

April 21, 2017 - Issue 132

SEBI issues circular on review of the framework of position limits for interest rate futures contracts

Securities and Exchange Board of India (“SEBI”) vide notification dated April 18, 2017 with a view to ease trading requirements in the Interest Rate Futures contracts has changed the position limit linked to open interest shall be applicable at the time of opening a position. Now, the positions shall not be required to be unwound immediately by the market participants in the event of a drop of total open interest in Interest Rate Futures contracts within the respective maturity bucket. However, in the aforementioned scenario, such market participants shall not be allowed to increase their existing positions or create new positions in the Interest Rate Futures contracts of the respective maturity bucket till they comply with the applicable position limits

Notwithstanding the above, in view of risk management or surveillance concerns with regard to the positions of such market participants, stock exchanges may direct them to bring down their positions to comply with the applicable position limits within the time period prescribed by the stock exchanges. The Stock exchanges and clearing corporations have been directed to

- ✓ take necessary steps to put in place systems for implementation of the circular, including necessary amendments to the relevant bye - laws, rules and regulations;
- ✓ bring the provisions of this circular to the notice of their members and also disseminate the same on their websites;

and communicate to SEBI, the status of implementation of the provisions of this circular in the Monthly Report.

Banks can invest 10 % of unit capital of REITs and InvITs: RBI

SEBI has put in place regulations for REITs and InvITs and requested the Reserve Bank of India (“RBI”) to allow banks to participate in these schemes. As indicated therein, RBI vide Circular dated April 18, 2017 has allowed banks to participate in Real Estate Investment Trusts (“REITs”) and Infrastructure Investment Trusts (“InvITs”) within the overall ceiling of 20 per cent of their net worth permitted for direct investments in shares, convertible bonds/debentures, units of equity-oriented mutual funds and exposures to Venture Capital Funds (“VCFs”) [both registered and unregistered], subject to the following conditions:

- ✓ Banks should put in place a Board approved policy on exposures to REITs/InvITs which lays down an internal limit on such investments within the overall exposure limits in respect of the real estate sector and infrastructure sector.
- ✓ Banks shall not invest more than 10 per cent of the unit capital of an REIT/InvITs.
- ✓ Banks should ensure adherence to the prudential guidelines issued by RBI from time to time on Equity investments by Banks, Classification and Valuation of Investment Portfolio, Basel III Capital requirements for Commercial Real Estate Exposures and Large Exposure Framework, as applicable.

Finance Ministry ratifies 8.65% rate on Employee Provident Fund

Labour Minister Mr. Bandaru Dattatreya has today said that the Finance Ministry has approved 8.65 per cent interest rate on Employee Provident Fund (“EPF”) for 2016-17. The ratification of the 8.65 % on EPF will enable the retirement fund body EPFO to credit this rate of return into the accounts of 4 Crore subscribers. Notification regarding the same will be issued soon.

MCA issues clarification on online generation of challan for offline payment cases

Ministry of Corporate Affairs (“MCA”) has issued Clarification regarding online generation of Challans for Offline payment to Investor Education and Protection Fund (“IEPF”) dated April 20, 2017. In terms of Investors Education and Protection Fund (Accounting, Audit, Transfer and Refund) Rules, 2016 as notified on September 05, 2016 and as per the prerequisites of e-form IEPF - 1, the companies are required to transfer the amounts to the amount to IEPF through Challans generated on MCA 21 portal also a circular [vide Circular dated December 05, 2016] in this regard was also circulated by the MCA communicating that Challans which are not generated on MCA 21 portal will not be accepted after December 15, 2016. However, it has been noticed by the ministry that there are companies, which have transferred the amount to IEPF prior to December 15, 2016, through Challans not generated on MCA-21 portal and these companies were/are unable to file IEPF-1. To facilitate filing of e-form IEPF-1 by such companies a procedure has also been provided through this notification

RBI asks banks to consider additional provisions for standard assets at higher than prescribed rates

RBI has issued a circular dated April 18, 2017 for Additional Provisions for Standard Advances at Higher than Prescribed Rates. As per the circular it is advised that the provisioning rates prescribed in the abovementioned circular are the regulatory minimum and banks are encouraged to make provisions at higher rates in respect of advances to stressed sectors of the economy. With a view to ensure that banks have adequate provisions for loans and advances at all times, it has been advised that:

- ✓ Banks shall put in place a Board-approved policy for making provisions for standard assets at rates higher than the regulatory minimum, based on evaluation of risk and stress in various sectors.
- ✓ The policy shall require a review, at least on a quarterly basis, of the performance of various sectors of the economy to which the bank has an exposure to evaluate the present and emerging risks and stress therein. The review may include quantitative and qualitative aspects like debt-equity ratio, interest coverage ratio, profit margins, ratings upgrade to downgrade ratio, sectoral non-performing assets/stressed assets, industry performance and outlook, legal/ regulatory issues faced by the sector, etc. The reviews may also include sector specific parameters.
- ✓ More immediately, as the telecom sector is reporting stressed financial conditions, and

presently interest coverage ratio for the sector is less than one, Board of Directors of the banks may review the telecom sector latest by June 30, 2017 and consider making provisions for standard assets in this sector at higher rates so that necessary resilience is built in the balance sheets should the stress reflect on the quality of exposure to the sector at a future date. Besides, banks should also subject the exposure to the sector to closer monitoring.

The Employee's Compensation (Amendment) Act, 2017 ("ECA") has received the assent of the President

The President of India has given his assent to the ECA, 2017 on April 12, 2017. As per the amendment, in terms of Section 17A of the ECA, every employer shall immediately at the time of employment of an employee, inform the employee of his rights to compensation under this Act, in writing as well as through electronic means, in English or Hindi or in the official language of the area of employment, as may be understood by the employee.

RBI issues notification of Sovereign Gold Bonds 2017-2018

RBI vide notification dated April 20, 2017 has stated that Sovereign Gold Bonds 2017-2018 will be open for subscription from April 24, 2017 to April 28, 2017. The terms and conditions of the issuance of the Bonds have been specified in the notification. The Key conditions shall be as follows:

- ✓ The Bonds under this Scheme may be held by a person resident in India, being an individual, in his capacity as such individual, or on behalf of minor child, or jointly with any other individual. The bond may also be held by a Trust, Charitable Institution and University.
- ✓ The Bonds shall be repayable on the expiration of eight years from May 12, 2017, the date of issue of Gold bonds. Premature redemption of the Bond is permitted from fifth year of the date of issue on the interest payment date

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