

Vol. XVII Issue No. 643
August 06-12, 2017
Total No. of Pages (including Cover):12



ASSOCHAM NEWS & VIEWS

WEEKLY

Highlights

- ⇒ **HIGHLIGHTS OF THE THIRD BI-MONTHLY MONETARY POLICY STATEMENT 2017-18**
- ⇒ **INDEX OF EIGHT CORE INDUSTRIES, JUNE 2017**
- ⇒ **FM: ENTRY INTO FORCE OF THE WTO-TRADE FACILITATION AGREEMENT (TFA)**
- ⇒ **GOVERNMENT ENTERS INTO NINE UNILATERAL ADVANCE PRICING AGREEMENTS (UAPAS) WITH INDIAN TAXPAYERS IN JULY, 2017**



THE ASSOCIATED CHAMBERS OF COMMERCE AND INDUSTRY OF INDIA

CONTENTS

COMMERCE AND INDUSTRY

INDEX OF EIGHT CORE INDUSTRIES, JUNE 2017

3-4

7TH MEETING OF BRICS TRADE MINISTERS-SHANGHAI

5

FINANCEFM: ENTRY INTO FORCE OF THE WTO-TRADE FACILITATION AGREEMENT
(TFA)

6

GOVERNMENT ENTERS INTO NINE UNILATERAL ADVANCE PRICING
AGREEMENTS (UAPAS) WITH INDIAN TAXPAYERS IN JULY, 2017

7

BRICS COUNTRIES' HEADS OF REVENUE MEETING HAILS GST REFORMS
BEING INTRODUCED IN INDIA

8

RBIHIGHLIGHTS OF THE THIRD BI-MONTHLY MONETARY POLICY STATEMENT
2017-18

9

STATEMENT ON DEVELOPMENTAL AND REGULATORY POLICIES, RBI

10-12

MINISTRY OF COMMERCE & INDUSTRY

Index of Eight Core Industries (Base: 2011-12=100) June, 2017

The Eight Core Industries comprise 40.27 % of the weight of items included in the Index of Industrial Production (IIP). The combined Index of Eight Core Industries stands at 121.0 in June, 2017, which was 0.4 % higher compared to the index of June, 2016. Its cumulative growth during April to June, 2017-18 was 2.4 %.

Coal

Coal production (weight: 10.33 %) declined by 6.7% in June, 2017 over June, 2016. Its cumulative index declined by 4.4% during April to June, 2017-18 over corresponding period of the previous year.

Crude Oil

Crude Oil production (weight: 8.98 %) increased by 0.6 % in June, 2017 over June, 2016. Its cumulative index increased by 0.2 % during April to June, 2017-18 over the corresponding period of previous year.

Natural Gas

The Natural Gas production (weight: 6.88 %) increased by 6.4 % in June, 2017 over June, 2016. Its cumulative index increased by 4.3 % during April to June, 2017-18 over the corresponding period of previous year.

Refinery Products

Petroleum Refinery production (weight: 28.04%) declined by 0.2 % in June, 2017 over June, 2016. Its cumulative index increased by 1.8 % during April to June, 2017-18 over the corresponding period of previous year.

Fertilizers

Fertilizer production (weight: 2.63 %) declined by 3.6 % in June, 2017 over June, 2016. Its cumulative index declined by 1.9 % during April to June, 2017-18 over the corresponding period of previous year.

Steel

Steel production (weight: 17.92 %) increased by 5.8 % in June, 2017 over June, 2016. Its cumulative index increased by 6.2 % during April to June, 2017-18 over the corresponding period of previous year.

Cement

Cement production (weight: 5.37%) declined by 5.8 % in June, 2017 over June, 2016. Its cumulative index declined by 2.9 % during April to June, 2017-18 over the corresponding period of previous year.

Electricity

Electricity generation (weight: 19.85%) increased by 0.7 % in June, 2017 over June, 2016. Its cumulative index increased by 4.9 % during April to June, 2017-18 over the corresponding period of previous year.

MINISTRY OF COMMERCE & INDUSTRY

7th Meeting of BRICS Trade Ministers- Shanghai

The 7th Meeting of BRICS Trade Ministers was held in Shanghai from 1-2 August. A six-member delegation led by Commerce and Industry Minister Smt. Nirmala Sitharaman, along with Ambassador J.S. Deepak, PR to WTO participated in the meetings. Mr. Zhong Shan, Minister of Commerce from China, presided over the meetings. The other delegations were represented by Mr. Rob Davies, Minister of Trade and Industry (South Africa), Mr. Marcelo Maia Tavares de Araujo, Secretary of Commerce and Services of Ministry of Industry (Brazil) and Mr Maxim Oreshkin, Minister of Economic Development (Russia).

A collective courtesy call on Vice Premier Wang Yang was also organized for the BRICS Trade Ministers on 2nd August forenoon. Separately, a bilateral meeting between Commerce and Industry Minister (CIM) and Chinese Commerce Minister was also held on 1st August forenoon.

The Ministers adopted the following documents at the conclusion of the meeting:

- 7th BRICS Trade Ministers' Joint Statement
- BRICS Trade in Services Cooperation Roadmap
- BRICS E-Commerce Cooperation Initiative
- BRICS IPR Cooperation Guidelines
- Framework on strengthening the Economic and Technical Cooperation of BRICS Countries
- Terms of Reference (ToR) of BRICS Model E-Port Network
- Outlines for BRICS Investment Facilitation

MINISTRY OF FINANCE

FM: Entry into force of the WTO-Trade Facilitation Agreement (TFA) on 22nd February, 2017 is a major milestone for the global trading system; Releases National Trade Facilitation Action Plan.

The Union Minister of Finance, Defence and Corporate Affairs, Shri Arun Jaitley said that the entry into force of the WTO-Trade Facilitation Agreement (TFA) on 22nd February, 2017 is a major milestone for the global trading system. The Finance Minister Shri Arun Jaitley was speaking after releasing the National Trade Facilitation Action Plan (NTFAP) in the national capital. He said that with the release of this Action Plan today, we look forward to ensuring compliance with the TFA and also, impetus to trade facilitation. The Finance Minister further added that this Action Plan gives a time bound map, not only for implementing TFA, but also for India's initiatives for trade facilitation and Ease of Doing Business which goes beyond TFA.

Earlier, under Article 23.2 of the Trade Facilitation Agreement (TFA), a National Committee on Trade Facilitation (NCTF) headed by the Cabinet Secretary was constituted. The NCTF comprises of stakeholders from the Government and the private sectors including trade community. The NCTF has adopted 76 point National Trade Facilitation Action Plan (NTFAP) which is a reflection of the Government's commitment to implement the Trade Facilitation Agreement (TFA).

The National Action Plan aims to transform cross border clearance ecosystem through efficient, transparent, risk based, co-ordinated, digital, seamless and technology driven procedures which are supported by state-of-the-art sea ports, airports and land borders.

The objectives to be achieved by National Action Plan are improvement in ease of doing business by reduction in cargo release time and cost, move towards paperless regulatory environment, transparent and predictable legal regime and improved investment climate through better infrastructure.

The Action Plan lists out specific activities which would be carried out by all regulatory agencies like Customs, FSSAI, Drug Controller, Plant Quarantine, DGFT etc in time bound manner. The Co-ordination among all the stakeholders is the key to achieve the objective of Trade facilitation.

The Action Plan not only covers the activities coming under the TFA but they go beyond the ambit of TFA per se, which have been defined as TFA Plus category. The Action Plan covers many activities in the areas of infrastructure augmentation, particularly the road and rail infrastructures leading to ports and the infrastructure within ports, airports, ICDs, Land Customs stations that cuts across all stakeholders for which various ministries like Shipping, Civil Aviation, Railways, Road transport and Highways, Home Affairs, Finance, Commerce etc have been assigned specified targets.

All actions covered under the plan have been categorized by prioritizing the activities into short term, midterm and long term. The National Plan would be monitored by the Steering Committee (the operational arm of the NCTF) chaired by the Revenue Secretary and the Commerce Secretary. The plan would be reviewed by the Cabinet Secretary.

MINISTRY OF FINANCE

Government enters into nine Unilateral Advance Pricing Agreements (UAPAs) with Indian taxpayers in July, 2017

The Central Board of Direct Taxes (CBDT) entered into nine Unilateral Advance Pricing Agreements (UAPAs) with Indian taxpayers in the month of July, 2017. Some of the UAPAs signed had rollback provisions also.

The APA Scheme endeavours to provide certainty to taxpayers in the domain of transfer pricing by specifying the methods of pricing and determining the Arm's Length Price of international transactions in advance for a maximum period of five future years. Further, the taxpayer has the option to rollback the APA for four preceding years, as a result of which, a total of nine years of tax certainty is provided. Since its inception, the APA scheme has attracted tremendous interest among Multi National Enterprises (MNEs).

The nine APAs signed in the month of July, 2017 pertain to diverse sectors of the economy. CBDT has signed its first APA with a taxpayer engaged in supplying rigs used in Oil & Gas exploration. Other than the Oil & Gas Sector, the APAs pertain to Education, Banking, Pharmaceutical, Manufacturing and Information Technology sectors of the economy. The international transactions covered in these nine APAs include provision of software development services, provision of IT enabled services, provision of engineering design services, distribution, contract manufacturing, etc.

The number of UAPAs signed in the current financial year is 18 and the number of BAPAs signed in the current financial year is one. With this, the total number of APAs signed till date stands at 171 (Unilateral-159 and Bilateral-12). The CBDT expects more APAs to be signed in the near future.

The progress of the APA Scheme strengthens the Government's commitment to foster a non-adversarial tax regime.

MINISTRY OF FINANCE

BRICS countries' Heads of Revenue Meeting hails GST Reforms being introduced in India; Memorandum of Cooperation (MOC) in respect of tax matters identifying areas of cooperation signed by the BRICS Heads of Revenue at the Meeting held at Hangzhou, China .

India's GST reform has been hailed by the BRICS countries in a meeting of Revenue Heads in China recently.

In the meeting of the BRICS Heads of Revenue and Tax Experts held at Hangzhou, China from the 25th to 27th of July, 2017, India's GST reforms were appreciated and hailed by the BRICS countries. The Indian delegation was led by Dr. Hasmukh Adhia, Revenue Secretary of India.

The leaders and representatives from BRICS countries were inquisitive about GST Reforms introduced in India and appreciated efforts of India in bringing about this major reform. During the Press Conference held after the meeting, the **media also enquired about the GST reforms introduced in India. The salient features and advantages of the reform were explained to the media.**

During this meeting, the BRICS Heads of Revenue and Tax Experts deliberated upon contemporary International Tax issues. A joint communiqué was issued at the end of the meeting. A Memorandum of Cooperation (MOC) in respect of tax matters identifying areas of cooperation, namely, coordination in International Forums, Capacity building, Experience sharing and regular interaction was also signed by the BRICS Heads of Revenue.

RESERVE BANK OF INDIA

Highlights of the Third Bi-monthly Monetary Policy Statement, 2017-18 Resolution of the Monetary Policy Committee (MPC) Reserve Bank of India

On the basis of an assessment of the current and evolving macroeconomic situation at its meeting today (August 2, 2017), the Monetary Policy Committee (MPC) decided to:

- **reduce the policy repo rate under the liquidity adjustment facility (LAF) by 25 basis points from 6.25 per cent to 6.0 per cent with immediate effect.**

Consequently, the reverse repo rate under the LAF stands adjusted to 5.75 per cent, and the marginal standing facility (MSF) rate and the Bank Rate to 6.25 per cent.

RESERVE BANK OF INDIA

Statement on Developmental and Regulatory Policies, Reserve Bank of India

Measures to Improve Monetary Policy Transmission

The experience with the Marginal Cost of Funds Based Lending Rate (MCLR) system introduced in April 2016 for improving the monetary transmission has not been entirely satisfactory, even though it has been an advance over the Base Rate system. An internal Study Group has been constituted by the Reserve Bank of India (RBI) to study the various aspects of the MCLR system from the perspective of improving the monetary transmission and exploring linking of the bank lending rates directly to market determined benchmarks. The Group will submit the report by September 24, 2017.

Further, a quick scrutiny of the Base Rate of some banks post the introduction of MCLR suggests that it has moved significantly less than MCLR. While the extent of change in Base Rate may not necessarily mirror the revision in MCLR, the rigidity of Base Rate is a matter of concern for an efficient transmission of monetary policy to the real economy. Given a large part of the floating rate loan portfolio of banks is still anchored on the Base Rate, the RBI will be exploring various options in the near future to make the Base Rate more responsive to changes in cost of funds of banks.

Amendment to LCR Guidelines

As per the extant guidelines on Liquidity Coverage Ratio (LCR), cash including cash reserves in excess of the required minimum CRR are recognised as Level 1 High Quality Liquid Asset (HQLA). However the excess reserves held with other central banks are not recognized as Level 1 HQLA.

On a review of the instructions, it has been decided that reserves held by banks incorporated in India with a foreign central bank, in excess of the reserve requirement in the host country, should be treated as HQLAs, subject to certain conditions.

[A circular is being issued today.](#)

High Level Task Force on Public Credit Registry for India

To address the information asymmetry between borrowers and lenders as well as to make the credit market more efficient, private Credit Bureaus and Public Credit Registry (PCR), generally operated by the central bank or a supervisory authority, work in tandem in most of the countries. In India, as of date, four credit bureaus or Credit Information Companies (*viz.* CIBIL, Equifax, Experian and CRIF Highmark) are running, which are regulated by RBI under Credit Information Companies (Regulation) Act, 2005 (CICRA 2005). Within RBI, Central Repository of Information

on Large Credits (CRILC) has been created to cater to the supervisory needs by tracking large exposures. RBI also has a comprehensive Basic Statistical Return (BSR-1) database with granular account level information on credit.

A PCR can potentially help banks in credit assessment and pricing of credit as well as in making risk-based, dynamic and countercyclical provisioning. The PCR can also help the RBI in understanding if transmission of monetary policy is working, and if not, where are the bottlenecks. Further, it can help supervisors, regulators and banks in early intervention and effective restructuring of stressed bank credits.

In view of the above, it has been decided to constitute a High-level Task Force comprising experts as well as major stake-holders to (i) review the current availability of information on credit in India; (ii) assess the gaps that could be filled by a comprehensive PCR; (iii) study international practices; and, (iv) suggest a roadmap, including the priority areas, for developing a transparent, comprehensive and near-real-time PCR for India.

Issue of comprehensive Credit Information Reports (CIRs) by Credit Information Companies (CICs)

It has been observed that Credit Information Companies (CICs) are following the practice of offering limited versions of Credit Information Reports (CIRs) to Credit Institutions (CIs) based on credit information available in specific modules such as commercial data, consumer data or MFI data.

In order to facilitate efficient credit appraisals by Credit Institutions and reduce information asymmetries between lenders and borrowers, it has been decided to direct CICs to incorporate all the credit information available in all modules of the CIC database in the CIRs furnished to CIs.

[A circular is being issued today.](#)

RBI's Surveys of Households

The RBI regularly conducts a number of surveys for monetary policy. A Technical Advisory Committee on Surveys (TACS) drawing members from reputed institutions in the field provides guidance to the RBI in conducting these surveys. While the [Inflation Expectation Survey of Households \(IESH\)](#) is conducted in 18 cities covering around 5,500 households, the [Consumer Confidence Survey \(CCS\)](#) is conducted in 6 cities covering around 5,400 households. In order to improve their representativeness, as per the recommendations of the TACS, efforts are being undertaken to expand the coverage of IESH to rural and semi-urban areas; and, in case of the CCS, the coverage will be increased from 6 cities to 13 cities.

Tri-party repo

Introduction of tri-party repos will likely contribute to better liquidity in the corporate bond repo market, thereby providing markets an alternate repo instrument to Government securities repo. The draft directions on introduction of tri-party repo were placed on RBI website on [April 11, 2017](#) for public feedback. The feedback has been examined and the final circular on this will be issued around mid-August 2017.

Simplified hedging facility

The scheme of simplified hedging facility was first announced by the RBI in August 2016 and the draft scheme was released on [April 12, 2017](#). The scheme aims to simplify the process for hedging exchange rate risk by reducing documentation requirements and avoiding prescriptive stipulations regarding products, purpose and hedging flexibility. It is also expected to encourage a more dynamic and efficient hedging culture. The circular to operationalize the scheme has been finalized and will be released after the issue of FEMA notification by the Government.

Separate limit of Interest Rate Futures (IRFs) for Foreign Portfolio Investors (FPIs)

Currently, the FPI limit for Government securities is fungible between investments in securities and investment in bond futures. To facilitate further market development and to ensure FPIs' access to futures remains uninterrupted during the phase when FPI limits on Government securities are under auction, it is proposed to allocate FPIs a separate limit of ₹ 5,000 crore for long position in IRFs. The limits prescribed for investment by FPIs in Government securities will then be exclusively available for acquiring such securities. FPI's access to interest rate futures for hedging purposes will continue as before. The circular in this regard would be issued by the RBI after consultation with the Government.

Jose J. Kattoor
Chief General Manager