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BUDGET 2003 TO PUSH ECONOMIC GROWTH



Vinod Jain*

The Hon'ble Finance Minister Mr. Jaswant Singh presented his maiden Budget on 28th February, 2003 in the back-drop of war-fear, global economic slow down, moderate GDP growth of 4.4%, record foreign exchange reserves of \$ 75.5 billion re-bouncing inflation and improved sentiment in the domestic business outlook.

The various policy initiatives announced by the Government are highly commendable, more particularly a commitment for de-bureaucritization not only of the system but also of the minds, Antyodaya Anna Yojana, incentives for health sector including exemption from taxation to private hospitals, accelerated depreciation, reduced custom and excise duties for life saving equipments and drugs, a unique health insurance scheme for the common men, maiden initiative of social security by the insurance pension plan with assured monthly pension from Rs. 250/- to Rs.2000/- per month by 9% assured return are fairly significant.

The commitment of the Finance Minister to apply latest and modern techniques of treasury and cash management by pre-

payment of high interest debts by States as well as foreign loans by Central Government **reflects a professional approach to the financial management of the country.** Some concerns have been expressed on high fiscal deficit. If the growth oriented initiatives are able to push growth in industrial, agricultural and service sector and is able to increase production even a moderately higher degree of inflation and other negative impact of the fiscal deficit could be adequately taken care.

The Chartered Accountants fraternity would recommend a complete ban on foreign aids and foreign loans which do not add any major value but bring in conditionalities not suitable to our national interest. Our economy is showing a strong resilience. A concentrated initiative to address the problem of high interest and repayment burden on the exchequer is required.

Proper accounting of assets, liabilities, expenses and revenues as per double entry accounting, accrual principles and modern accounting methodology as per generally accepted accounting practices should be implemented in the Government to bring in necessary financial discipline and to identify the real area of concern and action.

The big initiatives in the infrastructure sector including roads, railways, airports, sea ports, convention centres, rural roads, power

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presents

Conference for Emerging Finance Professionals

at New Delhi 24 May, 2003

(for details please see page no.4)



ECONOMICTIMES.COM

INDIA FINANCIAL SUMMIT

NEW DELHI : 22 April, 2003

MUMBAI : 24 April, 2003

(for details please see page no.5)

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BUDGET 2003-04 - HIGHLIGHTS

Hon'ble Finance Minister Shri Jaswant Singh announced Union Budget-2003-2004 on 28th February, 2003. The highlights of the same are as follows:

DIRECT TAXES

- ❑ Corporate and mutual funds subject to dividend distribution tax of 12.5 per cent. Dividend not taxable in the hands of the shareholders and unit holders.
- ❑ Long Term Capital Gain on sale of listed securities acquired between 1st Mar' 03 and 29th Feb' 04 is exempt.

Comment

The acquisition could be by purchase or gift or other modes permitted under the Act. Holding period of one year could be met for eligibility of long term gain. Period of holding by donor could be counted.

The apprehension of manipulation of stock prices of thinly traded listed securities by unscrupulous elements to create false and flimsy long term capital gains may have very serious implications. It may be noted that a fine from Rs. 1 crore to Rs.25 crore and imprisonment can be imposed for manipulation of market price of the scrip by SEBI. This penalty or imprisonment could be levied on all intermediaries, concerned company and the beneficiaries of such long term capital gains.

- ❑ Standard Deduction @ 40% of salary or Rs. 30,000/- whichever is less for salary income upto Rs. 5 lakhs and for salary persons having salary income above Rs. 5 lakh, a standard deduction of Rs.20,000/- shall be allowed.
- ❑ Tax rebate under Section 88 allowed on children's education expenses, of upto Rs. 12,000 per child, for a maximum of two children.
- ❑ Exemption from income tax for life insurance proceeds withdrawn for policies where in any year premium exceeds 20% of sum assured (section 10(10D))

Comment

This would affect even existing policies maturing after 1st April 2003. Full amount received including premium paid could become taxable. Tax rebate under Section 88 in respect of life insurance premium payments restricted to 20 per cent of the sum assured.

- ❑ The concept of block assessment in case of search and raid cases withdrawn. In the case of a search, the tax authorities can neither seize any stock-in-trade of the business of the taxpayer, nor pass an order restraining the taxpayer from removing the stock-in-trade from his business premises.

In the case of a survey & searches, the time period for which impounded books of account may be retained has been reduced from 15 days to 10 days except when extended by CCIT.

- ❑ Capital gain on UNIT 64 exempted from taxation and losses on UNIT 64 not to be considered for determination of taxable income w.e.f 1st April 2003.

- ❑ Abolition of present discretion based system for selection of returns for scrutiny. This will be replaced by a Computer Generated Intelligent Random Selection of 2% of the return only.
- ❑ No change in income tax rates. Surcharge reduced to two and a half per cent for companies, co-operative societies, partnership firms and local authorities. No surcharge applicable to Hindu undivided families, association of persons, and individuals, if their taxable income does not exceed Rs. 8,50,000. In all other cases, surcharge has been increased to ten per cent.
- ❑ Introduction of system to file Income tax returns electronically.
- ❑ Deduction under section 80L from income on account of interest on certain specified securities and bank deposits enhanced from Rs. 9,000 to Rs. 12,000. Additional deduction of Rs. 3,000 in respect of interest on government securities to continue.
- ❑ Tax rebate under Section 88B for senior citizens enhanced from Rs. 15,000 to Rs. 20,000.
- ❑ Exemption under sections 10A and 10B of the Income Tax Act will continue as originally envisaged. As such benefit of tax exemption upon change in ownership or shareholding shall not be denied.
- ❑ Royalty received by authors of literary, artistic and scientific books is exempt upto Rs. 3 lakhs.

INDIRECT TAXES

A. Value Added Tax

- ❑ States, facilitated by Central Government, to switch over to Value Added Tax (VAT) replacing current sales tax system from 1 April 2003.
- ❑ Centre to compensate states for making good revenue loss, if any, on introduction of VAT @ 100 per cent in first year, 75 per cent in second year and 50 per cent in third year.

B. Customs Duty

- ❑ Peak rate of duty reduced from 30 per cent to 25 per cent except for agricultural and dairy products.

C. Central Excise Duty

- ❑ Three – tier duty structure of 8 per cent, 16 per cent and 24 per cent adopted except for petroleum products, tobacco products, pan masala, textiles and specified products.
- ❑ Reduction in Excise duty from 32% to 24% on cars, tyres, soft-drinks aerated water and air-conditioners.

D. Central Sales Tax

- ❑ The rate of central sales tax to be reduced from existing 4 per cent to 2 per cent from a date to be notified by the Central Government.

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AUDIT

1.0 BANK AUDITORS TO ENSURE PROVISIONING ON THE BASIS OF COUNTRY RISK

The Reserve Bank of India has issued guidelines on country risk management which are available on RBI website at www.rbi.org.in. Besides policy & procedures, scope, ratings, exposure limits, monitoring of exposures, reporting and review, the said guidelines includes the following:

Provisioning / Capital requirement

- a. Banks shall make provisions, with effect from the year ending 31 March 2003, on the net funded country exposures on a graded scale ranging from 0.25 to 100 per cent, according to the risk categories mentioned below. To begin with, banks shall make provisions as per the following schedule:

Risk category	ECGC classification	Provisioning requirement (per cent)
Insignificant	A1	0.25
Low	A2	0.25
Moderate	B1	5
High	B2	20
Very High	C1	25
Restricted	C2	100
Off-credit	D	100

For the present, only in respect of the country, where a bank's net funded exposure is 2 per cent or more of its total assets, the bank is required to make provision for dealing with that country risk exposure.

- b. The provision for country risk shall be in addition to the provisions required to be held according to the asset classification status of the asset. In the case of 'loss assets' and 'doubtful assets', provision held, including provision held for country risk, may not exceed 100% of the outstanding.
- c. Banks may not make any provision for 'home country' exposures i.e. exposure to India. The exposures of foreign branches of Indian banks to the host country should be included. Foreign banks shall compute the country exposures of their Indian branches and shall hold appropriate provisions in their Indian books. However, their exposures to India will be excluded.
- d. Banks may make a lower level of provisioning (say 25% of the requirement) in respect of short-term exposures (i.e. exposures with contractual maturity of less than 180 days).
- e. The issue of requiring banks to maintain capital to cover country risk would be considered at the time of implementation of the New Capital Accord.
- f. Banks shall be allowed to treat the 'provisions held for country exposures' on par with the 'provisions held for standard assets' for being reckoned for Tier II capital, subject to the ceiling of 1.25 % of the risk weighted assets.

Disclosures

- g. Banks should disclose as a part of the 'Notes on Accounts' to the Balance Sheet as on 31st March each year,
 - i) the risk category-wise country exposures, and
 - ii) the extent of aggregate provisions held thereagainst.
- h. **The Statutory Auditors should look into and comment on the country risk exposures and the adequacy of provisions held.**

(Source: DBOD BP/BC.71/21.04.103/2002-03 dated 19.02.2003)

2.0 UPGRADATION OF LOAN ACCOUNTS CLASSIFIED AS NON PERFORMING ASSETS (NPAs)

The Reserve Bank of India vide its circular has clarified that:

- (a) If arrears of interest and principal are paid by the borrower in the case of loan accounts classified as NPAs, the account should no longer be treated as non performing and classified as 'standard' account.
- (b) However, RBIs extant instructions in respect of re-classification of loan accounts subjected to restructuring would remain unchanged.

(Source: DBOD. No. BP. BC. 69 / 21.04.048 / 2002-2003 dated February 10, 2003)

3.0 PRUDENTIAL NORMS FOR PROJECTS UNDER IMPLEMENTATION INVOLVING TIME OVERRUN

RBI had advised Banks that the projects under implementation would be grouped under three categories for determining the date when the project ought to be completed and manner in which the asset classification of the underlying loan should be determined. It was indicated therein that :

- a. **Projects where financial closure had been achieved** and formally documented may be treated as standard asset for a period not exceeding two years beyond the date of completion of the project, as originally envisaged at the time of initial financial closure of the project.
- b. **Projects sanctioned before 1997 with original project cost of Rs.100 crore or more where financial closure was not formally documented** and where the deemed date of completion of the project has been decided by an independent group of outside experts may be treated as a standard asset for a period not exceeding two years beyond the deemed date of completion of the project, as decided by the Group.
- c. **Projects sanctioned before 1997 with original project cost of less than Rs. 100 crore where financial closure was not formally documented** may be treated as standard asset only for a period not exceeding two years beyond the date of completion of the project as originally envisaged at the time of sanction.

It has been decided that banks may recognise income on accrual basis in respect of the projects under implementation which are classified as 'standard' in terms of above guidelines.

(Source: DBOD. BP. BC. 74 / 21.04.048 / 2002-03 dated February 27, 2003)

EXIM-FEMA

1.0 REMITTANCE FOR ADVERTISEMENT ON FOREIGN TELEVISION

With a view to simplifying the procedure, it has been decided by RBI that:

- (i) A Chartered Accountant's certificate, for export earnings of more than Rs.10 lakhs, in each of the preceding two years, need not be insisted in case the export earnings prescribed (i.e. minimum Rs.10 lakhs in each of the previous two years), have been realised through the same authorised dealer, through whom the remittance is sought to be made.
- (ii) A Chartered Accountant's certificate should, however, be obtained certifying that the remittance represents advertisement charges incurred by the Corporate towards telecast in foreign countries and not in India alone. This certificate will have to be obtained for each remittance.

(Source: A.P. (DIR Series) Circular No.77 dated February 10, 2003)

2.0 EEFC LIMIT ON LOANS/ADVANCES WITHDRAWN

As a measure of relaxation to the EEFC Account Scheme, it has been decided to remove the ceiling of USD 3 million. Accordingly, it will be in order for authorised dealers to permit their exporter constituents to extend trade related loans/advances to overseas importers out of their EEFC balances without any ceiling. This relaxation shall be effective upto June 30, 2003, subject to review.

(Source: A.P. (DIR Series) Circular No.78 dated February 14, 2003)

TAXATION

1.0 MAP LAID TO GUIDE OVERSEAS TAX DISPUTES

Indian Companies having operations abroad and foreign companies doing business here can look forward to speedy and time-bound settlement of tax disputes through the Mutual Agreement Procedure (MAP) under the Double Taxation Avoidance Conventions (DTAC) that India has entered into with other countries.

The finance ministry has, for the first time, prescribed procedures on how to use the MAP channel and set a time limit of ninety days for tax authorities to give effect to the resolution arrived at under the Mutual Agreement Procedure.

Contd. from page no. 2

BUDGET 2003-04

E. Service tax

- ☐ Rate of service tax on all services to be increased from 5% to 8%.
- ☐ Ten new services proposed to be added taking total number of taxable services to sixty one includes commission agents, BPO services, etc.
- ☐ Credit of service tax paid on input services proposed to be allowed for payment of tax on output services across all services irrespective of the category.



Presents

CONFERENCE FOR EMERGING FINANCE PROFESSIONALS

DATE :
Saturday, May 24, 2003

TIME:
8.30 a.m. to 6.30 p.m.

VENUE :
Hotel Le Meridien, New Delhi

CONFERENCE PROGRAMME

(Registration & Tea - 8.30 a.m. to 9:00 a.m.)

INAUGURAL SESSION (9:00 to 9.30 a.m.)

KEY NOTE ADDRESS ON "BUSINESS ETHICS - A KEY TO SUCCESS"

TECHNICAL SESSION - I (9.30 a.m. to 11.00 a.m.)

Emerging Opportunities For Finance Professionals :

- In Industry
- In Practice as /or Business Advisors

TEA BREAK 11:00 a.m. To 11.15 a.m.

MERGERS & ACQUISITIONS - Practical Aspect

TECHNICAL SESSION - II (11.15 a.m. to 12.45 p.m.)

Mergers & Acquisitions :

- Business Strategy
- Due Diligence & other Practical Aspects

TECHNICAL SESSION - III (12.45 p.m. to 2.00 p.m.)

Mergers & Acquisitions :

- Taxation Aspects
- Legal Aspects

LUNCH BREAK 2.00 p.m. to 2.45 p.m.

RESOURCE MOBILISATION - Latest Trends

TECHNICAL SESSION - IV (2.45 p.m. to 4.00 p.m.)

Domestic Resources :

- Financial Institutions & Banks (including structured and other latest products).
- Equity, short term, medium term & long term debt instruments including venture capital funding, private placement & public issues.

TEA BREAK 4.00 p.m. to 4.15 p.m.

TECHNICAL SESSION - V (4.15 p.m. to 6.00 p.m.)

International Resource Raising :

- ECB and other short term & medium term debts
- ADR, GDR and foreign listing

(further details in the next issue)

INDIA FINANCIAL SUMMIT

NEW DELHI - Tuesday, April 22, 2003 at Hotel Taj Palace, New Delhi

MUMBAI - Friday April 25, 2003 at Oberoi Towers, Mumbai
(Timings: 9.00 a.m. to 6:30 p.m.)

CONFERENCE PROGRAMME

(Registration – 8:30 a.m. to 9:00 a.m.)

INAUGURAL SESSION (9:00 a.m. to 9:45 a.m.)

KEYNOTE ADDRESS - CHALLENGES & OPPORTUNITIES FOR INDIA INC.

SPECIAL SESSION (9:45 a.m. to 11:00 a.m.)

INDIAN ECONOMIC GROWTH MODEL – PATH AHEAD

Liberalisation, globalisation and other major economic reforms have brought great opportunities coupled with challenges before Indian Economy like unemployment, poverty alleviation and revival of investment and growth of industry & agricultural sector. The Indian human resources need development of skill, entrepreneurship, quality and global competitiveness. Power and transportation infrastructure skill lacks the momentum. Structural changes in policies and processes along with a momentum push are required for accelerated sustained growth.

TEA BREAK – 11:00 a.m. to 11:15 a.m.

SESSION - I (11:15 a.m. to 12:30 p.m.)

WEALTH CREATION – LESSONS FROM CHINA & SOUTHEAST ASIA

What have China and other aggressive economies in Asia done that India hasn't? What Lessons are to be learnt to put the Indian economy on the road to richness?

SESSION - II (12:30 P.M. TO 1:45 P.M.)

CORPORATE INDIA GOES ABROAD

India Inc. has great opportunities with potential customers and competitive suppliers worldwide. Indian multinationals are taking shape by developing employees, business processes, finance and international strategic alliances. To explore potential areas of Industry and services where Indian expertise and advantages can be harnessed. India Inc. need to prepare it for international structuring, Mergers & Acquisitions, international financial & capital markets and knowledge of international trade, laws and taxation to enable them to meet the challenge and opportunities for sustained growth.

LUNCH BREAK – 1:45 P.M. TO 2:30 P.M.

SESSION - III (2:30 p.m. to 3:45 p.m.)

CORPORATE GOVERNANCE – CORPORATE ETHICS AND BEST PRACTICES

This requires change in the mindset. Corporate Governance cannot be imposed by regulation or by law. This has to be achieved through openness, integrity and accountability by adopting best corporate ethics and practices. India Inc. to move forward...

TEA BREAK – 3:45 p.m. to 4:00 p.m.

SESSION - IV (4:00 p.m. to 5:15 p.m.)

CAPITAL MARKET – REVIVAL AND SUSTAINED GROWTH

Challenges of revival of investors confidence, channelisation of funds for primary and secondary market, balancing of liberalised regulations and effective surveillance, making derivatives and other international products deliver, hedging risk, introduction of ALBM or Badla in a modified form for an effective and secure stock lending and margin trading mechanism and to achieve better P-E multiples with adequate liquidity and depth in the markets.

PANEL DISCUSSION (5:15 p.m. to 6:30 p.m.)

CHALLENGES BEFORE INDIAN CFOs

Creating and Enhancing Shareholders value in the challenging times? Strategic Cost Management, redefining business strategy, international benchmarking and institutionalizing worlds best practices and restoration of credibility of financial statements.

(Further details to follow)

LATEST IN FINANCE

1.0 NBFC DEPOSITS INTEREST CAP AT 11% p.a.

It has been decided that, keeping in view the prevailing interest rates in the entire financial system, the maximum interest rate payable on public deposits of NBFCs should be revised to 11 per cent per annum on and from March 4, 2003. It is clarified that this is the maximum permissible rate an NBFC can pay on its public deposits and they are free to offer lower rates, as indeed most of them do. The new rate of interest is applicable to fresh public deposits and renewals of matured public deposits.

(Source: DNBS (PD) CC.No. /02.01/2002-03 dated March 3, 2003)

2.0 PRE-PAYMENT OF ECBs

Pre-payment of External Commercial Borrowings (ECBs) under the automatic route would be permitted without any limit by removing the current ceiling of US\$100 million. Earlier any pre-payment out of market purchases beyond US\$ 100 million required the prior approval of the Reserve Bank. This facility will be available until further notice, subject to review. These relaxations will be effective from March 1, 2003.

(Source: A.P.(DIR Series) Circular No. 82 dated March 1, 2003)

3.0 INVESTMENT IN OVERSEAS JVs/WOSs EASED

As a part of further liberalisation it has been decided by RBI that:

- The limit of 50% of net worth for market purchases of foreign exchange for investment in JV/WOS abroad is enhanced to 100 per cent of the net worth of the investing company.
- An Indian company with a proven track record would now be eligible to invest up to 100 per cent of its net worth within the overall limit of USD 100 million by way of market purchases for investment in a foreign entity engaged in any bonafide business activity.

However, companies wishing to undertake financial activities would continue to be governed by the requirements prescribed in Regulation 7 of FEMA Notification No. 19/RB-2000 dated 3rd May, 2000.

The prohibition in respect of Two-Tier investments as prescribed vide A.P.(DIR) Circular No.23 dated February 19, 2002 shall remain unchanged.

The stipulation regarding non-availability of the automatic route facility to those companies that figure on Reserve Bank's caution/defaulters list shall continue.

(Source: A.P.(DIR Series) Circular No.83 dated March 1, 2003)

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Half Page	6,000/-	8,000/-
Quarter Page	4,000/-	5,000/-
CA's Appointment Advt.	1,000/-	(5cms. x 1col.)

4.0 PRICES OF GOVERNMENT SECURITIES IN THE SECONDARY MARKET

The prices of all the trades done in Government Securities are available on a daily basis on RBI's website (www.rbi.org.in) since January 1998. Recently, in order to add more transparency as also to facilitate wider access to data on Government securities market, on-line information on trades done in Government securities through Negotiated Dealing System has also been made available on RBI website. This can be viewed by clicking on the link Negotiated Dealing System in the home page of RBI.

Besides, the daily list of Security, Amount, Price and YTM (%) of all the trades done and settled at RBI, Mumbai is available directly in the link SGL (at the right hand side) in the home page of RBI website or going through Financial Markets->Debt Markets-Other Instruments - Secondary Market - Daily SGL Transactions in Government Dated Securities and Treasury Bills. The information is downloadable in PDF, MS WORD or MS EXCEL format. Past information on the same can also be obtained by clicking on the link ARCHIVE (in the same page) and then selecting the required date. The Archive has information on SGL trade data since January 1996.

(Source: UBD.BP.35/16.26.00/2002-03 dated 18 February 2003)

5.0 READY FORWARD CONTRACTS PERMITTED BY RBI

The terms and conditions subject to which ready forward contracts (including reverse ready forward contracts) may be entered into will be as under:

Eligibility

- Ready forward contracts may be undertaken only in (i) dated securities and Treasury Bills issued by the Government of India and (ii) dated securities issued by the State Governments.
- Ready forward contracts in the above mentioned securities may be entered into by (i) persons or entities maintaining a Subsidiary General Ledger (SGL) account with the Reserve Bank of India, Mumbai and (ii) the following category of entities who do not maintain SGL accounts with the Reserve Bank of India but maintain gilt accounts (i.e. gilt account holders) with a bank or any other entity (i.e. the custodian) permitted by the Reserve Bank of India to maintain Constituent Subsidiary General Ledger Account (CSGL Account) with its Public Debt Office, Mumbai:
 - Any scheduled bank,
 - Any primary dealer authorised by the RBI.
 - Any non-banking financial company registered with the Reserve Bank of India, other than Government companies as defined in section 617 of the Companies Act, 1956,
 - Any mutual fund registered with the SEBI.
 - Any housing finance company registered with the National Housing Bank, and
 - Any insurance company registered with the Insurance Regulatory Development Authority.

Besides above mentioned eligibility guidelines, RBI has also prescribed restrictions and other procedural requirements, which are available on RBI website at www.rbi.org.in

(Source: IDMC/PDRS / 3432 /10.02.01/2002-03 dated February 21, 2003)

CAPITAL MARKET

1.0 APPLICABILITY OF INVESTMENT LIMIT BY FIIL IN EXCHANGE TRADED DERIVATIVE CONTRACTS

In relation to applicability of investment limits for Foreign Institutional Investors (FIIs) transactions in derivatives, SEBI has clarified that Trading by FIIs and their sub-accounts in derivatives contracts till these are not resulting into settlement by physical delivery of underlying stocks shall not attract the investment limit of 10% or 5% of the total issued capital of the company as prescribed in Regulations 15(5) and (6) of the SEBI(FII) Regulations, 1995.

(Source: Circular No. FIITC/FII/7/2003 dated February 11, 2003)

2.0 T+2 ROLLING SETTLEMENT

It has been decided to further shorten the settlement cycle from the existing T+3 rolling settlement to T+2 w.e.f. April 01, 2003.

SEBI has finalised the following activity schedule through a consultative process with various market participants viz. stock exchanges, broker associations, custodians, depositories, depository participants etc.

S.No.	Day	Time	Description of activity
1	T		Trade Day
		By 11.00 a.m.	Custodial conformation of trades, Facility of an Exception window for late confirmations to be provided.
2.	T+1		(The time limit for late confirmation to be fixed in a manner that the download of the final obligation files to the brokers by 1.30 p.m. is not delayed)
		By 1.30 p.m.	Process and download obligation files to brokers/ custodians.
3.	T+2	By 11.00 a.m.	Pay-in of securities and funds.
		By 1.30 p.m.	Pay-out of securities and funds.

The stock exchanges would also amend their byelaws to mandate the pay out of funds and securities to the clients by the broker within 24 hours of the payout.

(Source: SMD/POLICY/Cir - /03 dated February 6, 2003)

3.0 NON-COMPLIANCE OF PROVISIONS OF LISTING AGREEMENT

SEBI has advised Stock Exchanges to take suitable action against companies under Section 23(2) of Securities Contract (Regulation) Act, 1956, for violation of section 21 of SC(R) Act, 1956, by the companies for non-compliance of the provisions of listing agreement.

(Source: SMD/Policy/Listing/Cir-5/2003 February 12, 2003)

4.0 FUTURES TRADING ALLOWED IN 54 COMMODITIES.

The Government has virtually thrown open the entire farm/ commodities sector for futures trading, with the existing ban on such trading in respect of 54 commodities, including foodgrains, gold and silver, being lifted.

The Cabinet Committee on Economic Affairs (CCEA) approved the removal of all 54 commodities listed currently under Section 17 of the Forward Contracts (Regulation) Act, 1952.

5.0 COMPANIES ARE ALLOWED TO PREPAY CONVERTIBLE FOREX BONDS.

The Government allowed Indian companies to prepay foreign currency convertible bonds (FCCBs), opening a temporary window for such prepayments till September, 30.

Prepayment can be for a maximum of \$ 100m when made out of local resources and without limit if the resources are from EEFC (Exchange Earner Foreign Currency) funds or inward remittance towards equity subject to the fulfilling of the conditions, as prescribed.

6.0 PORTFOLIO MANAGEMENT ONE YEAR MINIMUM LIMIT WITHDRAWN

In relation to SEBI (Portfolio Managers) Amendment Regulations, 2002, SEBI has clarified that:

- In terms of amendment to Regulation 16(1)(b), the **lock in period of one year has been removed**. In this regard, it may be noted that the amended regulations are applicable to:
 - New Investors (Investors entering into agreement after passing of the amendment) and
 - Existing Investors (Investors who had entered into portfolio management agreement prior to above amendment) provided that the Agreement is suitably modified to provide for the same.
- The Portfolio Managers are permitted to invest in derivatives, including transactions for the purpose of hedging and portfolio rebalancing, through a recognised stock exchange.

(Source: SEBI/RPM CIRCULAR NO.3 (2002-2003) February 5, 2003)

ECONOMIC SURVEY 2002-03 – HIGHLIGHTS

- Industry, Services lift GDP growth
- Inflation drops to 3 per cent level
- Forex reserves 74 billion dollar, up by 20 billion in ten months.
- BoP record surplus.
- Automobile exports register 68% increase.
- Software exports post 50 per cent growth/Hardware also up.
- Gem and jewellery exports up by 29 per cent after a decline.
- Telecom sector growth up by 17 per cent.
- Ten thousand rural roads constructed.
- Ten States fully covered by rural electrification.
- Recent discoveries shot-in-the-arm for oil and gas sector.
- 24 million tonne more refining capacity being added.
- Lower foodgrains production due to drought.

Contd. from page no. 1

BUDGET 2003 TO PUSH

and drinking water are some flags in the cap of the Finance Minister and NDA Government.

The Finance Minister has rightly accepted the Kelkar Committee recommendations towards administration reforms and in the area of indirect taxes. Mr. Kelkar is to be commended for these initiatives. The Government has rightly rejected the recommendation to shift from incentive based fiscal policy. The Government has endorsed our recommendations that incentives are a great necessity in the Indian macro-economic environment to push growth in the desired areas.

Substantial initiatives have been taken in the area of capital market by exempting dividend and announcing exemption from long term capital gain. The dividend distribution tax could have been avoided. These initiatives will not be able to bring the desired result in the capital market unless a modern secured system of shares lending and borrowing and fund channelization is put in place. The ALBM and BLISS mechanism has to be brought back to provide necessary depth and funds to the market.

The derivative product introduced in the market on the lines of international capital market have only provided speculative, betting and gambling platform in an organized manner. The general investors have not so far understood the derivatives product. The derivatives are very risky products in the capital market may ruin lakhs and lakhs of people, if it mis-fires. The Government should not force derivatives as a carry forward mechanism on Indian Investors and Derivative product of Badla has to be re-considered for introduction as an alternative. **Derivatives are more risky than Badla and ALBM.** This has to be clearly understood by the market and the Government.

The initiatives in the direct tax area are also welcome except a number of irritants created while drafting the law against the noble intentions expressed by Hon'ble Finance Minister in his budget speech including in the area of US\$64 capital gain exemption, provisions relating to survey, search and raids, to quote some examples. **The Service Tax on Chartered Accountants should be withdrawn** till the same is levied on Advocates and Doctors as all the three professions are contributing to social welfare and national development equally.

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Where Ideas Converge

MEETING OF CFO WORLD

We are pleased to inform you that the next meeting of CFO World, a forum promoted by All India Chartered Accountants' Society and The Chartered Accountant World is scheduled as per the following programme:

Date : Saturday, March 29, 2003
Time : 8.15 a.m. to 11.30 a.m.

Venue :
The Oberoi, Dr. Zakir Hussain Marg, New Delhi-110 003

PROGRAMME

Breakfast and Informal Interaction : 8.15 a.m. to 9.00 a.m.
Professional Update : 9.05 a.m. to 9.15 a.m.

"VALUE ADDED TAX (VAT)"

Meeting begins : 9.15 a.m.

SPEAKERS

- Mrs. Bhavna Doshi, Member Central Council, The Institute of Chartered Accountants of India (ICAI)
- Eminent Government officials implementing VAT

The programme is open only for members of CFO WORLD.

For membership details please contact Ms. Sapna Jain
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