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(Compiled in December 2016)

Government of India
Ministry of Finance
Department of Economic Affairs
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Major policy initiatives / achievements / highlights of the year 2016 Material for Year-end review 2016-17

A. Indian Economy

1. GDP Growth

During the current year, the Indian economy has continued to consolidate the gains achieved in restoring macroeconomic stability. Despite the continuing global sluggishness and recent pick-up in petroleum prices, economic growth has continued to be robust and inflation has remained more or less stable in the current year, while fiscal deficit and current account deficit as percentage of GDP have improved. The growth rate of the economy during the first half of the current year is estimated at 7.2 per cent, which makes India one of the fastest growing major economies in the world.At the sectoral level, the growth rates for agriculture & allied sectors, industry and services sectors for the first half of the current year are estimated at 2.5 per cent, 5.6 per cent, and 9.2 per cent respectively. The stress given to fiscal consolidation through expenditure rationalization and revenue raising efforts and the focus on administrative measures for cooperative financial governance and also steps towards containing inflation have contributed significantly to macro-economic stability.

2. Inflation

Headline Inflation measured in terms of Consumer price index and Wholesale price index has remained in comfort zone during the current year. CPI (Combined) inflation for 2015-16 declined to 4.9 per cent from 5.9 per cent in 2014-15. It averaged 5.2 per cent in 2016-17 (Apr-Oct) and stood at 4.2 per cent in October 2016. Food inflation as measured by Consumer Food Price Index (CFPI) declined to 4.9 per cent in 2015-16 from 6.4 per cent in 2014-15. It averaged 6.1 per cent in 2016-17 (Apr-Oct) and eased to 3.3 per cent in October 2016.WPI inflation declined to (-) 2.5 per cent in 2015-16 from 2.0 per cent in 2014-15. It averaged 2.7 per cent in 2016-17 (Apr-Oct) and stood at 3.4 per cent in October 2016.

As per the revised Monetary Policy Framework, the Government has fixed the inflation target of 4 per cent with tolerance level of +/- 2 per cent for the period beginning from August 5, 2016 to March 31, 2021. The Government monitors the price situation on a regular basis as controlling inflation is a key priority and has taken a number of measures to control inflation especially food inflation. The steps taken, inter alia, include, (i) increased allocation of Rs. 900 crore for Price Stabilization Fund in the budget 2016-17 to check volatility of prices of essential commodities, in particular of pulses; (ii) created buffer stock of pulses through domestic procurement and imports; (iii) announced higher Minimum Support Prices so as to incentivize production; (iv) issued advisory to States/UTs to take strict action against hoarding and black marketing under the Essential Commodities Act 1955 and the Prevention of Black-marketing and Maintenance of Supplies of Essential Commodities Act, 1980.

3. Trade

India's merchandise exports (customs basis) declined by 15.5 per cent to US$ 262.3 billion in 2015-16. In 2016-17 (April-October), growth of exports declined by 0.2 per cent (US$ 154.9 billion vis-à-vis US$ 155.2 billion in the corresponding period of previous year). Imports declined by 15.0 per cent to US$ 381.0 billion in 2015-16. Imports for 2016-17 (April-October) were at US$ 208.1 billion which is lower by 10.9 per cent as compared to US$ 233.4 billion in the corresponding period of previous year. During 2016-17 (April-October), trade deficit decreased to US$ 53.2 billion as against US$ 78.2 billion in the corresponding period of previous year. There has been significant market diversification in India's trade from Europe and America to Asia and Africa in recent years –a process that has helped in coping up with the sluggish global demand.

4. Balance of Payments

Current Account Deficit (CAD) narrowed down to US$ 22.2 billion (1.1 per cent of GDP) in 2015-16 as compared to US$ 26.9 billion in 2014-15. CAD narrowed down to US$ 0.3 billion (0.1 per cent of GDP) in 2016-17 (April-June) from US$ 6.1 billion (1.2 per cent of GDP) in corresponding period of the previous year.

5. Foreign Exchange Reserves

In the current fiscal 2016-17, foreign exchange reserves culminated to US$ 372.0 billion at end September 2016 which reduced to US$ 366.2 billion at end October 2016. Foreign exchange reserves stood at US$ 365.3 billion on 25th November 2016, showing an increase of US$ 5.1 billion over the level of US$ 360.2 billion at end-March 2016. Country's foreign exchange reserves are at a comfortable position to buffer any external shocks. In the current fiscal 2016-17 (April-November), the average monthly exchange rate of rupee (RBI's reference rate) was in the range of Rs. 66 – 67 per US dollar (Rs. 66.47 per US dollar in April 2016 and Rs. 67.80 per US dollar in November 2016).

6. External Debt

India's external debt stock stood at US$ 479.7 billion at end-June 2016,witnessing a decline of US$ 5.4 billion (1.1 per cent) over the level at end-March 2016. The external debt-GDP ratio was 23.4 per cent at end-June 2016, as against 23.7 per cent at end March 2016. The share of long-term external debt in total external debt increased marginally to 82.9 per cent at end-June 2016 from 82.8 per cent at end-March 2016All external debt indicators show that India's external debt has remained within manageable limits. India continues to be among the less vulnerable nations in terms of its key debt indicators.

7. Agriculture and Food Management

Agriculture and allied sectors registered a growth of 2.5 percent during the first half of 2016-17 as compared to 2.3 percent during the same period in 2015-16. As per the First Advance estimates (1st AE) 2016-17 released by Department of Economics and Statistics, production of Kharif food grains is estimated to increase to 135.03 million tonnes as compared to 124.01 million tonnes in 2015-16 (AE).

The report of the Committee on "Incentivising Pulses Production through Minimum Support Price (MSP) and Related Policies" set up under the Chairmanship of Dr. Arvind Subramanian, Chief Economic Adviser, Government of India, Ministry of Finance, Department of Economic Affairs was submitted on 16th September, 2016.The Committee has recommended, among other things, an increase in the minimum support price (MSP) for all pulses, elimination of the export ban and stock limits on pulses, and intensified procurement.

8. Industry

The data on Index of Industrial Production (IIP) released by the Central Statistical Office (CSO) shows that the production of industrial sector broadly comprising mining, manufacturing and electricity sectors has fallen by 0.3 per cent during April-October (2016-17) as compared to 4.8 per cent growth during April-October (2015-16). The Government has undertaken a number of policy measures including enhanced public investment, kick starting stalled projects, improving governance through systemic changes like open auction for natural resources like coal and spectrum, improving business environment through programmes like Make in India, Ease of Doing Business, Start-up India. The Government has also liberalized and simplified the foreign direct investment (FDI) policy in the sectors like defence, railway infrastructure, construction and pharmaceuticals etc.

B. Financial Sector Legislative Reforms Commission

The Financial Sector Legislative Reforms Commission (FSLRC), set up on 23.3.2011 for re-writing the financial sector laws to bring them in harmony with current requirements, submitted its Report to the Government on 22.3.2013. The Report is in two parts: Volume I – titled "Analysis and Recommendations" and Volume II – titled the "Draft Law" consisting of the Draft Indian Financial Code (IFC).

The recommendations of the Commission can broadly be divided into two parts, legislative aspects and non-legislative aspects. The legislative aspects of the recommendations relate to revamping the legislative framework of the financial sector regulatory architecture by a non-sectoral, principle-based approach and by restructuring existing regulatory agencies and creating new agencies wherever needed. To this effect the Commission has recommended a seven agency regulatory architecture, namely, Reserve Bank of India, Unified Financial Agency, Financial Sector Appellate Tribunal, Resolution Corporation, Financial Redress Agency, Public Debt Management Agency and Financial Stability and Development Council in the Draft law- Indian Financial Code to replace a number of existing laws. The non-legislative aspects of the FSLRC recommendations are broadly in the nature of governance enhancing principles for enhanced consumer protection, greater transparency in the functioning of financial sector regulators.

The status and next steps on the FSLRC report have been examined and the following actions are under consideration during the year under review:-

(a) Since moving the IFC proposals in totality – after due consideration - is a time consuming process, key aspects of the IFC are being fast-tracked.

(b) In the context of setting up the Resolution Corporation, as recommended by the FSLRC, an announcement was made in the Budget Speech of 2016-17 to frame a comprehensive Code on Resolution of Financial Firms and introduce it as a Bill in the Parliament during 2016-17. A Committee was accordingly set up in the Ministry of Finance on 15.3.2016 for framing a Draft Code on Resolution of Financial Firms with representatives from the financial sector regulators, the Deposit Insurance and Credit Guarantee Corporation and the Department of Financial Services. The Committee submitted its Report and a Draft Bill, titled 'The Financial Resolution and Deposit Insurance Bill, 2016' on 21.9.2016. A copy each of the Report of the Committee, the Draft Bill and an explanatory note explaining the key legal provisions of the Bill was hosted on the website of the Ministry of Finance on 28.9.2016. Stakeholder and public comments are being invited upto 31.10.2016. The Bill is being finalised.

(c) Setting up a sector-neutral Financial Redressal Agency that will address grievances against all financial service providers as announced in the Budget Speech 2015-16. The Task Force set up on 5.6.2015 for creating a sector- neutral Financial Redress Agency as announced in the Budget Speech 2015- 16, submitted its Report to the Government on 30.6.2016. This Report is under examination.

C. Monetary Policy Framework

A Monetary Policy Framework Agreement between the Government and the Reserve Bank of India was signed on 20.2.2015, providing for flexible inflation targeting. With a view to maintaining price stability, while keeping in mind the objective of growth, the Reserve Bank of India Act, 1934 (RBI Act) has been amended by the Finance Act, 2016, to provide for a statutory and institutionalised framework for a Monetary Policy Committee (MPC).

The provisions of the RBI Act relating to the chapter on Monetary Policy have been brought into force through a Notification in the Gazette of India Extraordinary on 27.6.2016. The Rules governing the Procedure for Selection of Members of Monetary Policy Committee and Terms and Conditions of their Appointment and factors constituting failure to meet inflation target under the MPC Framework have also been notified in the Gazette on 27.6.2016. The Government, in consultation with the RBI, has notified the inflation target in the Gazette of India Extraordinary dated 5th August 2016, for the five year period beginning from the date of publication of this notification and ending on the March 31, 202, as under:-

Inflation Target	:	Four per cent.
Upper tolerance level	:	Six per cent.
Lower tolerance level	:	Two per cent.

The Monetary Policy Committee has been constituted and its constitution notified in the Official Gazette on 29.9.2016 and is functional.

D. The Insolvency and Bankruptcy Code, 2016

A Bankruptcy Law Reforms Committee was set up on 22.8.2014 for providing an entrepreneur friendly legal bankruptcy framework for India meeting global standards for improving the ease of doing business with necessary judicial capacity. The Committee submitted its Report and draft Bill on 4.11.2015. Based on this, as well as public / stakeholder consultation, a Bill relating 'The Insolvency and Bankruptcy Code, 2015' was introduced in the Lok Sabha on 21st December 2015. The Bill was referred to a Joint Committee of Parliament. The Joint Committee of Parliament submitted its report on 28.4.2016. The Insolvency and Bankruptcy Code, 2016 was passed by Parliament on 11th May 2016 and published in the Official Gazette on 28th May, 2016.

The Code aims to promote entrepreneurship, availability of credit, and balance the interests of all the stakeholders by consolidating and amending the laws relating to reorganization and insolvency resolution of corporate persons, partnership firms and individuals in a time bound manner and for maximization of value of the assets of such persons and matters connected therewith or incidental thereto. It proposes a framework to ensure:

- Early detection of stress in a business;
- Initiation of the insolvency resolution process by debtor, financial creditor or operational creditor;
- Timely revival of viable businesses;

- Liquidation of unviable businesses;
- Minimization of losses to all stakeholders; and
- Avoiding destruction of value of failed business.

The administration of the Insolvency and Bankruptcy Code, 2016 has been transferred to the Ministry of Corporate Affairs w.e.f. 29th July, 2016. The Ministry of Corporate Affairs has been taking necessary steps for implementation of the Code in terms of creating the required institutional architecture.

E. Financial Stability and Development Council (FSDC)

With a view to strengthening and institutionalizing the mechanism for maintaining financial stability, enhancing inter-regulatory coordination and promoting financial sector development, the Financial Stability and Development Council (FSDC) was set up by the Government as the apex level forum in December 2010. The Chairman of the Council is the Finance Minister and its members include the heads of financial sector Regulators [Reserve Bank of India (RBI), Securities and Exchange Board of India (SEBI), Pension Fund Regulatory and Development Authority (PFRDA) & Insurance Regulatory and Development Authority of India (IRDAI)], Finance Secretary and/or Secretary, Department of Economic Affairs, Secretary, Department of Financial Services, and the Chief Economic Adviser. The Council monitors macro prudential supervision of the economy, including functioning of large financial conglomerates, and addresses inter-regulatory coordination and financial sector development issues, including issues relating to financial literacy and financial inclusion.

During the year 2016, so far, the Council held two meetings on 13th January 2016 and 5th July 2016. In these FSDC meetings, apart from assessment of macro-economic financial stability related issues, it discussed issues such as External Sector Vulnerabilities and review of recent macroeconomic developments, Non-Performing Assets of Banks, developing a robust regulatory framework for various credit guarantee schemes of the Government, comprehensive scheme for identification of SIFIs across all sub-sectors of financial sector and possible stress in the financial markets on account of maturity of concessional swaps in 2013 against FCNR deposits etc. FSDC also holds meetings to have budget consultations with the financial sector regulators. The Council has met 15 times so far.

FSDC Secretariat provides secretarial assistance to Financial Stability and Development Council (FSDC), which has Additional Secretary, Department of Economic Affairs, Ministry of Finance as the Secretary of the Council and Adviser (FS) as the Head of the Secretariat.

F. FSDC Sub-Committee (FSDC-SC)

The FSDC Sub-committee set up under the chairmanship of Governor, RBI, meets to broadly discuss issues related to Assessment of Financial Stability, Inter-regulatory Coordination, financial sector development and updates on the functioning of the various Technical Groups of the Sub Committee. Members of the FSDC are the members of the Sub-committee and in addition, Deputy Governors of RBI and AS (Inv), DEA are also members of the Sub Committee. Various activities of the Sub-committee is generally reported to the Council during the Council Meeting.

During 2016, so far, the Sub-committee held two meetings on 26th April 2016 and 29th September 2016 which reviewed the major developments on the global and domestic fronts that impinge on the financial stability of the country. Reports of the FSB Peer Review of India and the Working Group on Development of Corporate Bond Market in India and issues such as setting up of a statutory Financial Data Management Centre (FDMC), Minimum Assured Return Scheme under the National Pension System (NPS) etc. were the other topics discussed during the meeting. The meeting also reviewed the functioning of the State Level Co-ordination Committees (SLCCs) in various States/ Union Territories, the activities of the various Technical Groups of the Sub-committee and the progress achieved on the decisions/ recommendations emanating from the earlier meetings of the Sub-committee. The Sub-committee has met 18 times in total.

Under the aegis of the FSDC-SC, the following Technical Groups have also been set up:

(i) Inter Regulatory Technical Group (IRTG), which deals with inter regulatory issues concerning financial stability risks and has the representation from all the regulators, has met 20 times in total.

(ii) Technical Group for Financial Inclusion and Financial Literacy (TGFIFL) has been constituted to enhance the inter-regulatory co-ordination in the matters related to financial inclusion and literacy and the group has held 14 meetings so far.

(iii) Inter Regulatory Forum (IRF) for supervision of financial conglomerates has meets 20 times so far.

(iv) Early Warning Group, constituted to facilitate coordination between regulators and the Ministry of Finance in order to monitor the early warning signals in the financial markets as also to initiate quick action in the event of crisis has met 6 times so far.

G. Financial Stability Board (FSB)

FSB, an international body, was established in 2009 under the aegis of G20 by bringing together the national authorities, standard setting bodies and international financial institutions.

FSB's core functions are to assess vulnerabilities affecting the financial system and to identify and oversee actions needed to address them and to coordinate in developing and implementing strong regulatory, supervisory and other policies in the interest of financial stability. India is actively participating in post crisis reforms of the international regulatory and supervisory framework and remains committed to adoption of international standards and best practices, in a phased manner and calibrated to local conditions, wherever necessary.

India is a Member of the FSB having three seats in its Plenary represented by Secretary, DEA, Deputy Governor-RBI and Chairman-SEBI. DEA, through Secretary (EA), is also represented in two of the Standing Committees of the FSB viz. Standing Committee on Budget and Resources (SCBR) and Standing Committee on Standards Implementation (SCSI). Deputy Governor-RBI is a member in the Standing Committee on Assessment of Vulnerabilities (SCAV) and Standing Committee on Supervisory and Regulatory Co-operation (SRC). India is also a member of the FSB's Regional Consultative Group for Asia (RCGA) and is represented in the Group through Secretary (EA), Deputy Governor-RBI and Chairman-SEBI.

Regular interaction with FSB takes place through formal meetings of the Plenary, Standing Committees and RCGs. Periodic conference calls are also held to discuss emergent issues. Information is exchanged with FSB member jurisdictions through FSB Secretariat as per international requirements on request basis. The FSDC Secretariat of the Department of Economic Affairs coordinates with the various financial sector regulators and other relevant agencies to consolidate and share India's views at the FSB which in turn shares it with the G20 forum as it monitors the working of the FSB.

During the year 2016, DEA has actively participated in the FSB Plenary meeting held on 21st July & 17th November 2016, SCSI meetings held on 27th June 2016 and RCGA held on 27th May 2016. In these meetings discussed, *inter-alia*, macroprudential frameworks and tools, OTC derivatives, correspondent banking, current market developments and vulnerabilities, progress on implementation and effects of reforms, vulnerabilities assessment and SCAV work plan, FinTech –reports on workstreams, G-SIB resolution and TLAC implementation, CCP resilience-recovery and resolvability, Task Force on climate-related financial disclosures (TCFD), asset management activities – proposed final recommendations, shadow banking, FSB report to the G20 on the implementation and effects of reforms, thematic peer reviews, country peer reviews and FSAPs, vulnerabilities and financial stability issues affecting Asia, financial technology and cybersecurity, corporate governance, revised standardised approach for credit risk in the Basel Committee's capital framework etc., implementation of effective resolution regimes.

H. FSB Peer Review of India

FSB undertook peer review of India in 2016 on two topics (i) Macroprudential Policy Framework and (ii) Regulation and Supervision of NBFCs and HFCs. FSB Published the Report in August 2016.

I. Financial Sector Assessment Programme (FSAP)

The Financial Sector Assessment Program (FSAP) is a joint program of the International Monetary Fund (IMF) and the World Bank. IMF made it mandatory for 29 jurisdictions (including India) with systemically important financial sectors to undergo financial stability assessments under the FSAP every five years.

India's last assessment under FSAP was done during 2011-12. The Scoping Mission of IMF/World Bank for FSAP team visited India during 7-13 December 2016. The team have meetings with industry participants; financial sector regulators (i.e. RBI, SEBI, IRDAI, PFRDA) and Ministry of Finance. In consultation with all stake holders it has been decided that the FSAP team will be visiting in March 2017 and June-July, 2017 for the assessment.

J. Macro Financial Monitoring Group (MFMG)

The Macro Financial Monitoring Group was set up in 2012 to discuss any specific emergent issues, and meets regularly in DEA under the chairmanship of CEA and representation from all the Departments of the Ministry of Finance. It aims at keeping track of the macroeconomic and financial developments, identifying vulnerabilities, and providing early warning signals.

The Group discusses the Macro Financial Monitors, which is essentially the information collated from various "anchor divisions" on important macroeconomic and financial variables. The FSDC Secretariat presents some highlights of global and domestic developments for the information of members. The Group has held 18 meetings so far.

K. Financial Data Management Centre (FDMC)

In the Budget Speech 2016-17 {Para 90(iii)}, the Finance Minister has announced setting up of Financial Data Management Centre (FDMC) under the aegis of the FSDC to facilitate integrated data aggregation and analysis in the financial sector. It has been decided to set up a statutory FDMC, for which a draft bill has been formulated by a Committee chaired by AS (Inv) with representation from all regulators, D/o Financial Services and D/o Legal Affairs. The Committee submitted the Report on October 25, 2016. The Report of the Committee along with its recommendations is being placed in public domain for comments/suggestions after which further necessary action will be taken in that regard.

L. Promotion of investment in infrastructure sector

Given the enormity of the investment requirements and the limited availability of public resources for investment in physical infrastructure, it is imperative to explore avenues for increasing investment in infrastructure through various sources. In view of this, Government has taken various steps to promote investment particularly in infrastructure sector which includes launching of innovative financial vehicles/ mechanism as detailed below:

a) **New Credit Rating System for Infrastructure Projects**: In the Budget Announcement 2016-17, inter-alia it has been announced that a new credit rating system for infrastructure projects which gives emphasis to various in-built credit enhancement structures will be developed, instead of relying upon a standard perception of risk which often results in mispriced loans. The formal announcement of launch of new credit rating system is expected shortly.

b) **Creation of a Dedicated Fund to provide credit enhancement to infrastructure projects**: In the Budget Announcement 2016-17, inter-alia it has been announced a dedicated Fund will be set up to provide credit enhancement to infrastructure projects. The Fund will help in raising the credit rating of bonds floated by infrastructure companies and facilitate investment from long term investors. The Fund is currently under-structuring.

c) **Real Estate Investment Trusts (REITs)/Infrastructure Investment Trust (InvITs)**: Government had announced REITs and InVITs – innovative financing instruments for financing real estate and infrastructure projects. Guidelines/ Regulations for InvITs and REITs were notified by SEBI on 26th September 2014. Budget 2016-17 provides that any distribution made out of income of SPV to the REITs and InvITs, having specified shareholding will not be subjected to Dividend Distribution Tax.

Various Investment Trusts either are in the process of registration and others have already registered with SEBI and transactions are expected to commence in the next few months. Recently, Credit Ratings of REITs has also been launched.

Government of India (GoI) has been placing strong emphasis on the use of Public Private Partnerships (PPPs) as a strategy for expanding the provision of infrastructure services:

i.) The ***Public Private Partnership Appraisal Committee (PPPAC)*** *that was* set up for streamlined speedy appraisal of PPP projects posed by Central Line Ministries and Departments projects, by adopting international best practices and for uniformity in appraisal mechanism has, in calendar year 2016, **approved 14 central projects proposal with TPC of Rs. 18,240.03 crore**. [till 30 November, 2016]

ii.) The Government had created a ***Viability Gap Funding Scheme*** for PPP projects. Infrastructure projects are often not commercially viable on account of having substantial sunk investment and low returns. However, they continue to be economically essential. Accordingly, the Viability Gap Funding Scheme has been formulated which provides financial support in the form of grants, one time or deferred, to infrastructure projects undertaken through public private partnerships with a view to make them commercially viable. The Scheme provides total Viability Gap Funding up to twenty percent of the total project. The Government or statutory entity that owns the project may, if it so decides, provides additional grants out of its budget up to further twenty percent of the total project cost. **During the current calendar year i.e. 2016, till 30 November, 2016 the Government has granted in-principle approval for 6 projects with a Total project cost of 2672.40 crore. Like-wise, EI also granted final approval to 3 projects of 763.12 crore in various sectors with VGF component of Rs. 95.98 crore.**

Consequent upon announcements of Budget Speech last year, w.r.t. Public Contracts (Resolution of Disputes) Bill, the work related to the changes to the Arbitration and Reconciliation Act, 1996 to make arbitration as a mechanism for dispute resolution, has been initiated. Further, Guidelines for renegotiation of PPP Concession Agreements have been finalized.

M. Budgetary reforms

The Union Cabinet has approved the proposals of Ministry of Finance on certain landmark budgetary reforms relating to (i) the merger of Railway budget with the General budget, (ii) the advancement of the date of Budget presentation form the last day of February to the 1st of February and (iii) the merger of the Plan and Non-Plan and the Non-Plan classification in the Budget and Accounts. All these changes will be put into effect simultaneously from the Budget 2017-18.

The presentation of separate Railway budget started in the year 1924, and has continued after independence as a convention rather than under Constitutional provisions. The presentation of a unified budget will bring the affairs of the Railways to centre stage and present a holistic picture of the financial position of the Government. The merger is also expected to reduce the procedural requirements and instead bring into focus, the aspects of delivery and good governance. Consequent to the merger, the appropriations for Railways will form part of the main Appropriation Bill.

The arrangements for merger of Railway budget with the General budget have been approved by the Cabinet with the following administrative and financial arrangements-

i. The Railways will continue to maintain its distinct entity as a departmentally run commercial undertaking as at present;
ii. Railways will retain their functional autonomy and delegation of financial powers etc. as per the existing guidelines;
iii. The existing financial arrangements will continue wherein Railways will meet all their revenue expenditure, including ordinary working expenses, pay and allowances and pensions etc. from their revenue receipts;
iv. The Capital at charge of the Railways estimated at Rs. 2.27 lakh crore on which annual dividend is paid by the Railways will be wiped off. Consequently, there will be no dividend liability for Railways form 2017-18 and Ministry of Railways will get Gross Budgetary support. This will also save Railways from the liability of payment of approximately Rs. 9,700 crore annual dividend to the Government of India;

The Cabinet has also approved another reform relating to budgetary process, for advancement of the date of Budget presentation from the last day of February to 1st of February or any other suitable date as may be necessary. The advancement of budget presentation by a month and completion of Budget related legislative business before 31st March would pave the way for early completion of Budget cycle and enable Ministries and Departments to ensure better planning and execution of schemes from the beginning of the financial year and utilization of the full working seasons including the first quarter. This will also preclude the need for seeking appropriation through 'Vote on Account' and enable implementation of the legislative changes in tax laws for new taxation measures from the beginning of the financial year.

The third proposal approved by the Cabinet relates to the merger of Plan and Non-Plan classification in Budget and Accounts from 2017-18, with continuance of earmarking of funds for Scheduled Castes Sub-Plan/Tribal Sub-Plan. Similarly, the allocations for North Eastern States will also continue. The Plan/Non-Plan bifurcation of expenditure has led to fragmented view of resource allocation to various schemes, making if difficult not only to ascertain cost of delivering a service but also to link outlays to outcomes. The bias in favour of Plan expenditure by centre as well as the State Governments has led to a neglect of essential expenditures on maintenance of assets and other establishment related expenditures for providing essential social services. The merger of plan and non-plan in the budget is expected to provide appropriate budgetary framework having focus on the revenue and capital expenditure.

N. Financial Sector Reforms

Hon'ble Finance Minister while announcing certain financial sector reforms in his Budget Speech, 2016-17 announced that new derivative products will be developed by SEBI in the Commodity Derivatives Markets. Commodity Derivatives Advisory Committee (CDAC) to deliberate on the issue. After considering the recommendations made by the CDAC, inter-alia, on the subject of introduction of new products, SEBI has decided that Commodity Derivatives Exchanges shall be permitted to introduce trading in 'options'. Accordingly, a circular dated 28.9.2016 has been issued to all the Commodity Derivatives Exchanges.

O. Official Development Assistance

Japan has been extending Official Development Assistance (ODA) to India since 1958. Japanese ODA in the form of loan assistance, grant aid and technical assistance to India is received through Japan International Cooperation Agency (JICA). Japan is the largest bilateral donor to India.

The Japanese ODA loans to India are mostly project tied. The interest rates are 1.4% per annum for general projects with 30 years tenure including a grace period of 10 years. For environmental projects, the interest rate is 0.30% per annum with 40 years tenure including grace period of 10 years. In addition, Government of Japan has introduced Front End Fee which is payable one time @ 0.2% of the loan amount. If disbursement of the project is completed within the agreed period, JICA will reimburse 0.1% of Front End Fee to the borrower. The Front End Fee has been introduced from April, 2013 onwards in place of the commitment charges.

Government of Japan has committed JPY 322.119 billion (Rs.20293 Crores approx.) for six projects to India from January 1, 2016 to November 30, 2016. As on November 30, 2016, fifty nine projects are under implementation with Japanese loan assistance. The loan amount committed for these projects is JPY 1768.345 billion (Rs.95462 Crores approx.). The cumulative commitment of ODA loan to India has reached JPY 4782.541 billion on commitment basis till November 30, 2016.

II Grant Aid

The Government of Japan provides Grant Aid to India under the following sectors and criteria:

1) Criteria:

a) Development impacts;

b) Utilization of Japanese technology/Know-how and likelihood of its dissemination to other areas.

2) Sectors:

a) Transport Sector, including projects using information and communication technology (ICT) and road projects with slope protection measures (potential line ministries could include Ministry of Rad Transport and Highways, Ministry of Urban Development. Etc.)

b) Power Sector, including small-scale hydro power projects and solar power projects (potential line ministries could include Ministry of Power, Ministry of New and Renewable Energy, etc.)

III. Technical Cooperation Programme

Technical Cooperation aims at transfer of technology and knowledge in a bid to develop and improve human resources and thus contribute to the Socio-Economic Development of India. The Technical Cooperation covers a broad spectrum of fields ranging from basic human needs to Agriculture and Industrial Development. Priority areas for JICA in India are (i) public health and medical care, (ii) agriculture and rural development, (iii) environmental conservation and protection, and (iv) improvement of economic infrastructure.

The main components of Technical Cooperation are (i) Project Type Technical Cooperation Projects, (ii) Development Study, (iii) Dispatch of Experts, (iv) Japanese Overseas Cooperation Volunteers (JOCV) Programme, (v) Follow- up Cooperation Programme, (vi) Training of Indian Government personnel, (vii) Third Country Training Programme involving training of personnel from different countries in India.

There are 3 ongoing projects under Technical Cooperation and Development Study Programme.

4 proposals were adopted by Government of Japan for Financial year 2017.

IV. JOCV Programme

In the year 2016-2017, proposals from 4 institutes have been posed to Embassy of Japan and 17 Japanese volunteers have already been appointed under JOCV programme.

V. JICA Partnership Programme

Recognizing the growing importance of NGOs in international cooperation, the JICA Partnership Programme (JPP) was introduced in 2002. JPP is a technical cooperation program implemented by JICA to contribute to the social and economic development of developing countries at the grass-roots level, in collaboration with partners in Japan, such as NGOs, universities, local governments and public interest corporations While applying for JPP Indian NGOs are advised to seek a Japanese partner to take part in the scheme. This has two components:-

1. Japanese NGO / Institution / Local Government through JICA will support Indian organization with Japanese expert personnel, equipment provision and Financial support through FCRA route;

2. Japanese NGO/ Institution / Local Government through JICA will provide training of Indian personnel in Japan.

During FY 2016-17, two proposals have been received from JICA which is under consideration in DEA.

VI UNITED STATES OF AMERICA

India-US Financial and Economic Partnership

The sixth Cabinet level meeting of India-US Economic and Financial Partnership (EFP) was held in Washington DC on April 14, 2016 under the co-chairmanship of Mr. Jacob Lew, Secretary of the US Treasury and Shri Arun Jaitley, Finance Minister. During the meeting, issues covered included Macroeconomic scenario, Financial Regulatory Reforms, Tax Policy, US-India Investment Initiative, Anti-Money Laundering/Combating the Financing of Terrorism (AML/CFT) etc.

The sixth Sub-Cabinet level Meeting between India and USA, under the aegis of Economic and Financial Partnership (EFP), was held in New Delhi on 8th January, 2016. The meeting was co-chaired by Shri Shaktikanta Das, Secretary (Economic Affairs) and the U.S. Treasury Under Secretary Mr. Nathan Sheets. The meeting discussed various issues such as India-US Economic Outlook and Multilateral Issues, Global Economic and Financial Developments, & India-US Economic and Financial Partnership Pillars covering issues viz. India-US Investment Initiative, Taxation issues, AML/CFT Dialogue, Financial Markets Development.

VII India-US Financial and Regulatory Dialogue

The 4th India-US Financial & Regulatory Dialogue was held in Mumbai on 8th February, 2016. The participants from Indian side were IRDA, Ministry of Finance, RBI, SEBI and PFRDA. From the U.S. side, the participants were UST, CFTC, FDIC, FIO, Federal Reserve, SEC and OCC. During the Dialogue, issues covered included Financial Stability, Capital Market Development, Banking Sector Developments, Insurance Sector Development and Pension Sector Development.

P. Investment Sector

I. Implementation of Gold Monestisation Scheme (GMS)

To provide different options to the people to monetize the gold and to reduce the country's dependency on the import of gold, the Gold Monetisation Scheme was launched on 5th November, 2015 and till December 10, 2016 a total of 5781 Kilograms of Gold has been mobilized under the Gold Monetisation Scheme.

II Creation of Working Group on Gold Issues

A working Group on Gold Issues has been constituted on 2nd August, 2016 under the Sub-Committee of the Financial Stability and Development Council with the objective to examine and clarify the inter-regulatory mandates and roles among the agencies dealing in matters concerning gold. The Working Group is chaired by the Secretary, Department of Economic Affairs and has the following mandate:

(i) To examine the existing framework and identify the current gaps in the regulatory mechanism for gold.
(ii) To provide a platform for cross-regulatory dialogue and knowledge sharing on key priorities in foreign exchange management issues related to clarify the regulatory gaps if any.
(iii) To study the steps taken in some other countries in respect of gold which may be pertinent.
(iv) Any other matter that the Working Group considers relevant in this regard.

III Model Bilateral Investment Treaty (BIT) Text

The revised Model BIT text was approved by the Cabinet on 16th December 2015. It has been decided to terminate all existing BIPAs whose initial validity has expired and renegotiate on the basis of the revised Model text, which shall supersede the existing Agreement from the date of its entry into force. Pursuant to the Committee of Secretaries approval in its meeting held on 4th January, 2016, it has been decided to approach the countries with which the initial duration of the BITs is not yet over, and that India would like to sign Joint Interpretative Statements to the existing BITs with these countries.

IV. Bilateral Investment Treaty (BIT) Negotiations

Technical discussions on BITs were held with Canada, Iran, EU, Belarus, Switzerland and USA. The negotiations have been agreed with Cambodia, Brazil, and Qatar, Kyrgyz Republic and Tajikistan.

V. Investment Chapter in the FTAs/CECAs/CEPAs

DEA has been leading the negotiations on the Investment chapter under various CECAs and CEPAs and discussions are in progress in the investment chapters in RCEP, India-Thailand CECA and India-Australia CECA.

VI Centre State Investment Agreement (CSIA)

In the Budget Speech of 2016-17, the Hon'ble Finance Minister announced that in order to ensure effective implementation of Bilateral Investment Treaties signed by India with other countries a Centre State Investment Agreement (CSIA) would be introduced. This will ensure fulfillment of the obligations of the State Governments under these Treaties. States which opt to sign these Agreements will be seen as more attractive destinations by foreign investors. The draft Cabinet note proposing the CSIA was circulated to all the respective Ministries Departments & State Government in July, 2016 for views/comments. Department of Economic Affairs is in the process of finalization of the Cabinet note and for obtaining Cabinet approval.

VII. National Investment and Infrastructure Fund (NIIF)

Background

- The Government of India has put investment in infrastructure as one of the core elements of its economic programme. India's average investment in infrastructure was 4.7% of GDP during 1992-2010. Moreover, there has been a slowdown in equity inflows into the infrastructure sectors over the past few years, constraining further investment. NIIF has been created with the aim to attract equity investments from both domestic and international sources for infrastructure development in commercially viable projects, both greenfield and brownfield, including stalled projects.
- The establishment of the NIIF was announced vide para 47 of the Budget Speech, on 28th February 2015 and approved by the Union Cabinet on 28.7.2015. It was envisaged that the NIIF will attract equity investments from both domestic and international sources for infrastructure development in commercially viable projects, both greenfield and brownfield, including stalled projects.
- Since the above approval, all initial formalities of the NIIF have been completed including registration of the NIIF trust deed, incorporation of two companies namely National Investment and Infrastructure Fund Trustee Limited and National Investment and Infrastructure Fund Limited and registration of the NIIF as a Category II Alternate Investment Funds (AIF) under SEBI Regulations. The website of the NIIF has also been launched recently.
- IDBI Capital Market Services Ltd has been engaged to handle compliance activities of the NIIFTL. India Infrastructure Finance Company Ltd. (IIFCL) has been appointed to prepare a pipeline of projects and perform all Investment management duties and obligations for and on behalf of NIIF Ltd. An investment committee has also been set up by IIFCL in this regard.

Structure of NIIF

- NIIF has been set up as a trust registered with Securities and Exchange Board of India (“**SEBI**”) as a Category II Alternate Investment Fund (“**AIF**”) under the SEBI (Alternative Investments Funds) Regulations, 2012 (“**AIF Regulations**”). The proposed corpus of NIIF is Rs. 40,000 Crores (around USD 6 Billion). Government’s contribution to the Fund shall be 49% of the total commitment at any given point of time and shall neither be increased beyond nor allowed to fall below the threshold of 49%. The whole of 49% would be contributed by the Government of India as contributions to NIIF.

- Pursuant to discussions held with several investors over the last one year, NIIF is proposed to have various sector-specific or investor-specific close ended Schemes ("**Sub-funds**"). Each Sub-fund may issue various classes of units. Sub-funds may be bilateral or multilateral. Government along with the Investors would subscribe to the units of various Sub-funds. Units of each Sub-fund shall be distinct from and independent of the other Sub-funds.

- The Trustee of NIIF will have the discretion of floating multiple Sub-funds. It is obligated to keep and maintain distinct and separate accounts in respect of each Sub-fund and maintain assets of one Sub-fund distinct from and independent of another. The corpus of each Sub-fund shall be invested based on the investment strategy of the respective Sub-funds.

- NIIF is envisaged as a fund of funds with the ability to make direct investments as required. As a fund of fund it may invest in other SEBI registered funds.

Sources of Funds for NIIF

- NIIF would solicit equity participation from strategic anchor partners. The contribution of Government of India to NIIF would enable it to be seen virtually as a sovereign fund and is expected to attract overseas sovereign/quasi-sovereign/multilateral/bilateral investors to co-invest in NIIF.
- Government will provide funds to the Sub-Funds on a need basis as per the requirements set out in their annual plan. Central Public Sector Enterprises of India may contribute to NIIF which would be over and above Government's share of 49%. Similarly, domestic pension and provident funds and National Small Savings Fund may also invest in NIIF.

Governance

- A Governing Council has been set up under the chairmanship of the Finance Minister of India. It will act as an advisory council to NIIF. It comprises of Government representatives, international finance experts, economists & infrastructure professionals and may include other investors.

- National Investment and Infrastructure Fund Trustee Ltd. ("**NIIF Trustee Ltd.**"), which is a Govt. company, is the Trustee of NIIF and National Investment and Infrastructure Fund Ltd. ("**NIIF Ltd.**"), the Investment Manager, is expected to have 51% as private shareholding in the future.
- Major decisions with respect to NIIF would have to be approved by super majority of the unit holders. Investment Manager of NIIF, NIIF Ltd. is expected to become a company in

which majority of its shares would be held by the contributors other than Government of India. The board of the company shall comprise shareholder representatives or their nominees. It will have a management team comprising of one or more Chief Executive Officer and a small investment team, consisting of investment, finance, legal, technical, infrastructure and economics experts.

Human Resources

- Recently, Mr. Sujoy Bose, at present Director and Global Co-Head, Infrastructure and Natural Resources, International Finance Corporation(IFC), Washington DC, has been appointed as the CEO of NIIF Ltd. Mr Sujoy Bose has extensive international experience in the infrastructure sector including experience in raising funds from international investors.
- A small team of officials have been taken on deputation from SBI to handle day to day activities of the NIIF. An HR agency has been appointed to develop the organogram and the compensation structure of the NIIF.

Investment Policy

- NIIF aims to maximize risk-adjusted returns on the investments over a long term by making investments in infrastructure sector on a commercial basis. NIIF will invest primarily as a financial investor and may have an option to seek control, if necessary, of the entities in its portfolio. It will have the flexibility to take concentrated positions with a long or short time horizon, and invest, divest or remain liquid when it is commercially viable.
- NIIF would invest in projects where the revenue streams are clearly identified in an agreement between the project entity and approved government entity. It shall be the endeavor of NIIF to be treated on par with the most favored contributor of its class.
- As a long term-term investor it will not be subject to market trends and have benefits of long term investments. It will endeavour to manage the risks through portfolio diversification and exercise proper flexibility to actively seize investment opportunities as they materialize.
- Investment Manager would have an Investment Committee that shall comprise of professionals from the industry and may have representatives of the contributors.
- Investments may be exited through private negotiated enterprise level divestments, asset sales, re-capitalizations or through the public market routes, redemptions from cash flows of underlying investments, disposition of underlying investments / assets and any other mechanism as may be available.
- NIIF would at all times remain focused on its economic and financial objectives. It shall invest in:

a) units of funds engaged mainly in infrastructure sectors and provide equity/quasi-equity or debt funding to listed/unlisted companies;
b) equity/quasi-equity in NBFCs and Financial Institutions that are engaged mainly in infrastructure financing; and
c) Equity/ quasi-equity or debt to commercially viable projects, both greenfield and brownfield.

- Co-investment would allow NIIF to deploy more capital at attractive returns while preserving the multiplier effect. NIIF would invest with co-investors such that their (co-investor) share of investment in portfolio entities is either equal to or more than NIIF's share. NIIF would not co-invest with someone who has conflicting interest in the project. In state projects, NIIF would invest only when there are third party (non-government) professional investors investing in the project. Co-investment by NIIF along with other co-investors would be on a no fees basis.

- NIIF would endeavour to ensure maximum returns and tax efficiency for NIIF and its contributors.

Investor Outreach and Fund Raising

- Several meetings have been held with investors since last year during visits of the Finance Minister to Singapore (September, 2015), UAE (November 15-17, 2015), Australia(March 29 - April 01, 2016), New York (April 18 – 19, 2016), Japan (May 30 – June 01, 2016), Canada (Oct 2-4, 2016) and visits of Secretary(EA) to Qatar(May 22, 2016), Singapore (8^{th} July, 2016), Suadi Arabia (August 7-8, 2016).
- An India Investor Summit had been organized by Ministry of Finance along with Blackrock on 3rd February, 2015, which was followed by India Investment Summit on 4-5 February, 2016 in which all major global SWFs, PFs etc participated.
- In all these interactions, investors have been apprised of the economic reforms and other initiatives taken to attract investments into India and various opportunities available to them including through the NIIF.
- Several investors expressed their interest in investing in India including through the NIIF during such meetings. Concurrently, FDI inflows (including reinvested earnings and other capital) into the country have increased, by 23% over the previous year, to USD 55.47 billion during 2015-16.
- Moreover, consequent to feedback received from investors, the structure of the NIIF has been detailed further that provides for setting up various sector / investor specific sub-funds under the NIIF umbrella. Each of these sub-funds shall be distinct from the other from accounting and operational perspective.

- A few such investors have signed MoUs such as Government of UAE (11th February, 2016), RUSNANO (2nd February, 2016), QIA (5th June, 2016), RDIF (15th October, 2016) and Japan Overseas Infrastructure Investment Corporation for Transport & Urban Development (JOIN) (11th November, 2016) that envisage both parties to explore setting up bilateral / joint fund under the NIIF.
- Three negotiation meetings have been held with RUSNANO to take the MoU forward and finalise the specific terms and conditions of the proposed joint fund.
- As per the MoU sigened between the Governments of India and UAE, the UAE-India Infrastructure Joint Working Group (JWG) was formed. The kick-off meeting of the JWG has recently been held on 16th November, 2016 in Abu Dhabi under the co-chairmanship of Shri Sujoy Bose, CEO (NIIF) and Mr. Khadem Alremaithi, the co-chair of the UAE side.
- In addition, DEA has signed terms for cooperation on the NIIF with the US Treasury and the UK Treasury (status discussed below). Interactions are being held with these organisations at the official's level for developing the NIIF and encouraging investments. The terms with the UK Treasury also envisage setting up a joint fund in partnership with the UK Treasury to attract London based private investors.
- Further, negotiations are ongoing to consider signing of MoU(s) between NIIF and China Investment Corporation (CIC) and also between NIIF Limited and Kuwaiti Investment Authority (KIA) and/or NIIF Limited and Kuwait Development Fund (KDF).

Launch of two funds / schemes under the NIIF

- Apart from the establishment of bilateral / multilateral funds, described above, discussions are ongoing for the launch of two sector focussed funds:
  a) A Green energy fund that envisages providing equity and mezzanine capital to clean energy and other green projects including investments in transmission sector.
  b) A Road fund that envisages investing in a portfolio of projects that are already operational and have an established traffic history / profile.

Way forward

- The NIIF CEO joined on 18th October, 2016 which is expected to accelerate the pace of activity including fund raising further.
- Further, office space has been identified and steps are being taken to finalise the organogram and compensation structure of the NIIF Ltd.
- The recruitment for the next tier of personnel would also be initiated thereafter.
- On the fund raising side, MoUs with JOIN and negotiation of the term sheet with RUSNANO will be concluded.

  It is anticipated that at least two sub funds may be set up before the end of this year with equity participation from domestic / overseas investors.

VIII FDI Proposals

During the Financial Year 2016-17 (upto 30th October, 2016), the Foreign Investment Promotion Board (FIPB) has approved 34 proposals involving a total inflow of Rs. 17033.5 Crore.

IX FDI Policy Initiatives

(i) Insurance Sector

Vide Press Note 1/2016 dated 23 March 2016, the Government has placed FDI limit of 49% under automatic route hitherto under approval route for FDI beyond 26% and upto 49% in respect of Insurance Company, Insurance Brokers, Third Party Administrators, Surveyors and Loss Assessors and Other Insurance Intermediaries appointed under the provisions of Insurance Regulatory and Development Authority Act, 1999. Further, **ownership and control** of Indian Insurance Company should remain in the hands of resident Indian entities at all times as defined under IRDA regulation.

(ii) Pension Sector

Vide Press Note 2/2016 dated 23 March, 2016, the Government has placed foreign investment upto 49% under automatic route hitherto under approval route for FDI beyond 26% and upto 49% in respect of pension Sector.

(iii) Relaxation for investment by Foreign Venture Capital Investor and investment in start-up

The Government vide Notification No. 363/RB-2016 dated April 28, 2016 has simplified and relaxed the norms for investment through FVCI registered under the SEBI (FVCI) Regulations, 2000. It stipulates that such FVCI can make investment without any prior approval of RBI in Equity or equity linked instruments or debt instruments, issued by an Indian company engaged in ten sectors mentioned therein and whose shares are not listed on a recognised stock exchange at the time of issue of the said securities / instruments. Further FVCI can also make investment in equity or equity linked instruments or debt instruments issued by the **Start-up**, irrespective of the sector in which it is engaged, units of a Venture Capital Fund (VCF) or a category I Alternative Investment Fund (Cat-I AIF) or units of a scheme or of a fund set up a VCF or by a Cat-I AIF. This will help Start-ups and Indian Companies in venture capital activities to garner capital for their activities which will generate employment for Indian.

(iv) Relaxation on investment for Asset Reconstruction Companies (ARCs)

Government vide Press Note No. 4 /2016 dated May 6, 2016 has enhanced the FDI limit to 100% under automatic route for ARCs. This will help ARCs to attract more capital in their companies and address the resource constraint in the securitization of Non-performing Assets and its resolution.

(v) **Allowing FDI under automatic route in 'other financial services activity' i.e., beyond the hitherto 18 specified NBFC activities provided these activities are regulated by any one of the financial sector regulators**

Pursuant to the Budget announcement, Cabinet approval was obtained on the Cabinet Note on 10.08.2016. The FEMA 20 was amended vide FEMA notification 375 issued on 09.09.2016. This has expanded the list of financial services activities presently restricted to 18 NBFC activities. It includes all financial services activities which are presently within the regulatory ambit of any of the Financial Regulator including the NBFC activities regulated by RBI. Further, the stipulation of minimum capitalization under the FDI policy has been done away with. This will bring clarity to foreign investors investing in financial services activities and enhance FDI inflow in the sector.

(vi) **Grant of Permanent Residency Status (PRS) to foreign investors**

Pursuant to the Budget announcement, the Cabinet in its meeting held on 31.08.2016 had approved the proposal regarding grant of Permanent Residency Status (PRS) to foreign investors. MHA has issued Circular No. 476 dated 17.10.2016 in this regard. The PRS scheme is a big improvement over existing Business Visa regime wherein multiple entry Business Visa is generally for 5 years granted to foreign national with stipulation that continuous stay during each visit shall not generally exceed 180 days. The PRS scheme would facilitate foreign investment into the country and promote 'Make in India' programme of the Government.

(vii) **Increase in the limit for investment by FPIs in Central Public Sector Enterprises (CPSEs) to 49%**

Pursuant to the Budget announcement, Department of Public Enterprises vide OM No. DPE/13(12)/10-Fin dated 04.08.2016 has circulated to all CPSEs through their Administrative Ministries/ Departments, the instructions for implementation of the Budget announcement relating to Increase in the limit for investment by FPIs in Central Public Sector Enterprises (CPSEs) to 49%. Henceforth, Central Public Sector Enterprise (CPSE) may raise the Foreign Portifolio Investment (FPI) investment limit beyond 24 percent of the paid up equity capital and upto 49% of the paid up equity capital without the need for an approval from the line or Administrative Ministry concerned of Department of Public Enterprises/Ministry of Finance, provided there is no transfer of control or management from resident shareholders to non-resident individual and/or non-resident entity/ies.

Q. MULTILATERAL INSTITUTIONS

I World Bank Group

- Spring meetings, 2016 of World Bank/IMF, G-20/F-24 & BRICS meeting and Indo-US economic & Financial Partnership Dialogue was held from April 13th- 17th April, 2016 in Washington DC, USA. A delegation led by Hon'ble FM consisting of Secretary (EA), RBI Governor, CEA & other senior officials of DEA participated in the key events. The Finance Minister talked about the developments in the India's constituency which consists of India, Bangladesh, Sri Lanka and Bhutan; state of the economy and global economic outlook during the various meetings of International Monetary and Financial Committee (IMFC) of IMF.

- World Bank Group's Executive Directors visited India from 15th to 21st May, 2016 as a part of their South Asia Region Visit. Meetings were held with Hon'ble FM and AS (EA) on 19th of May, 2016.

- President, Dr. Jim Yong Kim, of World Bank Group visited India with his delegation from 28th June to 01st July, 2016. During his visit, the president of WBG attended the following meetings in New Delhi:-

    i. Briefing Meeting on PM's Six Priority Areas. It was held on 29th June, 2016 at DEA in North Block.

    ii. Meeting with Hon'ble PM on 30th June, 2016 (Forenoon) at 7 Race Course Road, New Delhi.

    iii. Meeting with Hon'ble FM on 30th June, 2016 (Afternoon) at Hotel Taj Mahal, New Delhi. This meeting was also attended by Shri Piyush Goyal, MoS (Independent Charge) for power, Coal and New & Renewable Energy. During the meeting, Ministry of New & Renewable Energy signed a joint declaration on International Solar Alliance and Rooftop Power Plants Project for India with the World Bank.

- Mr. Joaquim Levy, MD & CEO of World Bank Group visited India from 07th -09th September, 2016. During his visit, he held meetings with Hon'ble Finance Minister and Secretary (EA) at North Block on 09th September, 2016.

- Mr. Roland K Peters, Senior Vice-President of World Bank Group for Operations visited India from 19th -23rd September. He held meeting with special Secretary (EA) on 22nd September, 2016 at North Block.

- Hon'ble FM led delegation and attended 2016 Annual Meeting held in Washington DC, USA from 6th-8th October, 2016. Besides Annual Meetings of IMF/World Bank, FM also attended Commonwealth FM's meeting, G-20, BRICS and G-24 meetings. Several bilateral meetings with FM of UK, USA, Iran, Bhutan, Bangladesh, Sri Lanka, China etc. were also held during the event.

- The replenishment for IDA-18 was completed in Dec., 2016. Total partner contribution is 27.2 Billion including 23.1 Bn in new contribution and 4.1 Bn for MDRI. IDA-18 total would be USD 75 Billion including internal resources and debt. India has expressed its support for IDA-18 and will make its pledge in due course.

- After a series of meetings and deliberation with all the key stakeholders, the World Bank approved the new World Bank Environment and Social Framework (ESF). The World Bank addressed the majority of the comments/suggestions of the Govt. of India, which was a major achievement. Further, assessment on India’s national framework against Bank’s New ESF is underway and inputs from various PIA’s are being collected to frame a suitable response to the World Bank.

- Loan Agreements of 14 projects amounting to USD 4883.90 million were signed for external assistance from WBG during the calendar year 2016. Moreover a total of 132 projects were considered in the Screening Committee Meeting of DEA in the Calendar year, 2016.

II International Monetary Fund (IMF)

- An MOU was signed on '1 1.3.2015 between the Government of India and the IMF to establish a new South Asian Regional Training and Technical Assistance Center (SARTTAC), which will serve Bangladesh, Bhutan, India, Maldives' Nepal and Sri Lanka. This will be the first IMF-supported center to combine both technical assistance and training. The site for setting up SARTTAC has since been identified (Aerocity, New Delhi), and the center is being furbished. The Director, SARRTAC has been appointed and lndia has paid its first instalment of contribution towards SARTTAC of USD 15 million in August, 2016.

- A conference 'Advancing Asia: lnvesting for the Future" was co-hosted by the Government of lndia and the international Monetary Fund (lMF) during March 11-13, 2016 in New Delhi. The conference provided a platform to discuss Asia's strong economic performance and its ongoing policy challenges in the face of an increasingly uncertain global economic environment.

III New Development Bank (NDB) & Asian Infrastructure Investment Bank (AIIB)

- With the active participation of lndia, two new multilateral development Banks' namely the Asian lnfrastructure lnvestment Bank (AllB) and New Development Bank (NDB) have been operationalized in 2016. Both Banks are now fully functional, and have approved several projects. lndia will host the Second Annual Meeting of NDB in Delhi in April,2017, as also the 2018 Annual Meetings of the AllB in Mumbai in June 2018.

- The New Development Bank (NDB) has been instituted with a vision to support and foster infrastructure and sustainable development initiatives in emerging economies. The founding members of the NDB are Brazil, Russia, India, China and South Africa. Mr. K.V. Kamath, is the first President of the Bank.

- NDB has completed one year since its establishment in 2015. Most of the policies and procedures for all functional areas of the Bank have been approved by the Board of Directors.

- Since commencement of operations, Board of Directors of the NDB have approved 7 loans amounting to USD 1.5 billion, of which two each are for India and China, and one each for the remaining three members Russia, Brazil and South Africa. The details of the proposals approved for India are as follows:

a) Canara Bank, India: assistance of USD 250 million, with a first tranche of USD 75 million, for on-lending to projects for generation of 500MW additional renewable energy capacity in the country.

b) Government of Madhya Pradesh, India: Loan of USD 350 million to the Government of India for the Madhya Pradesh Major District Roads Project to be implemented by MP Road Development Corporation Ltd.

IV. Asian Development Bank (ADB)

- During the calendar year 2016, DEA signed 7 loans with ADB with a combined total of US$ 1.248 billion. During this period, 15 projects were posed to ADB for new loans worth US$ 6 billion.
- President ADB, Takehiko Nakao visited India in March 2016. Government of India discussed a number of issues of mutual interest.
- The Board of Asian Development Bank (ADB) has approved a project named "Visakhapatnam- Chennai Industrial Corridor Development Program" (VCICDP) in September 2016 to be implemented in the State of Andhra Pradesh. The VCICDP will complement the ongoing efforts of the Government of Andhra Pradesh to enhance industrial growth and create high-quality jobs.
- Dr Kshatrapati Shivaji was appointed as India's new Executive Director on the Board of Directors of ADB.
- The Annual General Meeting of ADB was held in Frankfurt in May 2016, which was attended by Shri Arun Jaitley, Finance Minister, Secretary (EA) and other officials of DEA.

(V) South Asia Sub-regional Economic Cooperation (SASEC)

- The **South Asia Sub-regional Economic Cooperation (SASEC)** Program, set up in 2001, brings together Bangladesh, Bhutan, India, Maldives, Nepal and Sri Lanka in a project-based partnership to promote regional prosperity by improving cross-border connectivity, boosting trade among member countries, and strengthening regional economic cooperation.

- This year GOI has proposed two projects in Manipur for ADB support to develop a split 4 lane between Kohima-Kedima-KarongJmphal section of National Highway 39 (138 km) and to develop Ukhrul-Tolloi-Tadubi road (115 km) towards Myanmar border.

- Three more projects in West Bengal have also been proposed for ADB financing to develop better connectivity to Nepal and Bangladesh. These projects i) to upgrade Siliguri-Mirik-Darjeeling road (122 km) ii) to widen NH35 from Kolkata to Bangaon on the India-Bangladesh border (60 km), and iii) to develop road link to Diamond Harbour (123 km), would boost regional connectivity.

- In the SASEC 2025 workshop held in Singapore in October,20l5 participating countries of the SASEC program decided that a SASEC Operational Plan (OP) (2016-2025) be prepared by the ADB which will provide strategic thrusts and operational priorities across transport, trade facilitation, energy and economic corridor development.

- The shared SASEC Vision will take into account aspirations/vision of each of the participating countries, and together with the OP will generate synergies and outcomes to promote sustained and inclusive growth through regional cooperation.

- Department of Economic Affairs, in collaboration with ADB organized a national consultation workshop with Central Ministries, State Governments and private sector on proposed SASEC vision. ADB organized similar national workshops in other SASEC countries.

(VI) African Development Bank (AfDB)

- India is a non-regional member of ADB and is contributing to African Development Fund (ADF) in all its replenishment cycles. It has pledged Rs.l00cr. (Grant) and Rs.l00 cr. Bridge Loan) to African Development Fund-14 towards poverty reduction and economic and social development in the least developed African countries.

- India has decided to host the Annual Meetings of AfDB group in May, 2017 in Gujarat for which MoU between Government of India and African Development Bank & African Development Fund has been signed on 15th September, 2016.

(VII) The Global Environment Facility (GEF)

- The GEF operates as a mechanism for international cooperation for the purpose of providing new and additional grant and concessional funding to meet the agreed incremental costs of measures to achieve agreed global environmental benefits. GEF provides grants to eligible countries in its five focal areas: Biodiversity, Climate change, Land Degradation, international waters, chemicals and waste. It also serves as financial mechanism for the Convention on Biological Diversity (CBD), United Nations Framework Convention on Climate Change (UNFCCC), Stockholm Convention on Persistent Organic Pollutants (POPs), UN Convention to Combat Desertification (UNCCD), Minimart Convention on Mercury and supports implementation of the Protocol in countries with economics in transition for the Montreal Protocol on Substances that Deplete the Ozone Layer (MP).

- India has been actively involved with GEF process Right from its inception. It has been one of the donors to the GEF Trust Fund. The GEF Trust Fund is replenished every four years through a process in which countries that wish to contribute to GEF Trust Fund discuss and come to agreement on a set of policy reforms to be undertaken, the programming of resources and also pledge resources. The fifth cycle of the GEF Replenishment ended on June 30, 2014 and the GEF-6 (sixth replenishment of resources of the GEF Trust Fund) will fund four years of GEF operations and activities from July 1, 2014 to June 30, 2018. An amount of US $ 3 Million has been paid in 2016-17 towards the payment of 3rd instalment of 6th Replenishment.

(VIII) lnternational Fund for Agricultural Development (IFAD)

- International Fund for Agricultural Development (IFAD) was set up in 1977as the l3th specialized agency of the United Nations. It is dedicated to eradicating poverty and hunger in rural areas of developing countries. '176countries are members of the IFAD, and these are grouped into three countries, comprising List - A: Developed Countries, List - B: Oil Producing Countries and List -C: Developing Countries. India is in List - C.

- India is one of the founder members of International Fund for Agricultural Development (IIAD) and has so far contributed US$ 147.0 million towards IFAD's resources. India has pledged to contribute an amount of US$ 37 million to the l0th Replenishment cycle of IFAD (during 2016-18).

- During the 39th Session of Governing Council (GC) of IFAD, India's Governor to the Fund was unanimously elected as the Chairman of the GC for a two year term. lndia is also a member of the Executive Board of IFAD.

- Since 1979. IFAD has provided financial assistance to 28 projects in lndia in the field of agriculture, rural development, tribal development, women's empowerment and natural resource management with a commitment of US$ 928.6 million (approx.). Out of these, 18 projects have been completed. Presently, ten projects with a total assistance of US$ 452.04 million are under implementation in various states.

- The Government of lndia has posed a project proposal named "Andhra Pradesh Drought Mitigation Project" received from Government of Andhra Pradesh to IFAD for financial assistance of USS 76 million. The project has been negotiated in December 2016. The project is currently under preparation. Government of India has also posed a project proposal named "Fostering Climate Smart Agriculture in Rural Areas of Nagaland" received from Government of Nagaland to IFAD for financial assistance.

R. G-20

I. Major Outcomes of the G20 Chinese Presidency in 2016

Under the theme of the Summit “Towards an Innovative, Invigorated, Interconnected and Inclusive World Economy”, the Chinese Presidency has organized the agenda for G20 Sherpa Track in 2016 around four baskets of priorities:

- Breaking A New Path for Growth
- More Effective and Efficient Global Economic and Financial Governance
- Robust International Trade and Investment
- Inclusive and Interconnected Development

II. G20 Summit 2016

The G20 Summit 2016 was held on 4-5 September 2016 in Hangzhou, China. The Summit marks the culmination of a yearlong process of inter-governmental negotiations and discussions among G20 countries on issues of economic and financial cooperation. India was represented in the Summit by Hon’ble Prime Minister Shri Narendra Modi accompanied by officials from DEA and MEA.

At this year’s Summit in Hangzhou, Leaders committed to undertake a number of concrete actions to strengthen the global economy, make global growth more inclusive, enhance the resilience of the international financial system, mobilize investment to raise long-term growth, strengthen multilateral trading system and implement previous commitments on economic reform and labour markets.

Significant decisions adopted at the recently concluded G20 Summit 2016 include:

- Leaders committed to important cross-cutting actions related to multi-dimensional partnerships, supporting developing countries and improving skills and human capital. It was agreed to set up a G20 Task Force supported by the OECD and other relevant international organizations to take forward the G20 agenda on innovation, new industrial revolution and digital economy, subject to the priorities of the respective future G20 presidencies, ensuring continuity and consistency with the results so far, and promoting synergies with other G20 work streams.
- Leaders reiterated the essential role of structural reforms in boosting productivity and potential output, as well as promoting innovative growth in G20 countries and endorsed the nine priority areas of structural reforms and a set of guiding principles identified in the Agenda to provide high-level and useful guidance to members, while allowing them to account for their specific national circumstances.
- Leaders endorsed the G20 High-level Principles for Digital Financial Inclusion, the updated version of the G20 Financial Inclusion Indicators and the Implementation

Framework of the G20 Action Plan on SME Financing. They encouraged countries to consider these principles in devising their broader financial inclusion plans, particularly in the area of digital financial inclusion, and to take concrete actions to accelerate progress on all people's access to finance.

- Leaders endorsed the G20 High Level Principles on Cooperation on Persons Sought for Corruption and Asset Recovery and welcomed Chinese initiative to establish in China a Research Center on International Cooperation Regarding Persons Sought for Corruption and Asset Recovery in G20 Member States, which will be operated in line with international norms.
- Leaders endorsed the G20 Voluntary Collaboration Action Plan on Energy Access, the G20 Voluntary Action Plan on Renewable Energy andtheG20 Energy Efficiency Leading Programme issued by the G20 energy ministers and ask them to meet regularly to follow up on the implementation of these plans. Leaders stressed on the importance of diversification of energy sources and routes.
- Leaders committed to further strengthen G20 trade and investment cooperation and to ratify the Trade Facilitation Agreement by the end of 2016 and call on other WTO members to do the same.
- Leaders reiterated their opposition to protectionism on trade and investment in all its forms and extended commitments to standstill and rollback of protectionist measures till the end of 2018, reaffirming determination to deliver on them and support the work of the WTO, UNCTAD and OECD in monitoring protectionism.
- Leaders pledged to enhance policy coherence on sustainable development and reaffirm our commitment to further align work with the universal implementation of the 2030 Agenda for Sustainable Development and the Addis Ababa Action Agenda on financing for development, based on the comparative advantage and the added value of the G20 and in accordance with our national circumstances, while acknowledging that the global follow-up and review of the 2030 Agenda is a UN-led process.
- Leaders launched the G20 Initiative on Supporting Industrialization in Africa and LDCs to strengthen their inclusive growth and development potential through voluntary policy options including: promoting inclusive and sustainable structural transformation; supporting sustainable agriculture, agri-business and agro-industry development; deepening, broadening and updating the local knowledge and production base etc.
- Leaders endorsed the strategies, action plans and initiatives developed by G20 labor and employment ministers to enhance the growth and development agenda by taking effective actions to address changes in skill needs, support entrepreneurship and employability, foster decent work, ensure safer workplaces including within global supply chains and strengthen social protection systems.
- Leaders affirmed the importance of fulfilling the UNFCCC commitment by developed countries in providing means of implementation including financial resources to assist developing countries with respect to both mitigation and adaptation actions in line with Paris outcomes.
- Leaders called for strengthening humanitarian assistance for refugees and refugee resettlement.

- Leaders called for the swift, effective and universal implementation of the FATF standards and of the provisions of the UN Security Council resolution 2253 worldwide.
- Leaders affirmed the need to explore in an inclusive manner to fight antimicrobial resistance by developing evidence-based ways to prevent and mitigate resistance, and unlock research and development into new and existing antimicrobials from a G20 value-added perspective, and call on the WHO, FAO,OIE and OECD to collectively report back in 2017 on options to address this including the economic aspects.

III G-20 Finance Track

China presided the G-20 between December, 2015 and November, 2016. During the Chinese Presidency, in the finance track, the Countries deliberated on the issues of global economy; structural reforms; investment and infrastructure; financial sector reforms; International taxation; international financial architecture; green finance; climate finance and anti-money laundering and anti-terrorist financing. The deliberations were concluded in G20 Hangzhou Summit, whose outcomes are as under:

IV Outcomes of G20 Hangzhou Summit (related to G20 Finance Track)

The leaders agreed on a set of policy recommendations and action plans called “the Hangzhou Consensus” based on the following:

a) **Vision**:To strengthen the G20 growth agenda to catalyze new drivers of growth, open up new horizons for development, lead the way in transforming our economies in a more innovative and sustainable manner and better reflect shared interests of both present and coming generations.
b) **Integration**:To pursue innovative growth concepts and policies by forging synergy among fiscal, monetary and structural policies, enhancing coherence between economic, labor, employment and social policies as well as combining demand management with supply side reforms, short-term with mid- to long-term policies, economic growth with social development and environmental protection.
c) **Openness**:To work harder to build an open world economy, reject protectionism, promote global trade and investment, including through further strengthening the multilateral trading system, and ensure broad-based opportunities through and public support for expanded growth in a globalized economy.
d) **Inclusiveness**:To work to ensure that economic growth serves the needs of everyone and benefits all countries and all people including in particular women, youth and disadvantaged groups, generating more quality jobs, addressing inequalities and eradicating poverty so that no one is left behind.

G20 Working Group on Framework for Strong , Sustainable and Balanced Growth , of which India is co-chair along with Canada, agreed on the G20 Enhanced Structural Reform Agenda comprising of two main pillars, namely, the priorities and principles of structural reforms and the

G20 structural reform indicator system. They also adjusted their growth strategies to achieve 2% additional growth between 2014 and 2018.

The G20 countries endorsed the “Agenda Towards A More Stable and Resilient International Financial Architecture”. The G20 countries resolved continue to improve the analysis and monitoring of capital flows and management of risks stemming from excessive capital flow volatility. They supported to further strengthening of the Global Financial Safety Net (GFSN). G20 welcomed the entry into effect of the 2010 IMF quota and governance reform and resolved to work towards the completion of the 15th General Review of Quotas, including a new quota formula, to result in increased shares for dynamic economies in line with their relative positions in the world economy. G20 supported the World Bank Group to implement its shareholding review according to the agreed roadmap, timeframe and principles. They underlined the importance of promoting sound and sustainable financing practices and will continue to improve debt restructuring processes.

G20 countries remained committed to finalizing remaining critical elements of the regulatory framework and to the timely, full and consistent implementation of the agreed financial sector reform agenda, including Basel III and the total-loss-absorbing-capacity (TLAC) standard as well as effective cross-border resolution regimes.G20 remained committed to address the issue of systemic risk within the insurance sector and to full and timely implementation of the agreed over-the-counter (OTC) derivatives reform agenda.

We support a timely, consistent and widespread implementation of the BEPS package and call upon all relevant and interested countries and jurisdictions that have not yet committed to the BEPS package to do so and join the framework on an equal footing. G20 countries called on all relevant countries including all financial centers and jurisdictions, which have not yet done so to commit to implementing the standard of automatic exchange of information by 2018 at the latest and to sign and ratify the Multilateral Convention on Mutual Administrative Assistance in Tax Matters. After the “Panama Leaks” the G20 started working to identify non-cooperative jurisdictions with respect to tax transparency and resolved to take defensive measures against such countries.

The G20 countries tasked the IOs to prepare proposals on ways to improve the implementation of the international standards on transparency, including on the availability of beneficial ownership information of legal persons and legal arrangements, and its international exchange.

We call for the swift, effective and universal implementation of the FATF standards and of the provisions of the UN Security Council resolution 2253 worldwide. The G20 countries worked together to identify challenges for green finance and considered taking initiatives to promote green finance.

V. Priorities of G20 German Presidency in 2017

Germany assumed the G20 Presidency w.e.f. 1st December, 2016.The main priorities of G20 Finance Track during German Presidency are: enhancing resilience; supporting investments, particularly in Africa; and shaping digitalisation.In addition, the deliberations will continue in the area of International financial architecture, international tax, financial sector development and regulation and green finance, counter-terrorism financing and anti-money laundering, phasing out of inefficient fossil fuel subsidies and cyber security.

S. BRICS

I. Outcome Report of BRICS Events in 2016

India assumed the Chairmanship of the BRICS forum starting 15th February, 2016. During India's Chairmanship, following events were organized by Ministry of Finance, Government of India under BRICS Economic and Financial Cooperation to strengthen economic ties among BRICS countries:

S.No.	Event	Date and Venue
1.	First BRICS Finance Ministers and Central Bank Governors' meeting	14th April 2016, Washington D.C.
2.	Workshop of International Arbitration Mechanism	27th August 2016, New Delhi
3.	Workshop on Financial Inclusion	19th September, 2016; New Delhi
4.	Seminar on PPP best practices and innovations in long term infrastructure financing	22nd September, 2016; New Delhi
5.	Meeting of the Governing Council of BRICS Contingent Reserve Arrangement	6th October, 2016, New Delhi
6.	Seminar on Challenges in developing bond markets of the BRICS countries	13th October, 2016, New Delhi
7.	BRICS Economic Forum	13-14th October, 2016, New Delhi
8.	Second BRICS Finance Ministers and Central Bank Governors Meeting	14th October, 2016, New Delhi

II. Outcome of the BRICS Workshops/Seminars

India organised various workshops/seminars under the aegis of BRICS Finance and Economic Co-operation in 2016 such as mentioned in the above Table. All these events were very well received by all BRICS participants. The overarching goal of organizing these workshops/seminars was to share country experiences about unique approaches and solutions followed in BRICS countries, build and strengthen linkages among stakeholders and identify areas which can shape BRICS cooperation agenda for next few years. For instance, during workshop of international arbitration mechanism, the participants exchanged views on existing international arbitration framework and is shortcomings and emphasized on the need to build stronger arbitration regime and culture in BRICS countries.

III Outcome of BRICS Economic Forum:

The BRICS Economic forum was planned as a flagship EVENT TO MARK THE CULMINATION OF India's Chairmanship. The objective of this event was to bring together diverse stakeholders viz. Finance Ministry, Central Banks, Business Houses, Regulators, Think Tank, government Officials of BRICS nations on a common platform to have seminar discussions and exchange of ideas on how BRICS can collaboratively pursue their economic and financial cooperation to create maximum value for respective economies. During the course of this two days event, there were stimulating discussions on role of BRICS in multilateral institutions, innovation economy, and financing for development. BRICS Central Banks representatives had pivotal discussions on global norm setting, policy coordination and crisis management. The event ended with Hon'ble Finance minister of India providing his valuable views on how BRICS countries can cooperate with one another for Sustainable Development.

IV Outcome of First and Second BRICS Finance Ministers and Central Bank Governors meeting

As a customary practice, Ministry of Finance, GoI organized two meetings of the BRICS Finance Ministers and Central bank Governors during India's BRICS Chairmanship. These meetings discussed global economy and strategies for enhancing growth, key issues of co-operation under the G20 agenda, international financial architecture and regulatory reforms and the wayforward on existing as well as new areas of co-operation, such as establishment of rating of these deliberation, BRICS Leaders agreed to 'welcome experts exploring the possibility of setting up an independent BRICS Rating Agency based on market-oriented principles, in order to further strengthen the global governance architecture during 8th BRICS Summit held on 15-16th October 2016.

T. Primary Markets

I. Development of corporate bond markets in India.

The 16th meeting of the FSDC Sub-Committee (FSDC-SC) was held on 10.09.2015. In the said meeting, Secretary, DEA suggested that a working group may be constituted under the chairmanship of Deputy Governor (DG), Reserve Bank of India (RBI) with representation from Ministry and all regulators to come out with implementable recommendations regarding developing the corporate bond market. Accordingly, a Working Group (WG) was constituted under the chairmanship of Shri Harun Rashid Khan, Deputy Governor RBI, Additional Secretary

(Investment) and Joint Secretary (Financial Markets) are the members in the Working Group from Department of Economic Affairs. Various meeting were held for finalization of the recommendations of working group. The working group has submitted its report on 12.08.2016 to RBI for further necessary action on the recommendations made by the group. The Working Group made 29 recommendations for the development of corporate bond market in India.

Further, three review meetings were held on 29.09.2016, 08.11.2016 and 14.12.2016 under the Chairmanship of Additional Secretary (Investment) with the representatives of RBI, Securities and Exchange Board of India **(**SEBI), Pension Fund Regulatory and Development Authority (PFRDA) and Insurance Regulatory and Development Authority of India (IRDAI) to monitor the implementation of recommendations of the Working Group.

A number of measures for the development of corporate bond market were announced in Budget 2016 by the Hon'ble Finance Minister in his Budget speech 2016-17. The status of these announcements are given below.

Para No	**Text**	**Status**
90 (vi) (b)	<u>Measures to facilitate deepening of corporate bond market:</u> RBI to issue guidelines to encourage large borrowers to access a certain portion of their financing needs through market mechanism instead of the banks	RBI had released a Discussion Paper on Framework for enhancing Credit Supply for Large Borrowers through Market Mechanism on 12.05.2016 for stakeholders' comments. Based on the comments and feedback received from the stakeholders, the necessary guidelines on the 'Framework for enhancing credit supply through Market Mechanism' has been issued on 25.08.2016 and the guidelines will be effective from 01.04.2017. ***Stands Implemented***
90 (vi) (c)	Investment basket of foreign portfolio investors to be expanded to include unlisted debt securities and pass through securities issued by securitisation SPVs	Amendment to FEMA notified on 24.10.2016 and corresponding circular issued by RBI on 17.11.2016. ***Stands Implemented***
90 (vi) (d)	An e-auction platform to be set up by SEBI for primary debt offer to facilitate private placement in corporate bonds	Operationalized on 01.07.2016. ***Stands Implemented***

Para No	Text	Status
90 (vi) (e)	A complete information repository for corporate bonds to be developed jointly by RBI and SEBI	The trade repository for corporate bond is implemented in two phases. Phase one is already in place with effect from 01.07.2016. The second phase of trade repository for corporate bonds has become operational with effect from 01.11.2016. ***Stands Implemented***
90 (vi) (f)	A framework for an electronic platform for repo market in corporate bonds to be developed by RBI	SEBI vide letter dated 08.07.2016 has sent the final report on Electronic platform for repo market in corporate bonds, along with its comments to RBI. On 25.08.2016, RBI had announced that they would issue the necessary guidelines in consultation with all the stakeholders by end of October, 2016. RBI vide e-mail dated 02.12.2016 has conveyed that the framework for authorization of electronic trading platform for repo in corporate bond is in process of internal approval and the same would be issued shortly.

1.6 Further, out of 29, the following recommendations have been implemented as on 26.12.2016:

i. **Standardization of corporate bond issuance:** It was recommended that SEBI may have a re-look at the guidelines issued in October 2013, so as to clarify on day count convention, shut period, basis for yield calculation, calculation of coupon interest and redemption with intervening holidays with illustrations. SEBI has issued a circular on 11.11.2016 clarifying the standardization procedure for corporate bond issuance.

ii. **FPIs investment in corporate bonds:** Necessary amendments to FEMA regulations to allow investment by FPIs in unlisted debt securities and pass through securities issued by securitizations SPVs /Special Purpose Distinct Entity (SPDE) have been notified on 24.10.2016 and corresponding circular issued by RBI on 17.11.2016.

iii. **Electronic book for private placement of bonds:** SEBI issued a circular on 21.04.2016, making it mandatory for issuance of Rs 500 crore or more of debt securities to happen through Electronic Book Mechanism (EBM) after 30.06.2016. Further, for all issues below Rs.500 crore, the issuer shall disclose the coupon, yield, amount raised, number of investors and category of investors to the Electronic Book Provider and/ or to the information repository for corporate debt market. BSE and NSE have launched their platforms as BSE BOND platform and NSE's Electronic Book Building (EBP) Platform respectively on 01.07.2016.

iv. **Integrated Trade Repository:** The trade repository for corporate bond has been implemented in two phases. Phase one secondary market trade was made effective from 01.07. 2016. The second phase of primary market trade repository for corporate bonds has become operational w.e.f. 01.11. 2016.

v. **Market makers in corporate bond market**: RBI vide notification dated 25.08.2016 has permitted brokers registered with the Securities and Exchange Board of India (SEBI) and authorised as market makers in the corporate bond market to undertake repo / reverse repo contracts in corporate debt securities.

vi. **Basel III compliant Perpetual Bonds:** PFRDA vide its circular dated 02.09.2015 has allowed investment in Basel III compliant Perpetual Bonds. IRDAI has also issued a circular on 30.11.2016 allowing investment in "Additional Tier 1 (Basel III compliant) Perpetual Bonds" [AT1 Bonds].

vii. **Credit enhancements of bonds:** RBI vide notification dated 25.08.2016, decided that the aggregate exposure limit of all banks towards the PCE for a given bond issue would be capped at 20 per cent of the bond issue size. On review, it has been decided to increase the aggregate exposure limit from the banking system to 50 per cent of the bond issue size, with a limit up to 20 per cent of the bond issue size for an individual bank

viii. **Market –Making Scheme:** NSE has vide its circular dated 31.08.2016 laid out the framework of market making in corporate bonds. BSE vide notice dated 25.10.2016 put in place framework for market making in corporate bonds.

ix. **Corporate bond index**: BSE has launched bonds Index. This index has been developed and maintained by Asia Index Pvt. Ltd, which is a JV between BSE and S&P Dow Jones Inc. While NSE is still exploring the options to launch suitable index for corporate bonds.

x. **Encouraging corporates to tap capital market:** Large corporates with borrowings from the banking system above a cut-off level would now be required to tap the market for a portion of their working capital and term loan needs. RBI has issued guidelines on 25.08.2016 on enhancing credit supply for large borrowers through market mechanism and the same will be effective from 01.04.2017.

xi. **Investor Protection: Revamp Bankruptcy Act and SARFAESI Act:** In order to achieve the objective behind the Bankruptcy Code, issues such as early notification of the rules, development of insolvency professionals, tribunal/court infrastructure and information utilities and quick redressal of the transitional problems, has been operationalized by Ministry of Corporate Affairs.

II. Reforms in Mutual Fund Industry

In order to mitigate risks arising on account of high levels of exposure in the wake of events pertaining to credit downgrades and put mutual funds in a better position to handle adverse credit events, it was decided to review restrictions on investments by Mutual funds at single issuer level, sector level and to introduce group level exposure limits for investment in debt instruments. These restrictions on investments by Mutual funds were discussed in 163rd SEBI Board meeting held on 11.01.2016

2.2 Pursuant to SEBI Board meeting, with respect to single issuer limits, SEBI (Mutual Funds) Regulations, 1996 (Regulations) were amended vide gazette notification dated 12.02.2016, wherein restrictions on investments were:

a) Merged for money market instruments and non-money market instruments at the scheme-level;
b) Reduced to 10% of Net Asset Value (NAV) extendable to 12% of NAV with the prior approval of the Board of Trustees and the Board of Asset Management Company.

With respect to sector level limits and group level limits, a circular was issued on 15.02.2016, wherein:

a) Single sector exposure limit were reduced from the current 30% of NAV to 25% of NAV and additional exposure limit provided for Housing Finance Companies (HFCs) in finance sector were reduced from 10% of NAV to 5% of NAV;
b) Group level limits were introduced for debt schemes wherein Mutual Funds/ Asset Management Companies (AMCs) were required to ensure that total exposure of debt schemes of mutual funds in a group (excluding investments in securities issued by Public Sector Units, Public Financial Institutions and Public Sector Banks) shall not exceed 20% of the net assets of the scheme. Such investment limit may be extended to 25% of the net assets of the scheme with the prior approval of the Board of Trustees.

Vide circular dated 25.02.2016 of SEBI, the unclaimed redemption and dividend amounts, that were allowed to be deployed only in call money market or money market instruments, were also allowed to be invested in a separate plan of Liquid scheme/ Money Market Mutual Fund scheme. AMCs shall not be permitted to charge any exit load in this plan and Total Expense Ratio (TER) of such plan shall be capped at 50 bps.

Further, to ensure Mutual Funds play a pro-active role in tracing the rightful owner of the unclaimed amounts:

a). Mutual Funds shall be required to provide on their website, the list of names and addresses of investors in whose folios there are unclaimed amounts.
b). AMFI shall also provide on its website, the consolidated list of investors across Mutual Fund industry, in whose folios there are unclaimed amounts. The information provided herein shall contain name of investor, address of investor and name of Mutual Fund/s with whom unclaimed amount lies.
c). Information at point (a) & (b) above may be obtained by investor only upon providing his proper credentials (like PAN, date of birth, etc.) along-with adequate security control measures being put in place by Mutual Fund / AMFI.
d). The website of Mutual Funds and AMFI shall also provide information on the process of claiming the unclaimed amount and the necessary forms / documents required for the same.

e). Further, the information on unclaimed amount along-with its prevailing value (based on income earned on deployment of such unclaimed amount), shall be separately disclosed to investors through the periodic statement of accounts / Consolidated Account Statement sent to the investors.

To increase penetration, vide circular dated 25.02. 2016, SEBI mandated that simple and performing Mutual Fund schemes, which are allowed to be sold by new cadre of distributors, shall also comprise of Retirement benefit schemes having tax benefits and Liquid schemes/ Money Market Mutual Fund schemes.

To increase transparency of information to investors, SEBI vide circular dated 18.03. 2016, has mandated the followings:

a). Each Consolidated Account Statement (CAS) issued to the investors shall provide the total purchase value / cost of investment in each scheme
b). CAS issued for the half-year(September/ March) shall also provide:

  i). The amount of actual commission paid by AMCs/Mutual Funds to distributors (in absolute terms) during the half-year period against the concerned investor's total investments in each Mutual Fund scheme.
  ii). The scheme's average Total Expense Ratio (in percentage terms) for the half-year period, of both direct plan and regular plan, for each scheme where the concerned investor has invested in.

To improve transparency as well as ease of access to Mutual Fund scheme related information, it was mandated, vide circular dated 18.03.2016, that:
Mutual Funds shall provide the following additional disclosures in the offer documents:

i). The tenure for which the fund manager has been managing the scheme shall be disclosed, along with the name of scheme's fund manager(s)
ii). Scheme's portfolio holdings (top 10 holdings by issuer and fund allocation towards various sectors), along with a website link to obtain scheme's latest monthly portfolio holding
iii). In case of Fund of Funds schemes, expense ratio of underlying scheme(s)
iv). Scheme's portfolio turnover ratio

The following additional disclosures shall be provided in Scheme Information Document (SID) of the Mutual Fund scheme:

i). The aggregate investment in the scheme under the following categories:
ii). AMC's Board of Directors
iii). Concerned scheme's Fund Manager(s) and
iv). Other key managerial personnel
v). Illustration of impact of expense ratio on scheme's returns (by providing simple example).

Separate SID for each Mutual Fund scheme managed by AMC shall also be made available on Mutual Funds / AMCs website.

Each Mutual Fund is required to have a dashboard on their website providing performance and key disclosures pertaining to each scheme managed by AMC. The information should include scheme's Assets under Management (AUM), investment objective, expense ratios, portfolio details, scheme's past performance, among others. Such information shall be provided in a comparable, downloadable (spreadsheet) and machine readable format.

To promote transparency in remuneration policies, so that executive remuneration is aligned with the interest of investors, it was mandated, vide circular dated 18.03.2016 that Mutual Funds /AMCs shall make the following disclosures pertaining to a financial year on the Mutual Fund/AMC website under a separate head – 'Remuneration':

a) Name, designation and remuneration of Chief Executive Officer (CEO), Chief Investment Officer (CIO) and Chief Operations Officer (COO) or their corresponding equivalent by whatever name called.
b) The ratio of CEO's remuneration to median remuneration of Mutual Fund/AMC employees.
c) Mutual Fund's total Average AUM, debt Average AUM and equity Average AUM and rate of growth over last three years.

III Data on Mutual Funds

The Indian mutual fund industry has registered robust growth during April-November 2016. Its net inflow has been highest since 2007-08 and the assets under management are at an all-time high.

Resource Mobilisation by Mutual Funds (in Rs crore)

Financial Year	**Gross Mobilization**	**Redemption**	**Net Inflow**	**Assets at the end of period**
1	**2**	**3**	**4**	**5**
2015-16	1,37,65,555	1,36,31,374	1,34,180	12,32,823
2016-17$	1,12,22,097	1,09,19,178	3,02,918	16,50,011

$ indicates April-November of the respective financial year.

IV. Enhancing Powers of Debenture Trustees

With a view to protect the interest of the Debenture Holders, the Government of India, has modified the definition of Secured Creditors under Securitization and Reconstruction of Financial Assets and Enforcement of Security Interests (SARFAESI) and Recovery of Debts Due to Banks and Financial Institutions (RDDBFI) Act to also include Debenture Trustee. The same has been notified, *vide* Gazette Notification 12.08.2016 (44 of 2016).

V. Other initiatives taken by SEBI in consultation with Department of Economic Affairs.

Amendment to the SEBI (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013 and SEBI (Issue and Listing of Debt Securities) Regulations, 2008:

On 25.05.2016, SEBI amended the SEBI (Issue and Listing of Non-Convertible and Redeemable Preference Shares) Regulations, 2013 and SEBI (Issue and Listing of Debt Securities) Regulations, 2008 to impose restrictions on wilful defaulters in the following manner:

It is stated that no issuer shall make any public issue of Non-Convertible and Redeemable Preference Shares /debt securities, if as on the date of filing of draft offer document or final offer document, the issuer or any of its promoters or directors is a wilful defaulter or it is in default of payment of interest or repayment of principal amount in respect of non-convertible redeemable preference shares issued by it to the public, if any, for a period of more than six months.

Further, the following disclosures shall also be made in case of listing of Non-Convertible and Redeemable Preference Shares /debt securities made on private placement:

i). Name of the bank declaring the entity as a wilful defaulter;
ii). The year in which the entity is declared as a wilful defaulter;
iii). Outstanding amount when the entity is declared as a wilful defaulter;
iv). Name of the entity declared as a wilful defaulter;
v). Steps taken, if any, for removal the from the list of wilful defaulter;
vi). Other disclosures, as deemed fit by the issuer in order to enable investors to take informed decisions;
vii). Any other disclosure as specified by the Board.

It has also been stated that the fact that the issuer or any of its promoters or directors is a wilful defaulter shall be disclosed prominently on the cover page with suitable cross referencing to the pages.

VI. Initiatives for strengthening the guidelines and raising industry standards for Credit Rating Agencies (CRAs)

In order to further strengthen the functioning of CRAs and match their practices with the best global practices, a committee comprising representatives from each CRA was constituted by SEBI. The Committee deliberated on various issues concerning the rating industry and submitted a comprehensive report with various recommendations to SEBI. With a view to implementing the recommendations guidelines were issued by SEBI vide its circular on 01.11.2016. The guidelines covers the following broad areas:

i). Formulation of Rating Criteria and rating processes and public disclosure of the same.
ii). Accountability of RatingAnalysts
iii). Standardisationof Press Releasefor rating actions.
iv). Functioning and evaluation of Rating Committees/Sub-Committees.
v). Disclosure of ratings in case of non-acceptance by an issuer
vi). Disclosure in case of delay in periodic review of ratings.
vii). Policy in respectofnon-co-operation by the issuer.
viii). Strengthening and enhancing the efficacy of Internal Audit of CRAs, viz.appointmentand rotation of auditors and scope of the audit.

These guidelines shall be effectively implemented within 60 days from the date of issue of this circular.

VII. Disclosures in case of listed insurance companies

SEBI circular No. CIR/CFD/CMD/15/2015 dated 30.11.2015 provides for formats for publishing financial results by listed companies. In view of the recent listing by insurance companies, in consultation with Insurance Regulatory and Development Authority of India (IRDAI), it was clarified vide circular dated 24.10.2016 that insurance companies (life and non-life) shall submit quarterly financial results and segment wise reporting for quarters ending 30.09. 2016 and 31.12. 2016 in the format as specified by IRDAI. The format for Newspaper Publishing Purpose (Standalone/Consolidated) shall continue to be made in SEBI-prescribed format. Additional disclosures may also be made as prescribed by IRDAI. The other requirements specified by SEBI under previous circulars shall continue to apply to insurance companies.

VIII. Revised formats for financial results and implementation of Ind AS by listed entities

A circular on revised formats for financial results and implementation of Ind AS by listed entities has been issued. The circular provides various relaxations to the listed entities to which Companies (Indian Accounting Standards) Rules, 2015 are applicable from the accounting period beginning on or after 01.04.2016. The relaxations pertain to timelines for submitting financial results, comparative periods to be presented and requirement of audit/limited review of comparative figures during the first year of Ind AS implementation.

IX. Extension of the Applicability of Business Responsibility Reporting Requirements

SEBI had earlier mandated business responsibility reporting (BRR) requirements in its annual reports for the top 100 listed entities based on market capitalization. The key principles which are required to be reported by the listed entities include areas such as environmental, social and economic responsibilities, governance and stakeholders' relationships. The applicability of BRR requirements has now been extended to the top 500 listed entities based on market capitalization as on March 31st of every year. As a green initiative, business responsibility reports can be made available on the websites of the companies, while providing links to the websites in the annual reports.

U. Secondary Market

I. Indian markets performance

Indian markets recorded modest growth of 2 - 3.5 per cent (Sensex was up by 2.05 per cent while Nifty was higher by 3.5 per cent) till 30th November, 2016 as compared to the levels on 31st December, 2015. Among the selected world indices, Brazil's Ibovespa registered the highest percentage change of 42.81 percent in the given period.

Table 1

Performance of Major Markets in the World

Index	Last Trading Day of 2014	Last Trading Day of 2015	30th Nov, 2016	% change in 2016 over 2015 (as on 30th November, 2016)
S&P BSE SENSEX	27499.42	26117.54	26652.81	2.05
NSE CNX NIFTY	8282.7	7946.35	8224.5	3.50
S&P 500	2058.9	2043.94	2198.81	7.58
DAX	9805.55	10743.01	10640.3	-0.96
FTSE 100	6566.09	6242.32	6783.79	8.67
NIKKEI 225	17450.77	19033.71	18308.48	-3.81
HANG SENG	23605.04	21914.40	22789.77	3.99
BRAZIL IBOVESPA	50007.41	43349.96	61906.36	42.81
KOSPI	1915.59	1961.31	1983.48	1.13
DOW JONES INDUS. AVG	17823.07	17425.03	19123.58	9.75
SHANGHAI SE	3234.677	3539.18	3250.035	-8.17
CAC 40	4272.75	4637.06	4578.34	-1.27

Source: NSE

Since the secondary market is a barometer of the country's financial health, global and domestic factors have a sizable impact on the performance of the Indian markets. Market sentiments in India during the calendar year were, as expected, affected by a wide range of factors, domestic and international. Some of the closely watched developments were the Brexit, the US Presidential elections as well as policy announcements by the US Federal Reserve and the Reserve Bank of India (RBI). In addition, other factors which weighed on market sentiment included the policy decisions taken by the OPEC regarding oil production and the appointment of the new governor of the RBI.

Table 2

Net FPI/FII Investment in India in 2010-2016 (in INR Crores)

Segments	2010	2011	2012	2013	2014	2015	2016*
Equity	133266	-2714.3	128359.8	113136	97054	17808	28485
Debt	46408.1	42067	34988	-50849	159156	45857	-42761
Total	179673.9	39352.9	163347.9	62286	256213	63663	-14276

*Investments upto December 15, 2016

Source: NSDL

Furthermore, a negative feedback loop arising from productivity and global trade slowdowns and rising protectionism is adding to the pessimistic outlook on global recovery. In the external sector, the narrowing of the current account deficit is, to a significant extent, an indication of the external spill-overs, though capital flows, more than trade, are likely to impact exchange rates. The decline in the flow of remittances and reversal in global commodity prices remain potential sources of stress. While the spill-over of global events on the domestic economy may continue to be significant, reduced policy uncertainty, along with tax and legislative reforms are expected to help in realizing the benefits from the strong macroeconomic fundamentals. The initiatives such as the withdrawal of legal tender status of specified bank notes have the potential for transforming the domestic economy, notwithstanding the adverse impact on economic activity in the short term. On the policy front, the consensus arrived at in implementing the nationwide goods and services tax (GST) has been a significant development with a huge potential for promoting domestic trade and growth. The enactment of the national bankruptcy law is another significant reform.

Major Reforms in the Secondary Markets

II. Passing of Amendments to Section 20 of Indian Trust Act, 1882

Section 20 of The Indian Trusts Act, 1882 was amended to provide trustees greater autonomy and flexibility to take decisions on investment of money held by private trusts. The amendments were notified in the Gazette on 27th July, 2016. The said amendment also removed certain outdated provisions in Section 20 of the Act of 1882 and empowered the Central Government to notify the securities or class of securities eligible for investment by a private trust.

III. Creating one account for all financial asset holdings

Pursuant to the Union Budget announcements, RBI issued the Non-Banking Financial Company – Account Aggregator (Reserve Bank) Directions, 2016 on 2nd September, 2016 to facilitate the Indian financial sector consumers to view all their financial assets through one account held with an entity called account aggregator, which pulls information from the various financial institutions where these assets (shares, fixed deposits etc.) are held.

IV. Increasing foreign investment limit in stock exchanges from 5% to 15%

Pursuant to the Union Budget 2016-17 announcement, Cabinet in July 2016, approved the decision to increase foreign shareholding limit in Indian Stock Exchanges from 5% to 15% for a foreign stock exchange, depository, banking company, insurance company, and commodity derivative exchange. Consequent amendments to SEBI Regulations, FEMA regulations and the DIPP Consolidated FDI circular are being carried out. This proposal will help enhance global competitiveness of Indian stock exchanges by accelerating/facilitating the adoption of latest technology and global best practices leading to overall growth and development of the Indian capital market.

V. Measures for curbing mis-selling and rationalising the incentive structure for various financial products

A Committee chaired by Shri Sumit Bose, former Union Finance Secretary and Member, Expenditure Commission, was constituted in November, 2014 to recommend measures for curbing mis-selling and rationalising the incentive structure for various financial products. The said Committee submitted its Report in August, 2015. The recommendations of the Committee are currently under examination for timely implementation. Meanwhile, SEBI vide circular dated March 18, 2016, mandated that each Consolidated Account Statement (CAS) issued to the investors shall provide the total amount of actual commission paid by AMCs/Mutual Funds to distributors (in absolute terms) against the concerned investor's total investments in each Mutual Fund scheme. Further, it should also disclose, the scheme's average Total Expense Ratio (in percentage terms) for the relevant half-year period, of both direct plan and regular plan, for each scheme where the concerned investor has invested in.

VI. Bringing clarity to Succession Rules in respect of securities held in demat account

SEBI Circular dated 28th October 2013 imposed restrictive conditions for the transmission of securities including the requirement of a No Objection Certificate from all legal heirs even in cases where clear directions are given in the Wills. This matter was taken up with SEBI following which necessary modifications for simplifying the process of transmission of shares have been brought about, vide SEBI's Circular dated 15th September 2016.

VII. Providing exit opportunity to investors of exclusively listed companies of De-recognized/Non-operational/exited Stock Exchanges

In order to fulfill the listing requirements of the nationwide stock exchanges, SEBI, vide its Circular dated 10th October, 2016, permitted the exclusively listed companies of de-recognized/non-operational stock exchanges to raise capital through preferential allotment route without attracting the provisions of takeover code. SEBI, further mandated that those exclusively listed companies which are unable to list on the nationwide stock exchanges under the mechanism provided therein shall provide an exit opportunity to their investors in accordance with the procedure prescribed in the said Circular. For this purpose, the promoter of the exclusively listed company shall, in consultation with the designated stock exchange, appoint an independent valuer from the panel of expert valuers of the designated stock exchange. If the fair value so determined is positive, the promoter shall make payment consideration to the public shareholders. Further, the promoter is required to acquire the shares of the shareholders who have not offered their shares under the exit offer up to a period of one year from the completion of the offer at the same price determined by the valuer. The Circular also states that the designated stock exchange shall remove the company from the Dissemination Board after the promoters certify to the satisfaction of the designated stock exchange that appropriate procedure has been followed for providing exit to the shareholders.

VIII. Simplification of procedure of delisting by small companies

SEBI (Delisting of Equity Shares) Regulations, 2009 provide for a simplified procedure of delisting for small companies, as defined therein, and exempt them from certain requirements as specified in the regulations, subject to certain conditions. One of the conditions stipulates that shares of the company should not have been traded during the one year period preceding the date of board meeting. The said condition has been modified. Henceforth, even if there has been some trading during the last twelve calendar months and the same is less than 10% of the total number of shares, the company would be eligible for the simplified procedure of delisting.

However, to protect the interests of investors, it has been specified that the exit price should not be less than the floor price determined for the purpose of Reverse Book Building in respect of infrequently traded shares in terms of these Regulations read with SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 2011.

IX. Compulsorily Delisting Companies suspended for long

The exchanges have initiated the process of delisting those companies which have been under suspension for a long duration and hence, have not been compliant with the listing requirements. Accordingly, a public notice dated 25 August, 2016 was issued by BSE communicating the delisting of 194 companies with effect from 17 August, 2016. Further, NSE issued a public notice dated 14 August, 2016 communicating the delisting of 14 companies with effect from 31 August, 2016. Subsequently, NSE issued public notices dated 27 August, 2016 and

5 November, 2016 respectively regarding the delisting of 20 companies with effect from 12 September, 2016 and 14 companies with effect from 22 November, 2016. The rights of public shareholders in case of compulsory delisting have been specified under Regulation 23 of the Delisting Regulations. It states that the promoters of the compulsorily delisted company shall acquire shares from the public shareholders by paying them the fair value determined by the independent valuer, subject to their option of retaining their shares. In addition, in order to ensure effective enforcement of exit option to the public shareholders SEBI vide Circular dated 7 September, 2016 directed that in case of such companies whose fair value is positive, the said company and the Depositories shall not effect transfer, by way of sale, pledge, etc., of any of the equity shares. Further, corporate benefits such as dividend, rights, bonus shares, split, etc. shall be frozen for all the equity shares held by the promoters/ promoter group till the promoters of such company provide an exit option to the public shareholders in compliance with the Delisting Regulations, as certified by the concerned recognized stock exchange. The promoters and whole-time directors of the compulsorily delisted company shall also not be eligible to become directors of any listed company till the exit option as stated above is provided.

X. Dividend distribution policy for listed companies

On 19th May, 2016, the SEBI Board approved a proposal for the top 500 listed companies (by way of market capitalization) to formulate and disclose their dividend distribution policies in the annual reports and on their websites. This step will help the investors to know as to when and how much dividend they may expect from the companies enabling them to take well informed investment decisions.

XI. Grant of Permanent Registration to Market Intermediaries

SEBI has been following a two-step process for grant of registration to market intermediaries, namely, initial registration for a period of 3/ 5 years, as the case may be, followed by grant of permanent registration.

Considering satisfaction of “fit and proper person” criteria on a continuous basis and sophisticated on-site and offsite supervision mechanism put in place by SEBI in terms of inspections, reporting etc., SEBI Board in its meeting held on 23rd September, 2016 decided that henceforth only permanent registration shall be granted to particular categories of intermediaries, which would serve to facilitate “ease of doing business” for the market intermediaries.

XII. Investor Protection Fund (IPF) of Depositories

Based on recommendations of the Depository System Review Committee (DSRC) and the Expert Committee on Clearing Corporations, vide circular dated 7th June, 2016 SEBI has prescribed guidelines with regard to IPF of Depositories which includes guidelines regarding utilization of IPF, constitution and management of IPF, contribution to IPF and investments of funds of IPF Trust.

XIII. Client Registration Documents in Vernacular Languages

In the interest of investors and to help them to better understand the nuances of securities market in their native language other than English, SEBI directed the Stock Exchanges to provide several registration documents in 15 vernacular languages viz. Assamese, Bengali, Guajarati, Hindi, Kannada, Kashmiri, Konkani, Malayalam, Marathi, Odisha, Punjabi, Sindhi, Tamil, Telugu and Urdu.

V. External Markets

I. FPI Investments in Unlisted Debt securities

In his Budget speech 2016-17 Hon'ble FM has announced various measures for deepening of corporate bond market. One of the measures suggested was "Investment basket of foreign portfolio investors will be expanded to include unlisted debt securities and pass through securities issued by securitisation SPVs" This will allow FPIs to invest in unlisted non-convertible debentures/bonds issued by both public and private limited companies, subject to end-use restrictions. FPIs would also be allowed to purchase these securities in both primary and secondary market. These relaxations would serve the broader perspective of the market by enabling a wider range of corporate borrowers to access foreign capital through corporate bond route and give the necessary impetus to the domestic corporate bond markets. FEMA regulations in this regard were issued on October 24, 2016.

II. Issuance of Rupee Denominated Overseas Bonds by Banks

With a view to develop the market for rupee denominated bonds overseas, as also to provide an additional avenue for banks to raise Additional Tier I capital and Tier II capital, RBI in consultation with Ministry of Finance in August, 2016 has permitted banks to issue Perpetual Debt Instruments (PDI) qualifying for inclusion as Additional Tier 1 capital and debt capital instruments qualifying for inclusion as Tier 2 capital, by way of rupee denominated bonds overseas. Further, banks have been allowed to issue rupee denominated bonds overseas under the extant framework of incentivising issuance of long term bonds by banks for financing infrastructure and affordable housing.

III. External Commercial Borrowings Framework

Taking into consideration the prevailing external funding sources, particularly for long term lending and the critical needs of infrastructure sector of the country, Government of India with the objective to promote investments in infrastructure projects, has further reviewed the extant ECB guidelines in consultation with the Reserve Bank of India in March 2016. It has been decided to allow companies in infrastructure sector, Non-Banking Financial Companies-Infrastructure Finance Companies (NBFC-IFCs), NBFCs-Asset Finance Companies (NBFC-AFCs), Holding Companies and Core Investment Companies (CICs) to raise foreign currency denominated

External Commercial Borrowings (ECB) with minimum average maturity period of 5 years subject to 100 per cent hedging.
Government of India has also recently allowed introduction of a new ECB framework for start-ups by RBI, whereby, each startup is allowed to borrow upto USD 3 million or equivalent per financial year either in INR or any convertible foreign currency or a combination of both.

IV. Simplified procedure for establishment of Branch Office (BO)/Liaison Office (LO)/ Project Offices (PO) in India by Foreign Entities

The establishment of BO/LO/PO in India by foreign entities is regulated in terms of FEMA Regulations. As a measure towards improving the ease of doing business, it has now been decided that except for a few sectors viz Defence, Telecom, Private Security, Information and Broadcasting and Government & Non-government organizations, the power to grant LO/BO/PO approvals would be delegated to the Authorised Dealers Category-I Banks. Further, anyone who has been awarded a contract for a project by a Government authority/PSU should be automatically given approval to open a bank account. RBI on May 12, 2016 has issued detailed guidelines in this regard.

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