey and seek an immediate meeting. We cannot afford to watch the situation helplessly and allow the Fed Reserve and hordes of FIs wreck havoc with our economies,” Assoscham said.

To restart investment cycle, govt clears raft of power, infra projects

Seeking to win back investors to shore up the rupee and spur growth, the government has approved a raft of infrastructure projects worth Rs 1.83 lakh crore. Finance Minister P Chidambaram said the Cabinet Committee on Investment (CCI) cleared hurdles faced by 18 power projects, and a similar number of projects in road, railways and petroleum.

“Our highest priority is to get the investment cycle restarted,” he said.

18 power projects worth Rs 83,773 crore, which were stalled because of lack of fuel linkages, will sign supply accords with Coal India Ltd by September 6. The projects which will get coal include Adani Group’s Mahavishnu plant, GMR’s 1,400 MW Kamalanga unit in Dhenkanal district of Odisha, Lanco’s Badandh power plant in Odisha and Talwani Power of Punjab.

Besides, the CCI cleared hurdles for projects like Reliance Power’s 4,000 MW ultra mega power project at Sasan in Madhya Pradesh, L&T’s Metro Rail project in Hyderabad, Hindalco Industries project and Essar Power’s Jharkhand project.

Chidambaram said apart from power sector projects, there are nine projects with a total outlay of over Rs 14,084 crore, where the banks have disbursed Rs 1,484 crore.

Another nine projects reviewed by the CCI involved an investment of over Rs 85,000 crore. The Finance Minister further said that banks have already disbursed as much as Rs 30,000 crore for the power sector projects and with clearances in place they would provide more funds for these projects. He said that all the necessary approvals for the L&T Metro Rail project have been granted.

Fin Min sends letters to indirect tax defaulters

For the first time, the Finance Ministry has started sending letters to service tax, customs and excise duty defaulters asking them to come clean on certain dubious transactions carried out by them.

The letters are being issued by two lead intelligence agencies under the Finance Ministry – Directorate General of Central Excise Intelligence (DGCEI) and Directorate General of Revenue Intelligence (DGRI) – and Commissionerates of Service Tax and Central Excise, spread across the country. Officials told PTI the DGCEI is sending the letters to service tax and excise duty defaulters and the DGRI is issuing these correspondences to suspected customs duty evaders, they said.

The letters are being sent to an entity or an individual to seek clarification on a financial deal, red flagged by economic intelligence agencies as black money or seen as an attempt to dodge authorities from paying taxes.

The entities were not immediately known.

It is for the first time that such letters have been issued to indirect tax defaulters, a senior Finance Ministry official said, adding that the Income Tax department has been issuing such letters to direct tax dodgers. The Finance Ministry has decided to go after about 12 lakh service tax assesses who had stopped filing returns. The Ministry officials are also focusing on top 100 excise duty assesses in the country to ensure that there is no evasion towards the indirect tax collection kitty.

There are 1.2 lakh excise duty assesses across the country. Where as, there are 17 lakh registered assesses under the service tax.
The Reserve Bank in pitching for ‘stringent’ entry norms, favours stiff norms, 4-tier structure

The Reserve Bank of India (RBI) favours stringent entry norms so as to encourage entry by only well-qualified entities in order to improve the quality of the banking system and promote competition, says RBI in its latest discussion paper titled ‘Banking Structure in India - The Way Forward’.

“It is important that the entry norms should be stringent so as to encourage entry by only well-qualified entities in order to improve the quality of the banking system and promote competition,” the discussion paper titled ‘Banking Structure in India - The Way Forward’ said.

The discussion paper is released at a time when the central bank is sifting through 26 applications seeking an entry into the fray. On consolidation in the banking sector, the paper said, it has assumed significance considering the need for a few Indian banks to cater to global needs of the economy by becoming global players.

Consolidation in the banking sector may pave the way for stronger financial institutions with the capacity to meet corporate and infrastructure funding needs, it said. Taking into account the pros and cons of consolidation, it has to be borne in mind that while consolidation of commercial banks with established synergies and on the basis of voluntary initiatives is welcome, it cannot be imposed on banks, it added.

Nevertheless, a measured approach is to be made both on consolidation and global presence even if attaining global size is not imminent, it noted. On the issue of small banks versus large banks, the paper said small local banks play an important role in the supply of credit to small enterprises and agriculture and banking services in under-banked and under-developed regions in the country.

It said “differentiated licensing” for infrastructure financing, wholesale banking and retail banking is a desirable step and there is also a need to promote investment banking system.

RBI for doling out govt stake in PSU banks to ease fiscal burden

The government may consider reducing its stake in state-run banks to below 51% as an option for raising funds and easing fiscal burden, RBI said in a discussion paper. “As regards the reduction in fiscal burden on account of recapitalisation of the public sector banks (PSBs), Government may consider options from menu of choices available such as issue of non-voting equity shares or differential voting equity shares, adopting FHC structure or doling out stake in PSBs,” the paper said.

“Going forward, there is a better pay-off in enabling PSBs to improve their performance while promoting private sector banks,” the discussion paper titled ‘Banking Structure in India - The Way Forward’ said. It further said, “government could also consider doling out its stake below 51% in conjunction with certain protective rights to the Government by amending the statutes governing the PSBs.”

Another alternative would be to move to a Financial Holding Company (FHC) structure, it added. The government has been pumping money in the public sector banks for the last few years to enhance their capital base.

In the current fiscal, the government has announced that the PSBs will get Rs 14,000 crore additional capital. The government infused Rs 12,517 crore into 13 PSBs in 2012-13. The government had infused about Rs 20,117 crore in PSBs during 2010-11, and Rs 12,000 crore in 2011-12.

NSEL woes due to bad people in mgmt: Fmr Board members

In yet another setback to it, the National Spot Exchange (NSEL) saw non-executive Chairman Shankaral Guru and another Director quit, blaming “bad people” in the management team for the crisis at NSEL.

With the resignation of Guru and B D Pawar, the 5-member board of NSEL is now left with just Jignesh Shah, who owns FTIL which is the single largest promoter of NSEL, and Joseph Massey. Another director Ramanathan Devara-Jan had reportedly quit last week.

NSEL, facing Rs 5,600 crore payment liability on commodities traded on its platform, had earlier this month sacked the entire top management including Managing Director and CEO Anjani Sinha.

“I resigned from Board of Directors of NSEL on August 7 as I and B D Pawar felt that our mission of promoting agriculture marketing is not being followed and there has been such a big scam in the exchange, which is not the right thing. I have nothing to do with this issue,” Guru told PTI.

The Non-Executive Chairman is not responsible for the day to day functioning or running of the exchange, which is a task of the team led by the CEO, Guru said he wants the payment crisis at NSEL to end, and “bad people” on its management team punished.

He, however, refused to name the persons or elaborate on “bad people” in NSEL.

NSEL is facing the problem of settling Rs 5,600 crore dues to 148 members/brokers, representing 13,000 investor clients, after it suspended trade on July 31 on government direction. On the reasons behind his resigning from the NSEL Board, without giving a straight answer, Pawar said: “I had joined it to promote cause of the farmers and the rules and regulations and the system were very good they were benefiting farmers, but, recently they (executives) misused the rules and regulations.”

NK proteins is one of the biggest defaulters with a liability of Rs 929 crore. “I understand he is my son-in-law, but if he has done the wrong thing, he should be punished for it. I have nothing to do with this. I am being associated with it as I was the board chairman,” he said.

NSEL gets only Rs 3.4 cr from members

NSEL could gather only Rs 3.40 crore from its members and clients on Monday against the second scheduled payout of Rs 174.72 crore which is due tomorrow. Of 24 members, 11 members have paid a total of Rs 11.90 crore so far (Rs 40 lakh was paid on August 21, Rs 8.10 crore on August 20 and Rs 3.40 crore on August 26). The exchange had unveiled a seven-month plan to settle the dues to investors.

As per the plan, August 16 was the first ‘pay-in’ day and August 20 the first ‘pay-out’ day. However, NSEL was able to pay only Rs 92 crore in the first pay-out, out of the scheduled Rs 174.72 crore.

NSEL files plaints

Meanwhile, NSEL declined nine members (buyers) who failed to pay their dues on the first day of settlement on August 20 as ‘defaulters’. The beleaguered bourse lodged a complaint against five defaulters, including the major defaulter NK Proteins, with the Economic Offences Wing (EOW) as they failed to meet FMC norms on having adequate commodities in warehouses. Of these five defaulters, NK Proteins has a liability of Rs 929 crore. The other four are Ark Imports Pvt Ltd, Lotus Refineries Pvt Ltd, Vimladevi Agrotech Ltd and Yathuri Associates, the statement said.

SOURCE: PTI

SOURCE: Free Press Journal

SOURCE: Free Press Journal
Food bill to strain finances, oil prices key risk: Experts

Ponzi operators to face fine worth three-times of profits

Govt forms 11-member task force to study currency swap pacts

The battered Indian currency hit a new low on Tuesday, touching 66.30 against the dollar and stocks nosedived on worries the food security programme will widen the fiscal deficit and raise the risk of a rating downgrade. The market opened down in the backdrop of sliding rupee and remained under selling pressure ahead of F&O contract expiry later this week.

Markets are likely to see further downside as GDP data for the April-June quarter is expected on Friday and investors are cautious in the midst of deepening slowdown, experts said.

The 30-share Sensex remained in negative terrain since the opening and touched a low of 17,921.82 before ending at 17,968.08, a fall of 590.05 points or 3.18%. The broader Nifty slumped by 189.05 points or 3.45% to 5,287.45. Investor wealth worth Rs 1.7 lakh crore was eroded as participants resorted to panic-selling across the spectrum. Financial stocks bore the brunt of the sell-off followed by FMCG, energy, healthcare, auto, metal and infra counters.

Tuesday’s sell-off was not India-specific as currencies and equities in emerging markets too came under selling on heightened fears over a possible US intervention in Syria amid uncertainty over Fed tapering its stimulus measures.

Brent North Sea crude oil at one stage reached USD 111.92 the highest point since early March. New York’s main contract, West Texas Intermediate for delivery in October, was up 95 cents to 106.87 USD a barrel.

“The Food Security Bill was passed yesterday, which is expected to add to the fiscal burden,” said Sanjeev Zarbade, VP at Kotak Securities. “We believe crude oil has emerged as a key risk in the near term, which is not a good sign for the rupee. Thus, on an overall basis, the macro-economic outlook has weakened and risks have clearly strengthened.”

Twelve of the 13 sectoral indices closed lower, led by banking, capital goods and power shares. Following the weak sentiment across the stock market, blue-chips, including HDFC Bank, HDFC, Ultratech Cement, NTPC and ACC touched their respective 52-week low.

Shares of HDFC Bank tanked 8.04% to close at Rs 560.9, while mortgage lender HDFC plunged 7.70% to Rs 686.85 and NTPC lost 5.86% to close at Rs 124.50. In contrast, 47 scrips scaled their 52-week high at the BSE. The rupee has lost over 20% in 2013 and is among the worst performers globally.

The government decided to set up a task force which will look at the possibility of having currency swap agreements with key trading partners, a move which would help in bridging current account deficit. Hitting record lows consistently, the rupee has depreciated by nearly 15% since April.

The 11-member task force would include representatives from the commerce ministry, department of economic affairs and financial services, RBI, SBI, CII, Ficci and exporters body FIEO.

“In view of the rising trade deficit and consequent CAD, a need has been felt to examine the role of Currency Swap Arrangement in order to suggest a possible mechanism to address the issue. It has been decided to constitute a Task Force,” an official statement said.

The issue came up for discussion during the meeting of Board of Trade which was chaired by Commerce and Industry Minister Anand Sharma. “The Task Force may submit its recommendations to the Department of Commerce in four weeks,” it said. Currency swap agreements involve exchange of one currency for another currency. A dollar swap arrangement would help India support the rupee. Swap agreements in US dollar is expected to provide confidence to the market and prevent excess volatility in financial and foreign exchange markets.

India has signed currency swap agreements with Japan (USD 15 billion) and Bhutan (USD 100 million). The Federation of Indian Export Organizations (FIEO) President Rafaeque Ahmed said: “We can look at currency swap arrangement with China, Japan and European Union, among other nations.”

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Ponzi operators to face fine worth three-times of profits

The constituent authority of Sebi (Securities and Exchange Board of India) has decided to increase the monetary penalty for selective Investment Schemes (CIS), not proved to be sufficient to deter those running unauthorised CIS, as against the current provision of a meagre fine of Rs 1 crore. Accordingly, Sebi has decided to amend the relevant regulations to provide for “a penalty of Rs 25 crore or three times the amount of profits made, whichever is higher.”

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G R O U P S

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