VOICE OF FICCI

SHAPING THE AGENDA

September 2023

From the Secretary General

In September 2023, FICCI hosted the India-Saudi Arabia Investment Forum. This was in partnership with the Department for Promotion of Industry and Internal Trade (DPIIT), the Ministry of Investment of the Kingdom of Saudi Arabia, and Invest India. The Forum was graced by Shri Piyush Goyal, Minister of Commerce & Industry, Consumer Affairs & Food & Public Distribution and Textiles, Govt. of India along with HE Khalid Al-Falih, Honourable Minister of Investment of the Kingdom of Saudi Arabia and accompanying high-powered officials and business delegations from Saudi Arabia.

While in London for a brief visit, I met with HE Mr Vikram Doraiswami, High Commissioner of India to London. We discussed the problem posed to Indian business by Heathrow airport and its inefficient immigration process. We discussed how Heathrow's incapacity is preventing closer business ties between India and the UK. We also agreed to work on new opportunities in sectors like Science & Technology, Healthcare, Financial Services, and Climate Change.

FICCI leadership also called on Mr VL Kantha Rao, Secretary, Ministry of Mines in New Delhi. President Mr Subhrakant Panda presented the FICCI report on New Age Energy Minerals to the Secretary. We also met Mr Prakash Hinduja, Chairman, Hinduja Group Europe, and discussed Hinduja Group's long association with FICCI and agreed to strengthen ties further.

Along with Mr Remi Maillard, Chair, FICCI Civil Aviation Committee and President & MD, Airbus India & South Asia, we called on Mr Vumlunmang Vualnam, the new Secretary, Ministry of Civil Aviation to discuss the rapidly growing Civil Aviation market. He received a briefing on the upcoming Wings India 2024 in January.

FICCI is privileged to have leading member-chambers across India. We welcomed to FICCI our member, Southern Gujarat Chamber of Commerce and Industry (SGCCI), Surat, led by President Mr Ramesh Vaghasia and Vice President Mr Vijay Mevawala.

During a meeting with Dr Rajkumar Upadhyay, CEO and Chairman, Center for Development of Telematics (C-DOT), we discussed the emerging areas of digital communication focusing on innovation for global competitiveness.

During a brief interaction with Mr V Namgyel, Ambassador of Bhutan, we proposed an industry delegation to Bhutan, focusing on sectors like Electric Vehicles, High-end tourism, Pharma and healthcare, wellness, and skilling.

In Bengaluru (Bangalore), FICCI Startup Committee Karnataka State Council Chair Mr Ullas K Kamath, and I were joined by Mr Priyank Kharge, Hon'ble Minister of IT and BT and Rural Development and Panchayat Raj, Karnataka. We interacted with young start-up founders, and deliberated on policy issues that can help them to succeed.

In the month, FICCI made several representations to the government, from a request to consider recommendations for the Production Linked Incentive (PLI) for Drones to inputs from Indian Industry on trade and investment issues with Brazil and suggestions to RBI on Non-Resident account opening to improving the usage of CKYC. As the voice of the Indian industry, we shall ensure that our members are well served in communicating their issues and suggestions to the government.

Shailesh Pathak

Request to Consider Recommendations for the Production Linked Incentive (PLI) for Drones

Drone industry requires continuous support to reach to a level to establish India as a Global Drone Hub. Existing PLI scheme had provided the impetus for the drone manufacturing, however there was a scope for further strengthening the industry in a comprehensive manner. FICCI proposed to Senior Economic Advisor, Ministry of Civil Aviation, Government of India the following:

1. Extend the PLI Scheme to Drone Services - as services makes a significant part of the ecosystem & can contribute towards the industry's growth.
2. Expand the Beneficiary Base - by accepting fresh applications and provide opportunity to new entrants to contribute to the growth of the industry.
3. Extend PLI for drone and its components should also cover manufacturing of counter-drone systems & components and integration of such systems
4. increase the outlay of the PLI scheme to INR 2000 Crores (covering manufacturing of drones, counter drone systems, their components and subsystems, services and integration).
5. Change the existing method of calculating value addition to base on the Gross Margin (Sales – Cost of Goods Sold).

For detailed recommendations, please write to
Mr Manab Majumdar at manab.majumdar@ficci.com

Representation to include FICCI in Export Promotion Council for Defence

The Ministry of Defence is in process of establishing an Export Promotion Council for Defence, which will be an independent body for facilitation of defence exports from India. SIDM has been involved with Ministry of Defence in establishing an Export Promotion Council for Defence. FICCI has an active and vibrant Defence and Aerospace Committee, well represented by public and private industries. We represented that for a proposed Defence Export Promotion Council should be a independent body and there may be equal representation of all apex national chambers representing industry so that all stakeholders industries are represented well, including large, medium and small units. This was submitted to Defence Secretary & Secretary

(Defence Production), Government of India.

For detailed recommendations, please write to
Mr Vivek Pandit at vivek.pandit@ficci.com

Impact of Special Additional Excise Duty ("SAED") on Domestic Upstream Industry

The Upstream industry has been adversely impacted by the SAED and Operators have made multiple requests to the Government of India for the withdrawal of this levy. In this regard FICCI submitted the following to the Revenue Secretary, Ministry of Finance:

- Recent reforms undertaken by the Government are oriented on a shift of focus from 'revenue' to 'production maximisation'.
- Oil & Gas Exploration & Production projects are already subjected to fluctuations in oil prices. Further, these projects have a high economic risk due to a long gestation period and large capital requirements. Predictability in the policy environment and fiscal stability in the taxation structure is paramount to enhance investor confidence and attract investments in this industry.
- The industry pays already several other taxes and levies – Royalty, OID Cess, Basic Excise Duty NCCD, and Profit Petroleum. Imposition of SAED further reduces investible surplus of companies. In this context, it is also to be noted that Production Sharing Contracts (PSCs) and Revenue Sharing Contracts (RSCs) have an in-built mechanism to share revenues with the government in a high-price regime as incremental gains get transferred in the form of higher profit / revenue for the government. Moreover, imposition of windfall tax has rendered domestic producers at a greater disadvantage compared to foreign producers exporting to India as imported oil is not taxed.
- Most of the India's producing fields which can ramp up production in the immediate future, are currently in the mature or declining phase. These mature fields need additional investments in recovery methods and growth projects to enhance, and in some cases, even sustain production. Globally, fiscal policies are designed to maximize long term economic recovery from mature fields.
- In the background of the aspects stated above, we request for the withdrawal of the SAED.

For detailed recommendations, please write to
Mr Vivek Pandit at vivek.pandit@ficci.com

FICCI Note on Comprehensive Strategy to Map Major Products and Countries to Maximize Exports and Minimise Imports

FICCI submitted a detailed note on 'Comprehensive Strategy to Map Major Products and Countries to Maximize Exports and Minimise Imports' to the Parliamentary Standing Committee on Commerce. The note focussed on identifying products and markets, based on data analysis where India has a relative comparative advantage and can expand its international footprints. Based on FICCI's previous studies, the "non-essential items" where imports can be minimised were also suggested.

The following policy recommendations was submitted to Parliamentary Standing Committee on Commerce, Rajya Sabha Secretariat, Parliament of India, such as promote brand India, streamline the platforms, leveraging FTAs, addressing Non-Tariff Barriers, promoting "Districts as Export Hubs", were also stated to boost outbound shipments.

For detailed recommendation, please write to
Ms Pragati Srivastava at pragati.srivastava@ficci.com

Inputs on "Inverted Duty Structure"

FICCI submitted a report on "Inverted Duty Structure" to the FTA Review Committee. It was prepared based on feedback from the industry members. The problem of Inverted Duty Structure arises due to the discrepancies in Customs duties on raw materials vis-à-vis its final products, majorly on account of Free Trade Agreements (FTAs). The study includes duty anomalies in the products from sectors such as Aluminium, Coke, Chemicals, and Fibre; arising out of various FTAs. This was submitted to FTA Review Committee, TNB Coordination, Department of Commerce, Ministry of Commerce and Industry.

For detailed recommendation, please write to
Ms Pragati Srivastava at pragati.srivastava@ficci.com

SEBI Discussion Paper on Review of SEBI (Delisting of Equity Shares) Regulations, 2021

Based on inputs received from members of FICCI Capital Markets Committee, FICCI submitted a representation on SEBI Discussion Paper on Review of SEBI (Delisting of Equity Shares) Regulations, 2021. These included recommendations on counter offer price, floor price and so on.

For detailed recommendation, please write to
Ms Abha Seth at abha.seth@ficci.com

Draft CCI Settlement and Commitment Regulations, 2023

Based on inputs received from members of FICCI Corporate Laws Committee, FICCI submitted a representation to CCI on Draft CCI Settlement and Commitment Regulations, 2023.

For detailed recommendation, please write to
Ms Abha Seth at abha.seth@ficci.com

Draft CCI Combinations Regulations 2023

Based on inputs received from members of FICCI Corporate Laws Committee, FICCI submitted a representation to CCI on Draft CCI Settlement and Commitment Regulations,2023. These included recommendations regarding valuation of non-competition obligation, timing and filing of application, fees and so on.

For detailed recommendation, please write to
Ms Abha Seth at abha.seth@ficci.com

Industry Standards Forum representation on Rumour Verification requirement under SEBI LODR Regulations

In August 2023, SEBI had invited the three leading industry associations together to work along with SEBI in coordination with Stock Exchanges to assist in designing the implementation standards for various regulations. Pursuant to the invitation, the three industry associations came together and constituted an Industry Standards Forum under the Chairmanship of Mr. K V Kamath. The engagement process including consultations with industry members is being facilitated by the NSE and BSE. The Industry Standards Forum has worked on some of the provisions of SEBI LODR Regulations and based on discussions at the meetings of the Forum, a detailed representation has been submitted to SEBI on draft standards for compliance with the rumour verification requirement under SEBI LODR Regulations.

Pursuant to the recommendations made, SEBI has postponed the implementation of the provision pertaining to rumour verification, which was to come into effect from October 1, 2023 and has issued a circular to this effect.

For detailed recommendation, please write to
Ms Abha Seth at abha.seth@ficci.com

Inputs from Indian Industry on trade & investment issues with Brazil

FICCI had collated inputs from Indian industry on trade and investment issues with Brazil and shared them further with the Ministry of Commerce and Industry for India Brazil Trade Monitoring Mechanism (TMM) meeting in Brazil, chaired by the Commerce Secretary. This was submitted to Under Secretary, FT(LAC) Division, Department of Commerce.

For detailed recommendation, please write to
Mr Imran Khan at imran.khan@ficci.com

Draft Patents (Amendments) Rules, 2023

The amendments proposed by DPIIT to Patent Rules are directedat a progressive change in reducing the burden on patent applicants by streamlining the operations of the patent office, expediting patent processing timelines, which are aligned to IPO's continuous efforts to optimizing their functioning. While FICCI welcomes the intent behind the proposed amendments, in its recommendations to the government on the various rules and the related forms and schedules, it also underline the need for caution so that the amended rules do not dilute the safeguards provided within the Patent Act as well as the transparency in India's patent system.

DPIIT

For detailed recommendation, please write to
Mr Dipankar Barkakati at dipankar.barkakati@ficci.com

FICCI Representation on Classification and GST rate applicable on read to eat snack products manufactured through the process of extrusion

Request for suitable amendments in para 2.2 of the said Circular No. 200/12/2023-GST issued on 01st August, 2023 which is creating a confusion in the classification of the namkeen products made through extrusion process. it is humbly prayed that a clarification on rate of tax applicable on namkeen products such as Bhujia, Sev, potato chips, corn rings, veggie sticks, etc by whatever name called even though manufactured through process of extrusion remains classifiable under HSN 2106 90 99. In the absence of clarification, the trade and Industry will face the problems due to undesired classification disputes and litigations arising out of the misunderstanding. This was submitted to Joint Secretary (TRU-II), Department of Revenue, Ministry of Finance, Government of India.

For detailed representation, please write to
Ms Leena Jaisani at leena.jaisani@ficci.com

Note on Non-Resident Account Opening

Over the years, account opening process for Resident Indians has significantly improved, making it seamless and real-time. This is particularly true given the use of Aadhaar and the ability to complete KYC using video KYC capabilities. The progress made by Reserve Bank of India in this context is truly revolutionary. When it comes to the process for opening of accounts Non-Resident Indians (NRIs), there are many legs to the process that are manual in nature. We all know & recognize that the Indian diaspora are a very significant contributor to the country's growth. NRIs, through several interactions with Banks have urged for enabling Digital Account Opening like how it is enabled for Residents. Given this FICCI has requested RBI to consider the following suggestions -

- Introduction of an exclusive vCIP procedure for NRIs with incremental controls.
- Bilateral arrangements for account opening between banks in India and overseas, where the partner bank overseas can securely transfer identity-related information to the partner bank in India.
- Verification of original documents used for account opening by Regulated Exchange Houses & Banks that are partners under the Rupee Drawing Arrangements.
- Permitting certain sources for the first credit such as remittance via RDA/Nostro route, transfer from own NRE account, or transfer from own account maintained abroad.
- Overseas address proof and positive confirmation: Allowing proof of delivery of consignments (e.g., debit card/cheque book) at the overseas address.
- Online verification of passports issued by India using APIs, where available.

These suggestions could indeed enhance the customer experience while ensuring risks are mitigated. This was submitted to Executive Director, Reserve Bank of India.

For detailed recommendations, please write
Mr Anshuman Khanna at Anshuman.khanna@ficci.com

Note on Business Correspondents: Request to review clauses

The inclusion of Business Correspondents (BCs) in the financial eco-system has been a key trigger to enhanced financial inclusion. The last mile reach of the BCs has helped Banks to expand their presence across

India & has enabled greater access to banking services to all.

As the financial ecosystem has evolved, it may be an appropriate opportunity to review the extant regulations relating to Business Correspondents and "contemporize" them to suit the changes in the ecosystem specifically and the following areas need to be reviewed:

- Restructuring regulations to suit the digital world: Current regulations are designed for BCs operating in a physical world. With digital account opening, there's a need to incorporate aspects of the digital world into these regulations. A FinTech sourcing Current & Savings accounts using digital means could potentially play the role of a BC in a completely digital world, with appropriate risk controls.
- Allowing NBFCs to become BCs: Current regulations preclude Non-Banking Financial Companies (NBFCs) from taking on the role of BCs. Considering digital access, it might be beneficial to allow NBFCs to become BCs sourcing current & savings accounts for banks.
- Removing the need for BCs to operate under a specific branch: Banking accounts opened through digital means do not necessarily need to be linked to any physical branch of a Regulated Entity (RE).
- Reviewing constraints on small value credit & deposits: With the proliferation of digital payments, the constraint on small value credit & small value deposits may need to be reviewed, while ensuring appropriate controls on KYC and AML by Regulated Entities.
- Developing a structured common training program for agents: A joint effort between RBI and a Working Group of Bankers to develop a training program for agents in the physical BC world could enhance their knowledge and oversight.

These suggestions could indeed enhance financial inclusion and access to banking services across India. These were submitted to Executive Director, Reserve Bank of India.

For detailed recommendations, please write
Mr Anshuman Khanna at anshuman.khanna@ficci.com

Note Automation of Auditor role in V-CIP (Video-based Customer Identification Procedure) for residents

FICCI thanks RBI for enabling V-CIP Master KYC regulations in January 2020 which has been a game changer with every large Bank today having launched this paperless and contactless model of Video KYC. Data shows that a single bank officer who used to service 75 physical KYC per month in one city has with V-CIP 10Xed productivity to 750 V-CIP / Month across 1000 cities and towns. FICCI acknowledges RBI's prudent decisions to prevent fraud in V-CIP by enabling within the V-CIP process an Aadhar validation, a PAN validation, and liveliness validation. This multi layer validations has ensured a highly fraud resistant KYC process and smart leverage of Digital Public Infra while ensuring security.

To support these efforts FICCI continues to engage with MEITY to enable e-PAN on Digilocker for usage with VKYC and with CERSAI to enhance the breadth and quality of CKYC data. Tremendous investments have been completed across industry into launching, stabilising and scaling up VKYC technology stacks and per month usage runs into millions of Video KYC cases per month. The V-CIP regulation have provided us a strong foundation and Industry looks forward to continuing scale up per extant V-CIP regulations which are widely implemented and heavily invested since 2020. While it is important that current V-CIP regulations which is today being managed at scale continue as-is, we will continue to engage on new automation options as new technologies enable further automation of V-CIP process.

Some of the suggestions include.

- NSDL based PAN validation: Instead of the customer showing the physical PAN card on the screen, NSDL based PAN validation could be used.
- Geo-tagging, Spoof prevention, and presence in India: These can be effectively done by algorithms automatically.
- Live photo capture and match with photo present on OVD & Customer PAN: This can be done automatically by advanced AI/ML codes and OCR technologies.
- Identity verification: This can be carried out by an algorithm by matching demographic details present on PAN & OVD.
- Liveliness check: This can be done in an automated way based on gesture capture, entering OTP, answering random questions on screen, etc.
- Final decision output: This can be done by an algorithm based on the results of the above checks.
- Removal of auditor work-flow leg for pre-disbursal workflow: Since the algorithms can perform the tasks as mentioned above and a Bank official is engaging with the customer on the video call for confirmation, It is recommended that the auditor work-flow leg be completely removed for pre-disbursal workflow. Post disbursal, auditor workflow can be added for a certain sample set of customers daily (e.g., 10%) to ensure performance of algorithms/digital services is continuously audited and tracked for effectiveness.

These suggestions could enhance the efficiency of the V-CIP process without compromising on its diligence and were submitted to Executive Director, Reserve Bank of India.

For detailed recommendations, please write
Mr Anshuman Khanna at Anshuman.khanna@ficci.com

Note on Improving the usage of CKYC

Banks & NBFCs have started using CERSAI for KYC purpose. This is significant as it means that the CKYC infrastructure is enabling the Government of India and regulators' thrust for paperless and presence-less on-boarding for financial inclusion. It is also relevant here to draw reference to the SEBI KYC Registration Agency ("KRA") central data base of individuals and the efficient online checks allowed for onboarding a new Mutual Fund customer. There is a need to have a similar utilisation of common repository infrastructure for banking products as well and CKYC Registry could play that role. The benefits of CKYC Registry across financial institutions ranges from de-duplication of KYC processes through its inter-usability, cost optimisation for Financial Institutions ("FI") and paves way for unification of KYC data across all financial sector regulators.

Suggestion for Enhance Due Diligence (EDD) of accounts opened via CKYC, Section 40 of MD on KYC.

The following checks may be made mandatory in lieu of positive confirmation requirement to establish identity and mitigate the risk of identity theft and was submitted to Executive Director, Reserve Bank of India:

- Validate the PAN of customers from NSDL records digitally before allowing the loan application/onboarding journey to proceed. Selfie capture should be mandatory:
- Photo match of selfie with CKYC photo
- Penny drop in a SA account of customer with another RE
- Validate customer's bank account with another RE through IMPS service.
- Name match triangulation; Match customer name from 3 different sources- CKYC OVD, verified NSDL name & IMPS name retrieved from penny drop.
- Other suggestions for CKYC include.
- Explicit mandate from the financial sector regulators to their REs to upload their customer's KYC records with the CKYC Registry within 10 (ten) days from commencement of an account-based relationship.
- RBI should mandate its REs to ensure completion of uploading their customer's KYC records with the CKYC Registry in respect of all their pre-historical customer information and / or OVDs. The records of all the existing customers in the banking system should be uploaded in a time bound manner.
- Uploading OVDs as per KYC Master Directions: Banks and FIs should ensure that the records of a customer uploaded on the CKYC Registry should be as per the list of OVDs present in their sector specific KYC Master Direction and the Rules.
- Rationalization of Charges:. CERSAI can remove disproportionate charges under the CKYC Registry guidelines for creation, up-dation and downloading of an individual's data in the CKYC Registry.
- Simplification of customer onboarding forms, fields and uploading process: This will ensure that the resources deployed by each FI are more efficient. The CKYC data fields that FI's need to capture are prescribed and therefore the need for the CKYC form should be optional.
- Technology access and integration: API calls can be streamlined for addressing different REs requirements. Further, API integration of CKYC Registry with UIDAI and NSDL will facilitate ease in authentication of an individual's OVDs and can enable real time up-dation of KYC records.
- Customer awareness on CKYC Identifier Number: Increasing public awareness on CKYC Identifier Number is required.

For detailed recommendations, please write
Mr Anshuman Khanna at anshuman.khanna@ficci.com

For more details contact FICCI Membership at:
tripti.kataria@ficci.com/+91 98 1800 0591