FINANCE BULLETIN

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EDITORIAL

Dear friends,

The implementation of convergence to IFRS, earlier planned, from 1.4.2011 had been deferred at the request of the Industry associations so that the clarity on the implications of income tax issues on the convergence to IFRS are better understood by the industry. This gives a chance to industry even to sort out with the government on the avoidable tax disputes that could arise if government unilaterally issues orders for convergence with IFRS ignoring the industry demands Further, the deferment also would enable all concerned to understand the requirements and gives some more time to gear up for convergence with the IND AS issued by ICAI which are now notified by government.

Supreme Court's latest decision that PSUs/PSEs can now pursue their appeals with Tribunals and Courts without the need of getting the clearance of Committee on Disputes (COD) of Ministry of Finance is a very welcoming feature.

I have not covered in this issue, anything relating to Finance Bill 2011/Budget 2011, as information on these is available to you through various channels.

Trust this issue covers all the major happenings which will help in the Professional updation.
Regards,
R.Satyanarayana

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QUOTES FOR THE MONTH

1. The most successful corporate leaders, constantly challenge their own assumptions and limitations, and seek new and enlarged paradigms

- RICHARD T PASCALE

2 Action Learning is a system of management education in which a group of working managers learns by discussing one another's practical problems

- REG REVANS

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GENERAL

- **Padma Awards for ICWAI ICONs:** The recipients of the prestigious Padma Awards for the year 2011 by Government of India includes ICWAI ICONs-Ms. Chanda Kochhar of ICICI who was conferred with Padma Bhushan and Mr. Raghavendra Rao of Orchid Chemical and Fertilizers Limited had been awarded with Padma Shree.
- **Villages to have banks**: In accordance with the Centre's policy to open more banks in rural areas, a target has been set to open at least one bank branch in each of the 72,000 villages in the country by 2012, Union Finance Minister Pranab Mukherjee said vide The Business Standard dated 1st March,2011
- **Technology Advisory Group for Unique Projects (TAGUP):** The report of the TAGUP was submitted to Finance Minister by Mr.Nandan Nilekani Chairman of TAGUP study on 4th Feb,2011- The Group recommends that for complex IT intensive projects (especially for those referred to in the Terms of Reference and generally to IT mission critical projects in Government)- **National Information Utilities (NIUs)** working in the spirit of partnership with Government be put in place to handle all aspects of IT systems, in private sector. Further, the group also recommended the setting-up a **Goods and Services Tax Network** which has the characteristics of an NIU as per this Report vide website: http://finmin.nic.in/
- **Senior citizens concession in Railways:** In the Rail Budget the Railways Minister proposed that the concession to senior citizens in the fares would be increased to 40% from 30% and the age for senior citizens in respect of women is reduced to 58 from present 60 years prescribed.

LABOUR LAWS

- **EPFO launches web based claims enquiry module.**
- **EPFO cadre restructuring plans:** The Employees' Provident Fund Organization (EPFO) has prepared a comprehensive cadre restructuring plan drawing parallels with the Income Tax department vide The Business Standard dated 15th Feb,2011.

RESERVE BANK OF INDIA

- **Interest subvention on housing loans upto Rs 10 lacs**: RBI had issued revised and clarificatory guidelines for banks regarding claiming from government of 1% interest subvention on housing loans up to Rs 10 lacs. Loans sanctioned prior to October 01, 2009 would not qualify for reimbursement under the Scheme vide No. RBI/2010-11/ 399 RPCD.SME & NFS. BC.No. 52/06.11.01/2010-2011 dated 8th Feb, 2011.
- **Investment by Primary Dealers(PDs):** RBI informed that henceforth PDs are permitted to invest in NCDs with original or initial maturity up to one year issued by the corporates (including NBFCs). However, their investments in such unlisted NCDs should not exceed 10 per cent of the size of their non-G-Sec portfolio on an on-going basis vide RBI/2010-11/401IDMD. PCD.No. 26/14.03.05/2010-11 dated 10th Feb, 2011.
- **Banks can spread pension liability**: The Reserve Bank of India (RBI) decided to allow public sector banks to expense their pension and enhanced gratuity liabilities over five years. The RBI move

comes as a breather for banks experiencing a quantum increase in liabilities after the government raised the gratuity limit .vide smartinvestor.in dated 10th Feb, 2011.

- **Banks investments in Zero coupon Bonds**: RBI notified that banks should not, henceforth invest in ZCBs unless the issuer builds up a sinking fund for all accrued interest and keeps it invested in liquid investments/securities (Government bonds) vide RBI/2010-11/409 UCB (PCB) BPD Cir.No. 36/16.20.000/2010-11 dated 18th Feb,2011
- **Master circular on Micro Credit**: RBI issued a master circular on Micro Finance incorporating all its circulars/instructions on the subject upto 31st Jan,2011 vide RBI/2010-11/407/RPCD.FID BC No.53/12.01.01/2010-11 dated 14th Feb,2011
- **NBFC minimum Capital ratio**: All NBFCs shall maintain a minimum capital adequacy ratio consisting of Tier I and Tier II Capital of 15% upto 31st March,2012 vide RBI/2010-11/408 DNBS.PD/CC.No.211/03.03..002/2010-11 dated 17th Feb,2011.
- **RBI planning to issue plastic currency**: The Reserve Bank of India is planning to introduce, on a pilot basis, plastic notes of Rs 10 denomination in the jurisdiction of five out of its 22 regional offices. Given that India is a large cash economy and producing such a large amount of currency is expensive, the RBI is exploring the option for economizing by replacing paper currency with plastic currency as some countries such as Singapore and Australia have already done vide The Businesslines dated 26th Feb,2011

ACCOUNTS & AUDIT

- **Government defers implementation of IFRS:** The government has deferred the implementation of international financial reporting standards, acknowledging industry demand to extend the April 1 deadline to remove ambiguities on taxation issues. The date of implementation of converged Indian accounting standards will be notified at a later date Vide The Economic Times dated 26th Feb,2011
- **Indian Accounting Standards converged with IFRS notified**: Thirty five Indian Accounting Standards converged with International Financial Reporting Standards (henceforth called IND AS) are being notified by the Ministry and placed on the website. The date of implementation of the IND AS will be notified by the Ministry at a later date. The Press Release and IND ASs are available on the Ministry's website at www.mca.gov.in vide RCJ/VL/PT-Corporate Affairs Press Note dated 25th Feb,2011
- **Adverse audit report:** A panel appointed by the Securities Exchange Board of India, (Sebi), has cleared a proposal that requires listed companies to restate their financial statements if their auditor comes up with adverse comments, commonly called audit qualifications. The decision, if endorsed by the Sebi board, will give the stock exchanges an overarching authority to call for restatements of a company's accounts vide The Times of India dated 8th Feb, 2011.
- **Bombay Chartered Accountants Society (BCAS) launches WEBTV:** BCAS launched the BCAS Web TV. Pay the subscription charges for BCAS and you will be emailed a user id and password, then log on to www.bcasonline.tv and view the videos or hear the audios of select events conducted by BCAS. The subscription is Rs. 600 per annum subject to maximum download of 4 GB per month (average 20 videos).
- **Professional indemnity insurance to CAs**: CA. Amarjit Chopra, President, ICAI has signed an MOU with New India Assurance Co. Ltd. on 10th February 2011 extending facility for insurance against professional indemnity for members and CA Firms. The scheme provides indemnity insurance for members covering risk of Rs 10 lakhs with extension of allied professional colleagues and for CA Firms including partners' coverage of Rs 1

to 2 crores. This is a renewable scheme for 12 months applicable to all the members and CA Firms of ICAI vide www.taxguru.in

- **Academic publications by ICWAI**: To provide value added services for the students of ICWAI, Academics Directorate has taken the initiatives to come out to release publications -Books on Cost and Management Accounting " and "Financial Accounting and Compendium on - Management Accounting - Enterprise Performance Management vide www.icwai.org
- **Professional development books**: The Professional Development Directorate of ICWAI has brought out publications- **1.** Risk Based Internal Audit & Concurrent Audit of Commercial Banks **2**. Revised 6th Edition of Guidance Note on Valuation Audit under Central Excise Law **3.** Revised 3rd Edition of Guidance Note on CENVAT Audit under Central Excise Law **4.** Revised 2nd Edition of Guidance Note on Value Added Tax, Its Accounting & Auditing **5.** Members' Handbook 3 Volumes (for members in Practice and Employment vide www.icwai.org
- **Draft guidance for SMEs by IASB**: The International Accounting Standards Board's SME Implementation Group has published its first draft guidance on International Financial Reporting Standards for small and midsized companies for comments by public by 4th April,2011 vide http://go.ifrs.org/IFRS+for+SMEs+QandA.
- **Members of Institutes can form LLPs**: The corporate affairs ministry will propose changes in the laws governing three professional institutes (ICAI,ICWAI,ICSI)in the budget session of Parliament so that their members are allowed to form limited liability partnerships (LLPs) vide livemint.com

INCOME TAX

- **COD approval no longer required**: PSUs would no longer be required to obtain COD approval in case of any appeals on litigation with the Central Government vide the decision of the Supreme court in the case of Electronics Corporation of India Ltd. V. UOI & Ors (Civil appeal no. 1883 of 2011 arising out of SLP 2538 of 2009) (SC)
- **Scrutiny of IT Returns**: IT Department had issued revised guidelines fixing the monetary limits of income shown in the IT Returns for scrutiny and as per the revision made IT returns of corporate and non corporate in metro areas exceeding income of above Rs 30 lacs and Rs 20 lacs only will go to scrutiny by ACs/DCS and below this limit it would be in the jurisdiction of ITOS vide Instruction No.1/2011 of Ministry of Finance dated 31st Jan, 2011.
- **Transfer Pricing Gross Profit**: The Bombay Tribunal held that computation of gross profit margin should be based on audited accounts and should not be a notional figure vide the decision given in the case of Monsanto Holdings Pvt. Ltd Vs DCIT ITA No.9130/M/2010
- **eTDS filing 4th quarter 2010-11**: NSDL has made some changes in eTDS Statement filing for the Fourth Quarter eTDS filing and according to which it will be mandatory for responsible person to provide mobile number. However Central and State Government deductors need not provide mobile number and some other changes in the eTDS filing software have been made for which NSDL site may be referred to.
- **Fees to foreign satellite companies not taxable:** The Delhi High Court has ruled that the fee paid by Indian broadcasters to foreign satellite service providers cannot be taxed in India, giving relief to global satellite and undersea cable companies. The High Court has held the payment made for the use of transponders on foreign satellites does not constitute "royalty" and hence is not taxable in India. The court held that merely because the TV programmes are relayed over a footprint that includes India, it cannot be said that the operations of the satellite operators are being carried out in

India. The case pertains of tax treatment of payments to AsiaSat, a Hong Kong based satellite service provider vide The Economic Times dated 2nd Feb,2011.

- **Transfer Pricing 5% issue:** Kolkata Tribunal held that the assessee is not entitled to adjustment of 5 per cent as stipulated u/s 92C(2), where only one of the several methods specified u/s 92C(1) is applied by the assessee to determine the arm's length price vide the decision given in the case of M/s J.J.Spectrum Silk Ltd Vs DCIT Kolkata ITA 25/Kol/2009
- **Licence Fees paid to parent company:** Licence Fees paid to parent company under technical assistance agreement is allowable business expenditure vide the decision of the Delhi High court in the case of DCIT Vs Nestle India Ltd.
- **Date of filing ITR V:** Date of filing ITR V extended upto 31st July,2011 in respect of AY 2010-11 (PY 2009-10) filed electronically on or before 1st April 2010 vide CBDT F.No.225/25/2010/ITA.II dated 10th Feb,2011
- **Liaison office is not PE:** Mumbai Tribunal, held that Liaison Office (LO) involved merely in purchasing activity would not constitute a Permanent Establishment (PE). Vide ADIT Vs Fabrikant & Sons Ltd ITA No.4657 tp 4660 dated 28th Jan,2011
- **Set-off of brought forward losses**: Mumbai Tribunal held that brought forward business losses can be set off against the gains arising from any business or profession, though chargeable to tax under any other head of income vide the decision given in the case of Digital Electronics Ltd V ACIT 135TTJ449
- **ALP in the case of slump sale:** The Bangalore Tribunal, held that Arm's Length Price (ALP) in the case of a slump sale could be determined using the value as per valuation report, failing which Income-tax WDV can be considered as a methodology vide the decision in the case of Intel Asia Electronics India Branch office Vs ADIT Appeal No. 131 of 2010.
- **Tax residency certificate wrt Beneficial owners:** The Mumbai Tribunal held that Tax Residency Certificate issued by the tax authorities of the other country should be regarded as sufficient evidence for demonstrating the beneficial ownership of the income received from India vide Add; Director of Income Tax Vs M/s Universal International Music BV ITA6063/M/2004 decided on 31st Jan, 2011.
- **Transfer pricing continuing Debit balance:** Mumbai Tribunal held that a continuing debit balance is not an "international transaction vide the decision given in the case of M/s Nimbus Communications Ltd Vs ACIT ITA No.6597/Mum/09.
- **Payment for use of Transponder:** The Delhi High Court, held that the payment for use of transponder capacity for up-linking / down linking data would not constitute royalty income vide Asia Satellite Telecommunications Ltd V Director of Income Tax vide Appeal Nos.131/134 of 2003 decided on 31st Jan,2011.
- **IT onshore revenue is taxable:** Revenue from software development activity and technical manpower deputed abroad have not been considered as export income eligible for deduction under 10A/10B/10AA of the Income Tax Act, 1961 vide The Business Standard dated 26th Feb,2011
- **Branch office of a foreign based subsidiary:** The Delhi Tribunal held that the branch office of a foreign based subsidiary of a parent company cannot be said to be rendering any service if it is merely considered for the purpose of remunerating employees seconded by the Parent to work for the Indian subsidiary vide Whirlpool India Holdings Ltd Vs DDIT (IT) Appeal No.622/2006 dated 14th Jan, 2011.
- **Payment to Non-residents in USA not disallowable under 40(a)(ia):** In a recent decision, in the case of the Central Bank of India v. DCIT [2010-T11-183-ITAT-MUM-INTL] and in the context of payments made to VISA and Master Card (non-

resident credit card agencies based in the USA), the Mumbai Income-tax Appellate Tribunal (the "Tribunal") held that even if a foreign company had taxable income in India, a payment to a non-resident without deduction of tax at source could not be disallowed in view of the non discrimination provisions as contained in Article 26(3) of the Double Taxation Avoidance Agreement between India and the USA ("DTAA").

CENTRAL EXCISE

- **Cenvat Credit on Carbon Block Feedstock**: Cenvat credit is available on Carbon Block Feedstock used as an alternate fuel in manufacturing vide CCE Vs Chaudhary Hammer Works Ltd (2010) 260 ELT 461
- **Reversal of credit**: The assessee is not entitled to suo motu avail credit which he had reversed earlier vide Kanoria Chemicals & Industries Ltd. Vs CCE (2010) 182ECR109
- **Refund of credit in respect of Export services:** Relevant date for filing of refund of credit in respect of Export services is the date when the payment of service (exported) is received and not dates of providing the service vide COMMISSIONER OF CENTRAL EXCISE, PUNE I Vs EATON INDUSTRIES P LTD.

SERVICE TAX

- **Refund of service tax:** A new scheme to refund service tax to exporters is in the works as the government seeks to neutralize all input taxes to enhance competitiveness of the country's export sector. The finance ministry has set up an expert panel to work out the modalities of the scheme. The new scheme is likely to be on the lines of the duty drawback scheme under which exporters are reimbursed taxes paid on inputs at a fixed rate decided by an expert panel every year depending on changes in the tax rates vide The Economic Times dated 4th Feb,2011.
- **Input services –Canteen services:** Canteen services being service necessary in connection with the manufacture of final product are eligible input services vide the decision of Gujarat High Court in the case of CCE Vs Ferromatik Milacron India Ltd 2011-TIOL-18
- **Input service distributor:** Credit is not available to any assessee on services received at any premises not registered as an input service distributor vide Khaitan Electricals Vs CCE 2011 21STR186
- **Services to branch offices:** Services rendered by one branch of a legal entity to another, being service to self is not a taxable service vide the decision in the case of M/s DeeKay shipping services 2010 TIOL-1651 CESTAT
- **Applicable rate of service tax:** Applicable rate of service tax is that prevailing on the date of issue of invoice and not the rate prevailing on the date of realization of consideration for such service tax vide CST Vs Hospitality Consultants India Pvt Ltd 2011-TIOL-41CESTAT

CUSTOMS

- **Preferential Trade Agreement:** Government amends Determination of Origin of Goods under the Preferential Trade Agreement between Member States of ASEAN-the Republic of India Rules, 2009 vide Notification No.8/2011-Customs (N.T) dated 2nd Feb,2011.
- **Customs duty on solar energy project:** CG has notified a concessional customs duty of 5% on all items of imports of machinery and components required for initial setting of power generating project or facility subject to certain conditions stipulated in the notification No.1/2011 dated 6th Jan, 2011.
- **BGs given to customs:** Mumbai Commissionerate had issued instructions for cancellation of Bank Guarantees within one month of submitting all the documents by the importer/exporter in specified

cases vide Public Notification No.128/2010 dated 22nd Dec, 2010.

- **Declared value cannot be rejected:** Declared transaction value can not be rejected by the Department when it has no contemporaneous imports at higher value Crystal Dot Scan Pvt. Ltd Vs CC 2011 263ELT193
- **Excess paid customs duty adjustments:** Excess duty paid inadvertently on account of erroneous computation of the value of goods can be rectified under section 154 of the Customs Act 1962 vide CC Vs Ateq systems Analytic India Pvt.Ltd 2010 TIOL92
- **Failure of export obligation:** Additional duty paid on account of failure to comply with the export obligation is available vide Lakshmi Automatic Loom Works Ltd Vs CCE 2011-TIOL 42 CESTAT Madras.
- **Capital goods destroyed by Fire:** Cenvat credit is available on capital goods destroyed by fire vide Kanoria Chemicals & Industries Vs CCE (2010) 182 ECR 109
- **Re-export period extended**: The Re-export period indicated in the CBEC notification No.84/2010-Customs, dated 27th August, 2010 has been amended from three months to six months vide CBEC notification No.13/2010-Customs, dated 19th February, 2010
- **Refund of 4% CVD(SAD)**:It has been decided to extend time limit for using re-credited DEPB / Reward Scheme scrips in case of 4% CVD (SAD) upto 30th June, 2011 vide CBEC circular No.11/2011-Customs dated 24th Feb,2011
- **No drawback re-exports to Nepal**: No drawback shall be allowed if the goods exported were imported into India from third countries and exported to Nepal vide Notification No. 13/2011 - Customs (N.T.) dated 24th Feb,2011

SALES TAX / GST

- **GST status**: Constitutional Amendment Bill on Goods and Service Tax (GST) to be introduced in forthcoming Budget Session. If the Bill is introduced in the Parliament, the debate on the Constitutional Amendment could become a National debate, allowing the key stakeholders to participate in the implementation process of this crucial indirect tax reform. While, this is certainly a positive development, the challenge before the Central Government is to bring consensus between all Parties for a successful outcome. If the Constitutional Bill is passed in the Winter Session, then implementation of GST from 1 April 2012 certainly looks possible vide The Economic Times dated 12th Feb,2011

COMPANY LAW

- **Easy Exit Scheme 2011:** The Easy Exit Scheme 2011 has been extended upto 30th April,2011 vide General Circular No.1/2011F.No.2/7/2010-CLV dated 3rd Feb, 2011 issued by Ministry of Corporate Affairs. Government of India.
- **Managerial remuneration unlisted companies:** Schedule XIII of the Companies Act 1956 is being amended to provide that unlisted companies (which are not subsidiaries of listed companies) shall not require Government approval for managerial remuneration in cases where they have no profits/inadequate profits, provided they meet the other conditions stipulated in the Schedule.
- **Attachment of subsidiary accounts not required:** Attachment of subsidiary accounts with the holding company accounts required under section 212 of the companies Act 1956 is waived subject to Board of Directors of the holding company through a resolution given consent for not attaching the balance sheet of the subsidiary concerned and also subject to the other conditions prescribed by the Ministry of corporate affairs contained in the circular No.2/2011 date

8th Feb,2011 and this is applicable for the FY 2010-11 vide clarificatory General circular No.3/2011 dated 21st Feb,2011

- **Quantitative details in Annual Accounts:** The Ministry of Corporate Affairs given a general exemption from furnishing certain quantitative details of production by various types of companies for details refer to circular No. issued under section 211 of the Companies Act 1956..

SEBI

- **Asba mandatory for HNI and Institutions**: After taking into account the feedback received from market participants, it has been decided by SEBI that applications supported by blocked amount (Asba) will be mandatory for the non-retail segment from May 1 Under Asba, an applicant can submit a bid, even as the money remains in the bank account. The amount is debited only at the time shares are allotted vide The Business Standard date 8th Feb,2011.
- **UID study**: SEBI has constituted an internal group with members from various departments to examine the modalities for making UID applicable for KYC norms and to formulate their views. This information was given by the Minister of State for Finance, Shri Namo Narain Meena in written reply to a question raised in Rajya Sabha vide UDAI authority of India blog.
- **XBRL Reporting system for MFs**: The Securities and Exchange Board of India (Sebi), which regulates fund houses, has issued a draft structure of the proposed XBRL (eXtensible Business Reporting Language) system for all the regulatory filings to be made by mutual funds. XBRL technology enables the computers read and divide the information provided in the filings under various heads and thus makes it easy to find any relevant details and to identify any irregularities. vide The Deccan Herald dated 15th Feb,2011.
- **SEBI adopts new tool to analyze the data**: Market regulator Sebi said it has implemented a new tool, named Data Ware Housing and Business Intelligence System (DWBIS) for speedy analysis of data and identification of possible violations like insider trading vide the Deccan Herald dated 14th Feb,2011.
- **Price volume swings in share prices**: Listed companies will now have to give answer to stock exchanges for any sudden spurt in their share prices or trading volumes and their replies would be made public for investors' knowledge. In consultation with market regulator the Securities and Exchange Board of India (Sebi) vide The Times of India dated 23rd Feb,2011.

DG&FT

- **Package of incentives for exporters:** The government announced a Rs 500-crore annual package of incentives for export for products still struggling to make an impact in the global market. The sops follow a comprehensive review of all export sectors by the commerce department and will be available from January 1 this year. The incentives announced are in the form of duty free import scrip that can be sold for cash in the market. The new incentives would help offset exchange disadvantage on account of appreciation of the rupee vide The Economic Times dated 12th Feb,2011.
- **Refixation of export obligation:** CG has permitted for refixation of the annual export obligation under EPCG in case exports of any product/sector have declined by more than 5% as compared to previous year vide Circular No. 8 (RE 2010) 2009-14 of 24th Oct,2010.
- **FTP :**FTP which provides for fulfillment of positive value addition under the EOU scheme casts a binding legal obligation on the unit and its

provisions can not be treated as merely directory/advisory in nature vide Simac Electricals Pvt. Ltd Vs UOI 2011 263ELT69

- **Benefit under SFIS:** Benefit of service from India scheme(SFIS) is not available for gross consideration received from sale of immovable property but limited to commission/brokerage for services provided for sale of immovable property vide DLF Vs UOI 2011 263ELT321.
- **DBK/TED Refund claims:** Regional Authorities (RAs) of DGFT disburses deemed export drawback and terminal excise duty as per provisions of FTP and HBP Vol. I. In order to facilitate this process and faster disbursal of such claims, it has been now decided that payment of such claims, henceforth, shall be made online. To give effect to this decision, RAs are required to take necessary actions vide DGFT's Policy Circular No.22(RE-2010) / (2009-14) dated 21st Feb,2011

INSURANCE

- **IRDA bans outsourcing core activities:** Insurance Regulator Irda has announced the dos & don'ts of outsourcing in the fast growing insurance industry Core activities including underwriting, product design and all actuarial functions and enterprise wide risk management, investment and related functions, fund accounting, including NAV calculations, admitting or repudiation of all claims, bank reconciliation, policyholder grievances redressal, approving advertisements, market conduct issues, compliance with AML, KYC cannot be outsourced by the insurers, said Irda vide Financial Express dated 3rd Feb,2011.
- **IRDA tightens norms for third party agents**: The Insurance Regulatory and Development Authority (Irda) announced stiff guidelines on agents servicing third-party policies. It has linked the norms to their past performance and the number of years of experience. The regulator said that the total amount collected by agents for a given financial year should not exceed three times the renewal commission earned in the previous financial year vide The Business Standard dated 3rd Feb,,2011.
- **IRDA panel to study electronic issue of policies:** The Insurance Regulatory and Development Authority has formed a panel to look into modalities of electronic issue of policies. Mr A. Giridhar, Executive Director, IRDA, is the Chairman of the panel which would have 10 other members from industry and agencies. The panel, which would submit its reports in a month, will examine various aspects such as mechanism of electronic issue of policies, the legal implications, cost-benefit analysis and operational procedures, among other things vide IRDA circular No. Hindu Business Line dated 4th Feb, 2011.
- **IRDA issues guidelines for sharing information:** IRDA issued policy guidelines for sharing of information sought by any outside agency both within India and jurisdictions outside India. While laying down the framework, it is necessary to underline the importance of maintaining a high standard of confidentiality in the information shared with other stakeholders vide CIRCULAR NO. IRDA/F&I/CIR/GLD/202/12/2010 dated 8th Dec, 2010.
- **IRDA allows mergers in insurance industry:** IRDA releases norms for merger of General Insurance companies. As per the draft guidelines to protect the interest of policyholders, the transacting parties shall ensure that policyholders of the transferor entity are migrated in a manner which ensures that their existing policies are continued to be serviced by the transferee entity on terms and conditions no less favorable than those existing prior to the merger. Further the proposed M&A norms are expected to spur consolidation leading to fewer but stronger

players in the insurance sector vide The Business Standard dated 12th Feb, 2011.

- **Portability in Insurance coverage:** Holders of health insurance policies can wef 1.7.2011, switch companies without fear of losing benefits of a 'no claim' track record or out of concerns that they may have to wait awhile before certain health conditions are covered. The insurance regulator has said that insurers must allow policyholders to transfer the credit in terms of waiting period for pre-existing illness and bonus sum insured from one insurer to another vide The Times of India dated 12th Feb,2011.

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