7th February 2019

Decisions taken by Union Cabinet

Cabinet approved Proposal for Official Amendments to the Banning of Unregulated Deposit Schemes Bill, 2018: The Union Cabinet has given its approval to move official amendments to the Banning of Unregulated Deposit Schemes Bill, 2018, pursuant to the recommendations of the Standing Committee on Finance (SCF). The Banning of Unregulated Deposit Schemes Bill, 2018 was introduced in Parliament on 18th July, 2018 and was referred to the SCF, which submitted its Seventieth Report on the said Bill to Parliament on 3rd January, 2019. The official amendments will further strengthen the Bill in its objective to effectively tackle the menace of illicit deposit taking activities in the country, and prevent such schemes from duping poor and gullible people of their hard earned savings.

Salient features:

The Bill contains a substantive banning clause which bans Deposit Takers from promoting, operating, issuing advertisements or accepting deposits in any Unregulated Deposit Scheme. The principle is that the Bill would ban unregulated deposit taking activities altogether, by making them an offence ex-ante rather than the existing legislative-cum-regulatory framework which only comes into effect ex-post with considerable time lags;

- The Bill creates three different types of offences, namely, running of Unregulated Deposit Schemes, fraudulent default in Regulated Deposit Schemes, and wrongful inducement in relation to Unregulated Deposit Schemes.
- The Bill provides for severe punishment and heavy pecuniary fines to act as deterrent.
- The Bill has adequate provisions for disgorgement or repayment of deposits in cases where such schemes nonetheless manage to raise deposits illegally.
- The Bill provides for attachment of properties / assets by the Competent Authority, and subsequent realization of assets for repayment to depositors;
- Clear-cut time lines have been provided for attachment of property and restitution to depositors;
- The Bill enables creation of an online central database, for collection and sharing of information on deposit-taking activities in the country;
- The Bill defines “Deposit Taker” and “Deposit” comprehensively;
- “Deposit Takers” include all possible entities (including individuals) receiving or soliciting deposits, except specific entities such as those incorporated by legislation;
- “Deposit” is defined in such a manner that deposit-takers are restricted from camouflaging public deposits as receipts, and at the same time, not to curb or hinder acceptance of money by an establishment in the ordinary course of its business; and
- Being a comprehensive Union Law, the Bill adopts best practices from State laws, while entrusting the primary responsibility of implementing the provisions of the legislation to the State Governments.

Cabinet approved establishment of a unified authority for regulating all financial services in International Financial Services Centres (IFSCs) in India through International Financial Services Centres Authority Bill, 2019: The Union Cabinet has approved establishment of a unified authority for regulating all financial services in International Financial Services Centres (IFSCs) in India through International Financial Services Centres Authority Bill, 2019.

The first IFSC in India has been set up at GIFT City, Gandhinagar, Gujarat. An IFSC enables bringing back the financial services and transactions that are currently carried out in offshore financial centers by Indian corporate entities and overseas branches / subsidiaries of financial institutions (FIs)to India by offering business and regulatory environment that is comparable to other leading international financial centers in the world like London and Singapore. It would provide Indian corporates easier access to global financial markets. IFSC would also compliment and promote further development of financial markets in India.

Currently, the banking, capital markets and insurance sectors in IFSC are regulated by multiple regulators, i.e. RBI, SEBI and IRDAI. The dynamic nature of business in the IFSCs necessitates a high degree of inter-regulatory coordination. It also requires regular clarifications and frequent amendments in the existing regulations governing financial activities in IFSCs. The development of financial services and products in IFSCs would require focussed and dedicated regulatory interventions. Hence, a need is felt for having a unified financial regulator for IFSCs in India to provide world class regulatory environment to financial market participants. Further, this would also be essential from an ease of doing business perspective. The unified authority would also provide the much needed impetus to further development of IFSC in India in-sync with the global best practices.

Taking into account the regulatory requirements of IFSCs and the provisions of the existing laws of financial sector, the Department of Economic Affairs (DEA), Ministry of Finance (MoF) has prepared a draft Bill to set up a separate unified regulator for IFSCs. Following are the main features of the Bill:

Management of the Authority: The Authority shall consist of a Chairperson, one Member each to be nominated by the Reserve Bank of India (RBI), the Securities Exchange Board of India (SEBI), the Insurance Regulatory and Development Authority of India (IRDAI) and the Pension Fund Regulatory and Development Authority (PFRDA), two members to be dominated by the Central Government and two other whole-time or full-time or part-time members.

Functions of the Authority: The Authority shall regulate all such financial services, financial products and FIs in an IFSC which has already been permitted by the Financial Sector Regulators for IFSCs. The Authority shall also regulate such other financial products, financial services or FIs as may be notified by the Central Government from time to time. It may also recommend to the Central Government such other financial products, financial services and financial institutions which may be permitted in the IFSCs.

Powers of the Authority: All powers exercisable by the respective financial sector regulatory (viz. RBI, SEBI, IRDAI, and PFRDA etc.) under the respective Acts shall be solely exercised by the Authority in the IFSCs in so far as the regulation of financial products, financial services and FIs that are permitted in the IFSC are concerned.

Processes and procedures of the Authority: The processes and procedures to be followed by the Authority shall be governed in accordance with the provisions of the respective Acts of Parliament of India applicable to such financial products, services or institutions, as the case may be.

Grants by the Central Govt.: The Central Govt. may, after due appropriation made by Parliament by law in this behalf, make to the Authority grants of such sums of money as the Central Government may think fit for being utilized for the purposes of the Authority.

Transactions in foreign currency: The transactions of financial services in the IFSCs shall be done in the foreign currency as specified by the Authority in consultation with the Central Govt.

The establishment of a unified financial regulator for IFSCs will result in providing world-class regulatory environment to market participants from an ease of doing business perspective. This will provide a stimulus for further development of IFSCs in India and enable bringing back of financial services and transactions that are currently carried out in offshore financial centres to India. This would also generate significant employment in the IFSCs in particular as well as financial sector in India as a whole.

Cabinet approved establishment of Rashtriya Kamdhenu Aayog for Conservation protection and development of cows and their progeny: The Union Cabinet has approved the proposal for establishment of Rashtriya Kamdhenu Aayog for Conservation protection and development of cows and their progeny.

Impact:

The setting up of Rashtriya Kamdhenu Aayog will lead to conservation, protection and development of cattle population in the country including development and conservation of indigenous breeds.

It will result in increased growth of livestock sector which is more inclusive, benefitting women, and small and marginal farmers.

The Rashtriya Kamdhenu Aayog will work in collaboration with Veterinary, Animal Sciences or Agriculture University or departments or organizations of the Central/State Government engaged in the task of research in the field of breeding and rearing of cow, organic manure, biogas etc.

Cabinet approved introduction of National Institutes of Food Technology, Enterpreneurship and Management Bill, 2019 in the Parliament: The Union Cabinet has approved the introduction of National Institutes of Food Technology, Entrepreneurship and Management Bill, 2019.

The objective of the bill is to confer the status of Institutions of National Importance to National Institute of Food Technology, Entrepreneurship and Management (NIFTEM) at Kundli, Haryana, and the Indian Institute of Food Processing Technology (IIFPT) at Thanjavur, Tamil Nadu.

Benefits:

The legislation would provide for functional autonomy to the institutes to design and develop courses, undertake research activities and leverage enhanced status in their academic pursuits, so that they become world class institutes. The institutes would implement the reservation policy of the Government and would also undertake special outreach activities for the benefits of concerned stakeholders. It would enable the institutes to provide world class teaching and research experience by adopting innovative practices.

(Source: PIB, GoI)

Eapen Kalapurakal
Secretary