

Info Capsule

Thursday
October 28, 2021

President : CS Nagendra D. Rao

Vice President : CS Devendra V. Deshpande

❖ Ministry of Finance

ADB, India sign \$100 million loan for agribusiness development in Maharashtra (October 27, 2021)

The Asian Development Bank (ADB) and the Government of India today signed a \$100 million loan to promote agri-business network to boost farm incomes and reduce food losses in the State of Maharashtra. Shri Rajat Kumar Mishra, Additional Secretary, Department of Economic Affairs, Ministry of Finance signed for the Government of India, the agreement for the Maharashtra Agribusiness Network (MAGNET) Project, while Takeo Konishi, Country Director of ADB's India Resident Mission signed for ADB.

For details:

<https://pib.gov.in/PressReleasePage.aspx?PRID=1767019>



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भारतीय कम्पनी सचिव संस्थान
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Statutory body under an Act of Parliament
(Under the jurisdiction of Ministry of Corporate Affairs)



❖ Securities Laws & Capital Markets

SEBI Circular

• **Guiding Principles for bringing uniformity in Benchmarks of Mutual Fund Schemes (October 27, 2021)**

SEBI has issued guiding principles in order to standardize and bring uniformity in the Benchmarks of Mutual Fund Schemes. SEBI has decided that there would be two-tiered structure for benchmarking of schemes for certain categories of schemes. The first tier benchmark shall be reflective of the category of the scheme, and the second tier benchmark should be demonstrative of the investment style / strategy of the Fund Manager within the category. All the benchmarks followed should necessarily be Total Return Indices.

For details:

https://www.sebi.gov.in/legal/circulars/oct-2021/guiding-principles-for-bringing-uniformity-in-benchmarks-of-mutual-fund-schemes_53539.html

SEBI Regulations

• **SEBI (Issue of Capital and Disclosure Requirements) (Fourth Amendment) Regulations, 2021 (October 26, 2021)**

SEBI vide its notification dated October 26, 2021, amends the provisions of SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2018, which shall come into force on the date of their publication in the Official Gazette. It has been provided that if an issuer has issued SR equity shares to its promoters/founders, the said issuer shall be allowed to do an initial public offer of only ordinary shares for listing on the Main Board subject to compliance of various clauses which, *inter alia*, provides that the net worth of the SR shareholder, as determined by a Registered Valuer, shall not be more than rupees one thousand crore.

While determining the individual net worth of the SR shareholder, his investment/ shareholding in other listed companies shall be considered but not that of his shareholding in the issuer company. In addition, it has been provided that the SR equity shares have been issued prior to the filing of draft red herring prospectus and held for a period of at least three months prior to the filing of the red herring prospectus.

For details:

https://www.sebi.gov.in/legal/regulations/oct-2021/securities-and-exchange-board-of-india-issue-of-capital-and-disclosure-requirements-fourth-amendment-regulations-2021_53516.html

❖ **Direct Tax**

• **Clarification regarding Section 36(1)(xvii) of the Income-tax Act, 1961 inserted vide Finance Act, 2015 [Circular No. 18 Dated Oct 25, 2021]**

The Finance Act, 2015 inserted the clause (xvii) in sub-section (1) of section 36 of the Income-tax Act, 1961 (the Act) to provide for deduction on account of the amount of expenditure incurred by a co-operative society engaged in the business of manufacture of sugar for purchase of sugarcane at a price which is equal to or less than the price fixed or approved by the Government. The issue of treatment of additional payment for sugarcane price by Co-operative sugar mills as an income distribution to farmer members and the resultant tax liabilities has been brought to the notice of the Central Board of Direct Taxes (the Board).

The matter has been examined by the Board and clarified that the phrase 'price fixed or approved by the Government' includes price fixation by State Governments through State-level Acts/Orders or other legal instruments that regulate the purchase price for sugarcane including State Advised Price, which may be higher than the Statutory Minimum Price/ Fair and Remunerative Price fixed by the Central Government.

For details:

<https://incometaxindia.gov.in/communications/circular/circular-no-18-2021.pdf>

• **Guidelines under clause (23FE) of section 10 of the Income-tax Act, 1961 [Circular No. 19 Dated Oct 26, 2021]**

Finance Act, 2020 inserted clause (23FE) to provide for exemption to sovereign wealth funds and pension funds on their income in the nature of dividend, interest and long-term capital gains arising from investment in infrastructure in India made between 01.04.2020 and 31.03.2024 subject to fulfilment of certain conditions. The Board, with the approval of the Central Government, hereby issues the following guidelines:

- if the loans and borrowings have been taken by the specified fund or any of its group concern, specifically for the purposes of making investment by the specified fund in India, such fund shall not be eligible for exemption under clause (23FE) of section 10 of the Act; and

- if the loans and borrowings have been taken by the specified fund or any of its group concern, not specifically for the purposes of making investment in India, it shall not be presumed that the investment in India has been made out of such loans and borrowings and such specified fund shall be eligible for exemption under clause 23(FE) of section 10 of the Act, subject to the fulfilment of all other conditions under the said clause, provided that the source of the investment in India is not from such loans and borrowings.

For details:

<https://incometaxindia.gov.in/communications/circular/circular-19-2021.pdf>

❖ **Banking and Insurance**

● **More than 80% Indians support RBI move to stop auto debit: Local Circles survey (October 27, 2021)**

Even as many multinationals and tech start-ups cry foul over the Reserve Bank of India's (RBI) move to stop the auto debit rule, many customers seem to have given it a thumbs up. 83% of Indian consumers who paid for apps on Google Playstore, Apple App store and Windows Store support RBI to mandate OTP-based authentication for all app purchases and renewals, a Local Circles survey said. RBI has stopped automatic recurring payments for all services offered by various companies such as Amazon, Netflix or several applications or apps. This would mean that money cannot be directly debited from a customer's credit card or bank account without his permission.

For details:

<https://economictimes.indiatimes.com/industry/banking/finance/banking/more-than-80-indians-support-rbi-move-to-stop-auto-debit-localcircles-survey/articleshow/87314836.cms>

● **Microfinance lenders should not throw caution to the winds while chasing growth, says RBI's Rajeshwar Rao (October 27, 2021)**

The Indian microfinance sector needs to exercise caution while chasing growth and lenders to the economically weaker section should not overlook the social objectives embedded in their business, Reserve Bank of India (RBI) Deputy Governor M Rajeshwar Rao said on October 27, 2021.

For details:

<https://economictimes.indiatimes.com/industry/banking/finance/banking/microfinance-lenders-should-not-throw-caution-to-the-winds-while-chasing-growth-says-rbis-rajeshwar-rao/articleshow/87311496.cms>

- **Indian banking to see fresh phase of consolidation (October 27, 2021)**

The Indian banking sector is set to witness a fresh phase of consolidation over the medium term, driven by large private sector banks, according to Acuité Ratings and Research. The credit rating agency observed that the next phase of banking sector consolidation is likely over FY 22-24, with large Private Sector Banks (PVBs) set to become larger.

For details:

<https://www.thehindubusinessline.com/money-and-banking/indian-banking-to-see-fresh-phase-of-consolidation/article37185531.ece>

- **Govt. appoints veteran banker K V Kamath as Chairperson of Rs 20,000-crore NaBFID (October 27, 2021)**

The Government on October 27, 2021 announced the appointment of veteran banker K V Kamath as Chairperson of the newly set up Rs. 20,000 crore development finance institution NaBFID to catalyse investment in the funds-starved infrastructure sector. Parliament had in March cleared the National Bank for Financing Infrastructure and Development (NaBFID) Bill 2021 to support the development of long-term non-recourse infrastructure financing in India, including the development of the bonds and derivatives markets necessary for infrastructure financing.

For details:

<https://www.financialexpress.com/industry/banking-finance/govt-appoints-veteran-banker-k-v-kamath-as-chairperson-of-rs-20000-crore-nabfid/2358157/>

❖ **International Business News**

India's inclusion in global bond index may lure \$25 bn inflows: JPMorgan (October 27, 2021)

India's inclusion in JP Morgan's global emerging-market bond index could prompt \$25 billion of inflows from foreign investors, the bank said in a research report. Actual inclusion will depend on domestic and international developments, Arthur Luk, a JPMorgan Chase & Co. strategist, wrote in a note. Given India's large weight in the index, the process would likely be staggered over 10 months, similar to China's inclusion into GBI-EM in 2020, Luk said.

For details:

https://www.business-standard.com/article/markets/india-s-inclusion-in-global-bond-index-may-lure-25-bn-inflows-jpmorgan-121102700931_1.html

❖ Terminology for today

Xetra

Xetra is a trading technology platform that is operated by Frankfurter Wertpapierbörse (FWB), the Frankfurt Stock Exchange. It offers electronic trading in stocks, funds, bonds, warrants, and commodity contracts. Launched in 1997, the majority of all trades transacted in Germany are through the Xetra trading venue: more than 90% of all trading in shares across all German exchanges is now conducted through Xetra, making it the largest of Germany's seven stock exchanges.

❖ Market Watch

Stock Market Indices as on 28-10-2021		Foreign Exchange Rates as on 27-10-2021 (https://www.geojit.com/currency-futures/rbi-reference-rate)			
S & P BSE Sensex	59984.70 (-1158.63)	INR / 1 USD	INR / 1 EUR	INR / 1 GBP	INR/ 1 JPY
Nifty 50	17857.25 (-353.70)	74.96	86.96	103.25	0.66

Prepared by Directorate of Academics

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