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NEWSLETTER

Government Liberalizes Sectoral Cap to 49 Percent in Insurance Sector

The Government of India has liberalized its Foreign Direct Investment Policy on the Insurance Sector with immediate effect from 23rd of March 2016. This recent liberalization makes the 'Consolidated FDI Policy Circular of 2015' amended. As per the Press Note 1 of 2016 released by the Department of Industrial Policy & Promotion, Foreign Investment in Insurance sector is permitted up to 49 percent under the automatic route. The earlier policy on the insurance sector was up to a limit of 26 percent under the automatic route which has been liberalized and increased to the extent of 49 percent by the Government of India. The main aim of increasing the sectoral cap in the insurance sector has been done with the purview of simplifying and promoting the FDI in India.

The notification has laid down that the foreign investment up to 49 percent of the total paid-up equity of the Indian Insurance Company shall be allowed on the automatic route subject to approval or verification by the Insurance Regulatory and Development Authority of India.

Government Clarifies Foreign Direct Investment in E-Commerce

FDI under automatic route is permitted at 100% in marketplace model of e-commerce. The Press Note 3 (2016 Series) has been issued by the Department of Industrial Policy & Promotion in order to provide clarity to the present policy and guidelines on FDI in E-commerce sector. The Press Note also clarifies the much debated term 'Marketplace'; Marketplace based model of e-commerce means providing of an information technology platform by an e-commerce entity on a digital & electronic network to act as a facilitator between buyer and seller. **E-commerce marketplace may provide support services to sellers in respect of warehousing, logistics, order fulfillment, call-center, payment collection and other services.**

The amendments to the extant guidelines under 'Consolidated FD1 Policy Circular 2015' and additional rules laid down specify that E-commerce entity providing a marketplace will not exercise ownership over the inventory i.e. goods purported to be sold. Also E-commerce entities providing marketplace will not directly or indirectly influence the sale price of goods or services and shall maintain level playing field. Another restriction to keep a level playing field is that an e-commerce entity will not permit more than 25% of the sales affected through its marketplace from one vendor or their group companies. Marketplace e-commerce entities will be permitted to enter into transactions with sellers registered on its platform on B2B (Business-to-Business) basis.

Easing Norms for Exim Trade

The Central Board of Excise and Customs has developed an 'integrated declaration' to incorporate all the information required for import clearance by various government agencies into the electronic format of the bill of entry. This is to be filed electronically at a single entry point at the Customs Gateway. Separate application forms required by different agencies such as the Drugs Controller, Textile Committee, etc, would be dispensed with. This important step to provide the importers a single point interface for clearance of imported goods will go online from April 1, for consignments to be cleared under the Indian Customs EDI Systems but not for clearance of imported goods in the manual mode. The integrated declaration has a portion to capture the text of different types of declarations, undertakings and letters of guarantee, etc, in the form of statements.

It envisages lodging import or export documents at a single point and obtaining permissions from other regulatory agencies online, without the importer/exporter having to separately approach these. These new rules reduce the time for payment of differential duty on unutilized goods from six months under the earlier rules to three months. And, simplify the procedures by doing away with permissions and prescribing only intimation to the authorities. The single window would, thus, provide the importers/exporters a single point interface for customs clearance of import and export goods, thereby reducing interface with government agencies, dwell time and cost of doing business. These instructions and changes signify important steps towards overall ease of doing business.

Investments by FPIs in Government Securities

Reserve Bank of India has increased investment limit of Foreign Portfolio Investors (FPI) in Central Government Bonds to Rs 2 lacs Crores from the existing Rs 1.79 lacs Crores in two tranches by July 5th 2016.

Type of Instrument	Present Upper Cap (INR cr)	Revised Upper Cap with effect from April 04, 2016 (INR cr)	Revised Upper Cap with effect from July 05, 2016 (INR cr)
Government Debt	135,400	140,000	144,000
Government Debt – Long Term	44,100	50,000	56,000
State Development Loans	7,000	10,500	14,000
Total	186,500	200,500	214,000

FPIs have a utilization period of 15 days within which they have to make the investments. Since the auction being conducted on April 04, 2016 is a special auction for allocation of additional limits, the unutilized limits from the auctions of March 28, 2016 and April 04, 2016 along with any additional limits freed up by the sale/redemption of securities by FPIs as on April 22, 2016, shall be auctioned on April 25, 2016. All other existing terms and conditions pertaining to FPI debt limit auctions shall continue to apply.

The incremental limits of INR 5,900 Crores and INR 6,000 Crores for Long Term FPIs & the incremental limits of INR 3,500 Crores each for investment by FPIs in SDLs shall be available for investment on tap with effect from April 04, 2016 and July 05, 2016 respectively.

Keeping in view the extent of utilization of the limits for Central Government securities by long term and other investors, it has been decided that from the next half-year onwards i.e. from October 01, 2016, any unutilized limit within the Government debt limit for Long Term FPIs, at the end of the half-year, shall be made available for investment as additional limit to all categories of FPIs for the subsequent half-year.

Wherefore the existing terms and conditions, including the security-wise limits, investment of coupons being permitted outside the limits and investments being restricted to securities with a minimum residual maturity of three years, shall continue to apply.

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