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EDITORIAL

INFLATION, RISING INTEREST RATES - A THREAT TO THE INDIAN ECONOMIC GROWTH

CA Vinod Jain*

The Reserve Bank of India has been keenly observing the rising inflation during last few months and is rightly concerned about the same. It is noted that the current inflation has mainly arisen in the items of basic necessity and specially the **food inflation index and Oil prices have risen most.**

The Reserve Bank of India has been following very tight monetary policy and has undertaken several steps to substantially reduce the liquidity of funds in the financial system. In addition to the above the RBI has continuously been raising REPO rate as well as reverse REPO rates during last several months. **These policies have created an atmosphere in the financial system for hardening of interest rates.** The banks have substantially increased the rate of fixed deposits and are severely competing with each other to attract more liquidity.

The RBI may consider to allow Indian rupee to appreciate to its realistic level so that the impact of international commodity market prices on the Indian prices can be suitably moderated.

On the other hand the rates of interest for lending have also risen very substantially, **thereby severely impacting a large number of infrastructure projects, power projects, real estate projects as well as projects in the manufacturing sector.** The non performing assets of the banking system are likely to rise substantially due to heavy interest burden. The sentiment of the Indian industry to plan for further expansion based on financial leverage have also been adversely affected. The companies whose plans are based on borrowing are re-considering the long term viability of the plans.

The Indian economy has shown necessary resilience and sustained growth has been observed even after international slowdown. The government need to seriously consider that the tightening of liquidity coupled with so high interest rate may not result into slowing down of the economy. The impact of these issues may be observed only in next few months and in such a situation it will be very difficult to reverse the trend, in favour of growth again .

The Learned economists and intellectuals may please consider that the current inflation, being experienced in India is not arising out of excess money supply but is largely related to the food inflation or rising oil prices and commodity prices in the international markets. The tightening of monetary policy cannot impact such inflation directly. The time has come for RBI and Government of India to reconsider their policy.

A case for Rupee appreciation:

The export from India has touched a new height and a record growth rate has been observed in recent periods. The FII inflow as well as foreign exchange reserves are very comfortable . **The RBI may consider to allow Indian rupee to appreciate to its realistic level so that the impact of international commodity market prices on the Indian prices can be suitably moderated.** This will also help in tackling the inflation by reduced cost of imports. The increased demand for Indian commodities internationally, including for sugar and other basic commodities, can also be addressed by making export of such commodities less attractive by firming up of rupee. It is also important for RBI to make adequate fund available at reasonably low cost for infrastructures and power sectors as well as for industries so that the growth momentum can take place effectively and efficiently. Looking into need for low cost houses, their funding need special push by the policy makers.

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LATEST IN FINANCE

1.0 RBI WANTS PSU LENDERS TO REPORT BIG FRAUDS TO CBI

In Order to check banking fraud, RBI asked public sector lenders to promptly report cases of cheating involving Rs.1 Crore and above to the CBI, and of the Lesser amount to the police. Private and Foreign banks have been asked to report cases of fraud involving an amount of Rs. 1 Lakh and above to the police.

2.0 RBI TIGHTNES RULES FOR BANKS LENDING TO REALITY

The Reserve Bank of India has laid down diligence standards for banks in sanctioning loans to real estate sector after inspections found that most frauds were due to document forgeries even after certificate by lawyers and chartered accountants. The central bank has said banks should leave no stone unturned to verify the documents and verify the title, including cross verification with the local administration, to ensure that frauds are eliminated.

3.0 15 SEZ SURRENDER REGISTRATION

Export promotion council for EOUs and SEZs had said in a statement that atleast 15 developers, including DLF and Essar, wanted to denotify their SEZs citing uncertainty over continuation of the earlier promised fiscal benefits and imposition of new taxes.

4.0 BANKS CAN BUY LOANS FROM NBFC'S TO MEET PRIORITY SECTOR TARGET

The reserve bank of India has allowed banks to buy loans from non-banking finance companies to meet their priority sector target.

5.0 INDIA'S FDI FLOWS HAVE DROPPED SHARPLY

($ billion)

YEARS	INDIA	CHINA	RUSSIA
2007	25	83.5	55.1
2008	40.4	108.3	75.5
2009	34.6	95	38.7
2010	23.7	101	39.7

6.0 RBI EXTENDS FCCB BUYBACK DEADLINE

RBI decided to extend the time limit for corporate to buyback FCCBs upto march 31st,2012,a step that will allow entities to retire expensive debts. According to the crisil report, FCCBs worth around Rs 31,500 crore, issued by indian corporates are nearing their maturities by march 2013. Of these, FCCBs worth Rs 22000-24000 crore may not get converted into equity shares, as the current stock prices of issuing companies are significantly below their conversion prices.

7. SURVEY ON SATISFACTION OF GOVERNMENT FUNCTIONING

QUESTIONS	YES	NO	NOT SURE
1. Are you happy with the UPA govt's handling of the current political and economic situation?	12%	76%	12%
2. Has routine decision making in the Government slowed?	80%	11%	09%
3. Is this governance crisis likely to hurt India's growth?	72%	17%	11%
4. Has 2 G license crisis been handled efficiently?	12%	73%	15%
5. Are Business houses also responsible for the current governance problem?	72%	12%	16%

8.0 FOREX RESERVE AT $309 BILLON

Foreign exchange reserves touches $309 billion as on June 24th, 2011

AUDIT

1.0 SBI FACE QUERIES FROM CHARTERED ACCOUNTANTS BODY ON HIGHER PROVISIONING IN 2010-11 Q4

Taking a strong note of SBI's huge profit erosion for March quarter due to a rise in provisions, accounting regulator ICAI has asked the country's largest bank to explain the reasons for earmarking higher provisions for bad loans. The ICAI will also be writing to the RBI and capital market regulator SEBI with regard to the issue. SBI's Q4 profits plunged by nearly 99% to Rs. 20.88crore for the quarter ended march 31st,2011,verses Rs 1,866.60 crore it had posted for the same period last year.

2.0 STRICTER CHECKS ON 10K COs AS COST AUDIT TURNS MANDATORY

Operational details of more than 10,000 companies across 14 industries will come under government scrutiny with the Ministry of Corporate Affairs (MCA) making cost audits mandatory from April this year.

The Corporate affairs ministry’s communiqué says all companies manufacturing bulk drugs, fertilizers, sugar, industrial alcohol, electricity, petroleum, and telecom equipment and having an annual turnover of more than Rs.20 crore will have to carry out a cost audit.

For companies manufacturing cement, tyres, steel, paper and insecticides, the annual turnover threshold has been fixed at Rs.100 crore.

Any company that has its debt or equities listed on stock exchanges, or is in the process of doing so, will also have to carry out a cost audit even if it does not fall within the turnover criteria. These companies will have to file cost audit reports for fiscal 2011-12.

FEMA

1.0 FOREIGN RETAIL INVESTORS GET ENTRY INTO MFs, CAP SET AT $10B

The Government has allowed foreign investors to cumulatively buy up to $10 Billion worth of indian shares through domestic mutual funds units.

2.0 RBI ALLOWS COs TO ISSUE EQUITY,PREF SHARES AGAINST CAPITAL GOODS IMPORT

RBI has permitted companies to issue equity shares and preference shares against import of capital goods and machinery,instead of cash payments.

3.0 GOVT AMENDS TELECOM LICENSE NORMS

Make it mandatory for firms to appoint Indian Nationals for managing their networks. A penalty of Rs.50 crore will be levied on operators if there is any breach in security conditions. The operators would have to employ resident trained Indian Nationals as Chief Technical officers. It said that the operator would have to ensure that all the documentation, including software details from equipment providers, was obtained in English.

4.0 CORE DEBT FUNDS ALLOWED TO TAKE SHAPE OF MF, NBFC

TRUSTS	COMPANY
Akin to MFs & regulated by SEBI	Like NBFCs & overseen by RBI
Any domestic entity could be the sponsor	Could be set up by one or more sponsors including NBFCs, IFCs or banks
Would raise resources through rupee denominated units of minimum five-year maturity	Would be allowed liberal risk-weightage (50% instead of 100%)
Units would be listed in a recognized stock exchange and tradable among equivalent (Domestic versus foreign) investors	Would raise resources through either rupee or Dollar denominated bonds of minimum 5 yr maturity.
Would have to invest minimum 90 % of assets in the debt securities of infrastructure firms or SPVs	Bonds would be tradable among equivalent(domestic Vs Foreign) investors

5.0 RBI HIKES FII LIMIT TO CANCEL, BOOK FORWARD DEALS

The Reserve Bank of India (RBI) has enhanced the limit to cancel and re-book forward contracts for foreign portfolio investors or Foreign Institutional Investors (FIIs) to 10% with immediate effect. They are currently allowed to cancel and re-book up to 2% of the market value of the portfolio at the beginning of the financial year. FIIs can undertake foreign currency-rupee swaps only for hedging the flows relating to the IPO under the application supported by blocked amount mechanism. The amount of swap should not exceed the amount proposed to be invested in the IPO. The tenor of the swap should not exceed 30 days. But these contracts, once cancelled, cannot be re-booked. Rollovers under this scheme will also not be allowed.

6.0 FOREIGNERS ALLOWED TO INVEST IN MUTUAL FUNDS

Framework of the Direct Route for Investing

- A foreign investor opens a Demate account in India
- Place an order to buy MF units directly on the depository participant
- Remits money directly to DP, which is mandated to report to the custodian on the daily basis
- MF deposits the units according to investor's instructions in the demat account
- MF units can be sold foreign exchange remitted by the MF to the DP

Framework of unit confirmation receipt (UCR) system

- A foreign Investor goes to an overseas depository and hands over foreign currency
- Place an order with the depository to buy units of India n MFs
- The depository receives cash and remits to the costodian bank in India , which buy the MF units to the investor's instruction
- The depository issues UCRs against underlying units to foreign non-institutional investors
- UCRs can be surrendered for cash with the depository

INSURANCE

1.0 IRDA ISSUES DRAFT LISTING NORMS

Insurers need to either have embedded value (EV) twice the paid-up capital or a profitable track record of three years to tap the capital market. Embedded value is the sum of the shareholders' net assets and the value of its in force business. The EV calculation has to be prepared by two independent actuarial or auditing experts.(Chartered Accountants)

INDIRECT TAX

1.0 DEPB SCHEME EXTENED FOR 3 MONTHS TILL SEPTEMBER

The Government said it has extended the popular exports scheme DEBP for three more months till 30th September. The scheme was due to end on june 30.

2.0 DUTY-FREE IMPORT OF GOODS ALLOWED FROM AFGHANISTAN

India has extended duty-free market access to Afghanistan as part of its economic package for Least Developed Countries (LDS). Under the scheme, the import of most products from the neighbouring country will be allowed at zero duty.

CORPORATE LAWS

1.0 PF ACCOUNT SETTLEMENTS, ONLINE TRANSFER ON CARDS

Taking a strong note of SBI's huge profit erosion for March quarter due to a rise in provisions, accounting regulator ICAI said it will ask the country's largest bank to explain the reasons for earmarking higher provisions for bad loans. The ICAI will also be writing to the RBI and capital market regulator SEBI with regard to the issue. SBI's Q4 profits plunged by nearly 99%For over 47.2 million members of the Employees Provident Fund Organisation (EPFO), the hassles associated with transfer of accounts and withdrawals, is expected to disappear soon. The EPFO is set to introduce the facility for online filing of applications for settlement of money from the EPF accounts and also transfer of accounts from one organisation to another

2.0 MCA FINDS 12 CASES OF WRONG E-FILING

The government said it has initiated action against practicing professionals who had certified the in-correct particulars submitted by 12 listed companies. The Ministry of Corporate Affairs has directed its regional directors to initiate inquiry against those practicing professionals who had certified 12 cases of wrong e-filing by certain listed companies in their e-forms. The MCA during examination has found 12 cases of wrong e-filing, wherein the data furnished in the e-forms were totally different as compared to the records of the company. It said if found guilty in preliminary enquiry by the regional director, the concerned professional institute would be told to initiate an enquiry under their regulations.

3.0 TRIAL OF DIRECTORS FOR FRAUD ON BANK TO GO ON DESPITE REPAYMENT

The Supreme Court (SC) ruled that the criminal trial of directors of a company accused of foreign documents to get loan from bank could not be quashed merely because the loan has been repaid with interest.

Decided case:SushilSurivs CBI

4.0 DELHI HC ORDERS PROFESSIONAL FIRMS TO MEET STATUTORY PAYMENT NORMS

The Delhi High Court (HC) has held that a firm of architects or engineers is obliged to contribute to the Employees State Insurance Fund (ESIF). Whenever an establishment carries on activities in the nature of trade or commerce, it must be held that the premises being used is a “shop” by giving an expanded meaning to the definition of the word “shop” in the Employee State Insurance Act (ESI). It is not only a place where “goods” are sold which comes within the meaning of the word “shop”. A place where “services” are sold has also been legally interpreted to be a “shop”. The High Court (HC) state that the company by its own admission, is carrying on consultancy services, for which it charges its clients. The services are not being rendered as gratuitous or for charity, but admittedly for remuneration and therefore rejected the argument of the company that the law covered only factories and establishments where either some manufacturing process goes on or where business of selling and purchase takes place as a commercial activity.

Decided Case:Consulting Engineering Services (India) Ltd. vs. ESI Corporation

5.0 COMPETITION COMMISSION NEW RULES ON M&As

HIGHLIGHTS:

- M&As abroad with insignificant impact on India exempted
- Indian companies with assets of more than Rs.1,500crore or a turnover of Rs. 4,500 crore need CCI approval.
- The threshold for foreign companies is $750 million assets or a turnover of $2,250 million. They should have Rs. 750 crore assets or a Rs. 2,250 crore turnover in India.
- M&As in public domain before June one not to come under CCI even if the deal happens after June 1.
- Acquisition of stock-in-trade, raw materials and assets exempted This is besides investment in the ordinary course of business, bonusissues, stock splits, etc.
- Interconnected deals can be filed as one
- Fee reduced from Rs.40 lakh in draft norms to Rs. 50,000. It will be Rs. 10 lakh only in exceptional cases;
- No fee for venture capital funds and financial institutions

6.0 CCI NORMS TO SUMMARISE

Confederation of Indian Industry (CII) has said that competition watchdog CCI’s approval should not be made mandatory for mergers and amalgamations between group companies. While acquisitions of control or shares or voting rights or assets within the same group have been exempted from the notification requirement but mergers or amalgamations have not been specified, which appears to be an oversights and such mergers do not change the competitive land-scape of a market, and being incapable of causing an appreciable adverse effects on competition should not be subjected to a pre-notification regime.

7.0 ROC TO ISSUE DIRECT LICENCES TO NOT-FOR-PROFIT FIRMS (SECTION 25 OF COMPANIES ACT)

The power to issue licence under Section 25 has been delegated to Registrar of Companies (ROC). It will reduce the time taken in incorporation of Section 25 companies

(Not-for-Profit companies). The 30-day mandatory notice period before incorporating such a company has also been done away with.

8.0 MINISTRY CRACKS THE WHIP ON COS NOT FILING REPORTS

The Government asked Registrar of Companies (ROC) to make sure that firms which do not file their balance sheets and annual returns regularly, are barred from filing any other event-based reports. The Ministry of Corporate Affairs (MCA) also said that from July 3, no e-filing shall be accepted by the RoC from Directors of these defaulting companies for any other company also.

9.0 SPLITTING SALARIES FOR LOWER PF TO LAND COS IN TROUBLE

Employers who split workers salaries into a number of heads to bring down Provident Fund (PF) contributions have been warned of legal action by the Employees' Provident Fund Organization (EPFO). A Government official said that we have told our field offices that they should examine contracts and pay structures to decide whether the pay was being split into several heads as a subterfuge to avoid Provident Fund(PF) contribution.

10.0 FILING OF BALANCE SHEET & PROFIT & LOSS ACCOUNT IN EXTENSIBLE BUSINESS REPORTING LANGUAGE (XBRL) MODE

Coverage in Phase I:

The following class of companies has to file the financial statement in XBRL form only from the year 2010-11:

- All the companies listed in India & their subsidiaries, including overseas subsidiaries.
- All companies having paid up capital of ₹5 crore and above or a turnover of ₹100 crore or above.

11.0 LIMITED LIABILITY PARTNERSHIP RULES, 2009 (AMENDMENT) RULES, 2011

These rules may be called the Limited Liability Partnership Rules, 2009 (Amendment) Rules, 2011 and it will be affected from 9th July, 2011. If a person holds both DIN and DPIN, his DPIN shall stand cancelled and DIN shall be sufficient for being appointed as Designated Partner under Limited Liability Partnership Act, 2008.

12.0 SHAREHOLDING OF PROMOTER / PROMOTER GROUP TO BE MANDATORILY IN DEMATERIALIZED MODE.

In order to further promote dematerialization of securities, encourage orderly development of the securities market and to improve transparency in the dealings of shares by promoters including pledge / usage as collateral, SEBI in consultation with Stock Exchanges, has decided that the securities of companies shall be traded in the normal segment of the exchange if and only if, the company has achieved 100% of promoter's and promoter group's shareholding in dematerialized form latest by the quarter ended September 2011 as reported to the stock exchanges.

13.0 GUIDELINES FOR FAST TRACK EXIT MODE FOR DEFUNCT COMPANIES UNDER SECTION 56O - OF THE COMPANIES ACT, 1956.

Any defunct company desirous of getting its name strike off the Register under Section 560 of the Companies Act, 1956 shall make an application in the Form FTE, annexed electronically on the Ministry of Corporate Affairs portal namely www.mca.gov.in accompanied by filing fee of ₹5,000/-

ACCOUNTANCY

1.0 NEW CAG NORMS ON MANAGING FINANCES

The comptroller and auditor general of India (CAG) has released new guidelines for managing financial assets and liabilities, in an attempt to improve transparency in bureaucratic functioning. In line with the recommendations of the 12th and 13th finance commissions and the second administrative reforms commission, the operational guidelines suggest **shifting from the cash -based accounting system to an accrual basis of accounting**. The guidelines are aimed at improving transparency and fixing the accountability of departments for managing state-owned assets.

2.0 GOVERNMENT PLANS MORE CHANGES IN IFRS (IND AS)

The government is planning to introduce additional changes to global accounting standard, IFRS, to make it more palatable for Indian companies, overriding the international opposition to amendments already made. Such a move will extend the eventual migration by Indian companies to the global standard and also insulate local firms from any short-term capital market shocks that may arise due to erosion in valuations. However, any changes to the Indian version of the International Financial Reporting Standards (IFRS) will take time as the government will initially look at some of the revisions being suggested globally, specially by the developed markets of US and Japan, before finalising the road map. Secretary, ministry of corporate affairs told that we have to see how IFRS will meet our requirements. Our markets are different, our standards are differents.

TAXATION

1.0 SALARIED PERSONS EXEMPTED TAX RETURN

The finance ministry said that salaried persons having total annual income of up to Rs 5 lakh would not have to file tax returns for the assessment year 2011-12, a move that would benefit around 85 lakh taxpayers. The Central Board of Direct Taxes (CBDT) said that individuals having total income up to Rs 5 lakh for financial year 2010-11, after allowable deductions and consisting of salary from a single employer and interest income up to Rs 10,000 from deposits in a savings bank account, were not required to file their income tax returns. Such individuals must report their Permanent Account Number (PAN) and the entire income from bank interest to their employer, pay the entire tax by way of deduction of tax at source, and obtain a certificate of tax deduction in Form No.16.

2.0 PROBE INTO TAX VIOLATIONS BY CHARITABLE, RELIGIOUS TRUSTS.

The Income Tax Department has begun a countrywide investigation of charitable and religious trusts that have been found violating tax exemption rules and are using donation funds for business purposes.

3.0 ITAT DENY TAX BENEFIT ON CURRENCY GAINS

A tax tribunal has turned down a software firm's proposal to claim tax benefit on currency gains it made on a foreign loan. The Income-tax Appellate Tribunal (ITAT) Delhi, a quasi-judicial authority, in an order last month in the case of Convergys India Services, held that the earnings from fluctuation arising from external commercial borrowing (ECB) cannot be classified as income from export activity of the company. Therefore, such income cannot be given the benefit provided under section 10 A of Income-tax Act, which till last financial year gave tax relief on income from export of software and other items.

4.0 TAX EXEMPTION ON POSTAL A/c INTEREST CAPPED AT RS 3,500

Income tax will be levied on interest earned beyond Rs.3500 on a postal savings bank a/c. In a recent decision, the Central Board of direct taxes, the apex direct taxes body, withdrew the blanket exemption enjoyed hitherto by the scheme. The exemption will be available only on in interest earned up to Rs 3500 in case of individual accounts and Rs 7000 in case of joint account from the current fiscal year itself.

5.0 I-T DEPT EXEMPTS SALARIED FROM SCRUTINY

A senior Central Board of Direct Taxes (CBDT) official told Business Standard that scrutiny of the salaried increased their workload without giving any substantial benefit. "Selective cases will be picked up only if there is credible information about tax evasion and big investments by any salaried taxpayer," he said. The income tax department picks up around 1 per cent cases for scrutiny.

6.0 I-T SURVEY: GRIEVANCE REDRESS SYSTEM INTRODUCED

Before commencing the survey, the survey team will have to provide to the taxpayer/person being surveyed the details of names, designations and contact numbers of their superiors in the income tax jurisdiction concerned.

7.0 COMPANIES WITH TAX HEAVEN LINKS SET TO BE PENALISED

All Tax Havens that fail to help the government in its efforts to check the flow of black money will be notified as non-cooperative jurisdictions. Investments in these jurisdictions will then be made less lucrative through a series of fiscal measures.

8.0 TRANSFER OF SHARES SANS CONSIDERATION DOESN'T ATTRACT CAPITAL GAINS TAX

Authority for Advance Rulings (AAR) ruled that where transfer of shares for the purpose of business reorganizations, if done without consideration, does not attract capital gains tax.

Decided Case: US-based Goodyear Tire Vs Rubber Company.

9.0 TRADE ADVANCES COULD BE WRITTEN OFF AS BAD DEBT

Where confirmed orders to supplier was cancelled, trade advances given to supplier could be written off as bad debt as irrecoverable.

Citation:- *Mohan Meakin Ltd. V. CIT [2011]11 taxmann.com 141 (DELHI).*

10.0 EQUIPMENTS ARE ENTITLED TO INVESTMENT ALLOWANCE

A hospital is entitled to investment allowance under section 32A in respect of equipments such as x-ray machines, ultrasound scanner, angiography, gamma camera, stress analysis equipment, etc.

Citation:- CIT v. Apollo Hospital Enterprises [2011] 11 taxmann.com 132 (MAD.)

11.0 DISCOUNTING INCOME FROM PROMISSORY NOTE AGREEMENT IS EXEMPTED.

Where applicant, a US company, enters into a discounting agreement with an Indian company for purchase of promissory note and makes remittance of purchase price (i.e. face value minus discounting charges) in India, income arising from discounting of promissory note is business income of applicant; but having regard to fact that applicant does not have a permanent establishment in India, discounting income so received would not be taxed in India by virtue of article 7 of Indo-US DTAA

Citation:- *ABC International Inc. USA, In re [2011] 11 taxmann.com 146 (AAR-New Delhi).*

INTERNATIONAL TAX

1.0 WHAT IS MAURITIUS TREATY?

The Indo-Mauritius tax treaty, signed in 1983, spares investors based in Mauritius from paying Capital Gains Tax on sale of sale of shares of Indian Companies.The treaty made it clear that Capital gains from sale of shares by residents in Mauritius would be taxed only in that country. Since Mauritius doesn't capital gains, the tax rate is zero.

The government of India is keen to modify this treaty as a Number of resident coporate and resident of other Countries are Routing their investment from mauritius resident companies First, Mauritius has to agree to rework the treaty and this can happens only after rounds of JWG talk. Second, after Mauritius agrees, it would take at least a year to rework the treaty.

2.0 INDIA-MALAYSIA FTA TO BE EFFECTIVE FROM 1ST JULY

The free trade agreement between India and Malaysia has come into force 1st July, 2011 giving Indian professionals like accountants, engineers and doctors access to the key south-east-Asian nation. In addition, exports of items of considerable interest to India like basmati rice, mangoes, eggs, trucks, motorcycles and cotton garments, will attract lower or no duty in Malaysia with the implementation of the comprehensive economic cooperation agreement(CECA). Similarly Malaysia may also be able to export to India without any custom duty under FTA.

3.0 NO WITHHOLDING TAX ON MNCs DISCOUNTING ARM'S BILLS

Authority of Advance Rulings (AAR) has ruled that Foreign corporates with subsidiaries in the country are not subject to payment of withholding tax for financial services like discounting of bills provided to their Indian arms. It is also held that such companies are also not liable to pay income tax in case the firm is based in a country which has a Double Taxation Avoidance Agreement (DTAA) with India. The ruling came in response to an application filed by US-based ABC International. The firm has an Indian subsidiary, ABC India, which is engaged in the business of trading food products and other activities.

CAPITAL MARKET

1.0 SEBI AMENDS NORMS FOR BANKERS

Market regulator securities and exchange board of India(SEBI) has waived the requirements for merchant bankers, debenture trustees and credit rating agencies to seek its approval to change their status and constitution. According to the revised regulations, SEBI wants market entities to seek its approval only in case of change in control.

2.0 NSE FINED Rs. 55CR FOR 'ABUSING DOMINANT POSITION

The competition commission of India (CCI) has imposed a penalty of Rs 55.5 Crore on the National Stock Exchange (NSE) for "abusing its dominant position in the currency derivative market by cross subsidizing this segment of business from other segments where it enjoyed virtual monopoly"

3.0 SEBI EASES NORMS ON NAME CHANGES FOR LISTED Cos

Listed companies will now have more flexibility in changing their names. The Securities and Exchange Board of India (SEBI) has relaxed an earlier norm, which required all listed companies to have about 50% of its total revenue from the new activity for a period of one year preceding the change of name. Now, companies can also change their names if they have invested at least 50% in the assets of the new businesses

4.0 SEBI ASKS PROMOTERS OF ALL LISTED FIRMS TO DEMATERIALISE HOLDING

The Securities and Exchange Board of India (SEBI) has made it mandatory for promoters of all listed companies to hold shares in the Demat form only. Companies will have to comply with the new norms before the end of September.

5.0 SEBI DIRECTS RATERS TO USE SYMBOLS AND EXPLAIN THEM

Market regulator Securities and Exchange Board of India (SEBI) has asked rating agencies to use common rating symbols and their meanings for debt instruments .The move is aimed at helping investors to understand the ratings, which are used in mutual fund schemes, long- and short-term debt instruments and structured finance instruments.

FINANCIAL INDICATORS

	Current Rate* (in %)	Month Ago (in %)
3 Month LIBOR	.25	.25
3 Month MIBOR	9.29	9.71
SENSEX	18412	18269
NIFTY	5526	5486
CRR	6	6
REPO	7.50	7.25
REVERSE REPO	6.5	6.25
Gold (per 10 gm)	22522	22559
Silver (per kg)	52981	54515
Crude (USD/bbl)	115.96	118.78
Rs. vs USD	44.68	44.72
Rs. vs Euro	62.25	64.72

**As on 12th July 2011*

(Sources: Bloomberg, NSE, BSE, RBI)

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