



Thought Leadership Update

June 2014



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Dear Readers,

Welcome to the Second issue of the “Thought Leadership Update” for 2014! We hope you will find this a useful update on matters important to you and would like to thank every one who has supported this edition by providing useful information.

A central component of this Thought Leadership update is a round up on events and latest in banking and finance, PE investment in real estate, accounting and auditing world, direct & indirect taxes, capital markets, corporate and economic laws.

We are looking forward to continuing this productive channel of information sharing with you. The future success of the Thought Leadership Update depends on your comments, contribution and ideas! We do encourage our readers to try their utmost best in enriching the upcoming Thought Leadership Update!

We hope you enjoy reading our second edition of the Thought Leadership Update for 2014!

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Notifications

Prior RBI approval required for acquiring NBFCs

- NBFCs whether deposit taking or non-deposit taking has to apply to Reserve Bank of India (RBI) for its prior permission for any transfer of shares of more than 10% and any transaction which gives acquirer control over the NBFCs will also require prior approval of RBI.
- Prior approval will also be required for any mergers/amalgamations and before approaching the Court, this is in sync with the provisions of Companies Act, 2013. However the Companies Act says that the regulatory authority has to raise objections within 30 days from intimation and if any objections are not raised then it is deemed to be approved.
- These changes have been made to enable RBI to ensure the "fit and proper" character of the management of NBFCs after acquisition.

Basel III: Banks may raise Rs 3 trillion in non-core capital by FY17

- Rating agency ICRA has recently said banks would have to mop up Rs 3 trillion (Rs 3 lakh crore) in non-equity debt over the next three years as they migrate to capital Intensive Basel III framework. Banks both public and private sector ones, are expected to issue non-equity capital bonds of Rs. 2.5-3.0 trillion over the next three years till FY17. State-run banks would account for over two-thirds of these bond issuances while private banks would account for the rest. Around 40% of this amount would be in tier-II capital bond, while the remaining 60% would be in additional tier-I capital bonds.

Finance Ministry may pitch for stricter norms for non-performing assets

- The banking division of the finance ministry is likely to pitch for stricter measures to deal with non-performing loans and suggest consolidation of public sector banks to create stronger lenders.

Notifications

Some of the other proposed measures for consideration are consolidation of state run banks, stricter measures including quick FIRs to recover bad loans, new technology initiatives to achieve financial inclusion, alternatives to raising capital, focused SPV's, to monetise real estate assets and raising capital by allowing banks to issue shares to employees. Some of these proposals are already being discussed with the Reserve Bank of India (RBI), the Securities and Exchange Board of India (SEBI) and the Insurance Regulatory and Developmental Authority (IRDA).

The finance ministry may go for stricter measures which include attaching viable assets of promoters to recover loans, signalling the continuation of the approach that founders be held accountable for the performance of companies they run.

RBI asks urban co-operative banks not to lend to government entities

- The Reserve Bank of India has recently advised Urban Co-operative Banks (UCBs) to refrain from giving

large loans to public sector or government entities, saying these transactions go against the core functions of these lenders.

IRDA plans to make it mandatory for life insurance companies to issue policies in demat form

- The Insurance Regulatory and Development Authority (IRDA) is considering making it mandatory for life insurance companies to issue policies in dematerialized form from later this year. In the short term, it will make it mandatory for life companies to link up their systems to insurance repositories and provide policyholders with an option to hold policies in electronic form.

Last year, the insurance regulator had licensed five companies to provide insurance repository services. These were NSDL Database Management Limited, Central Insurance Repository Limited, SHCIL Projects Limited, CAMS Repository Services Limited and Karvy Insurance Repository Limited.

Notifications

Finance Ministry may reduce withholding tax for FIIs to boost corporate bonds

- To spur foreign investment in the corporate bond market, the outgoing Finance Minister has proposed reduction in withholding tax for FIIs to 5 per cent, from 20 per cent at present. As the new Finance Minister has been sworn in, the capital markets division would also make a case for deepening the currency derivatives market and make it easier for FIIs to hedge risks.
- The FII investment limit in corporate debt is \$51 billion and till now only 33.7 per cent has been utilised, leaving enough headroom for FIIs to invest.

Finance Minister and RBI in sync on taming inflation and reviving growth

- RBI Governor, Raghuram Rajan said, "It (curbing inflation) is absolutely a task that the government and RBI are engaged in. RBI has always maintained the balance between growth and inflation.

Also, high inflation affects financial savings. Therefore, interest rates have to be kept where they are until such time inflation comes down for sure." The outlook on the consumer price index (CPI) and the index for industrial production (IIP) has not changed from before and there is no reason to believe that the RBI's stance on interest and growth dynamics would be different from its last review on April 3. The RBI said in its annual policy statement that it would not be in a position to lower rates unless inflation eases off toward the 6% mark by January 2016. The inflation trajectory has not eased significantly despite the 75 basis point hike in repo rates in the past six months.

Article

- In view of a stable government in centre, the Private Equity (PE) investment in the real estate market of Delhi-NCR is expected to go up by around 50 per cent. The realty expert opined, that investment in the realty sector has been sluggish, however the segment is expecting huge surge in post election scenario.
- NCR is amongst the top choice for real estate PE funds. As per the latest Cushman and Wakefield report, Indian realty sector has recorded an increase of 28 per cent compared to the previous quarter and 2.5 times the equity investment in first quarter of 2013. As for Delhi NCR, the area has already attracted PE investment of Rs. 80 crores in first quarter of 2014. PE funding has picked up in last one year due to attractive valuations and low level of bank funding to the sector.
- The investment sentiments of most institutional investors about the NCR continues to remain upbeat.
- Gurgaon and Noida has always been one of the strongest residential markets for India.
- Delhi-NCR will continue to see increased investments into housing due to the strong demand drive in the region, coupled with the fact that Delhi as a metropolitan city does not create any significant housing supply in the mid-market segment, leading to a spill-over of such demand into the peripheral locations of Noida and Gurgaon.

Companies Act 2013- Significant Changes

Re-opening of accounts on court or tribunal's order - Section 130 (New Provision)

- Re-opening of accounts can be done on an application made to the court or tribunal by Central Government, Income Tax, SEBI, any other regulatory body or any person and order has been made by the court or tribunal concluding that:
 1. Accounts are prepared in a fraudulent manner, or
 2. Affairs of the Company were mismanaged during that period.
 3. Accounts so revised shall be final.

There is no time limit prescribed for re-opening of accounts.

Voluntary revision of financial statements - Section 131 (New Provision)

- Company may prepare revised financial statements, if Board is of the opinion that financial statements do not comply with provisions of Section 129 (financial statements) and Section 134 (financial statements and board report).

For this, Company has to obtain the approval of tribunal. Other salient features are as under:

1. Revision of accounts is allowed only for 3 preceding financial years.
2. Revision will be made for all the subsequent periods.
3. Company cannot revise accounts more than once in a financial year.
4. Detailed reason for revision shall be disclosed in board's report in the relevant financial year in which revision is made.
5. If revised financial statements are audited by a different auditor, then consent letter from original auditor is required to be obtained and if Company is not able to obtain the consent letter then reason for the same needs to be mentioned.

Declaration of dividend - Section 123 (Corresponding Section 205)

- Before declaring dividend, profits of the Company shall be arrived at after providing depreciation as per Schedule II instead of other alternatives provided under Companies Act, 1956.

Companies Act 2013- Significant Changes

In case of inadequacy or absence of profits, final dividend rate should not exceed average dividend declared during 3 preceding financial years (earlier 5 years) and needs to comply with conditions prescribed in the rules.

For declaration of dividend, Company has to comply with the provision of Section 73 (prohibition on acceptance of deposits from public) and Section 74 (repayment of deposits, etc., accepted before commencement of this Act).

- Restrictions on declaration of Interim dividend have been placed which provide that declaration of dividend shall be out of the profit and loss account balance and out of the profits for that financial year. In case of loss in the previous quarter, interim dividend rate not to exceed average dividends declared during 3 preceding financial years (previously average of 5 years).
- Free reserves for the purpose of declaration of dividend specifically exclude unrealized/notional gains. However, clarification with regard to unrealized/notional gains is required.
- Company at its discretion can decide % of profits to be transferred to reserves for declaring the dividend instead of transferring a fixed % of profits to reserves. Further, such transfer is not mandatory.
- Earlier, Company had to transfer unclaimed and unpaid dividend to the Investor Education and Protection Fund (IEPF). Now along with dividend, shares on which dividend has not been paid also needs to be transferred to IEPF. Further, Company has to post information relating to unclaimed dividend within 90 days of transfer on its website.

Companies Act 2013- Significant Changes

- The MCA clarified on April 04, 2014 that the financial statements and documents required to be attached thereto, auditor's report and Board's report in respect of financial years that commenced earlier than April 01, 2014 shall be governed by the relevant provisions/schedules/rules of the Companies Act, 1956.

Disqualification of auditors

- An auditor would not be eligible for appointment: if he holds any security or interest not only in the company but also in its subsidiary/holding/fellow subsidiary as well as in its associate. Besides, holding of security or interest by relative(s) of the auditor would also result in disqualification except that relatives can hold securities or interest with 'face value' not exceeding Rs. 0.1 million. Any acquisition of security or interest by relatives beyond these limits is required to be corrected within 60 days.
- if he, or his relative or partner is indebted in excess of Rs.0.5 million to the company or its subsidiary/holding/fellow subsidiary as well as in its associate
- If he or his relative or partner has given a guarantee or provided any security in connection with indebtedness of any third person to the company, or its subsidiary/holding/fellow subsidiary as well as in its associate in excess of Rs. 0.1 million.
- a person or a firm who, whether directly or indirectly, has business relationship with the company, or its subsidiary/holding/fellow subsidiary as well as in its associate except those that are in the ordinary course of business and at an arm's length like sale of products or services to the auditor, as customer, in the ordinary course of business, by companies engaged in the business of telecommunications, airlines, hospitals, hotels and such other businesses.
- a person whose relative is a director or is in the employment of the company as a director or key managerial personnel

Companies Act 2013- Significant Changes

- a person who is in full time employment elsewhere or a person or a partner of a firm holding appointment as its auditor, if such persons or partner is at the date of such appointment or reappointment holding appointment as auditor of more than twenty companies.
- a person who has been convicted by a court of an offence involving fraud and a period of ten years has not elapsed from the date of such conviction.

Reporting of frauds by auditor

In case an auditor has sufficient reason to believe that an offence involving fraud, is being or has been committed against the company by officers or employees of the company, he is required to report the matter to the Central Government immediately but not later than 60 days of his knowledge in the following manner:

- He will forward his report to the board or the audit committee, as the case may be, immediately after he comes to knowledge of the fraud in order to seek their reply or observations within 45 days.
- On receipt of such reply or observations the auditor is required to forward his report and the reply or observations to the board or the audit committee along with his comments (on such reply or observations of the board or the audit committee) to the Central Government within 15 days of receipt of such reply or observations.
- If the auditor fails to get any reply or observations from the board or audit committee with the stipulated period of 45 days, he should forward his report to the Central Government along with a note containing the details of his report that was earlier forwarded to the board or the audit committee for which he failed to receive any reply or observations within the stipulated time.
- The report is required to be sent to the Secretary, MCA.

IFRS 9 leaves IASB with impaired convergence

- The IASB and the US Financial Accounting Standards Board have failed to develop a common financial instruments accounting standard. The reality about the lack of a single asset impairment model emerged during IASB meeting in January is that there is no convergence. It leaves preparers playing in the middle between the competing IFRS and US GAAP models. **The board also voted to fix a new effective date for IFRS 9, Financial Instruments, of January 01, 2018.** IASB members were reluctant to delay the standard, or make further changes to it, pending decisions on the linked insurance contracts literature. Later that same meeting, staff reported that the FASB will almost certainly reject two central features of the IFRS 9 classification and measurement approach:
 - the business model and the contractual cash flow
 - assessments for amortised cost.

In recent weeks, the European Parliament has shown an increased

willingness to challenge the IASB, even going so far as to propose linking funding for the IASB's activities to specific outcomes. Separately, the G20 nations have urged the two boards to come up with a single financial instruments model.

FASB Eases Variable Interest Entity Requirements for Private Companies

- The Financial Accounting Standards Board recently issued guidance to make it easier for private companies to report on consolidation of variable interest entities. **The new guidance applies to the consolidation of lessors in certain common control leasing arrangements for private companies.** It comes in response to recommendations from FASB's sister organisation, the Private Company Council, which has also weighed in with recommendations on adjusting the standards on goodwill impairment and interest rate swaps for private companies that were ultimately adopted by FASB. **Under current U.S. GAAP, a company is required to consolidate the financial reporting from an entity in which it has a controlling financial interest.**

The assessment of a controlling financial interest is performed under either a voting interest model or a variable interest entity, or VIE, model. **To determine which model applies, a company preparing financial statements must first determine whether it has a variable interest in the entity being evaluated for consolidation and whether that entity is a VIE.**

- The new guidance in FASB Accounting Standards Update No. 2014-07, Applying Variable Interest Entities Guidance to Common Control Leasing Arrangements, **allows a private company to elect—when certain conditions exist—not to apply VIE guidance to a lessor under common control. Instead, the private company would make certain disclosures about the lessor and the leasing arrangement.**

IFRS conference in South Africa announced

- The IFRS Foundation, along with the South African Institute of Chartered Accountants (SAICA), has announced an upcoming conference in Johannesburg, South Africa on 13th-14th August 2014. The conference will include discussions on the future of financial reporting, as well as the latest IASB updates on the major IFRSs, implementation issues, conceptual framework and research projects. The conference will feature presentations by IASB Vice-Chairman and IASB members. Some of the topics to be covered at the conference include: The future of financial reporting, IASB update, Major IFRSs, Implementation, Conceptual framework, Research projects etc.

IASB publishes amendments to IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets

- IAS 16 and IAS 38 both establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset.

The IASB has clarified that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The IASB also clarified that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.

The issue originated from a submission to the IFRS Interpretations Committee (the 'Interpretations Committee'). As a result, the Interpretations Committee recommended that the IASB should amend IAS 16 and IAS 38. **On May 12, 2014 IASB has amended IAS 16 and IAS 38.**

The amendments are effective for annual periods beginning on or after January 01, 2016 with early application permitted.

Accounting for Acquisitions of Interests in Joint Operations

- The International Accounting Standards Board (IASB) on May 06, 2014 published amendments to IFRS 11 Joint Arrangements. IFRS 11 addresses the accounting for interests in joint ventures and joint operations. The amendments published on May 06, 2014 added new guidance on how to account for the acquisition of an interest in a joint operation that constitutes a business. The amendments specify the appropriate accounting treatment for such acquisitions.

UPDATE NO. 2014-08—PRESENTATION OF FINANCIAL STATEMENTS (TOPIC 205) AND PROPERTY, PLANT, AND EQUIPMENT (TOPIC 360): REPORTING DISCONTINUED OPERATIONS AND DISCLOSURES OF DISPOSALS OF COMPONENTS OF AN ENTITY

What Are the Main Provisions?

- The amendments in this Update change the requirements for reporting discontinued operations in Subtopic 205-20. A discontinued operation may include a component of an entity or a group of components of an entity, or a business or non-profit activity.
- A disposal of a component of an entity or a group of components of an entity is required to be reported in discontinued operations if the disposal represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results when any of the following occurs:
The component of an entity or group of components of an entity meets:
 - A. The criteria in paragraph 205-20-45-1E to be classified as held for sale.

- B. The component of an entity or group of components of an entity is disposed of by sale.
- C. The component of an entity or group of components of an entity is disposed of other than by sale (for example, by abandonment or in a distribution to owners in a spinoff).

The amendments in this Update require additional disclosures about discontinued operations.

- The amendments in this update requires a public business entity and a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market to provide disclosures about a disposal of an individually significant component of an entity that does not qualify for discontinued operations presentation in the financial statements.

For further details please visit www.fasb.org

Circulars/Notifications

Notified rate of interest on deposits made under special deposit scheme

- Central Government has notified rate of interest at 8.7% per annum for non-Government Provident, Superannuation and Gratuity funds under special deposit scheme with effect from April 01, 2014 and until further orders.

Agreement for avoidance of double taxation and prevention of fiscal evasion with Latvia

- The Central Government has, through notification 12/2014 dated March 05, 2014 notified that all the provisions of the Agreement between the Government of the Republic of India and the Government of the Republic of Latvia for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income signed on September 18, 2013 shall be given effect to in the Union of India with effect from the April 01, 2014.

Agreement for avoidance of double taxation and prevention of fiscal evasion with Romania

- The Central Government has, through notification 13/2014 dated March 05, 2014 notified that all the provisions of the Agreement between the Government of the Republic of India and the Government of the Republic of Romania for the avoidance of double taxation and the prevention of fiscal evasion with respect to taxes on income signed on March 08, 2013 shall be given effect to in the Union of India with effect from the December 16, 2013, being the date of entry into force of the said agreement.

Circulars/Notifications

Cenvat Credit Rules for Input Service Distributors, Amended

- Rule 7 of Cenvat Credit Rules, 2004 which entails distribution of CENVAT credit by Input Service Distributor has been amended vide Notification No. 05/2014–Central Excise (N.T.) dated 24th February, 2014 as :

(a) For the units that are exclusively engaged in manufacture of exempted goods or providing of exempted services, service tax paid on input services used by one or more units will not be allowed to be distributed as Cenvat Credit.

(b) Credit of service tax paid on input services will be distributed only to the unit by which the service is wholly used.

(c) Pro Rata distribution of service tax credit shall be based on turnover of units using said input service during relevant period to total turnover of all its units operational in current year, during said relevant period

This amendment is effective from April 01, 2014.

Amendments with respect to importers

- Notification No. 08/2014-Central Excise (N.T.), Date: February 28, 2014 has amended Rule 9 (1) of Central Excise Rules 2002 so as to require an importer who issues an invoice on which CENVAT Credit can be taken, to get registered under central excise. This is in addition to the existing list of assessee's who need to get registered under the said rule. Consequential amendment has been made in Form A–Central Excise Registration Application Form vide Notification No. 10/2014-Central Excise (N.T.), Dated February 28, 2014. Importer has now been included in the said form.
- Notification No. 09/2014-Central Excise (N.T.), Dated February 28, 2014 has amended Rule 9 (8) of Cenvat Credit Rules, 2004 so as to require a registered importer to submit a return in the prescribed form within 15 days from the end of the respective quarter provided that such return is submitted electronically. A new Quarterly Return Form for first stage/ second stage dealer or the registered importer has been provided.

Articles

India most loved market in Asia; FII pour in \$7.8bn YTD

- Foreign Institutional Investors continued to focus on Indian equities as the markets have seen net inflow of USD 2.3 billion in May, taking the total to USD 7.8 billion so far this year.
- FII flows in May were mixed, with investors being more selective. In the Asia region, investors bought India, preferred Korea over Taiwan and sold Thai equities.
- Overall, foreign investors have bought USD 18.8 billion worth of equities till January to May 26 in Asia excluding Japan. Out of this India received USD 7.8 billion, followed by Taiwan USD 6.3 billion and Indonesia USD 3.6 billion respectively.
- Although FIIs poured money in Asian equities, mutual funds remained cautious as they took out USD 1.2 billion from Asia, excluding Japan, in the last four weeks ending May 21 2014.

RBI chief reiterates call for global monetary co-ordination

- Reserve Bank of India (RBI) chief Raghuram Rajan reiterated the need for global central banks to be mindful of the impact of their unconventional monetary policy measures on other economies. Rajan proposed that central banks of advanced nations "internalise" the spill over effects from such policies to minimise volatility and disruptions in financial markets elsewhere.

Reserve Bank to keep rates on hold

- The Reserve Bank of India (RBI) is likely to keep monetary policy steady in June despite sluggish economic activity as inflation remains elevated, a Reuters poll showed on May 28, 2014. In his fight to lower stubbornly high inflation, RBI chief Raghuram Rajan has hiked interest rates three times since he took office in September 2013, surprising markets on two of those occasions, even as economic growth slowed to decade-low rates.

Articles

Although the threat of a below-average monsoon in coming months is expected to fan price pressures, all but three of the 52 economists polled on May 15-27, 2014 predicted the RBI would hold fire when it meets on June 03, 2014.

- The central bank will keep its repo rate unchanged at 8.00 percent until at least January, the poll showed, while the cash reserve ratio won't be changed until October 2015 at the earliest - the end of the forecast horizon.
- We expect real GDP growth to remain modest, due to ongoing weakness in the manufacturing and mining sectors, as well as general softness in wholesale and retail trade.

Reddy Becomes Billionaire as India's Aurobindo Shares Triple

- P.V. Ramaprasad Reddy, the co-founder of Indian drug maker **Aurobindo Pharma Ltd. (ARBP)**, a billionaire as the stock more than tripled in the past year to a record.

Reddy and his wife, Suneela Rani, control about 38 percent of Aurobindo Pharma, according to a May 26 filing to the Bombay Stock Exchange. Excluding shares pledged as collateral, their interest in the drug maker is valued at more than \$1 billion, according to the Bloomberg Billionaires Index.

- Aurobindo Pharma plans to announce its earnings for the year ended March 31 at the end of the week- May 30, it said in a statement to the stock exchange.

Indian market expectations from Budget in July

- Restructure Forward Contracts Regulation Act (FCRA).
- Tax breaks on stock market investments to attract new investors.
- Fiscal consolidation.
- Do away with the commodities transaction tax (CTT) which was levied last year on metals, bullion and a few processed agri-commodities.

MCA/IRDA Updates

Company Law Board (Amendment) Regulations, 2014- Insertion of Regulation 51

- Company Law Board vide its Order No. 10/36/2001, dated February 20, 2014 has made amendment in the Company Law Board Regulations, 1991. In Chapter IV of the Company Law Board Regulations, 1991, after Regulation 50, Regulation 51 providing for restriction on Audio or Video Recording by the parties has been inserted.

Registration of Companies/Limited Liability Partnerships (LLPs) with the word "National" in their Names

- MCA through Circular No. 2/2014 [F. No. 2/2/2014-CL-V], dated February 11, 2014 has clarified that no company should be allowed to be registered with the word 'National' as part of its title unless it is a government company and the Central/State government(s) has a stake in it. Further MCA urged that this should be stringently enforced by all Registrar of Companies (ROCs) while registering companies. Similarly, the word 'Bank' may be allowed in the name of an entity only

when such entity produces- 'No Objection Certificate' from the RBI in this regard. By the same analogy the word "Stock Exchange" or "Exchange" should be allowed in name of a company only where 'No Objection Certificate' from SEBI in this regard is produced by the Promoters.

Enforcement of Section 135 & Schedule VII of the Companies Act, 2013

- Ministry of Corporate Affairs has notified that provisions of Section 135 and Schedule VII of the Companies Act, 2013 relating to Corporate Social Responsibility shall come into force with effect from April 01, 2014.

Payment of dues to Policyholders and Disclosure of Unclaimed Amount Thereof

- IRDA has issued Circular dated February 17, 2014 wherein it has been decided that in order to bring better governance, transparency and smooth transfer of the amount due to policyholders, all insurers are advised to formulate Policy holder Protection Committee and Audit-

MCA/IRDA Updates

Committee with effect from April 01, 2014.

Bank's Capital Instruments Under Basel III- Investments by Insurance Companies

- IRDA has issued Circular No. IRDA/F & I/CIR/INV/063/02/2014, dated February 13, 2014 on examination of various instruments prescribed under Basel III framework and decided to permit new instruments issued by domestic banks for investment by insurers are:
 - Debt Capital Instruments (DCI);
 - Redeemable Non-cumulative Preference Shares (RNCPS); and
 - Redeemable Cumulative Preference Shares (RCPS).

These instruments may be deemed as a part of approved Investments for the purpose of Sections 27A and 27B of Insurance Act, 1938 subject to the conditions as viz; the debt Instrument issued by banks shall be rated not less than 'AA' by an independent, reputed and recognised Rating Agency registered under SEBI; if the Instruments are downgraded below AA.

Such investments shall be re-classified as 'Other Investments'; preference shares issued by the banks shall satisfy the conditions specified under.

Sections 27A and 27B of Insurance Act, 1938; in case the interest on the instrument is not serviced on due dates- the investment in such instruments are to be re-classified as ' Other Investments' from such date for reporting to the Authority.

Insurers are also notified to note that all exposures norms as specified in Regulation 9 of IRDA (Investment) Regulations, 2000 shall apply to these Instruments/Preference Shares Issued by Bank, i.e., Group exposure, Single Investee exposure, Industry exposure, etc and category codes for these instrument are specified.

Articles

SEBI: Minimum 25% public holding should also apply to public sector companies

- Sebi chairman UK Sinha recently said the minimum 25 per cent public shareholding rule should apply to all public sector companies as well. Under the current rule, private sector companies have to maintain at least 25 per cent public shareholding whereas the limit for state run companies is 10 per cent. If the government accepts this rule then it will have to divest stake in many state run companies.

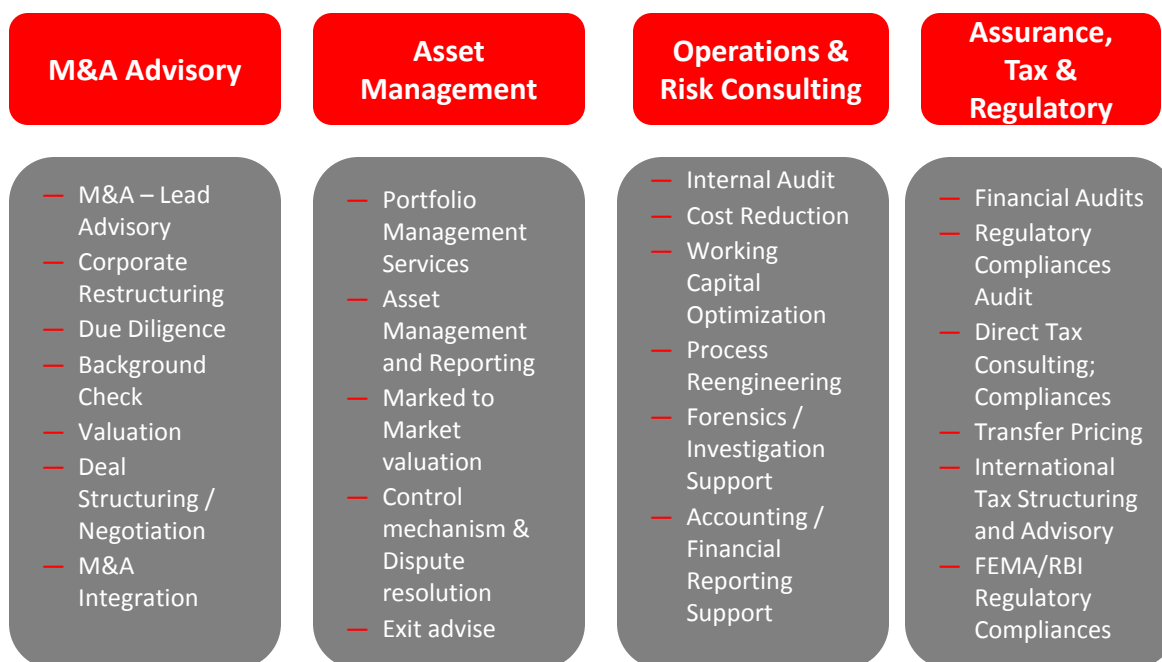
IT Dept asked to share wealth details of defaulters with banks

- In a step to help public sector banks to recover bad loans, the Finance Ministry has asked the I-T Department to share details of defaulters' wealth tax returns with PSBs if they ask for such information. The Finance Ministry further said the information provided by the Income Tax Department to banks should only be used for recovery of loans and should not be shared with any other agency

Funds in a bind as SEBI acts tough on minimum capital

- The Securities and Exchange Board of India (Sebi) has started cracking the whip on mutual funds, whose net worth is below the required levels. The capital market regulator has stopped clearing applications for any new fund offers (NFOs) - both equity and debt schemes - of such fund houses though they are required to comply with the minimum capital requirements only by May 2017.

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