



**BUDGET
ANALYSIS**
IMPACT ON REGULATORY

Highlights of changes in allied laws as per the Finance Bill 2017

Permissible investments by a Trust regulated by the Indian Trust Act 1882:

Trustees permitted to invest the unutilised money as per the provisions of the Trust Deed or in any securities notified by the Central Government in the Official Gazette.

Impact: Likely to broaden the investment avenue for private trusts.

Election Funding:

Schedule Commercial Banks permitted to issue "Electoral Bonds" under a Scheme to be notified by the Central Government. Such Bonds can be donated to Political Parties. The Political Parties receiving such Bonds as contributions are not required to report the receipts of such Bonds to the Election Commission. Such contributions received by the Political Parties will be eligible for entitlement of tax reliefs under the Income Tax Act 1961.

Impact: Measure to boost transparency and accountability in funding of political parties and preventing generation of unaccounted money.

Oil Industry Development Fund:

Funds in the Oil Industry Development Fund set up under the Oil Industry (Development) Act 1974 can now be also used for meeting expenditure:

- a) To be incurred by the Central Public Sector Undertaking in the Oil and Gas sector on behalf of the Central Government; and
- b) On any scheme or activity by the Central Government relating to Oil and Gas sector.

Impact: Funding of Oil and Gas PSUs will support various government initiatives in Oil and Gas Sector.

Payment Regulatory Board:

Payments Regulatory Board is to be constituted replacing the existing Board for Regulation and Supervision of Payment and Settlement Systems. The proposed Board to have equal representatives from within RBI and the Government of India. The powers and functions of the Payment Regulatory Board to be prescribed.

Impact: measure to ensure transparency in regulating the Payment and Settlement Systems.

The proposed amendments to the Securities and Exchange Board of India Act, 1992 (SEBI Act) are related to the Securities Appellate Tribunal (SAT) under the SEBI Act.

Particulars	Securities and Exchange Board of India Act, 1992	
	Existing provisions	Proposed changes under the Finance Bill, 2017
Number of SAT	Possible to have 1 or more SAT	Only 1 SAT
Jurisdiction of SAT	No provision to set up jurisdictional Benches	SAT may have 1 or more jurisdictional benches
Members of SAT	Presiding Officer and 2 members to be determined by Central Government	Presiding Officer, Judicial Members and Technical Members to be determined by Central Government

Impact: Structural changes in the constitution of SAT by inclusion of judicial members and technical members to ensure that the decisions are balanced from point of view of sector specialties and legal expertise and experience.

Highlights of the winds of change in the regulatory landscape

Financial Sector

Foreign Direct investment

- Foreign Investment Promotion Board (FIPB) proposed to be abolished in 2017-18. Detailed plans will be announced in due course
- Further liberalization of FDI policy is under consideration

Impact: Will result in ease of doing business in India

Commodities exchange

- Expert committee will be constituted to study and promote creation of an operational and legal framework to integrate spot market and derivatives market in the agricultural sector, for commodities trading. e- NAM to be an integral part of the framework
- Commodities and securities derivative markets will be further integrated by integrating the participants, brokers, and operational frameworks

Impact: proposed integration is likely to benefit the farm community, consumers and other stakeholders.

Securities exchange

- Process of registration of financial market intermediaries like mutual funds, brokers, portfolio managers, etc. will be made online by SEBI
- Systemically important NBFCs regulated by RBI and above a certain net worth, to be categorised as Qualified Institutional Buyers (QIBs). This will strengthen the IPO market and channelize more investments
- SEBI, RBI and CBDT will jointly put in place necessary common systems and procedures

for registration, opening of bank and demat accounts and issue of PAN for Foreign Portfolio Investors (FPIs)

- Individual demat accounts to be linked with Aadhaar

Impact: Will result in ease of doing business in India

Other Measures

- Security Receipts (SR) issued by a securitisation company or a reconstruction company under the SARFAESI Act will be permitted for listing and trading on stock exchanges

Impact: This will provide an exit opportunity to investors in SRs and enhance capital flows

- Bill to curtail menace of illicit deposit schemes, Ponzi schemes etc. will be introduced. A bill relating to resolution of financial firms will be introduced.

Impact: This will contribute to stability and resilience of our financial system

- A mechanism to streamline institutional arrangements for resolution of disputes in infrastructure related construction contracts, PPP and public utility contracts will be introduced as an amendment to the Arbitration and Conciliation Act 1996

Impact: Quick resolution of disputes to boost infra funding and encourage PPP arrangements in infra sector.

- To safeguard integrity, stability of the Financial Sector and enhance cyber security, the Computer Emergency Response Team (CERT-Fin) will be established. CERT – Fin will coordinate its activities with financial sector regulators and other stakeholders

Impact: This is to enhance confidence of stakeholders in the government's push for Digital India.

Labor laws

- Model Shops and Establishment Bill 2016 circulated to all States for consideration will be adopted.
- Legislative reforms to be undertaken to rationalize and amalgamate existing labor laws into 4 codes as under:
 - a) Wages
 - b) Industrial Relations
 - c) Social Security and Welfare
 - d) Safety and Working Conditions

Impact: These are likely to lead to rationalization of labor laws, protect and harmonize labor relationship leading to higher productivity.

Trade and Commerce

- A new and restructured Trade Infrastructure for Export Scheme (TIES) to be launched in 2017-18

Impact: measure to promote export infrastructure in competitive world.

Pharma Sector

- Drugs and Cosmetics Rules will be amended to ensure availability of drugs at reasonable prices and promote use of generic medicines
- New rules for regulating medical devices to be formulated and internationally harmonized to reduce cost of such devices

Impact: ensuring drugs and medical devices are made available at a reasonable price.





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