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India Uses Yen to Square up Iran Oil, Dithers on Accepting the Falling Rupees

EU to Put Ban from 1 July

Iran has asked India to pay for oil partly in yen as the two nations seek an agreement on how to maintain trade amid tightening global sanctions of the matter.

At talks in Tehran last week, India proposed to pay its second-biggest oil supplier in rupees through a bank account in the South Asian nation, said the people, declining to be identified because the information is confidential. Iranian officials sought partial payment in yen because they're concerned that they may not get sufficient value from the rupee, which isn't fully convertible, according to the people.

The nations have struggled to preserve $9.5 billion in annual crude trade after the Reserve Bank of India dismantled a mechanism used to settle payments in euros and dollars in December 2010. Transactions are currently routed through Turkiye Halk Bankasi AS (HALKB), based in Ankara, which has told Indian refiners it may no longer be able to act as an intermediary.

European Union foreign ministers agreed to ban oil imports from Iran starting July 1 as part of measures to ratchet up the pressure on the Persian Gulf nation's nuclear program, Dutch Foreign Minister Uri Rosenthal said in Brussels on 23 January.

Iran is already under four rounds of UN Security Council sanctions over its nuclear program. The U.S. and its allies say they suspect the program is a cover for developing atomic weapons, a charge Iran has repeatedly denied, maintaining it is for civilian purposes.

The Indian rupee has fallen 8.9 percent in the past 12 months, the most among major Asian currencies, while Japan's yen has strengthened 7.4 percent in the period, making it the best-performing currency in the region.

Iran's imports from India are worth about $2.5 billion a year, while its annual oil sales to the South Asian nation are valued at about $9.5 billion, the people said.

Exemption Request

India is exploring how it could pay Iran in yen, although a plan hasn't been decided.

Japan asked the U.S. administration for an exemption from a law that would punish banks doing business with Iran and won a U.S. pledge to implement the measure "cautiously," Foreign Minister Koichiro Gemba said Jan. 20.

The Persian Gulf nation is studying the option of opening an account in an Indian bank, which can be used by refiners to deposit payments in rupees and fund its own imports from the South Asian country, they said.

The Reserve Bank of Indiais considering options to solve the payments issue over Iranian oil, Deputy Governor K.C. Chakrabarty said on Jan. 20.

Currency Swap Renewed

Last month, Japan agreed to make $15 billion available to India in a currency swap arrangement as Europe's deepening debt crisis threatened to curtail developing Asia's access to dollar funding. Japanese Prime Minister Yoshihiko Noda renewed a bilateral swap agreement with Indian Prime Minister Manmohan Singh in New Delhi on Dec. 28. The two nations signed a $3 billion accord in June 2008 that had expired.

Singh discussed alternative financial conduits with Russian officials during his visit to Moscow in December. India, which got 11 percent of its crude imports from Iran last year, is exploring the option of making payments for Iranian crude through Russia's Gazprombank OJSC (GZPR), though no deal has been reached, three people with knowledge of the talks said Jan. 9.

U.S. President Barack Obama on Dec. 31 signed into law measures that deny access to the U.S. financial system to any foreign bank that conducts business with the central bank of Iran. The law includes language that allows the president to waive the sanctions if he determines they would threaten national security.

India opposes sanctions on Iran from anyone other than theUnited Nations, Ranjan Mathai, India's foreign secretary, said Jan. 17. India continues to buy Iranian oil, he said.

South Korea Lifts Ban on Canadian Beef Imports

Canada and South Korea appear ready to bring their nearly decade-long beef trade dispute to a close, after Seoul announced it would immediately open its borders to Canadian beef from cattle under 30 months old. The 20 January announcement follows the temporary suspension of a related WTO dispute in summer 2011 that had meant to facilitate a negotiated solution between the two countries.

South Korea's ban dates back to 2003, when the Asian country - along with other nations - shut its borders to all Canadian and US beef products, in response to North American producers being linked to bovine spongiform encephalopathy (BSE), or mad cow disease.

Canadian Trade Minister Ed Fast and Agriculture Minister Gerry Ritz welcomed the move, calling it a "significant breakthrough" and a victory for Canadian diplomacy.

FIEO President Calls for Investment Incentives to Reach Export Target

Addressing the media in his first Press Conference after taking over as President of FIEO, Mr M Rafeeque Ahmed said that India is likely to miss the Export Target of US$ 300 Billion set for the current fiscal. He went further to say that even US$ 500 bn for 12-13 with compound annual growth rate of over 29% is difficult without a fresh round of investment incentives. China is coming down in exports due to rise in wages by 14% every year. This makes Indian exports competitive vis a vis China. The revaluation of the Yuan by four percent too make India competitive. However, huge capacities must be created to meet this demand.

The volume-wise growth in World Trade is forecasted to be around 4.4% which will moderate growth in our exports also.

Sovereign debt concerns in the Euro Zone pose a major challenge to overall export growth.

Rupee is also strengthening now and thus the exchange advantage available in the recent past may no longer be there. However, there will be high volatility in the exchange rate thus decision making for exporters will be a herculean task.

Slowdown in manufacturing will have its impact on exports as the share of Capital Intensive Products in our exports have more than doubled to reach a share of 54% in 2010 while share of labour intensive products declined by half from 30% to 15%. There has been a direct relationship between GDP growth and Exports in the sense that better GDP growth propelled better exports. Since GDP growth is likely to moderate, the same will have its repercussion on exports.

The cumulative impact of interest hikes [13 since March 2010] has resulted in an increase in interest costs. This has resulted in a slump in credit off-take.

FIEO Western Region Chairman Amit Goyal complained that infrastructure in Mumbai was still rudimentary. Air Cargo has not been modernised since 1960. There is scope for textile exports to East Asia and South East Asia who have become importers with shift in industry to sunrise sectors like electronics.

Income Tax on Agency Commission: Tax TDS on agency commissions has of late been an issue of much litigation and may also be taken up by the Government in the forthcoming Budget.

Huge demands with retrospective effect from 2005 are being raised on exporters on grounds of non deduction of tax on tyre earnings of agents who procure orders from foreign buyers even though the transaction was carried on foreign territory.

Service Tax on ECGC Premium, currency conversion, commission made to foreign agent, transports of export goods from place of removal to ICD or from ICD to Ports etc should be covered in the negative list of services thus exempting them from purview of service tax.

In 2002, Canada exported over US$40 million in beef products to South Korea, making it the fourth-largest market for Canadian beef at the time. Reopening the Asian market is considered essential to bringing Canadian beef production back to 2002 numbers.

Full access for all beef products to Korea has not been gained, and barriers also remain in other markets, including Japan, that date back to the BSE crisis, Toews added

South Korea, where the public is particularly sensitive to food safety concerns, had long been reluctant to ease to ban. Already in 2003, after tests on cattle herds showed that all tested animals were free from BSE, many countries, including the US and Japan, began to ease restrictions for Canadian beef. But South Korea maintained the original ban, even after the World Organisation for Animal Health (OIE) classified Canada as a zone with controlled BSE risk in 2007.

Seoul's 2008 decision to reopen its market to US products resulted in months of anti-government protests in the country. Following this, observers were pessimistic on the chances of market access for Canadian beef.

Only in 2009, after Canada initiated a WTO dispute (DS391) on the matter, was South Korea ready to discuss easing the ban. Canada, contending that there was no scientific evidence to justify South Korea's persistence in maintaining the ban, cited violations of the WTO's Sanitary and Phytosanitary Measures Agreement - which governs rules pertaining to food safety - as justification for a WTO panel to investigate South Korean barriers to trade.

But bilateral talks between the parties continued in parallel to the dispute as Korea tried to avoid a high-profile loss at the global trade body. In July 2011, shortly after the parties were informed about the preliminary findings, the two nations agreed to a negotiated solution and a temporary suspension of the dispute. The new announcement puts this agreement into effect.

Dollar-Rupee Rate at NSE Futures

Trade Date	Open Price	High Price	Low Price	Close Price	Daily Settlement Price	Open Interest	No. of Contracts	Value (Rs. lakhs)	RBI Reference rate
30-Jan-12	49.7500	50.1525	49.5500	50.0950	50.0950	1085377	1894659	945728	49.5030
27-Jan-12	50.2400	50.3650	49.6400	49.6975	49.6975	1151513	2374614	1185243	49.6480
25-Jan-12	50.0350	50.2750	49.9925	50.1875	50.1875	795917	1632080	817642	50.0215
24-Jan-12	50.0000	50.1825	49.9700	50.0875	50.0875	982430	2375621	1189408	49.9673
23-Jan-12	50.3425	50.4875	50.1325	50.1700	50.1700	1163838	1774062	891839	50.2435

[Source: NSE and RBI Website]

Davos Tells EU to Fix Crisis for Good

European leaders were told by policy makers, bankers and academics from around the world that it's time to end the region's debt crisis and measures aimed at simply containing it are no longer enough.

Five days of debating and partying at the World Economic Forum's annual meeting ended on 28 January, with the euro area under pressure to swiftly deliver a bigger bailout fund that could help build a firewall worth more than $1 trillion. Leaders were also told they need to finish crafting tougher budget rules, and finally make Greece's debt burden manageable.

Failure to comply would threaten economic growth and financial markets, as well as deprive the region of more outside support, said delegates including billionaire investor George Soros and U.S. Treasury Secretary Timothy F. Geithner. How far Europe's officials are willing to go in response may be revealed at a Brussels summit.

The caution against complacency came toward the end of a month in which signs of stabilization emerged in Europe as market lending rates eased, economic indicators showed some resilience and bond yields fell from Spain (GDBR10) to Italy (GDBR10). At the same time, banks are still cutting lending, Portuguese borrowing costs are surging and Greece faces a 14.5 billion ($19 billion) euro bond repayment in March.

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India takes over as President of SAARC Chamber

After a gap of 12 years, India has assumed the Presidency of the SAARC Chamber of Commerce and Industry. The Minister congratulated Mr. Vikramjit Singh Sahney who has taken over as President of the SAARC Chamber of Commerce and Industry.

In the Male Summit, India has reduced its Sensitive List for the Least Developed Countries of SAARC from 480 to 25 items and zero custom duty access for the SAARC LDCs. This regime now covers 99.7% of our total tariff lines and all items of export interest to LDCs are covered under this regime.

WEEKLY INDEX OF CHANGES

Anti-dumping Duty Imposed on Building Material Textiles (Geogrid) from China for Five Years

Ntfn 11-ADD 24.01.2012 (DoR)

Whereas, in the matter of import of Geogrid/Geostrips/ Geostraps made of polyester or Glass fiber in all its forms (including all widths and lengths)' (hereinafter referred to as the subject goods), falling under Chapters 39, 55, 56, 59 and 70 of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) (hereinafter referred to as the said customs Tariff Act), originating in, or exported from China PR (hereinafter referred to as the subject countries) and imported into India, the designated authority vide its final findings No. 14/40/ 2010-DGAD, dated the 19th December, 2011, published in the Gazette of India, Extraordinary, Part I, Section 1, dated the 19th December, 2011, had come to the conclusion that-

(a) the subject goods had been exported to India from the subject countries below its normal value;

(b) the domestic industry had suffered material injury in respect of the subject goods;

(c) the material injury to the domestic industry had been caused by the dumped imports of the subject goods from the subject countries,

and had recommended imposition of definitive anti-dumping duty on the imports of subject goods, originating in or exported from, the subject countries.

Now, therefore, in exercise of the powers conferred by sub-section (1) of section 9A of the said Customs Tariff Act, read with rules 18 and 20 of the Customs Tariff (Identification, Assessment and Collection of Anti-dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995, the Central Government, on the basis of the aforesaid findings of the designated authority, hereby imposes on the goods, the description of which is specified in column (3) of the Table below, falling under Tariff items of the First Schedule to the said Customs Tariff Act as specified in the corresponding entry in column (2), originating in the countries as specified in the corresponding entry in column (4), and exported from the countries as specified in the corresponding entry in column (5), and produced by the producers as specified in the corresponding entry in column (6), and exported by the exporters as specified in the corresponding entry in column (7), and imported into India, an anti-dumping duty at the rate equal to the amount as specified in the corresponding entry in column (8), in the currency as specified in the corresponding entry in column (10) and per unit of measurement as specified in the corresponding entry in column (9) of the said Table.

Table

SNo.	Tariff- items	Description of goods	Country of origin	Country of exports	Producer	Exporter	Duty amount	Unit of measure-ment	Currency
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	39021000, 39140090, 39201019, 39269099, 55034000, 56031300, 56039400, 56041000, 56049000, 56089090, 59031090, 59039090, 59111000, 59113150, 59113190, 59119090, 70194000, 70195900, 70199010, 70199090	Geogrid/Geostrips/ Geostrapsmade of Polyesteror Glass Fiber in all its forms (including All widths and lengths)	China PR	China PR	Any	Any	0.55	Square metre	US dollar
2	-Do-	-Do-	Any other than China PR	China PR	Any	Any	0.55	Square metre	US dollar
3	-Do-	-Do-	China PR	Any other than China PR	Any	Any	0.55	Square metre	US dollar

2. The anti-dumping duty imposed shall be levied for a period of five years (unless revoked, superseded or amended earlier) from the date of publication of this notification in the official Gazette and shall be payable in Indian currency.

Explanation.- For the purposes of this notification, rate of exchange applicable for the purposes of calculation of such anti-dumping duty shall be the rate which is specified in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), issued from time to time, in exercise of the powers conferred by section 14 of the Customs Act, 1962, (52 of 1962), and the relevant date for the determination of the rate of exchange shall be the date of presentation of the bill of entry under section 46 of the said Customs Act.

[F. No.354/339/2011-TRU]

Anti-dumping Duty on Morpholine from China, EU and USA – Final Findings

Ntfn 10-ADD 24.01.2012 (DoR)

Whereas, in the matter of import of Morpholine (hereinafter referred to as the subject goods), falling under tariff item 29333917 of the First Schedule to the Customs Tariff Act, 1975 (51 of 1975) (hereinafter referred to as the said Customs Tariff Act), originating in, or exported from, China PR, European Union and the United States of America (hereinafter referred to as the subject countries) and imported into India, the designated authority vide its preliminary findings No. 14/41/2010-DGAD dated the 9th August, 2011, published in the Gazette of India, Extraordinary, Part I, Section 1, dated the 9th August, 2011, had come to the conclusion that-

(a) the subject goods had been exported to India from the subject countries below its normal value;

(b) the domestic industry had suffered material injury in respect of the subject goods;

(c) the material injury to the domestic industry had been caused by the dumped imports of the subject goods from the subject countries,

and had recommended imposition of provisional anti-dumping duty on the imports of subject goods, originating in or exported from, the subject countries.

And whereas, on the basis of the aforesaid findings of the designated authority, the Central Government had imposed provisional anti-dumping duty on the subject goods, *vide* notification of the Government of India in the Ministry of Finance (Department of Revenue), No.91/2011–Customs, dated the 20th September, 2011, published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i), *vide* number G.S.R. 699(E), dated the 20th September, 2011;

And whereas, the designated authority in its final findings *vide* notification No.14/41/2010 - DGAD, dated the 5th December, 2011, published in the Gazette of India, Extraordinary, Part I, Section 1, dated the 5th December, 2011, published in the Gazette of India, Extraordinary, Part I, Section 1, dated the 5th December, 2011, had come to the conclusion that-

(a) the subject goods had been exported to India from the subject countries below its normal value;

(b) the domestic industry had suffered material injury in respect of the subject goods;

(c) the material injury to the domestic industry had been caused by the dumped imports of the subject goods from the subject countries,

and has recommended the imposition of definitive anti-dumping duty on imports of the subject goods originating in or exported from the subject countries;

Now, therefore, in exercise of the powers conferred by sub-section (1) of section 9A of the said Customs Tariff Act, read with rules 18 and 20 of the Customs Tariff (Identification, Assessment and Collection of Anti-dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995, the Central Government, on the basis of the aforesaid findings of the designated authority, hereby imposes on the goods, the description of which is specified in column (3) of the Table below, falling under sub-heading of the First Schedule to the said Customs Tariff Act as specified in the corresponding entry in column (2), originating in the countries as specified in the corresponding entry in column (4), and exported from the countries as specified in the corresponding entry in column (5), and produced by the producers as specified in the corresponding entry in column (6), and exported by the exporters as specified in the corresponding entry in column (7), and imported into India, an anti-dumping duty at the rate equal to the amount as specified in the corresponding entry in column (8), in the currency as specified in the corresponding entry in column (10) and per unit of measurement as specified in the corresponding entry in column (9) of the said Table.

Table

SNo	Tariff item	Description of goods	Country of origin	Country of exports	Producer	Exporter	Amount	Unit of measure-ment	Currency
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
1	29333917	Morpholine	China PR	China PR	M/s Anhui Haoyuan Chemical Group Co. Ltd	M/s Anhui Haoyuan Chemical Group Co. Ltd	0.29	Kg	US dollar
2	29333917	Morpholine	China PR	China PR	Any other than combination at Sr. No.1		0.63	Kg	US dollar
3	29333917	Morpholine	Any country other than the subject countries	China PR	Any	Any	0.63	Kg	US dollar
4	29333917	Morpholine	China PR	Any country other than the subject countries	Any	Any	0.63	Kg	US dollar
5	29333917	Morpholine	European Union	European Union	M/s BASF SE	M/s BASF SE	0.35	Kg	US dollar
6	29333917	Morpholine	European Union	European Union	Any other than combination at Sr. No.5		0.68	Kg	US dollar
7.	29333917	Morpholine	Any country other than the subject countries	European Union	Any	Any	0.68	Kg	US dollar
8.	29333917	Morpholine	European Union	Any country other than the subject countries	Any	Any	0.68	Kg	US dollar
9.	29333917	Morpholine	USA	USA	M/s Huntsman Petrochemical Corporation	M/s Huntsman Petrochemical Corporation	0.50	Kg	US dollar
10.	29333917	Morpholine	USA	USA	Any other than combination at Sr. No.9		0.81	Kg	US dollar
11.	29333917	Morpholine	USA	Any country other than the subject countries	Any	Any	0.81	Kg	US dollar
12.	29333917	Morpholine	Any country other than the subject countries	USA	Any	Any	0.81	Kg	US dollar

2. The anti-dumping duty imposed shall be levied for a period of five years (unless revoked, superseded or amended earlier) from the date of imposition of the provisional anti-dumping duty, that is, 20th September, 2011 and shall be payable in Indian currency.

Explanation.- For the purposes of this notification, rate of exchange applicable for the purposes of calculation of such anti-dumping duty shall be the rate which is specified in the notification of the Government of India, in the Ministry of Finance (Department of Revenue), issued from time to time, in exercise of the powers conferred by section 14 of the Customs Act, 1962, (52 of 1962), and the relevant date for the determination of the rate of exchange shall be the date of presentation of the bill of entry under section 46 of the said Customs Act.

[F. No.354/239/2011-TRU]

Provisional Anti-dumping Duty Notification on Morpholine Rescinded

Ntfn 09-ADD 24.01.2012 (DoR)

In exercise of the powers conferred by sub-sections (2) of section 9A of the Customs Tariff Act, 1975 (51 of 1975), read with rules 13 and 20 of the Customs Tariff (Identification, Assessment and Collection of Anti-dumping Duty on Dumped Articles and for Determination of Injury) Rules, 1995, the Central Government hereby rescinds the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No. 91/2011-Customs, dated the 20th September, 2011, published in Gazette of India, Extraordinary, Part II, Section 3, sub-section (i), *vide* number G.S.R.699 (E), dated the 20th September, 2011, except as respects things done or omitted to be done before such rescission.

[F.No.354/239/2011 –TRU]

Tondiarpet ICD at Chennai Notified for Unloading and Loading Goods

08-Cus(NT) 30.01.2012 (DoR)

In exercise of the powers conferred by clause (aa) of sub-section (1) of section 7 of the Customs Act, 1962 (52 of 1962), the Central Board of Excise and Customs, hereby makes the following further amendments in the notification of the Government of India in the Ministry of Finance (Department of Revenue) No. 12/97-Customs (N.T.), dated the 2nd April, 1997, published in the Gazette of India, *vide* number G.S.R. 193(E), dated the 2nd April, 1997, namely:-

In the said notification, in the Table, against serial number 11 relating to the State of Tamil Nadu, in column (3), after item (xi) and the entry relating thereto in column (4), the following item and the entry shall respectively be inserted, namely:-

(3)	(4)
"(xii)Tondiarpet (TNPM), Chennai	Unloading of imported goods and the loading of export goods."

[F.No. 450/113/2011-Cus.IV]

Corrigendum dated 23 January to 02/2012

[Corrigendum dated 23rd January 2012]

In the notification of the Government of India, in the Ministry of Finance (Department of Revenue), No. 2/2012-Customs, dated the 16th January, 2012 published in the Gazette of India, Extraordinary, Part II, Section 3, Sub-section (i) vide number G.S.R. 23(E), dated the 16th January, 2012, in para 2, sub para (i)-

for the words "gold content not below" read "gold content below"

[F. No. 354/4/2012-TRU]

Banks should Certify Leverage Ratio of IFCs Availing ECBs under Approval Route

Sub: External Commercial Borrowings (ECB) Policy – Infrastructure Finance Companies (IFCs)

AP(DIR Srs) Cir.70 25.01.2012 (RBI)

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to A.P. (DIR Series) Circular No. 5 dated August 1, 2005, amended from time to time and A. P. (DIR Series) Circular No. 51 dated May 11, 2010 relating to External Commercial Borrowings (ECBs). As per the extant guidelines, Non-Banking Finance Companies (NBFCs) categorized as Infrastructure Finance Companies (IFCs) by the Reserve Bank and complying with the norms prescribed in the DNBS Circular DNBS.PD.CC.No.168/ 03.02.089/2009-10 dated February 12, 2010 are permitted to avail of ECBs, including the outstanding ECBs, up to 50 per cent of their owned funds under the automatic route. ECBs by IFCs above 50 per cent of their owned funds are being considered under the approval route. The permitted end-use should be for on-lending to the infrastructure sector, as defined under the extant ECB policy. IFCs should also hedge their currency risk in full.

2. It has now been decided that the designated AD Category – I banks should certify the **leverage ratio** (i.e. outside liabilities/owned funds) of IFCs desirous of availing ECBs under the **approval route** while forwarding such proposals to the Reserve Bank of India.

3. All other aspects of the ECB policy, such as eligible borrower, recognised lender, maximum permissible limit under the automatic route, average maturity**,** all-in-cost, end-use, prepayment, refinancing of existing ECB and reporting arrangements shall remain unchanged.

4. AD Category - I banks may bring the contents of this circular to the notice of their constituents and customers.

5. The directions contained in this circular have been issued under sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

RBI Issues Directions for QFI Investments in Indian Companies and Single-Brand Retail Trading

The Reserve Bank of India on 13 January issued detailed guidelines enabling Qualified Foreign Investors (QFIs) investments in Indian companies. The guidelines have been issued under Foreign Exchange Management Act, 1999.

It was decided to allow Qualified Foreign Investors (QFIs), that is, non-resident investors other than SEBI registered foreign institutional investors (FIIs) and foreign venture capital investors (FVCIs) to invest in equity shares of Indian companies in order to widen the non-resident investor base in the Indian stock markets as well as to expand the set of non-resident portfolio investors in India.

It also issued directions permitting foreign direct investments (FDI) up to 100 per cent in single brand product trading under the Government route subject to stipulated terms and conditions. This came in the wake of the Government reviewing the FDI policy and allowing 100 per cent FDI in single brand retail product trading (Press Note No. 1 (2012 Series) dated January 10, 2012 issued by Department of Industrial Policy & Promotion, Ministry of Commerce & Industry, Government of India).

Sub: (I) Scheme for Investment by Qualified Foreign Investors in equity shares

(II) Scheme for Investment by Qualified Foreign Investors in Rupee Denominated Units of Domestic Mutual Funds – Revision

AP(DIR Srs) Cir.66 13.01.2012 (RBI)

Attention of Authorised Dealers Category – I (AD Category - I) banks is invited to A.P. (DIR Series) Circular No.8 dated August 9, 2011 and A.P. (DIR Series) Circular No. 42 dated November 3, 2011 in terms of which Qualified Foreign Investors (QFIs as defined therein to mean non-resident investors, other than SEBI registered FIIs and SEBI registered FVCIs, who meet the KYC requirements of SEBI) are allowed to invest in rupee denominated units of domestic Mutual Funds subject to the terms and conditions mentioned therein.

(I) Scheme for Investment by Qualified Foreign Investors in equity shares

2. It has now been decided to allow QFIs to purchase on repatriation basis equity shares of Indian companies subject the following terms and conditions :

(i) **Eligible instruments and eligible transactions** – QFIs shall be permitted to invest through SEBI registered Depository Participants (DPs) only in equity shares of listed Indian companies through recognized brokers on recognized stock exchanges in India as well as in equity shares of Indian companies which are offered to public in India in terms of the relevant and applicable SEBI guidelines/regulations. QFIs shall also be permitted to acquire equity shares by way of rights shares, bonus shares or equity shares on account of stock split / consolidation or equity shares on account of amalgamation, demerger or such corporate actions subject to the investment limits as prescribed in para. 2 (iv) below.

QFIs shall be allowed to sell the equity shares so acquired by way of sale

(a) Through recognized brokers on recognized stock exchanges in India; or

(b) In an open offer in accordance with the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011; or

(c) In an open offer in accordance with the SEBI (Delisting of Securities) Guidelines, 2009; or

(d) Through buyback of shares by a listed Indian company in accordance with the SEBI (Buyback) Regulations, 1998.

(ii) **Mode of payment / repatriation** – For QFI investments under this scheme a separate single rupee pool bank account would be maintained by the DP with an AD Category- I bank in India for QFI investments under this scheme. The DP will purchase equity at the instruction of the respective QFIs within five working days (including the date of credit of funds to the single rupee pool bank account by way of foreign inward remittances through normal banking channels) failing which the funds would be immediately repatriated back to the QFI's designated overseas bank account. The sale proceeds of the equity shares will also be received in this single rupee pool bank account of the DP and shall be repatriated to the designated overseas bank account of the QFI within five working days (including the date of credit of funds to the single rupee pool bank account by way of sale of equity shares) of having been received in the single rupee pool bank account of the DP. Within these five working days, the sale proceeds of the existing investment can be also utilized for fresh purchases of equity shares under this scheme, if so instructed by the QFI. Dividend payments on equity shares held by QFIs can either be directly remitted to the designated overseas bank accounts of the QFIs or credited to the single rupee pool bank account. In case dividend payments are credited to the single rupee pool bank account they shall be remitted to the designated overseas bank accounts of the QFIs within five working days (including the day of credit of such funds to the single rupee pool bank account). Within these five working days, the dividend payments can be also utilized for fresh purchases of equity shares under this scheme, if so instructed by the QFI.

(iii) **Demat accounts** - QFIs would be allowed to open a dedicated demat account with a DP in India for investment in equity shares under the scheme. The QFIs would however not be allowed to open any bank account in India.

(iv) **Limits** - The individual and aggregate investment limits for the QFIs shall be 5% and 10% respectively of the paid up capital of an Indian company. These limits shall be over and above the FII and NRI investment ceilings prescribed under the Portfolio Investment Scheme for foreign investment in India. Further, wherever there are composite sectoral caps under the extant FDI policy, these limits for QFI investment in equity shares shall also be within such overall FDI sectoral caps. The onus of monitoring and compliance of these limits shall remain jointly and severally with the respective QFIs, DPs and the respective Indian companies (receiving such investment).

(v) **Eligibility** - Only QFIs from jurisdictions which are FATF compliant and with which SEBI has signed MOUs under the IOSCO framework will be eligible to invest in equity shares under this scheme.

(vi) **KYC** - DPs will ensure KYC of the QFIs as per the norms prescribed by SEBI.

(vii) **Permissible currencies** - QFIs will remit foreign inward remittance through normal banking channel in any permitted currency (freely convertible) directly into single rupee pool bank account of the DP maintained with AD Category-I bank.

(viii) **Pricing** – The pricing of all eligible transactions and investment in all eligible instruments by QFIs under this scheme shall be in accordance with the relevant and applicable SEBI guidelines only.

(ix) **Reporting** – In addition to the reporting to SEBI as may be prescribed by them, DPs will also ensure reporting to the Reserve Bank of India in a manner and format as prescribed by the Reserve Bank of India from time to time.

(II) Scheme for Investment by Qualified Foreign Investors in Rupee Denominated Units of Domestic Mutual Funds

3. QFI investment in rupee denominated units of Domestic Mutual Funds under the Direct Route – On a further review it has been decided to modify the time period for which funds (by way of foreign inward remittance through normal banking channels from QFIs as well as by way of credit of redemption proceeds of the units of domestic Mutual Funds by QFIs in India) can be kept in the single rupee pool bank account of the DP under the scheme for investment by QFIs in units of domestic Mutual Funds (as per the terms and conditions specified in A.P. (DIR Series) Circular No.8 dated August 9, 2011 and A.P. (DIR Series) Circular No.42 dated November 3, 2011) to five working days (including the day of credit of funds received by way of foreign inward remittance through normal banking channels from QFIs as well as by way of credit of redemption proceeds of the units of domestic Mutual Funds by QFIs in India). It has also been decided to allow credit of dividend payments to QFIs on account of units of mutual funds held by them to the single rupee pool bank account subject to the condition that in case dividend payments are credited to the single rupee pool bank account they shall be remitted to the designated overseas bank accounts of the QFIs within five working days (including the day of credit of such funds to the single rupee pool bank account). Within these five working days, the dividend payments can be also utilized for fresh purchases of units of domestic mutual funds under this scheme, if so instructed by the QFI.

4. AD Category - I banks may bring the contents of the circular to the notice of their customers/constituents concerned.

5. Necessary amendments to Foreign Exchange Management (Transfer or Issue of Security by a Person Resident outside India) Regulations, 2000 (Notification No. FEMA 20/2000-RB dated May 3, 2000) and Foreign Exchange Management (Deposit) Regulations, 2000 (Notification No. FEMA 5/2000-RB dated May 3, 2000) are being notified separately.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

RBI Approval Requires for Opening and Maintaining Rupee Vostro Account in India of Non Resident Exchange Houses in Connection with RDAs

Sub: Memorandum of Instructions for Opening and Maintenance of Rupee / Foreign Currency Vostro Accounts of Non-resident Exchange Houses

AP(DIR Srs) Cir.72 30.01.2012 (RBI)

Attention of Authorised Dealer Category – I (AD Category – I) banks is invited to the Paragraph nos. (A) (1) and (A) (3) (ix) of Annex-I to the A.P.(DIR Series) Circular No. 28 [A.P. (FL/RL Series) Circular No. 02] dated February 6, 2008 on Memorandum of Instructions for Opening and Maintenance of Rupee / Foreign Currency Vostro Accounts of Non-resident Exchange Houses and subsequent amendments thereto in terms of which prior approval of the Reserve Bank is required for opening and maintaining rupee vostro accounts of non-resident Exchange Houses.

2. With a view to give more operational leeway to the AD Category-I banks, it has been decided to dispense with the requirement of prior approval of the Reserve Bank for opening and maintaining each Rupee Vostro account in India of non-resident Exchange Houses in connection with the Rupee Drawing Arrangements (RDAs) that banks enter into with them. Accordingly, AD Category-I banks may take approval of the Reserve Bank the first time they enter into the above arrangement with non-resident Exchange Houses from Gulf countries, Hong Kong, Singapore and Malaysia. Subsequently, they may enter into RDAs, subject to the prescribed guidelines and inform the Reserve Bank immediately.

3. Once the total number of Rupee Drawing Arrangements (RDAs) reaches twenty, the AD Category-I bank may cause a detailed external Audit of their internal system to ensure that it is working satisfactorily. Based on the satisfactory report, the Board of AD Category-I banks may authorise more such arrangements. A copy of the Board Note together with Board Resolution in the matter may be filed with the Reserve Bank and new arrangements informed to the Reserve Bank as indicated in Para 2.

4. All other instructions contained in the A.P.(DIR Series) Circular No. 28 [A.P. (FL/RL Series) Circular No. 02] dated February 6, 2008, as amended from time to time, remain unchanged.

5. AD Category-I banks may bring the contents of this circular to the notice of their constituents concerned.

6. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

External Commercial Borrowings – Simplification of Procedure

AP(DIR Srs) Cir.69 25.01.2012 (RBI)

Attention of Authorized Dealer Category-I (AD Category-I) banks is invited to the Foreign Exchange Management (Borrowing or Lending in Foreign Exchange) Regulations, 2000, notified vide Notification No. FEMA 3/2000-RB dated May 3, 2000 and the A.P. (DIR Series) Circular No. 5 dated August 1, 2005 relating to the External Commercial Borrowings (ECB), as amended from time to time.

2. As per the extant ECB procedures any request for cancellation of Loan Registration Number (LRN) given by the Department of Statistics and Information Management (DSIM), Reserve Bank of India or change in permissible end-use for an existing ECB is required to be referred by the AD Category-I bank to the Foreign Exchange Department, Central Office, Reserve Bank of India for necessary approval.

3. As a measure of simplification of the existing procedures, it has been decided to delegate powers to the designated AD category-I banks to approve the following requests from the ECB borrowers, subject to specified conditions:

a) Cancellation of LRN

The designated AD Category-I bank may directly approach DSIM for cancellation of LRN for ECBs availed, both under the automatic and approval routes, subject to fulfilment of the following conditions:-

(i) no draw down for the said LRN has taken place; and

(ii) the monthly ECB-2 returns till date in respect of the LRN have been submitted to DSIM.

b) Change in the end-use of ECB proceeds

The designated AD Category-I bank may approve requests from ECB borrowers for change in end-use in respect of ECBs availed under the **automatic route,** subject to the following conditions:-

(i) the proposed end-use is permissible under the automatic route as per the extant ECB guidelines;

(ii) there is no change in the other terms and conditions of the ECB;

(iii) the ECB is in compliance with the extant guidelines; and

(iv) the monthly ECB-2 returns till date in respect of the LRN have been submitted to DSIM.

The AD Category – I bank shall continue to monitor the utilization of end-use proceeds and changes in the end-use should be promptly reported to DSIM, RBI in Form 83. However, change in the end-use of ECBs availed under

Exchange Rates for Customs Valuation

Rupee Gains Against Dollar, Euro and Yen

The current notification No. 09-Customs(NT) dated 30th January 2012 supersedes notification 88-Customs(NT) dated 28th December 2011.

09-Cus(NT) 30.01.2012 (DoR) In exercise of the powers conferred by section 14 of the Customs Act, 1962 (52 of 1962), and in supersession of the notification of the Government of India in the Ministry of Finance (Department of Revenue) **No. 88/2011-Customs(NT) dated 28th December 2011** *vide* number S.O. 2914(E), dated the 28th December, 2011, except as respects things done or omitted to be done before such supersession, the Central Board of Excise and Customs hereby determines that the rate of exchange of conversion of each of the foreign currency specified in column (2) of each of Schedule I and Schedule II annexed hereto into Indian currency or *vice versa* shall, **with effect from 1st February, 2012** be the rate mentioned against it in the corresponding entry in column (3) thereof, for the purpose of the said section, relating to imported and export goods.

SNo	Currency	Imprted Goods Current	Imprted Goods Previous	Exported Goods Current	Exported Goods Previous
Schedule I – Rate of exchange of one unit of foreign currency equivalent to Indian rupees					
1	Australian Dollar	53.45	54.30	52.20	53.10
2	Canadian Dollar	50.30	52.35	49.00	51.15
3	Danish Kroner	8.90	9.40	8.65	9.15
4	EURO	66.00	69.90	64.40	68.30
5	Hong Kong Dollar	6.45	6.85	6.35	6.75
6	Norwegian Kroner	8.65	9.00	8.60	8.70
7	Pound Sterling	78.90	83.45	77.15	81.65
8	Swedish Kroner	7.45	7.80	7.25	7.55
9	Swiss Franc	54.70	57.10	53.35	55.80
10	Singapore Dollar	40.05	41.30	39.10	40.35
11	US Dollar	50.20	53.25	49.40	52.45
Schedule II – Rate of exchange of 100 units of foreign currency equivalent to Indian rupees					
1	Japanese Yen	65.40	68.65	63.65	66.90

[F.No.468/03/2012-Cus.V]

the **approval route** will continue to be referred to the Foreign Exchange Department, Central Office, Reserve Bank of India, as hitherto.

4. The above modifications to the ECB guidelines will come into force with immediate effect. All other aspects of the ECB policy, such as, USD 750 million limit per company per financial year under the automatic route, eligible borrower, recognized lender, end-use, all-in-cost ceiling, average maturity period, prepayment, refinancing of existing ECB and reporting arrangements shall remain unchanged.

5. AD Category –I banks may bring the contents of this circular to the notice of their constituents and customers concerned.

6. The directions contained in this circular have been issued under sections 10 (4) and 11 (1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

RBI Removes Criteria Relating to Increase in Locational Advantage for Issuance of Fresh Licences for Full Fledged Money Changers

Sub: Memorandum of Instructions governing money changing activities

AP(DIR Srs) Cir.71 30.01.2012 (RBI) Attention of Authorised Persons is invited to the introduction given under Paragraph 2 and Paragraph 2(iii) (i) of Part A of the Annex I to the Memorandum of Instructions governing money changing activities, issued vide A. P. (DIR Series) Circular No. 57 [A.P. (FL RL Series) Circular No. 04] dated March 9, 2009.

2. In view of the recent measures adopted to provide more flexibility to the Authorised Persons in selecting the location for their branches, it has

Commodity Spot Prices in India – 28-31 January 2012

These commodity prices are taken from Multi Commodity Exchange of India (Mumbai) at 6 pm every day.

(Rs.)

Commodity	Unit	Market	28-Jan	30-Jan	31-Jan
CER (Carbon Trading)	1 MT	Mumbai	NA	NA	NA
Chana	100 KGS	Delhi	3221	3202	3214
Masur	100 KGS	Indore	3030	3026	3010
Potato	100 KGS	Agra	NA	NA	NA
Potato TKR	100 KGS	Tarkeshwar	NA	NA	NA
Arecanut	100 KGS	Mangalore	NA	NA	NA
Cashewkern	1 KGS	Quilon	NA	NA	NA
Cardamom	1 KGS	Vandanmedu	597.5	626.3	605.9
Coffee ROB	100 KGS	Kushalnagar	NA	NA	NA
Jeera	100 KGS	Unjha	NA	NA	NA
Pepper	100 KGS	Kochi	NA	NA	NA
Red Chili	100 KGS	Guntur	NA	NA	NA
Turmeric	100 KGS	Nzmbad	4960	4960	4960
Guar Gum	100 KGS	Jodhpur	NA	NA	NA
Maize	100 KGS	Nzmbad	1195.5	1195.5	1190
Wheat	100 KGS	Delhi	1257.6	1244.2	1247.1
Mentha Oil	1 KGS	Chandausi	1653.5	1665.8	1660.5
Cotton Seed	100 KGS	Akola	NA	NA	NA
Castorsd RJK	100 KGS	Rajkot	3485	3412	3411
Guar Seed	100 KGS	Bikaner	11147	11980	11950
Soya Bean	100 KGS	Indore	2486	2485.5	2445
Mustrdsd JPR	20 KGS	Jaipur	671.1	661.4	650
Sesame Seed	100 KGS	Rajkot	6081	6075	6113
Coconut Oil Cake	100 KGS	Kochi	NA	NA	NA
RCBR Oil Cake	1 MT	Raipur	NA	NA	NA
Kapaskhali	50 KGS	Akola	1241.2	1253	1247.9
Coconut Oil	100 KGS	Kochi	7384	7436	7384
Refsoy Oil	10 KGS	Indore	693.35	694.15	687.2
CPO	10 KGS	Kandla	515.4	515.3	512
Mustard Oil	10 KGS	Jaipur	746.2	735.8	717.6
Gnutoilexp	10 KGS	Rajkot	1064.2	1050	1040
Castor Oil	10 KGS	Kandla	NA	NA	NA
Crude Oil	1 BBL	Mumbai	4943	4943	4890
Furnace Oil	1000 KGS	Mumbai	NA	NA	NA
Sourcrd Oil	1 BBL	Mumbai	NA	NA	NA
Brent Crude	1 BBL	Mumbai	5534	5534	5482
Gur	40 KGS	Muzngr	NA	NA	NA
Sugars	100 KGS	Kolhapur	2819	2813	2830
Sugarm	100 KGS	Delhi	3018	3017	3011
Natural Gas	1 mmBtu	Hazirabad	136.8	136.8	134.3
Rubber	100 KGS	Kochi	19131	18969	18942
Cotton	1 Bales	Rajkot	17270	17440	17560
Cotton Med	1 Maund	Sriganganagar	NA	NA	NA
Jute	100 KGS	Kolkata	2354	2348.5	2368
Gold	10 GRMS	Ahmd	28017	27960	28122
Gold Guinea	8 GRMS	Ahmd	22503	22458	22588
Silver	1 KGS	Ahmd	56292	55350	55777
Sponge Iron	1 MT	Raipur	NA	NA	NA
Steel Flat	1000 KGS	Mumbai	NA	NA	NA
Steel Long	1 MT	Gobindgarh	NA	NA	NA
Copper	1 KGS	Mumbai	425.65	425.65	417.6
Nickel	1 KGS	Mumbai	1075.7	1061.4	1058.9
Aluminium	1 KGS	Mumbai	111.3	109.25	111.5
Lead	1 KGS	Mumbai	113.55	110.4	111.5
Zinc	1 KGS	Mumbai	108.15	103.9	103.85
Tin	1 KGS	Mumbai	1206.75	1198	1197

(Source: MCX Spot Prices)

now been decided to remove the criteria relating to increase in outreach and locational advantage while considering the applications for issuance of fresh licenses for Full Fledged Money Changers (FFMC).

3. All the other instructions contained in the A.P.(DIR Series) Circular No.57 {A.P.(FL/RL Series) Circular No.4} dated March 9, 2009 shall remain unchanged.

4. Authorised Persons may bring the contents of this circular to the notice of their constituents concerned.

5. The directions contained in this circular have been issued under Sections 10(4) and 11(1) of the Foreign Exchange Management Act, 1999 (42 of 1999) and are without prejudice to permissions / approvals, if any, required under any other law.

First Starbucks Store to Open in India by August

Starbucks Corp. (SBUX) and venture partnerTata Global Beverages Ltd. (TGBL) will open their first store in India by August to tap rising coffee consumption in the world's fastest growing major economy after China.

The equal venture will open outlets in Mumbai and New Delhithis year and have 50 locations within the first 12 months, Tata Global Vice Chairman R.K. Krishna Kumar said at a press conference in Mumbai on 29 January.

The Indian stores will build on the world's largest coffee-shop chain's expansion outside the U.S., where stores are less profitable than those in the Asia-Pacific region. Starbucks will compete with Barista Coffee Co., a unit of Italy's Lavazza SpA (LAVA), and Cafe Coffee Day, run by Amalgamated Bean Coffee Trading Co. in India, where consumption of the drink almost doubled in the decade through 2010 to 108,000 metric tonnes.

The Seattle-based restaurant operator has an agreement to source beans from Bangalore-based Tata Coffee Ltd. (TCO), a unit of Tata Global.

Asia Operating Margin

Starbucks plans to accelerate growth in the Asia-Pacific region, where revenue rose 38 percent in the quarter ended Jan. 1, Chief Financial Officer Troy Alstead said on a Jan. 26 conference call.

The company predicts an operating margin of almost 30 percent for the Asia-Pacific region this fiscal year, according to the call transcript. That compares with the Americas which is expected to rise to "slightly" more than 20 percent. The U.S. had an operating margin of 19 percent last fiscal year.

Starbucks rose 1.3 percent to $48.48, boosting its gain so far this month to 5.4 percent. The stock climbed 43 percent in 2011, the third straight year of gains.

Tata Global gained as much as 6.2 percent to 104 rupees in India trading on 30 January and Tata Coffee rose as much as 1.5 percent to 878.70 rupees.

India Retail Rules

India's government on Jan. 10 raised the ownership limit to 100 percent for foreign retailers selling a single brand, a decision benefiting companies including Starbucks. The new rules require the overseas companies to procure at least 30 percent of their products or inputs from small Indian companies if they own more than 51 percent in the venture.

The Indian economy will expand an estimated 6.5 percent this year, the fastest pace among developing Asian economies excluding China, according to January estimates from the World Bank. The Reserve Bank of India projects 7 percent growth for the 12 months ending March.

Starbucks is expanding in markets outside the U.S., whose sales contribution has fallen in the past decade to less than 70 percent in the last fiscal year.

The company plans to open its first store in Costa Rica in May, adding to locations in Central America including El Salvador and Guatemala.

WORLD TRADE SCANNER

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The main solution proposed was increasing the euro region's own funds from the planned limit of 500 billion euros that will take effect in July. EU officials already plan to reassess that amount in March and have the option to push it even higher through leverage. That could swell it to a level triggering donations to the IMF from around the world and result in an overall warchest worth at least $1.1 trillion

Stronger Firewall

Both the French and Spanish finance ministers told Davos delegates they'd support increasing the rescue fund even in the face of German opposition.

Strengthening the defences was regarded as a pre-requisite by officials from the U.K. to Japan if they are to stump up emergency cash for the region and channel it through the IMF. European governments must show the "colour of their money,"said U.K. Chancellor of the Exchequer George Osborne.

There was unanimity that Greece (GRBD10) remains Europe's weakest link as talks between the government and bond holders on a debt restructuring dragged on through the weekend. Failure to strike a deal could deprive the country of a second bailout package required to keep its finances afloat.

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